



# Arkansas Cattlemen's Association

www.arbeef.org • 310 Executive Court • Little Rock, Arkansas 72205 • (501) 224-2114

April 8, 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 Attorney General Barr:

The Arkansas Cattlemen's Association vigorously requests the Department of Justice open an investigation into beef pricing margins that have resulted from recent, extreme volatile market shifts. These market shifts coincide with two major events: a fire at a packing plant in Holcomb, Kansas in August 2019 and the outbreak of COVID-19. It is imperative for the viability of the cattle industry that any evidence of deceitful business practices within the meatpacking sector of the beef industry be identified and immediately remedied.

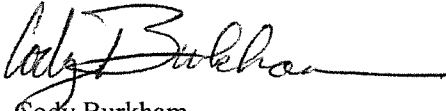
In the last seven months, the two different black swan events have elevated cattle producers' concerns, specifically focused on extreme market deterioration in the cattle production segment of the beef industry. Both events saw similar incidents of depressed live cattle prices followed by rapid increases in boxed-beef prices. This circumstance resulted in record profits for the meatpacking sector but severe losses for the cattle producers. Moreover, these events have highlighted how the production sector of the industry is constantly exposed and at the utmost jeopardy of sustaining loss with little to no leverage to reduce risk. The beef packing and processing sector have repetitively taken advantage of the position in which Arkansas cattle producers are forced, and place an unjustified burden on the production sector. Producers fear that if this burden continues, production practices will be forced to mirror other protein industries who implement vertical integration, which is inconsistent with the goals of the American cattle industry.

In a five-week time frame following a fire at Tyson's Holcomb, Kansas beef harvest plant in August of 2019, the national USDA-Livestock Mandatory Reporting (LMR) weighted average cash fed cattle prices dropped by \$13.87/cwt, or approximately \$187.25/head. Meanwhile, boxed beef values rose sharply higher – resulting in temporary but steady profits for the packing industry. This occurred while the production sectors of the beef industry dealt with multi-year market low prices for all ages and types of cattle. We are currently seeing a similar price action repeated, in a more extreme manner, during this time of crisis which is exacerbated by additional logistical stressors placed 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 national negotiated cash cattle traded at a weighted average price of \$124.28/cwt, according to USDA-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 percent in price to close at \$88.325/cwt with national live cash cattle weighted average having fallen to \$111.28/cwt. Meanwhile, boxed beef for the week ending March 27, 2020 was \$252.84/cwt for Choice and \$242.38/cwt for Select.

The Arkansas Cattlemen's Association understands and appreciates the fact there is a current USDA investigation regarding market reactions following the Holcomb, Kansas Tyson plant fire of August 2019. We also support President Trump's and Secretary Purdue's decision to expand the investigation to encompass market volatility thus far into the COVID-19 outbreak. However, it is our opinion that the Department of Justice must open their own comprehensive investigation to encompass both examples of volatility. We respectfully request you exert your authority to conduct a separate investigation within the Department of Justice taking a look at market practices within the beef meatpacking industry. We appreciate your time and attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Cody Burkham", with a long horizontal flourish extending to the right.

Cody Burkham  
Executive Vice President  
Arkansas Cattlemen's Association

CC:

Senator John Boozman  
Senator Tom Cotton  
Congressman Rick Crawford  
Congressman French Hill  
Congressman Bruce Westerman  
Congressman Steve Womack