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SUMMARY OF TASK FORCE RECOMMENDATIONS

Following the large cattle market and boxed beef price shifts after the fire at the Tyson beef processing facility in Holcomb, Kansas, the Nebraska Farm Bureau (NEFB) State Board of Directors voted to create a Cattle Markets Task Force charged with examining current Farm Bureau policy, providing policy recommendations, and providing input on what NEFB’s role should be in addressing concerns regarding cattle markets. The closure of a number of processing facilities due to the COVID-19 pandemic created an even larger disparity between the price producers received vs. retail and boxed beef prices. Over the course of five months, the NEFB Cattle Markets Task Force met online and in person with agriculture economists, cattle organizations, auction barn owners, feedlot managers, restaurant owners, and consultants in order to gain a better understanding of the entire beef supply chain. Following the Task Force’s initial meetings, the group decided on six topics to explore and ultimately suggest policy resolutions. Those topics and resolutions include:

FED CATTLE MARKETS
- Explore all means to increase the share of negotiated sales in fed cattle markets;
- Investigate ways to link fed cattle prices to retail or boxed beef prices;
- NEFB, American Farm Bureau Federation (AFBF), along with other state Farm Bureaus in the plains regions, should initiate discussions with associations/entities in multiple states with significant cattle sectors, with the overall goal of increasing negotiated cash sales as a share of transactions in the industry, improving price discovery, and otherwise addressing market concerns;
- Create a private market to incent the use of cash markets

LIVESTOCK MARKET REPORTING ACT
- Reform the confidentiality requirements under the Livestock Market Reporting Act including:
  - Consideration of removing confidentiality restrictions altogether;
  - Explore an aggregation or realignment of reporting areas to improve the number of transactions allowed to report;
  - Reporting cattle origin by zip code or another more granular level and evaluating market reporting from more refined origin locations regardless of state boundaries.
- Link confidentiality to a minimum number of negotiated cash sales;
- Increase the breadth of transactions reported under the Livestock Market Reporting Act including the inclusion of basis trades if delivery occurs within 30 days.

SMALL AND MEDIUM-SIZED PACKING FACILITIES
- Examine current federal/state/local regulatory structure;

I. Executive Summary
• Explore means of providing more flexibility regarding inspectors for processing facilities;
• Incent the development of small to medium-sized processors in Nebraska;
• Enhance and target federal assistance for small and medium-sized processors.

PACKER MARKET POWER
• Amend the Packers and Stockyards Act to provide USDA with greater investigative and enforcement tools;
• Amend the Packers and Stockyards Act to require USDA to maintain a beef contract library;
• Require the USDA to collect data and track foreign ownership in the industry;
• Re-emphasize current AFBF policy concerning mergers and acquisitions in the packing industry to assure no further consolidation occurs without thorough review.

RISK MANAGEMENT/PRODUCER EDUCATION/VALUE-ADDED PROGRAMS
• Alternative futures contracts should be designed for small and medium-sized producers;
• Refinements are needed to feeder cattle futures contracts to enhance their use as a hedging tool for cow/calf producers;
• AFBF should develop a margin protection insurance product like the one it developed for the dairy industry;
• The Risk Management Agency should look to continually improve the Livestock Risk Protection (LRP) and Livestock Gross Margin (LGM) programs for producers;
• NEFB should provide a continual series of seminars providing information on risk management tools and strategies for cattle producers;
• NEFB should create a page on its website to provide a list and background information on the various value-added programs available to producers;
• Explore the creation of a database and data tracking system for producers on par with those employed by processors.

MANDATORY COUNTRY OF ORIGIN LABELING (MCOOL)
• We support either statutory or regulatory changes that require meat products to be derived exclusively from cattle born, raised, and slaughtered in the U.S. to be labeled as “Product of the USA.”
II. Cattle Markets Task Force Report

Nebraska’s cattle and beef sectors are the heart of Nebraska agriculture, representing $11 billion in receipts each year. Continued growth of the industry is important not only to the future of agriculture in Nebraska but also to the nation’s food and national security. In 2019, the beef sector was rocked with a fire and the temporary shutdown of a beef processing facility in Kansas. Markets changed overnight, causing financial distress for both cow/calf producers and feeders alike. The shutdown brought to light several structural and marketing issues facing the industry.

Given the sector’s importance and ongoing market concerns, the Nebraska Farm Bureau (NEFB) Board of Directors voted to make the protection and growth of Nebraska’s livestock sector a strategic priority in 2019 and 2020 at the state and federal levels. The Board then voted in December 2019 to create a Task Force to examine current policies, develop new policy recommendations, and provide input on what NEFB’s role should be in addressing concerns regarding cattle markets. Additionally, the American Farm Bureau Federation (AFBF), in the summer of 2020 following the COVID-19 outbreak, voted to create its own Task Force. Nebraska Farm Bureau President Steve Nelson and NEFB Director of National Affairs Jordan Dux serve on the AFBF Task Force.

The purpose of the NEFB Task Force was to examine underlying issues in the cattle industry and create a road map for the long-term viability of the industry with the overriding goal being to secure the future of the cattle industry. What the industry is experiencing in 2020 is unprecedented, giving rise to emotion, angst, and worry. The issues, though, are not new. Packer concentration, market share, market transparency, and many others have circled the industry for years, some of them for over 100 years.

Given the complexity, the history, and emotions surrounding the issues, the Task Force was purposely deliberative in its approach, recognizing the decisions made now will affect the industry for many years. It sought input from members and reached out to experts from the industry, academia, producers, and others. Its goal was to offer recommendations for Farm Bureau policy, potential structural changes within the industry to improve markets, and other ideas or concepts that could assure the long-term sustainability of Nebraska’s cattle industry.

