

Congress of the United States
House of Representatives
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Mr. Chairman and Ranking Member Thompson:

Thank you for providing the opportunity to testify today. I want to call the committee's attention to the current market conditions facing cattle producers in Iowa and across the United States.

Since August of 2019, there have been multiple extreme market disruptions to the cattle industry. A cattle processing facility fire in Holcomb, Kansas and supply chain disruptions caused by COVID-19 had serious impacts on the cattle producers. As a result, we saw boxed beef prices increase while live cattle prices decreased. In some cases, cattle producers were left without a market to sell their cattle and were responsible for higher costs to feed and care for the cattle until a market could be found.

While these black-swan events had negative impacts on cattle producers, the current market situation remains of serious concern to cattle producers. As of May 10, 2021 the choice boxed beef cutout was valued at more than \$309/cwt. At the same time, cattle producers received average bids of approximately \$118/ cwt. Further the gross packer margin, on an average steer weighing approximately 1,450 lbs., with a 63 percent dressing percentage, exceeds \$1,000/head. This comes as I continue to hear from cattle producers struggling to break even.

There are a lot of factors contributing to the current market situation. We know that four meatpacking companies control over 80 percent of the cattle processing industry. This simple fact does leave the cattle industry particularly vulnerable to market disruptions. It also can leave cattle producers with few options if a packing facility has to reduce their processing capacity. In Iowa, I have heard from producers concerned about packers having a captive supply. Packers have purchased all the cattle they need through formula contracts, whose details are not known to the public, and are not active in the market for a week. As a result, some cattle producers are left without a place to sell their cattle, and must continue to cover the cost of care, feed and yardage – all at a time when we see crop commodity prices soaring.

This issue highlights a growing discussion about if there is enough cash negotiation taking place in the marketplace to ensure true price discovery and to allow cattle producers sufficient leverage in the cash negotiations. There are several legislative proposals that being discussed about how to tackle this issue and I believe it is a discussion that must take place prior to the reauthorization of Livestock Mandatory Reporting.

We have also heard that labor shortages and COVID-19 precautions have impacted processor's ability to operate at full capacity. This is a serious concern and should be examined to ensure that our cattle producers have markets to sell their cattle. We should also take time to examine how we can assist small and medium sized processors to create additional markets.

These are just a few of the issues that I am hearing contributing to the current situation facing our cattle producers. While there are several, intertwined issues taking place, I believe it is the responsibility of this committee to examine what is going on and to put forth solutions that will help remedy the state of the market to ensure the family cattle producer can make a living from their hard work. The time to act is now and I hope Mr. Chairman and Ranking Member Thompson, that you will commit to working with me towards a hearing to examine the state of the market and putting forth solutions in the near future.