



Dakota Rural Action

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DRA . . . Standing Up for Livestock Producers

Why are livestock issues important?

Agriculture is South Dakota's #1 industry, and independent livestock producers are its backbone. There are 16,900 beef cattle producers, 1,500 hog producers, and 2,100 sheep producers in this state. The combined farm income from livestock production is over \$2 billion!¹ That's important to our economy. Every day independent producers must fight packer price manipulation, apathy from government agencies, and vertical integration. There are no open, competitive markets for livestock producers, which makes it hard for them to make a profit on their product. And when livestock producers suffer, so do our rural communities. That's why Dakota Rural Action members are working for tools to help our producers get a fair price – when independent livestock producers do well, so does South Dakota.

What is the Captive Supply Reform Act?

The Captive Supply Reform Act is a bill to stop packer price manipulation. Meat packers acquire more than half of all cattle and hogs they slaughter through “captive supplies” -- livestock they own themselves or control through contracts with producers. They are “captive” because they are tied to one packer, rather than being bid for on the open market. Packers use these captive supplies to lower prices on the open market, driving prices down when they think they get too high. Captive supplies cost independent cattle producers more than \$1.4 billion in 2003².

The CSRA will fix the problem of captive supplies without banning forward contracts. The Act, introduced in both the U.S. Senate and U.S. House, would restore open, fair markets by:

Requiring a fixed base price in contracts.

Requiring that contracts be traded in open, public markets – no secret deals.

Senator Tim Johnson and Rep. Stephanie Herseth both are co-sponsors of the Act.

In June, the Senate held a staff briefing for the bill, and one for the House should be forthcoming in the near future. This is a big step toward getting hearings on the bill, which will help to move it forward. Today is a critical time for the cattle industry – we are closer to ending packer price manipulation than ever before!

Why ban packer ownership of livestock?

Like with captive supplies, meat packers use livestock they own to depress prices. When prices get too high for packers to make their huge profit margins, they stop buying on the open market and go to their own livestock, thus dropping prices for producers. By banning packer ownership of cattle for more than two weeks before slaughter, the packers won't be able to build up large numbers of cattle or hogs, which will help prevent them from manipulating the market. Banning packer ownership is one more tool to ensure that competition is restored to our markets.

What's all the fuss about animal identification?

USDA has a plan to implement mandatory animal identification program by 2009, though currently the plan is voluntary. This proposal, the National Animal Identification System (NAIS), has numerous flaws. DRA members do not feel that the NAIS is necessary or beneficial to the cattle industry. There are sufficient existing program to track cattle effectively when needed, such as the brand inspection and brucellosis vaccination programs. Implementing an animal ID program when there are existing programs already in use would be an unnecessary cost to producers. USDA has neither determined how much the program will cost producers, nor how the program will be funded. The agency has already spent over \$80 million on NAIS with very little to show for it.

Did You Know?

* Captive supplies cost independent producers more than \$ 1 billion each year.²

*Four companies buy 80% of the cattle and 50% of the hogs processed in the U.S. each year

*USDA's proposed animal ID plan will not prevent BSE-infected animals from entering the U.S.

*Tyson Foods showed a profit of \$353 million for 2005.

*Tyson, the nation's #1 meat packer, is also the #2 food processing company.³

*Ranchers and farmers receive only 20 cents for every dollar spent on food.