This report contains several parts. The first part outlines and provides additional details on the efforts of the Task Force. The second part provides a background on the beef industry in the U.S. and Nebraska’s role in the industry. The last section contains discussion and recommendations by the Task Force on several issues important to the industry.
III. The Work of the Task Force

Nebraska Farm Bureau President Steve Nelson appointed the members of the Cattle Markets Task Force in April. The members represent a variety of perspectives and involvement in the industry. Members include cow/calf producers, backgrounders, stockers, feeders, auction barn employees, and marketers. The members of the Task Force were:

- Martey Stewart, Chair, NEFB Board Member
- Joan Ruskamp, Colfax County
- Matt Jedlicka, Colfax County
- Lana Bushhousen, Merrick County
- Kathy Hirschman, Howard County
- Sherry Vinton, Arthur County
- Wayne Eatinger, Cherry County
- Steve Stroup, Dundy County
- Casey Schumacher, Dawes County
- Bill Lechtenberg, Boyd County
- K.C. Rieken, Nance County
- Jan Frenzen, Nance County
- Jordan Dux, NEFB Staff
- Heidi Pieper, NEFB Staff
- Jay Rempe, NEFB Staff

The first organizational meeting of the Task Force was held April 16 by conference call. Beginning on April 28, the Task Force met two to three times a month throughout the spring and summer, culminating in late August. In total, the Task Force had 11 meetings. Most meetings occurred through Zoom and consisted of presentations by experts along with discussions. Two face-to-face meetings were also held. The presenters included people from the industry, academia, producers, and others with expertise or perspective on the industry. They included:

- Jess Peterson, U.S. Cattlemen’s Association
- Lee Reichmuth, U.S. Cattlemen’s Association
- Dr. Stephen Koontz, Colorado State University
- Dr. Derrell Peel, Oklahoma State University
- Kevin Dwyer, Kansas Feedlot Manager
- Jim Jenkins, Rancher/Restaurant Owner
- Burke Teichert, Rancher/Consultant/Beef Magazine
- John Schaben, Dunlap/West Point Livestock Auction
- John Newton, AFBF Economist

Recordings of the presentations can be found on the Nebraska Farm Bureau website at www.nefb.org.
As part of its work, the Task Force conducted a non-scientific survey of members seeking input on issues of importance that should be considered and discussed. The survey also solicited recommendations on policies to address the issues identified. The survey was emailed to Nebraska Farm Bureau members who indicated on their membership forms they were farmers/ranchers. Thus, respondents to the survey could have included members without cattle as an enterprise. However, the nature of the responses indicated a large majority had some involvement or were very familiar with the cattle industry.

In the end, 179 members responded to the survey, a 2.2 percent response rate. A majority (53 percent) of the respondents indicated market power held by packers and potential market abuse was the biggest concern for the sector (Figure 1). Concerns with the reduced number of negotiated transactions in fed cattle markets and opportunities in value-added marketing followed in terms of importance. Improving the mandatory price reporting law, increasing packer capacity, and viable risk management tools were identified as the least important issues (Figure 2).

**FIGURE 1. SURVEY RESPONSES: MOST IMPORTANT PRIORITIES**

- Address market power
- Increase negotiated sales
- Improve the cattle futures
- Opportunities in value-added
- Improve mandatory price
- Increase packer capacity
- Viable risk management

*Source: NEFB Membership Survey, 2020*
The remaining survey questions asked for specific policy recommendations to address the above issues or other issues respondents felt should be considered by the Task Force. The recommendations were many and varied. Figure 3 provides a word map of the responses received. Mandating minimum thresholds for negotiated transactions, improving price discovery, breaking up the packing entities, prohibiting foreign ownership of packing entities, reducing the regulation on small- and medium-sized processors, and linking fed cattle prices to retail beef prices were among the many ideas suggested. Several respondents also mentioned reinstatement of mandatory COOL and restricting imports as policy prescriptions.
Ultimately, the Task Force chose several issues to address. The recommendations section speaks to these issues.

1. Fed Cattle Markets
2. Livestock Market Reporting Act
3. Small- and Medium-Sized Processors
4. Packer Market Power
5. Risk Management/Producer Education/Value-Added Programs
IV. Nebraska’s Cattle Industry

The U.S. cattle and beef industry has been described as the most complex set of markets in the world. Generally, the overall system with its many different players works well—it manages to birth calves, feed them, process them, and distribute meat to consumers. Dr. Derrell Peel of Oklahoma State University told the Task Force that the industry is amazing—a bull can be turned out in the Nebraska Sandhills, and 2½ years later a piece of meat ends up on a plate in New York City.

Any way the roast is sliced, cattle and beef play a key role in Nebraska. The University of Nebraska’s Department of Agricultural Economics, in the 2018 report “Livestock Production Value and Economic Impact for Nebraska Counties,” said that cattle and calves raised and cattle on feed make up nearly 90 percent of all livestock production value in Nebraska. According to the USDA, cattle and calves sold totaled 48 percent of total agricultural receipts in 2018 in Nebraska. Nebraska also plays a major role in the cattle industry nationwide. Nebraska ranks fourth among states in the number of beef cows. Only Texas, Oklahoma, and Missouri rank higher according to the Jan. 1, 2020, survey by the USDA National Agricultural Statistics Service (Figure 4). Nebraska ranked second in the number of cattle on feed as of Jan. 1, 2020 (Figure 5). The density and geographical breadth of cattle feeding in the state is more widespread than any other state (Figure 6).

FIGURE 4. BEEF COWS BY STATE, JAN. 1, 2020

Source: NEFB graphic based on data from the USDA National Agricultural Statistics Service
FIGURE 5. CATTLE ON FEED, JAN. 1, 2020

Source: NEFB graphic based on data from the USDA National Agricultural Statistics Service

FIGURE 6. ESTIMATED 2017 CATTLE OF FEED DENSITY BY COUNTY

Source: Feasibility Assessment of Reporting Negotiated Slaughter Cattle Purchases in Separate Delivery Window Categories, Ted C. Schroeder, Lee L. Schulz, and Glynn T. Tonsor, prepared for the USDA-AMS, November 4, 2019
Nebraska’s industry, while important nationally, differs from other states in terms of its structure, production practices, and marketing. Table 1 provides a breakdown of the cow inventory by ranch/farm size in the U.S. and Nebraska. The data suggests Nebraska’s cow/calf sector is more commercialized relative to the rest of the nation. Nationwide, 79 percent of the ranches have between 0-50 cows, which account for 27 percent of the cow inventory. In contrast, 53 percent of Nebraska’s ranches/farms have less than 50 cows, which account for 10 percent of the total number of cows in the state. In Nebraska, though, almost 4 percent of the ranches have more than 500 cows, accounting for 32 percent of the cow inventory. Nationwide less than 1 percent of ranches have herds above 500 cows, accounting for 17 percent of the total.

