

## What's the Real Driver Behind this GIPSA Proposal?

There's a reason U.S. beef is the best in the world. For decades, U.S. producers like me have invested in genetic improvements and herd-management practices that have allowed us to add value and enhance the quality and safety of our products for consumers in the U.S. and abroad. These investments allow producers to raise high-quality cattle that can then be sold for a premium through an alternative marketing arrangement (AMA) to meet specific consumer demand – resulting in a win-win for producers and consumers.

By now, most people involved in the agriculture industry have probably heard about USDA's GIPSA (Grain Inspection, Packers and Stockyards Administration) proposal on livestock marketing. Unfortunately, a small minority of so-called "producer groups" in favor of this proposed rule are once again using dubious notions and ambiguous statistics to try to sell this rule as a positive thing for commerce. It's time to set the record straight. If the administration moves forward on this misguided rule, the negative consequences—whether intended or not—will be devastating.

I've always believed that a market driven by supply and demand is the best driver of competition – in the cattle industry and every other industry. Like any other industry, beef producers must have the ability to respond to consumer demand and get paid a premium for a value-added product. This is a basic tenet of American business. In promulgating this rule, the administration is saying the government rather than the marketplace and individual buyers and sellers, will be examining contracts to determine "fairness". Freedom of choice and "willing buyer willing seller" will no longer be the standard of the marketplace. It's yet another example of government intrusion in the private marketplace, and it's time we say "enough is enough."

AMAs have been the foundation for producer financing and producer profitability for more than 60 percent of beef marketed. These producer driven agreements allow producers to get paid for the value they add to their cattle and ensure maximum freedom of choice for consumers at their local retail meat cases. By exposing processors and producers to the threat of litigation and forcing the marketplace toward a "standard price" these agreements will be restricted, and potentially eliminated from the marketplace.

This proposed rule appears to abandon prior judicial interpretations and economics as a means of determining market impact and inserts governmental discretion or citizen accusations. This rule also provides for the ability for private third parties to sue, solely based upon an allegation of a lack of "fairness". To the packer, and his lawyers, this threat of liability, litigation and risk has a cost. This is a cost that they're certainly not going to pay if they can possibly avoid it. They've already indicated how they'll limit this exposure, by offering the same standard, average, to everyone. In order to meet consumer demand currently being met by the use of AMAs, packers may also choose to own their own livestock in larger numbers (today, packers directly own less than 5 percent of the market) rather than risk litigation.

Let's keep in mind that one of the main proponents of this rule -- R-CALF -- has never done one single thing in their history to create any positive economic impact for beef producers. They are protectionists; and history has proven that protectionism is a failed business model. Always has been, always will be. Their co-conspirators are also highly suspect. Food and Water Watch, the Organization for Competitive Markets, and elements of labor and consumer movements are strange bedfellows for actual honest-to-goodness beef producers. I can't recall a time when such groups have ever lifted a finger to help beef producers be more profitable, and tigers like these don't change stripes. What's the real motivation of these groups, who thrive on litigation to perpetuate their existence, in absence of any cost/benefit analysis from these outfits or USDA? I can't help but think the real question we all should be asking is, who are they going to sue, assuming this rule could ever one day override the marketplace?

The GIPSA rule infers that all cattle be valued on an average or standard price, regardless of quality. Any deviation from "standard price" must be justified to the government which could lead to litigation that buyers seek to avoid. This will result in a generic market and generic product. This flies in the face of decades of work by hundreds of thousands of beef producers like myself to meet consumer demand via

improving the quality of the beef that I produce. Where would the incentive be for producers to make investments in higher quality products if this rule penalizes any deviation from an average price? There wouldn't be one, although those at the lower end of the quality spectrum would love it. Could this be what the proponents of this rule are actually after? What they fail to understand is that the net result will be huge losses for both producers and consumers. Consumers will pay more for what will very likely be a lower quality product; and producers will get paid less for the beef they produce.

I find it surprising that R-CALF and the other groups supporting this rule will claim it restores fairness and helps the "little guy" – when in fact, it's just the opposite. The reality is the ones who will be hit hardest are small to medium sized producers who are producing a premium product and getting rewarded by the marketplace for doing so. By prohibiting packer-to-packer sales and limiting the use of order buyers, this rule will also encourage consolidation, rather than provide more opportunities for cattlemen.

Still not convinced this rule is a bad idea? Well don't just take my word for it. At a recent hearing in the House Agriculture Committee, Members of Congress from both sides of the aisle harshly criticized USDA officials for this proposal, which they called an attempt to circumvent Congress by proposing several provisions soundly defeated during debate on the 2008 Farm Bill. How often these days do we see Democrats and Republicans coming together in such strong agreement on something?

The scope of the proposed rule goes well beyond the intent of Congress and even contradicts previous court decisions. It's bad news for producers, bad news for consumers, and will ultimately kill jobs and threaten U.S. beef producers' ability to remain competitive in the global marketplace. In the current economic climate, this is the last thing we need. There are no shortcuts to putting more money in producers' pockets; you do it by building demand, not by putting the government in charge.