



"Working for Nebraska beef producers – pasture to plate."

4/7/2020

The Honorable William Barr
U.S. Attorney General
United States Department of Justice
950 Pennsylvania Ave, NW
Washington, DC 20530

RE: Investigation into beef meatpacking margins.

Dear Justice Barr,

Nebraska Cattlemen is emphatically requesting the Department of Justice open an investigation of beef pricing margins that have resulted from recent extreme market shifts due to a packing plant fire in Holcomb, Kansas in August 2019 and more recently due to COVID-19. It is vital to the continuity of business for the production sector of the cattle industry that evidence of any fraudulent business practices within the beef meatpacking industry be identified and rectified.

COVID-19's impact on the cattle market has reignited concerns that surfaced following the 2019 beef packing plant fire. These concerns continue to focus on extreme market deteriorations that repeatedly take place for the production segments of the beef industry that are closely followed by rapid increases in boxed beef values. The repeat nature of these market reactions emphasizes how the production sector of the industry is exposed to the highest potential for risk with little to no leverage to change that risk position. Sharp increases in profits for meatpackers after repeated black swan events less than seven months apart within the cattle market highlight and emphasize this issue. Cattle producers pride themselves as being independent business entities. As the packing and processing industry repeatedly takes advantage of these independent cattle producers, placing undue pressure on the production sector of the beef cattle industry, we fear a shift to production practices that mirror other protein industries could be inevitable. The shift couldn't be further from the goals of current stakeholders in the industry.

In a five-week time frame following a fire at Tyson's Holcomb, Kansas beef harvest plant in August of 2019, Nebraska USDA-LMR weighted average cash fed cattle prices dropped by \$13.87/cwt, or approximately \$187.25/head. Meanwhile, boxed beef values moved sharply higher – resulting in a wave of windfall profits for the beef packing industry while the production sectors of the beef industry dealt with multi-year market low prices for calves, yearlings, and fed cattle. We are now seeing that same type of price action repeated – only in a more extreme manner – during a time of national crises that includes additional logistical stressors on the nation's food production and distribution system.

On January 22, 2020, the day after the first COVID-19 diagnosis in the United States, the CME Live Cattle Futures April Contract closed at \$126.775/cwt while Nebraska negotiated cash cattle traded at a weighted average price of \$123.94/cwt according to USDA Livestock Mandatory Reporting (LMR) data. USDA-LMR's closing Choice boxed beef index for the week ending January 24, 2020 was \$214.78/ cwt and the Select index closed at \$212.17/cwt. As of April 3, 2020, the CME live cattle futures April contract had declined over 30% in price to close at \$88.325/cwt with Nebraska's live cash cattle weighted average having fallen to \$111.97/cwt. Meanwhile, boxed beef for the week ending March 27, 2020 was \$252.84/cwt choice and \$242.38/cwt select.



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We understand and acknowledge that there is a pending USDA investigation into the market reactions that took place after the August 2019 Holcomb, KS plant fire. We firmly believe that the Department of Justice should open their own investigation and expand the scope to include both the market aftermath of the Holcomb, KS fire that triggered a similar market response to the COVID-19 situation. Both events continue the undue financial burden for all cattle producers within the production side of the beef cattle industry.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth Herz".

Ken Herz
President
Nebraska Cattlemen

CC:
Senator Deb Fischer
Senator Ben Sasse
Congressman Adrian Smith
Congressman Don Bacon
Congressman Jeff Fortenberry