**TABLE 1. BREAKDOWN OF COW INVENTORY BY RANCH SIZE, U.S. & NEBRASKA**

<table>
<thead>
<tr>
<th># Cows/Ranch</th>
<th>% of Ranches-US</th>
<th>% of Cows-US</th>
<th>% of Ranches-NE</th>
<th>% of Cows-NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-50</td>
<td>79</td>
<td>27</td>
<td>53</td>
<td>10</td>
</tr>
<tr>
<td>51-199</td>
<td>17</td>
<td>35</td>
<td>32</td>
<td>29</td>
</tr>
<tr>
<td>200-499</td>
<td>3</td>
<td>21</td>
<td>11</td>
<td>29</td>
</tr>
<tr>
<td>500-999</td>
<td>.62</td>
<td>9</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td>1,000+</td>
<td>.18</td>
<td>.91</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Burke Teichert & USDA National Agricultural Statistics Service, 2017 Census of Agriculture*

Structural differences can be seen in the feedlot sector, too, with Nebraska and Texas providing examples. While both states typically have between 2.5 to 3 million cattle on feed, they differ markedly in the total number of feedlots. In the 2017 Census of Agriculture, it was reported Texas had 360 farms with cattle on feed with a total 2.65 million head. In turn, Nebraska had 1,737 farms with cattle on feed with a total 2.91 million head. Texas also reported 91 farms, 25 percent, with inventories over 2,500 head accounting for 99 percent of the cattle fed. Nebraska reported 236 farms, 13 percent, with inventories over 2,500 head, accounting for 80 percent of the cattle fed. Feeding in Texas occurs in a few, large lots that are concentrated geographically in the Panhandle. Feedlots in Nebraska are more diverse in terms of size, scale, and geographic location.

The structural differences manifest themselves in how cattle are marketed. Negotiated purchases, or cash transactions, in Nebraska averaged 41 percent of total transactions between 2016 and 2020 on an annual basis, according to the U.S. Cattlemen’s Association. In contrast, the organization reported cash purchases in the Texas/Oklahoma/New Mexico region accounted for 9 percent. Negotiated purchases in Nebraska between 2014 and 2018 accounted for 37 percent of the total U.S. negotiated transactions, according to research by agricultural economists at Kansas State and Iowa State. The researchers also found 85 percent of negotiated purchases nationally were for a 0- to 14-day delivery and 15 percent were for 15- to 30-day delivery. Nebraska and Iowa accounted for 63 percent of the deliveries in the 15- to 30-day window.

**BEEF CONSUMPTION**

“All dollars that flow into the beef industry originates from consumers.” This quote, from Ted Schroeder, an agricultural economist at Kansas State University, during a webinar on beef demand in the series “Intersection of the Cattle and Beef Industries” emphasizes the importance of the consumer to the cattle industry. If it were not for consumers purchasing and eating beef, there would be no need for Nebraska’s cattle industry. Expenditures on beef in the U.S. in 2019 were expected to reach $110 billion. These dollars fund all segments of the cattle and beef industry—cow/calf, backgrounders and stockers, auction markets, processors, and other intermediaries.
Beef products are marketed through three broad channels: retail grocery, food service (hotel, restaurants, and other institutions), and exports. On the domestic front, USDA data shows that food consumed away from home represents 54 percent of total food expenditures. Food consumed at home accounts for 46 percent. Different beef product mixes are sold through different channels that require various types and forms of processing, packaging, and marketing. The U.S. is the world’s largest consumer of ground beef, nearly 8.5 billion pounds each year, with much of it consumed through food service channels. High-valued muscle cuts are typically sold through the restaurant industry. Lower-valued cuts are typically sold through retail outlets.

Processors are at the crossroads, turning live animals into beef products that can be further broken down into specific cuts. Nearly all packer sales are boxed beef sales, which consist of palletized individual subprimals, said Kathryn Miller, chief operation officer of a regional packer, during a webinar as part of the series “Intersection of the Cattle and Beef Industries.” Further fabrication and packaging before reaching retail shelves or food service outlets is performed by other entities.

Boxed beef prices are set by packers based on the yielded meat cost plus labor, packaging, overhead, and transportation costs. Ultimately, the prices received by packers vary by product and market conditions. Like fed cattle purchases, sales of boxed beef occur through negotiated transactions, formula contracts, and forward contracts. For the week ending Aug. 7, 2020, sales of 6,412 loads of boxed beef were reported to the USDA Agricultural Marketing Service (AMS). Of this amount, 49 percent of the loads were by negotiated sales, 49 percent through formulas, and 1 percent by forward contract.

U.S. BEEF TRADE

Figure 7 plots U.S. exports and imports of beef and veal since 2000. The volume of annual beef imports is shown by the blue line, and the volume of exports by the red line. The area shaded green indicates years when beef exports exceeded beef imports, or the U.S. experienced a trade surplus in beef. U.S. exports of beef are typically high-value, muscle cuts. Imports tend to be lean trim product intended for processing into ground beef for hamburgers, pizza, tacos, and more. Of the beef imported, 72 percent is lean trim intended for ground beef production, according to Dr. Peel of Oklahoma State University.

With its large cattle feeding and processing sectors, Nebraska is a key source of the nation’s beef exports. Nebraska typically leads the nation in beef exports with the value of exports exceeding $1 billion per year since 2015, according to the USDA Economic Research Service (ERS). In 2018, beef exports from Nebraska exceeded $1.3 billion.

U.S. beef imports reached a high of 3.7 billion pounds in 2004 and fell to a low slightly above 2 billion pounds in 2011. Since 2016, imports have been stable around 3 billion pounds. U.S. beef exports have grown steadily from 460 million pounds in 2004 to a high of 3.2 billion pounds in 2018. Exports last year, 3 billion pounds, were off slightly due to competitive issues for U.S. products into major Asian markets.

The U.S. is a net importer of beef in most years. Imports generally equate to 10-12 percent of total U.S. beef production and come mostly from Australia, New Zealand, Canada, and Mexico. U.S. exports in recent years have also equaled roughly similar percentages of production as imports, with Japan and South Korea being the largest buyers.
FIGURE 7. U.S. IMPORTS/EXPORTS OF BEEF, 2000-2019

Source: Nebraska Farm Bureau, USDA Economic Research Service

Figure 8 plots total cattle imports into the U.S. since 2000, along with imports from Mexico and Canada based on data from the USDA ERS. Cattle imports from Mexico are lighter-weight cattle intended for feedlots, while imports from Canada are primarily slaughter-ready cattle. Cattle imports hit a low in 2004 totaling about 1.4 million head. Imports then rebounded and three years later returned to prior levels of around 2.5 million head. Since then, imports remained steady between 2-2.5 million head until 2015 when they again dipped below 2 million.

