

CAMPAIGN FOR CONTRACT AGRICULTURE REFORM

a voice for contract farmers, ranchers and their communities

April 13, 2020

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington D.C. 20250

Dear Secretary Perdue:

I am writing on behalf of the members organizations of the Campaign for Contract Agriculture Reform (CCAR) to offer our recommendations about the most effective ways to provide assistance to our nation's livestock and poultry farmers in response to the COVID-19 pandemic.

CCAR was established in 1999 as an ad hoc coalition of organizations with a shared concern about the effects of vertical integration on farmers and their communities. The coalition actively engages in both legislative and administrative efforts at the federal level to establish basic contract protections and standards for livestock and poultry farmers in their interactions with packers and poultry companies, and to advocate for greater competition in livestock and poultry markets. The member organizations of CCAR are Farm Aid, Government Accountability Project, National Farmers Union, National Sustainable Agriculture Coalition, Rural Advancement Foundation International-USA, and R-CALF USA.

This is a troubling time for the nation as a whole and we thank you in advance for your efforts to provide assistance to farmers facing lost markets and income as result of the pandemic. We also thank you for the tireless efforts of hard-working USDA staff in their work to respond the massive impacts of the pandemic throughout the food supply chain.

The recently enacted CARES Act included a \$9.5 billion emergency fund "to prevent, prepare for, and respond to coronavirus by providing support for agricultural producers impacted by coronavirus, including producers of specialty crops, producers that supply local food systems, including farmers markets, restaurants, and schools, and livestock producers, including dairy producers."

As you make decisions about the most impactful use of the CARES Act funding, we offer the following recommendations with regard to the livestock and poultry sector:

- 1) Assistance to livestock and poultry farmers should be prioritized over assistance to packers, swine contractors and poultry integrators.

When markets are disrupted in the livestock and poultry sectors, it is the farmers who are on the front lines of the economic harm that results from the disruption. In the past, USDA has often prioritized large packer and integrator firms as the recipients of assistance during major market disruptions. We urge you to use the farmer assistance funding provided by the CARES Act to provide assistance to farmers directly. For example, for those farmers who produce under a poultry and hog production contract, it is the contractor grower who takes the ultimate economic hit from lost markets and related production reductions, as cost-cutting measures are often pushed down to the contract grower by the poultry and hog integrator firms that own the animals and control the contracts. It is critical that USDA establish procedures to ensure that poultry and hog integrators not be permitted to use the Covid-19 pandemic and USDA's response package as an excuse to cut off growers or reduce placements with growers for reasons unrelated to the pandemic itself.

- 2) Farm Service Agency (FSA) lending should prioritize the needs of existing poultry and hog producers over the construction of new poultry houses or hog barns.

During this time of significant economic harm to existing poultry and hog producers, it would be inappropriate and counterproductive to use FSA guaranteed or direct loans to build new poultry or hog facilities to expand production. The increased production will only worsen the economic pain felt by the existing farms during the pandemic. Therefore, we urge you to focus FSA lending on the needs of existing farmers.

- 3) USDA should use all available authorities to respond to market and price manipulation in the cattle sector and work with Congress to seek additional authorities to address the problem.

Market manipulations in the cattle sector preceded the COVID-19 pandemic. However, the market disruptions related to the pandemic have placed a new spotlight on the problem.

In recent years, we've seen a collapse in prices paid to U.S. cattlemen while wholesale prices have continued to rise. The August 2019 fire in the Tyson beef processing plant near Holcomb, Kansas exacerbated the situation by sparking a sustained collapse in beef prices beyond what was commensurate with actual market disruption related to the closure of that plant. These factors have resulted in multiple investigations into market and price manipulation in the beef sector, including USDA's own on-going investigation into these concerns.

We urge you to use all authorities available to you under the Packers and Stockyards Act and other statutes to take action to end price manipulation in the cattle sector and deter future manipulation. If additional authorities are needed, such as subpoena authority for packer firm records, we urge you to work with Congress to seek those authorities. We stand ready to support those efforts.

Thank you for your consideration of these concerns and recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven D. Etkin". The signature is written in a cursive style with a large initial 'S'.

Steven Etkin
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