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FOR IMMEDIATE RELEASE

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**US INTRODUCES LAW TO PARTIALLY BAN CAPTIVE SUPPLY IN CATTLE:
CANADA MUST FOLLOW SUIT**

SASKATOON, Sask.—Today in Washington, Republican and Democratic Senators from several cattle-producing states introduced a bill to curtail captive supply in cattle markets.

Captive supply is a technique wherein beef packing companies use cattle they own, or cattle they control through contracts that do not contain fixed prices, to push down prices to independent sellers. Captive supplies allow packers to stop bidding in cash markets whenever prices rise above packers' preferred level. Nearly every study on the issue has concluded that packers' use of captive supplies leads to lower prices for ranchers and farmers.

Senators Mike Enzi (Rep.-Wyoming), Byron Dorgan (Dem.-North Dakota), Chuck Grassley (Rep.-Iowa), and Tim Thompson (Dem.-South Dakota) introduced the "Livestock Marketing Fairness Act" today in the US Senate. The bill, if passed, would outlaw captive supply contracts.

Specifically, the bill would require that contracts specify actual prices. Captive supply contracts *omit* fixed prices and, instead, base values on cash-market prices at the time of delivery. But packers can push down those cash-market prices and, thus, push down prices for the contracted cattle. Further, the bill would require forward contracts to be made public and traded in public markets where all can observe bidding and bid themselves. The bill would not prevent forward contracting, but it would prevent packers from using non-priced contracts as a tool to depress markets. Additional moves are likely in the US—either through legislation or regulation—to ban packer ownership of cattle, thus outlawing all forms of captive supply.

US President Obama has made a ban on captive supply a priority. In point 2 of his rural agenda, the Obama commits to "Pass a packer ban," explaining that "When meatpackers own livestock they can manipulate prices and discriminate against independent farmers."

"Captive supply is one of the most serious problems faced by cattle producers in Canada and the US," said NFU Ontario Board member Grant Robertson. "Farmers are receiving

prices that echo those of the Great Depression, and a big factor behind those low prices is packers' using captive supply contracts and herds to depress prices," said Robertson.

NFU Manitoba Board member Fred Tait said that the move to ban captive supply contracts in the US means that Canada must quickly follow suit. "We're constantly told, by politicians and cattle organizations, that we have an integrated North American market. For that reason, US moves to increase farmers' prices must be matched by similar moves here. We've integrated a lot of the bad coming out of the US; it's time to integrate some of the good," said Tait.

NFU Alberta Board member Neil Peacock said that the problem of captive supply is even worse in Canada than in the US. According to US researchers, between 1/2 and 2/3 of the cattle entering the big Alberta packing plants are packers' captive supplies. And Canada only has two packers. "The combination of few bidders and high levels of captive supply is the main reason Canadian cattle prices are so low," said Peacock.

The NFU has made a Canadian law banning captive supply a top priority. To advance this work, the organization has held dozens of meetings with farmers and ranchers in nearly every province in Canada. The NFU has met with provincial governments and made an extended presentation before the House of Commons Standing Committee on Agriculture, where there was significant consensus that captive supply was a major concern and must be dealt with. The NFU's "The Farm Crisis and the Cattle Sector" is the most comprehensive study of cattle prices and profits produced in the past two decades. Copies at www.nfu.ca.

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Backgrounder to the NFU's May 20, 2009 News release

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.