Imports from both Canada and Mexico were higher in 2019 compared to 2018 and once again exceeded 2 million head. Imports of slaughter-ready cattle from Canada numbered almost 523,000 head last year, up from 417,000 head compared to the year prior. This represented 1.6 percent of the total U.S. cattle slaughter last year. The U.S. also exported nearly 275,000 head of cattle to Canada last year. Feeder cattle imports from Mexico last year equaled 1.32 million head, 4 percent higher than 2018. The number of cattle imported from Mexico equaled about 4 percent of the total U.S. cattle slaughter. The U.S. also exported a small number of cattle to Mexico.
CATTLE AND BEEF INDUSTRY OF THE FUTURE

The Task Force members identified several long-term trends at play in the industry over the course of its work, deliberations, and visits with experts in the industry. These include:

- Further concentration in cow/calf and feedlot sectors will occur.
- Ranches will increasingly be owned by people outside of agriculture who will hire managers to oversee the operations.
- Mixed enterprise operations will grow with crop producers looking increasingly to livestock, including beef cows, as a way for diversification and environmental sustainability. This trend, along with small cow/calf producers (<250 cows), will increasingly put competitive pressure on ranches with more than 500 cows.
- Consumers will demand increasing transparency on how the beef is produced and how animals are treated. People within the industry will look to capitalize on this trend by marketing directly to consumers.
- Beef will continue to face competitive pressures from other protein sources, including pork, chicken, and other non-meat alternatives, in the retail marketplace.
- Large retailers, like Walmart, will continue to explore integration and supply chain coordination from the cow/calf sector through retail.
- New technologies will continue to be adopted throughout the sector and continue to be a disrupter of the industry.
V. Task Force Recommendations

V. i - Fed Cattle Markets

BACKGROUND

- Data from the USDA AMS shows negotiated cash sales currently account for 20-25 percent of the total fed cattle sales nationwide, much less than they did 15 years ago (Figure 9).

- Regional differences exist in the share of transactions accounted for by negotiated cash sales. Cash sales in the Texas/Oklahoma/New Mexico price reporting region generally account for 5-10 percent of total transactions. In contrast, cash sales in Nebraska typically account for around 35-40 percent of total transactions (Table 2).

- Negotiated cash sales as a source of price discovery in the Texas/Oklahoma/New Mexico price reporting region is declining. As a result, cash sales in Nebraska and Iowa and the futures markets are increasingly becoming sources of price discovery.

- Negotiated cash sales remain an important determinant in setting base prices for formula contracts and other alternative marketing arrangements.

- Research by Dr. Stephen Koontz of Colorado State University has shown the use of forward contracts benefits feedlots who use them by $15-$25 per animal and the use of formulas provide benefits of $25-$40 per animal.

FIGURE 9. CATTLE PURCHASE TYPE BREAKDOWN, 2005-2019

Source: USDA AMS data; Chart from Feasibility Assessment of Reporting Negotiated Slaughter Cattle Purchases in Separate Delivery Window Categories, Ted C. Schroeder, Lee L. Schulz, and Glynn T. Tonsor, prepared for the USDA-AMS, November 4, 2019
TABLE 2. CATTLE PURCHASE TYPE BREAKDOWN, Q2 2020

<table>
<thead>
<tr>
<th></th>
<th>National</th>
<th>5-Area</th>
<th>TX/OK/NM</th>
<th>KS</th>
<th>NE</th>
<th>IA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiated</td>
<td>22.6%</td>
<td>22.3%</td>
<td>8.4%</td>
<td>14.3%</td>
<td>39.6%</td>
<td>52.8%</td>
</tr>
<tr>
<td>Formula</td>
<td>60.1%</td>
<td>64.7%</td>
<td>82.7%</td>
<td>70.9%</td>
<td>49.7%</td>
<td>21.7%</td>
</tr>
<tr>
<td>Forward Contract</td>
<td>10.6%</td>
<td>6.4%</td>
<td>6.2%</td>
<td>1.6%</td>
<td>6.2%</td>
<td>17.7%</td>
</tr>
<tr>
<td>Negotiated Grid</td>
<td>6.7%</td>
<td>6.6%</td>
<td>2.7%</td>
<td>13.2%</td>
<td>4.5%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

Source: USDA, AMS

FIGURE 10. 5 AREA WEIGHTED AVERAGE PRICE, SLAUGHTER CATTLE, LIVE BASIS BY PURCHASE TYPE ($/CWT.)

Source: USDA, AMS
FIGURE 11. NEBRASKA WEIGHTED AVERAGE PRICE, SLAUGHTER CATTLE, LIVE BASIS BY PURCHASE TYPE ($/CWT.)

Source: USDA, AMS

DISCUSSION

Packers are required to report the details of all transactions involving the purchases of fed cattle. This includes reporting the different purchase types of transactions such as negotiated, formula, forward contract, and negotiated grid. These types of purchases are defined as:

- **Negotiated Purchase** means a cash or spot market purchase by a packer of livestock from a producer under which the base price for the livestock is determined by seller-buyer interaction. The livestock are scheduled for delivery to the packer not more than 30 days after the date on which the livestock are committed to the packer.

- **Forward Contract** purchase is an agreement for the purchase of cattle, executed in advance of slaughter, where the base price is established by reference to prices quoted on the CME or other comparable publicly available prices.

- **Negotiated Grid** purchase is when the base price is negotiated between buyer and seller and is known at the time the agreement is made, and delivery is usually expected within 14 days. However, the final net price is determined by applying a series of premiums and discounts based on carcass performance after slaughter.

- **Formula Purchase** is the advance commitment of cattle for slaughter by any means other than negotiated, negotiated grid, or forward contract. Formulas use a pricing mechanism where the price is often not known until a future date.

Members of the Cattle Markets Task Force are deeply concerned with the reduced share of negotiated cash sales in fed cattle markets. As noted above, negotiated purchases currently account for 20-25 percent of the total fed cattle sales nationwide, much less than they did 15 years ago. The Task Force believes fewer cash transactions has resulted in less price transparency and discovery, and a robust market, based on multiple price discovery.
points, is necessary to send proper price signals throughout the supply chain. The Task Force also believes the increased use of formulas and forward contracts in marketing fed cattle can, under certain circumstances and during specific times, give certain segments of the industry a competitive advantage in the market.

Preserving and enhancing the number of cash transactions is imperative for price discovery and for protecting an open and transparent market. It is vital for all cattle market participants. The Task Force believes all market participants must engage with each other, develop policies and practices, and undertake steps or actions to improve the share of negotiated cash sales in the market.

RECOMMENDATIONS

1. Explore all means to increase the share of negotiated sales in fed cattle markets.

Two proposals have been circulating, both having the same general idea—to require a certain percentage of fed cattle sales to be negotiated cash sales. One proposal, offered by Sen. Chuck Grassley of Iowa, mandates packers to “purchase a least 50 percent of their slaughter in the negotiated cash or negotiated grid market within specific delivery windows.” The other proposal, offered by the U.S. Cattlemen’s Association, requires “a minimum of 30 percent of each packer processing plant’s weekly volume of beef slaughter to come as a result of purchases made on the open market . . . [that] would be delivered to the packer not more than 14 days after the date on which the livestock are sold . . .”

