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national farmers union
In Union Is Strength

May 27, 2009

**An open letter to the Prime Minister of Canada and the leaders of the federal parties
regarding the urgent need for Canadian laws banning captive supply of cattle**

Rt. Honourable Stephen Harper
Prime Minister of Canada

Michael Ignatieff
Leader of the Liberal Party

Gilles Duceppe
Leader of the Bloc Québécois

Jack Layton
Leader of the New Democratic Party

Dear Prime Minister and federal party leaders:

Canada's independent ranchers and farmers—the backbone of our cattle and beef sectors—are receiving some of the lowest prices they've seen since the Great Depression. Adjusted for inflation, prices today are *half* of price averages from the 1970s, and '80s. Today's Depression-echoing prices are bankrupting long-standing cattle producers and forcing farm families from the land.

There is very good news, however. US Senators have introduced a bill that promises to raise the market price of cattle in the US and, if we act in concert, in Canada too. The *Livestock Marketing Fairness Act* would restore balance in cattle markets, ensure that all buyers and sellers have equal information and equal access to purchasing and selling opportunities, and terminate the use of captive supply contracts.

Captive supply is a technique wherein beef packing companies use cattle herds they own, or cattle they control through contracts that do not contain fixed prices, to suppress prices to independent sellers. Captive supplies allow large buyers to stop bidding in cash markets whenever prices rise above levels they wish to pay. Nearly every study on the issue has concluded that captive supply leads to lower prices for ranchers and farmers. University researchers studying Canadian markets have found that one-half to two-thirds of the cattle entering our biggest packing plants are packers' own captive supplies. The rise of captive supply levels in Canada and the US correlates strongly with the fall in prices.

Republican and Democratic Senators from major cattle-producing states have introduced the *Livestock Marketing Fairness Act* and are determined to restore the proper functioning of cattle markets. US President Obama has made a ban on captive supply a priority. In point 2 of his concise rural agenda, Obama commits to "Pass a packer ban," explaining that "When meatpackers own livestock they can manipulate prices and discriminate against independent farmers."

The NFU strongly urges the Canadian federal government to pass legislation in this country outlawing captive supply. Meat packing companies must not be allowed to use captive supply herds, or captive supply contracts, to manipulate and control the prices paid to independent sellers. On behalf of our thousands of family farm members, we call on you to act in the coming months to introduce into the Canadian House of Commons legislation banning captive supply in this country.

Ranchers and farmers are often told that we have an integrated North American market. For that reason, US moves to increase farmers' prices must be matched by similar moves here. To fail to do so will be to undermine US efforts to restore market fairness, reduce the price-increasing effects that a US move could have, and put Canadian farmers at a disadvantage as Canadian packers retain the capacity to use price-lowering captive supplies and US packers do not.

Prime Minister Harper, Mr. Layton, Mr. Duceppe, and Mr. Ignatieff, solutions to the grinding farm income crisis are often difficult, unaffordable, and seemingly out of reach. Today, you have before you an opportunity to embrace a solution that is low-cost and effective. You have an opportunity to restore proper market function and fairness. And you have an opportunity to move forward in concert with similar initiatives at the highest levels of the US government. There is no reason for inaction on this issue. Farmers and ranchers call on you to introduce Canadian legislation banning captive supply early in the fall sitting of the House of Commons.

We thank you for your attention to this matter and look forward to fall legislation and to rapid progress in restoring farm-sustaining prices for all cattle producers.

Jointly signed by,

[original signed by:]

Stewart Wells
NFU President

[original signed by:]

Fred Tait
NFU Board member
and Manitoba cattle producer

[original signed by:]

Neil Peacock
NFU Board member
and Alberta cattle producer

[original signed by:]

Grant Robertson
NFU Board member
and Ontario cattle producer

cc: Senator Mike Enzi (Rep.-Wyoming)
Senator Byron Dorgan (Dem.-North Dakota),
Senator Chuck Grassley (Rep.-Iowa),
Senator Tim Johnson (Dem.-South Dakota)
Various media

Attachment to the the NFU's May 27 letter to the Prime Minister and leaders of the federal parties

The following is the text of a news release from US Senator Michael Enzi

See http://enzi.senate.gov/public/index.cfm?FuseAction=NewsRoom.NewsReleases&ContentRecord_id=5e89710e-802a-23ad-4813-c72b73d70a2d

Senators to help ranchers stay competitive

New bill would stop manipulative markets

May 20, 2009

Washington, D.C. - U.S. Senators Mike Enzi, R-Wyo., Byron Dorgan, D-N.D., Chuck Grassley, R-Iowa, and Tim Johnson, D-S.D., introduced a bill today that would stop years of unfair and manipulative meat packer practices that negatively impact ranchers and farmers.

"This bill is common sense. Certain companies have been stacking the deck. This not only hurts their competitors it hurts our economy. There is a continued need to restore transparency and competitiveness in all our markets, including the sale barn. Packers who own herds shouldn't be able to manipulate prices and now is the time for Congress to rein in anti-competitive meat packers and give ranchers an honest chance to make a living," said **Enzi**.

"The big meat packing companies have held far too much power over the livestock industry for far too long," **Dorgan** said. "It's time we injected some fairness into this market. Our independent ranchers are out there working hard every day, and they deserve a fair shake at the stockyard. We need to pass this bill and stand up for their interests."

"Family farmers can compete with anybody if there's a level playing field. Unfortunately, all too often they are working with one arm tied behind their backs, because they are at the mercy of the big packers. Our bill works to create a healthy, competitive environment for small and large producers and packers by bringing transparency to the marketplace and ending manipulative behavior," said **Grassley**.

"The top meat-packing companies continue to gain more power over the independent farmer and rancher. This bipartisan bill will prevent anti-competitive practices and keep our family farmers and ranchers in the fold. Our hardworking producers simply deserve a fair price for their product," **Johnson** said.

The Livestock Marketing Fairness Act, would put ranchers and farmers on equal footing with packer-owned herds by amending the Packers and Stockyards Act of 1921 to end certain anti-competitive forward marketing contracts and ensure that ranchers have full access to the marketplace.

A growing number of large packing operations own their own livestock or control them through forward contracting agreements. This allows these firms to buy from themselves when prices are high and buy from others when prices are low. In recent years, the meat packing industry has become increasingly concentrated with only a handful of firms controlling a majority of the domestic cattle and hog slaughter.

The bill would:

- Require that forward contracts for livestock (cattle, hogs and lambs) be traded in public markets where buyers and sellers can witness bids as well as make their own offers. This ensures the market is open to multiple offers.
- Require marketing agreements to have a firm base price derived from an external source. This ensures that local contract prices are not subject to manipulation by packer owned herds.
- Exempts producer owned cooperatives, packers with low volumes and packers who own only one processing plant. This exemption targets the source of price manipulation and ensures that the business practices of small family-owned processors are not impacted by the law.
- Ensures that trading is done in quantities that provide market access for both small and large livestock producers.

The legislation is aimed at improving the stability and openness of forward contracting to provide ranchers and farmers more options to sell their animals. The legislation allows ranchers and farmers to continue choosing the best methods for selling their animals.