The Task Force spent considerable time evaluating and discussing these proposals. Supporters of a mandate argue that requiring a minimum threshold for cash sales would result in increased cash trades, more robust price discovery, more transparency, and a check on market leverage by packers. Opponents argue economics would suggest a mandate would create inefficiencies and higher costs, which would be borne by all participants in the market. The impact to markets in Nebraska would depend on where a minimum threshold is set—the higher the threshold the more likely it will directly impact Nebraska. Limiting deliveries to a 14-day window would have greater impact in Iowa and Nebraska relative to other price reporting regions.

The Task Force was split at this time on supporting government mandates requiring a certain percentage of transactions occur by negotiated transactions. The Task Force believes the idea could be implemented if alternative mechanisms are unsuccessful in providing more price discovery in fed cattle markets. Members of the Task Force are concerned a mandate is a one-size-fit-all approach and could have unintended consequences, especially given the complexity and regional nature of the cattle markets. Markets are constantly evolving with new technologies, new arrangements, and new means of operating, and government mandates often don’t allow the flexibility for innovation and evolvement. Finally, there was a sense that both buyers and sellers need to have buy-in on such an approach for a mandate to be successful.

2. Investigate ways to link fed cattle prices to retail or boxed beef prices.

The Task Force recommends investigating or exploring means to link fed cattle prices to retail or boxed beef prices. Research by the USDA Economic Research Service has shown that retail food prices are much less volatile compared to farm level commodity prices. History has shown this to be especially true in price movements for retail beef and cattle prices. While not to the same degree as retail beef prices, it is likely boxed beef prices exhibit more stability across time as well. The volatility of cattle prices can be an extreme management challenge for cattle producers. The trends suggest this volatility will continue. The Task Force believes a linkage between retail beef prices or boxed beef prices and fed cattle prices would provide more stability for cattle prices, and cattle prices would better reflect the retail beef market.
3. **Initiate/launch industry-wide discussions.**

The Task Force is not aware of any ongoing discussions between organizations across regions, or between sectors, in addressing the issues facing the cattle industry. The Task Force recommends Nebraska Farm Bureau, American Farm Bureau, along with other state Farm Bureaus in the plains regions, initiate discussions with associations/entities in multiple states with significant cattle sectors, with the goals of increasing negotiated cash sales as a share of transactions in the industry, improving price discovery, and otherwise addressing market concerns. These discussions should lead to developing specific actions or steps the industry can adopt to improve price discovery.

4. **Create a private market to incent cash markets.**

Free market solutions to the need for greater negotiated cash sales should be explored by industry participants. Such solutions could provide innovative and flexible approaches to the lack of price discovery. Diverting from formula pricing to negotiated transactions will raise costs on feedlots who use formulas, while the benefits of increased cash sales will be diffused across the industry in the form of greater price discovery. The Task Force recommends, as part of overall industry discussion, an exploration and investigation into various means to encourage increased cash trade through creating a free market for cash trades. Research, pilot projects, electronic or video markets, the use of blockchain technology, and other innovative means should all be explored and discussed.
BACKGROUND

- The Livestock Market Reporting Act, passed in 1999, established a program to provide information on the marketing of cattle, swine, lamb, and the products of such livestock.

- Federally inspected packing plants that annually slaughter or process an average of 125,000 cattle or more are required to report the details of all transactions involving purchases of cattle and the details of all transactions involving domestic and export sales of boxed beef.

- Packers are required to submit information for all cattle purchases in one of the following categories: negotiated purchases, forward contracts, negotiated grid purchases, formula purchases, and packer-owned cattle.

- The USDA Agricultural Marketing Service (AMS) reviews over 5,000 cattle transactions and 15,000 beef transactions daily. AMS publishes 24 daily and 19 weekly cattle reports and six daily and 11 weekly beef reports. AMS estimates that LMR reports cover approximately 78 percent of the cattle market.

DISCUSSION

The Task Force believes the information provided under the Livestock Market Reporting Act is of value and contributes to price transparency and price discovery. However, the trend toward fewer negotiated transactions and regional differences in markets has led to a growing number of transactions not being reported. This is of concern to the Task Force, and it would like to see serious discussions by the industry and USDA on improving the number of transactions reported.

RECOMMENDATIONS

1. Reform confidentiality requirements under the Act.

The Livestock Market Reporting Act requires the USDA to protect the identity of reporting entities and maintain confidentiality of proprietary business information. The USDA AMS uses what is referred to as the 3/70/20 guideline to govern the confidentiality of reporting transactions:

- At least three reporting entities need to provide data at least 50 percent of the time over the most recent 60-day time period;

- No single reporting entity may provide more than 70 percent of the data for a report over the most recent 60-day time period;

- No single reporting entity may be the sole reporting entity for an individual report more than 20 percent of the time over the most recent 60-day time period.

The rules often preclude the reporting of negotiated cash sales, particularly in Texas, Oklahoma, New Mexico, and Colorado. This is particularly a problem for cash sales with a 15- to 30-day delivery period. Research has
shown that 15- to 30-day trade represented only 15 percent of negotiated transactions between 2014 and 2018 nationwide. Because of the rarity of 15- to 30-day purchases, and small numbers of negotiated trade in certain regions, confidentiality guidelines often precluded reporting sales with 15- to 30-day deliveries.

The Task Force recommends several ideas regarding the confidentiality requirements:

- Consideration of removing confidentiality restrictions altogether;
- Explore an aggregation or realignment of reporting areas to improve the number of transactions allowed to report;
- Reporting cattle origin by zip code or another more granular level and evaluating market reporting from more refined origin locations regardless of state boundaries.

2. Increase the breadth of transactions reported under the Livestock Market Reporting Act.

The cattle industry has transitioned to using more basis pricing for cash trades. The Task Force understands that such trades are currently reported as forward contracts under the Livestock Market Reporting Act even if delivery occurs within a 30-day delivery window. According USDA 2017 stakeholder report on the Livestock Market Reporting Act, “There was some discussion about basis trades and the meaning of the term. . . Some would like basis trades reported on a daily basis. There was discussion about whether the report should be changed or not and about lumping everything together in the report.” However, no action was taken on the matter. The Task Force believes basis trades, if delivery occurs within the 30 days, should be reported as cash trades. This would increase the number of negotiated sales reported and improve price discovery.
V. iii - Small and Medium-Sized Packing Facilities

BACKGROUND
- The average size of the facilities operated by processors has grown over time largely due to economies of scale. The cost savings of larger facilities and competition have squeezed out small- to medium-sized facilities.
- The COVID-19 outbreak exposed the tradeoffs to such concentration and scale in terms of the resiliency of the entire supply chain.
- Pre-COVID-19, on average, packing facilities were operating at full or over capacity.

DISCUSSION
The tendency of both economic and business thinking is to optimize activity for efficiency, but higher efficient systems are fragile. The U.S. cattle and beef industry has built a tremendously efficient supply chain starting with ranchers and ending with retailers and consumers. When it runs smoothly, consumers can go to a store, restaurant, or even online, and purchase the variety and quantity of beef they desire at an affordable cost. Unfortunately, producers, processors, retailers, and consumers are learning through the COVID-19 pandemic the tradeoffs to this efficiency with supply hiccups, price spikes, and market volatility. The problems were exacerbated by facilities already operating at capacity, or even above, to process the number of animals in the supply chain and meet growing beef demand.

Members of the Cattle Markets Task Force believe considerable thought and discussion should be given to increasing processing capacity in the industry, particularly in small- to medium-sized facilities. If the industry wants to grow and meet consumer demand, domestic and foreign, increased slaughter capacity is a must for the long-term. Increased capacity, particularly small- and medium-sized facilities, would provide alternative markets for feeders and provide additional consumer choice at the retail level. It would also provide greater resiliency in the system overall.

RECOMMENDATIONS

1. Examine current federal/state/local regulatory structure.

The Task Force understands there are a multitude of federal/state/local regulations which interfere or impede in the operation or establishment of small- to medium-sized processing facilities. Often, the regulations were designed for large facilities and when applied to smaller facilities they are too costly or nonsensical. The Task Force believes a thorough examination of federal/state/local regulations applicable to small- and medium-sized processors should be conducted and revisions made to protect food safety yet provide more flexibility for these facilities to operate with consideration for their unique circumstances. An examination of local zoning laws and ordinances, which can also raise significant hurdles to the development of new facilities, should be included.
2. Examine means of providing more flexibility regarding inspectors for processing facilities.

The Task Force understands the availability of inspectors and flexibility of schedules continues to be an issue for smaller lockers and processors with USDA inspection. The Task Force recommends the USDA, industry representatives, and other interested entities discuss and explore how to increase the number of inspectors, particularly allowing other qualified professions to be inspectors under certain circumstances.

3. Incent the development of small- to medium-sized processors in Nebraska.

Livestock processing facilities qualify for tax incentives under the Nebraska Advantage Act and would continue to do so under LB 1107 passed this year by the Legislature if the projects meet the investment and jobs requirements under the Act. In addition to these incentives, the Task Force recommends agricultural organizations and the Legislature explore the creation of separate incentive programs targeted to small- and medium-sized facilities. The programs could be a public/private partnership and provide incentives to such facilities on a per-head processed basis—somewhat akin to the state’s successful ethanol production incentive program.

4. Enhance and target federal assistance for small- and medium-sized processors.

The USDA’s Rural Development and Rural Cooperative Development Grant programs do offer loan and grant programs that can assist small meat processors or co-ops wanting to provide processing services. However, these programs are not specific to meat processing nor do they meet the unique needs inherent to meat processing. Consideration should be given at the federal level to targeting programs and efforts to assist small- and medium-sized processors. This could include loans, grants, technical assistance, or other information and services that would assist small- and medium-sized processors.
V. iv - Packer Market Power

BACKGROUND

- The four largest beef processing companies account for roughly 80 percent of the total beef processing capacity in the U.S.

- According to Dr. Peel, professor at Oklahoma State University, during a webinar in the series “Intersection of the Cattle and Beef Industries,” research has shown that the large processors have market power and occasionally use it, but the impact on price is small.

- According to the USDA AMS, the beef cutout and fed cattle price spread reached record levels this year following the COVID-19 outbreak. The average fed cattle-beef cutout spread between 2016 and 2018 was $21/cwt. The spread grew to $279/cwt. between early April and the second week of May this year, post COVID-19, a 323 percent increase (Figure 12). It has since dropped to below $150/cwt.

- USDA ERS data shows the farm-to-retail price spread has widened considerably since 1990 (Figure 13). The widening has occurred mostly in the wholesale-to-retail spread (packer-retailer) and not the farm-to-wholesale spread (farmer-packer).

- According to a Dr. Nevil Speer story in Beef Magazine, between 1990 and 2018 packer gross margins averaged $180 per head, ranging from $84 to $384 per head. Over the same period, cow-calf operators realized an average return of $62 per head, ranging from -$89 to $534 per head.

- Nebraska Farm Bureau requested the USDA and the Department of Justice investigate price and market movements following the fire that shut down the Kansas beef processing facility and COVID-19 outbreak to determine whether violations occurred under the Packers and Stockyards Act.

FIGURE 12. NEGOTIATED CHOICE CUTOUT/CATTLE PRICE SPREAD

FIGURE 13. FARM-TO-RETAIL BEEF PRICE SPREAD, JANUARY 1990 TO JUNE 2020 (CENTS/POUND)

Source: NEFB based on USDA Economic Research Service data

FIGURE 14. PACKER GROSS MARGIN VS COW PROFITABILITY, ANNUAL VALUES (1990-2019)
ADAPTED FROM LMIC

Source: Dr. Nevil Speer, presentation as part of “Intersection of Cattle and Beef Industries” webinar series, cohosted by North Dakota State University Extension, Texas A&M Agrilife Extension, and West Virginia University, May 14, 2020
**FIGURE 15. PACKER GROSS MARGIN VS FEEDYARD PROFITABILITY, ANNUAL VALUES (1990-2019)**

Adapted from LMIC

\[ y = 0.3264x - 92.654 \]

\[ R^2 = 0.0921 \]

*Source: Dr. Nevil Speer, presentation as part of “Intersection of Cattle and Beef Industries” webinar series, cohosted by North Dakota State University Extension, Texas A&M Agrilife Extension, and West Virginia University, May 14, 2020*

**FIGURE 16. TYSON BEEF SEGMENT ANNUAL OPERATING MARGINS**

*2020 margins through three quarters of Tyson 2020 fiscal year

*Source: Compiled from Tyson Quarterly and Annual Reports, and Dr. Nevil Speer, Tyson operating margins vs. S&P 500, Beef Magazine, August 26, 2019*
DISCUSSION
The Task Force survey results showed respondents were very concerned about market power by packers, with over half (53 percent) identifying it as the top issue that should be addressed. With only four major packing companies, and the extreme price spread between fed cattle and beef cutout that occurred following the COVID-19 outbreak, the growing concern is understandable and palpable. Foreign ownership of packing companies was also mentioned by respondents as a concern. Policy suggestions in the survey included breakup of the packers, limits on foreign ownership of packing firms, and limits on further concentration in the industry.

The driving force behind the growth in size of the packing behemoths has been economies of scale and cost efficiencies. Dr. Peel, during a webinar in the series “Intersection of the Cattle and Beef Industries,” said research has shown facilities that kill more than 1.7 million head per year are 5 percent more efficient than facilities which kill 1.3 million head, and 12 percent more efficient than those which process 950,000 head. Dr. Koontz told the Task Force that the big plants can process an animal for under $300/head, whereas the small plant costs can run $700-$800/head. Research by Dr. Speer has shown little or no correlation over time between packer gross margins and profitability of the cow/calf or feeding sectors (Figures 14 and 15). In fact, what little correlation may exist between packer and feedlot profits is positive, meaning feedlot profits improve when processors’ profits improve.

Nevertheless, the Task Force believes the level of concentration, the price movements following the Tyson fire and COVID-19 outbreak, and the research showing the big firms will use market power, requires continued vigilance and monitoring on the part of producer groups, the industry, and government.

RECOMMENDATIONS

1. **Amend the Packers and Stockyards Act to provide USDA with greater investigative and enforcement tools.**

   Under the Packers and Stockyards Act, the USDA does not have investigative or enforcement tools to the same degree as other federal agencies. The USDA should be provided with such authorities. For example, the ability to issue Civil Investigative Demands with respect to unfair or deceptive acts or practices would bring the USDA’s authority in line with those of the Federal Trade Commission (FTC) and Department of Justice. Adequate funding should also be provided to the USDA to undertake the necessary investigations and enforcement actions.

2. **Amend the Packers and Stockyards Act to require USDA to maintain a beef contract library.**

   Section 222 of the Packers and Stockyards Act requires the USDA to maintain a swine contract library. The act should be amended to require the USDA to develop a similar library for beef contracts. The Task Force further recommends Nebraska Farm Bureau provide seminars for members on how to utilize and interpret the information in the library.

3. **Require the USDA to collect data and track foreign ownership in the industry.**

   The USDA is presently required to collect and track data over time on foreign ownership of agricultural land. The requirement should be extended to collect and track the same information on foreign ownership of beef cattle processing facilities, feedlots, distribution, retail, and other segments in the beef/cattle industry. This information should be made publicly available.
4. Re-emphasize current AFBF policy concerning mergers and acquisitions in the packing industry to assure no further consolidation occurs without thorough review.

Current AFBF policy on mergers and acquisitions in the packing industry reads: “USDA, in conjunction with the Department of Justice (DOJ), should closely investigate all mergers, ownership changes, or other trends in the meat packing industry for actions that limit the availability of a competitive market for livestock producers. Action should be taken to oppose further concentration of meat packers. USDA and DOJ should more aggressively enforce current antitrust laws pertaining to packer concentration.” The Task Force strongly supports this policy statement and encourages AFBF to vigorously defend and implement the policy.
V. Risk Management

BACKGROUND

- A University of Nebraska-Lincoln survey from 2016 found that only 17 percent of Nebraska cow/calf producers employed some form of price protection or marketing mechanism to manage risk; 20 percent employed some form of diversification (backgrounding, preconditioning, retained ownership) to manage risk; and just 5 percent indicated they employed both price protection and diversification.

- In the same survey, 58 percent of the respondents indicated they employed neither form of risk management.

- Various risk management tools exist, but cost, complexity, and ineffectiveness keep producers from using them.

- Trade in the feeder contracts on the futures market can sometimes be thin, creating greater volatility and making it difficult for producers to use it as a risk management tool.

- A multitude of value-added programs are available to producers. Non-Hormone Treated Cattle (NHTC), Verified Natural Beef, Verified Grass-fed, organic, Nebraska produced, Whole Foods, Walmart-Prime Pursuits, and BeefCARE, are some examples.

- It is estimated that 15-20 percent of the cattle in Nebraska are currently entered into some form of value-added program, up from 5-10 percent five years ago. Potential price premiums range from $5-$15 per hundredweight for feeder cattle, $150-$300 per head for fat cattle.

DISCUSSION

Kevin Dwyer, manager of the Sellers feedlot in Kansas, told the Task Force that price volatility is the biggest danger in the livestock industry. He added that this volatility is tough to manage. Given today’s market realities, managing price and production risk has become imperative. Yet, surveys have shown few cow/calf producers employ risk management tools. Feedlots make greater use of risk management tools, but improvements can be made.

RECOMMENDATIONS

1. Alternative futures contracts should be explored designed for small- and medium-sized producers.

The size and costs of current futures contracts often preclude small- and medium-sized producers from using the futures for risk management. The USDA, the Commodity Futures Trading Commission (CFTC), the Chicago Mercantile Exchange (CME), and producer groups should explore the alteration of existing futures contracts, adding contract months and the development of new contracts or derivatives specifically designed for small- and medium-sized producers. For example, reducing the number of pounds per CME feeder and live cattle contract (mini contracts) could give small- and medium-sized producers additional flexibility in managing their risk.
2. Refinements are needed to feeder cattle future contracts to increase volume and enhance their use as a hedging tool for cow/calf producers.

Feeder cattle futures can be a risk management tool for cow/calf producers. However, their use is limited now. The inability to get in/out of hedges when needed, violent market swings due to a thin market, and large margin requirements can force producers to close out hedges before they want to. The Task Force believes the USDA, the CFTC, the CME, and producer groups need to continuously refine the feeder cattle contract to enhance its use for producers as a risk management tool.

3. AFBF should develop a margin protection insurance product like the one it developed for the dairy industry.

AFBF was a leader in the development of a margin protection insurance product for the dairy industry. The product has been effective in offering the dairy industry a risk management tool. AFBF should investigate and develop similar insurance products for beef cattle producers, particularly cow/calf producers, to provide alternative risk management tools. Particular attention should be paid to the settlement index used for feeder cattle.

4. The Risk Management Agency should look to continually improve the Livestock Risk Protection (LRP) and Livestock Gross Margin (LGM) programs for producers.

The Federal Crop Insurance Corporation recently approved changes for LRP and LGM to make them more affordable and accessible to producers. The Task Force appreciates the changes but believes more needs to be done to improve risk management products that will allow small- and medium-sized producers to compete more effectively with large producers.

5. Nebraska Farm Bureau should provide a continual series of seminars providing information on risk management tools and strategies for cattle producers.

Respondents to the Farm Bureau survey suggested NEFB develop and implement a series of risk management seminars to provide information on risk management alternatives available to producers. The Task Force agrees and recommends such a program be offered in a variety of formats to reach the greatest number of producers possible. Included in the program should be information on effectively managing cattle operations to secure financial sustainability.

6. Nebraska Farm Bureau should create a page on its website to provide a list and background information on the various value-added programs available to producers.

As noted above, there are a plethora of value-added producer programs available. Sometimes it is difficult for producers to know what programs are available and the conditions for participation. Thus, the Task Force recommends NEFB list known, credible programs on its website to provide producers a one-stop shop of information on the programs available.

7. Explore the creation of a database and data tracking system for producers on par with those employed by processors.

Several presenters commented to the Task Force about the sophisticated data tracking, analysis, and forecasting methods employed by processors regarding prices, slaughter numbers, cattle numbers, etc. The Task Force
recommends NEFB work with other interested parties to create a similar system for producers. The system might be provided as a member service to Nebraska producers.

8. The federal government should continue to look at providing disaster assistance to beef producers during crises or natural disasters.

The Nebraska cattle industry has been rocked by natural disasters and market shocks in recent years: winter weather, floods, processing plant fires, and COVID-19. These events caused dramatic price movements, revealed supply chain vulnerability, and continue to have financial repercussions on the cattle industry. The federal government has provided financial assistance to mitigate some of the repercussions of flooding and COVID-19, yet more is needed. The Task Force recommends that the federal government continue to be cognizant of the stresses on the cattle industry and provide the financial assistance necessary to help the industry weather natural disasters or market shocks.
V. vi - Mandatory Country of Origin Labeling (MCOOL)

BACKGROUND

- MCOOL provisions were enacted in the 2002 Farm Bill to take effect on Sept. 30, 2004. After several delays, the final implementation of a rule took effect on March 16, 2009.

- The rule required most retail food stores to inform consumers about the country of origin of fresh fruits and vegetables, fish, shellfish, peanuts, pecans, macadamia nuts, ginseng, and ground and muscle cuts of beef, pork, lamb, chicken, and goat.

- Canada and Mexico requested the establishment of a WTO Dispute Settlement (DS) panel in October 2009. In November 2011, the WTO DS panel concluded that some features of MCOOL discriminated against foreign livestock and were not consistent with the U.S.’s WTO obligations. The U.S. was given a deadline of May 23, 2013, to come into compliance.

- To meet the deadline, USDA issued a revised rule requiring labels show where each production step (born, raised, slaughtered) occurred and prohibited the commingling of muscle-cut meat from different origins.

- Canada and Mexico still found MCOOL to be discriminatory against foreign cattle and hogs, as did a WTO compliance panel. A U.S. appeal of the compliance panel report proved unsuccessful, leading Canada and Mexico to request arbitration proceedings.

- In December 2015, the arbitration panel granted a retaliation level for Canada at $781 million and for Mexico at $228 million—this provided the countries with the authority to levy tariffs on U.S. products for restitution. Following this finding, on Dec. 18, 2015, Congress repealed MCOOL for muscle cuts of beef and pork and ground beef and pork.

- AFBF policy supports “voluntary Country of Origin Labeling (COOL) that conforms with COOL parameters and meets WTO requirements.” It also supports honey, dry beans, dairy, and peanut products being included in COOL. Lastly, it supports reserving the “Grown in the USA” label for animal products derived from animals that have been exclusively born, raised, and processed in the United States.

DISCUSSION

The membership survey indicated there was significant interest among respondents in reinstating MCOOL. Given the level of interest, the Task Force had a considerable amount of discussion on MCOOL, the goals to be achieved with the policy, and the limits of the original MCOOL law, including the amount of product that was exempt under the system, verification challenges, and potential impacts to trade.

The MCOOL law prohibited USDA from using a mandatory animal identification system, but the original 2002 version stated that the agriculture secretary “may require that any person that prepares, stores, handles, or distributes a covered commodity for retail sale maintain a verifiable recordkeeping audit trail that will permit the secretary to verify compliance.” Verification immediately became one of the most contentious issues,
particularly for livestock producers, in part because of the potential complications and costs of tracking animals and their products from birth through retail sale.

MCOOL also had a numerous statutory and regulatory exemptions that resulted in a significant share of beef and pork that did not convey origin information to consumers. Chiefly, MCOOL:

- exempted items from labeling requirements if they were an ingredient in a processed food;
- covered only those retailers that annually purchase at least $230,000 of perishable agricultural commodities; and
- exempted restaurants, cafeterias, bars, and similar facilities that prepare and sell foods to the public from these labeling requirements.

The WTO panel found MCOOL’s legitimacy was undermined because a large amount of beef and pork was exempt, putting imported livestock at a competitive disadvantage to domestic livestock. The panel noted between 58 percent and 67 percent of beef did not provide origin information to consumers.

Goals of MCOOL were to encourage consumer purchases of U.S. product and limit U.S. imports of beef and cattle. Figure 17 tracks calendar year live cattle and beef imports from Canada and Mexico to the U.S. from 2000 through 2019, January through April 2019, and January through April 2020. The years during which MCOOL was in effect, 2009-2015, are highlighted in yellow. Figure 17 demonstrates that imports of both cattle and beef remained fairly steady throughout the MCOOL period. January through April 2020, live cattle imports from Mexico and Canada were down 7 percent, compared to the same period in 2019. January through April 2020, beef imports from Mexico and Canada were down 4 percent, compared to the same period in 2019.

**FIGURE 17. BEEF AND LIVE ANIMAL IMPORTS FROM CANADA AND MEXICO**

Despite the hope that MCOOL would make consumers more likely to purchase U.S.-produced goods, trade data suggests that consumer demand for imported goods remains high. For example, Figure 18 shows that imports of fresh fruits and vegetables were 56 percent higher in 2019 than 2009, despite continued enforcement of MCOOL, a strong U.S. industry, and increasing “buy local” trends.
Given the re-instatement of MCOOL seemed problematic, the Task Force looked to other means to ensure foreign meat products are prohibited from being labeled as a product of the United States.

RECOMMENDATIONS

1. Revise the standards for meat to be labeled “Product of the USA.”

Under current regulations, cattle born and raised in a foreign country, but imported into the U.S. and processed, can be labeled as products of the U.S. The Task Force recommends the Farm Bureau seek either statutory or regulatory changes that require meat products to be derived exclusively from cattle born, raised, and slaughtered in the U.S. to be labeled as a “Product of the USA.”
VI. Conclusion

The above recommendations represent the work of the Task Force over a four-month period and countless hours of discussion. The cattle markets in the U.S. have been described as the most complex set of markets in the world. Given the complexity and the ongoing dynamics of the industry, the Task Force believes continued special attention to the cattle markets by Nebraska Farm Bureau is a must. Thus, the Task Force recommends the Cattle Markets Task Force remain in place and become a permanent Task Force within NEFB to monitor and examine the state of affairs of the Nebraska cattle industry, the implementation of the above recommendations, and provide guidance and input to members and the Board of Directors.