



**AMERICAN FARM BUREAU FEDERATION®**

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**STATEMENT OF THE  
AMERICAN FARM BUREAU FEDERATION  
TO THE  
HOUSE COMMITTEE ON AGRICULTURE  
SUBCOMMITTEE ON LIVESTOCK  
REGARDING LIVESTOCK MARKET STRUCTURE**

**April 17, 2007**

Presented by Bob Stallman  
President, American Farm Bureau Federation

The American Farm Bureau Federation appreciates the opportunity to provide comments on the changing market structure of the livestock industry. Farm Bureau represents more than 6 million member families across the United States. Increasing producer competitiveness and access to a transparent marketplace is vital to sustaining domestic production agriculture for farmers and ranchers.

Farm Bureau is concerned that consolidation, and concentration within the agricultural sector, could have adverse economic impacts on U.S. farmers and ranchers. As contractual production and marketing arrangements between producers and processors become more prevalent, we see less connection with traditional cash markets which could result in reduced prices for all commodities paid to producers. It is important that markets be accessible to all producers and that these markets offer competitive prices for their products.

The landscape has changed for both crop and livestock producers in recent decades, both in purchasing inputs and in marketing finished livestock, grain and fiber. Consider these trends, as reported by various agencies of the Agriculture Department:

- From 1980 through 2004, the share of steer and heifer slaughter for the four largest beef packers increased from 36 percent to 80 percent.
- From 1985 through 2004, the share of hog slaughter for the four largest hog packers increased from 32 percent to 64 percent.
- From 1975 to 2004, the portion of fed cattle marketed by feedyards that had a 1,000-head or larger capacity increased from 74 percent to 95 percent.
- Currently, four-firm market shares in the broiler sector run higher than 50 percent.

The story is similar in much of the grain complex. For example:

- The three largest soybean processors controlled more than 70 percent of the U.S. market in 2003.

- The four largest agricultural chemical companies had 62 percent of the total world market share, based on 2004 data.

The Grain Inspection Packers and Stockyards Administration's (GIPSA) Livestock and Meat Marketing Study reveals significant information specific to the use of alternative marketing arrangements (AMAs) in the beef and pork processing sectors. From 2002 through early 2005, AMAs were estimated at 38 percent of fed cattle volume, 44 percent of the fed lamb volume and 89 percent of the finished hog market.

Packer ownership accounted for only 5 percent of fed cattle and lamb volume, but between 20 and 30 percent of fed pork volume. The report stated, "The use of AMAs is associated with lower cash market prices, with a much larger effect occurring for finished hogs than for fed cattle." While there is ample room to debate the merits of widespread use of AMAs increasing industry efficiency, increasing concentration and the conclusion about the impacts of AMAs on cash market prices call attention to why we discuss this issue today. It is also important to recognize that while AMAs are voluntary, we question whether they are truly voluntary in every region of the country, for every packer or for every species. Our producers often remind us that one cannot look at concentration in the aggregate for the entire country. A region by region review of AMAs would possibly provide different results.

AFBF supports the following issues to enhance competition in the current livestock marketplace:

- Farm Bureau supports enhancing USDA's oversight of the Packers and Stockyards Act (PSA). GIPSA investigations need to include more legal expertise within USDA to enhance anti-competitive analysis on mergers. Farm Bureau supports enforcement of antitrust laws and the PSA. 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. We support establishing an Office of Special Counsel for Competition at USDA.
- A few years ago, Farm Bureau helped secure a specific agriculture counsel at the DOJ. Farm Bureau works closely with the current counsel, Mr. Doug Ross, who understands agriculture and the regional, local and broad perspective that a potential agribusiness merger or acquisition would have on producers. Farm Bureau believes that this type of designated role at USDA would be beneficial to help enforce the PSA.
- Farm Bureau supports amending the PSA and strengthening producer protection and USDA's authority in enforcing the PSA to provide jurisdiction and enforcement over the marketing of poultry meat and eggs as already exists from livestock. This includes breeder hen and pullet operations ensuring they are treated the same as broiler operations.



- Farm Bureau supports efforts to provide contract protections to ensure that the production contract clearly spells out what is required of the producer. In addition, we support prohibiting confidentiality clauses in contracts so that producers are free to share the contract with family members or an outside advisor such as a lawyer or lender. Farm Bureau supports establishing GIPSA as the overall authority and provider of oversight to ensure livestock contracts are clearly written, confidentiality concerns are addressed, investments are protected, price transparency and discovery are enhanced, and contractors honor the terms of contracts.
- Farm Bureau supports legislation to prohibit mandatory arbitration. Producers should not be required to submit to arbitration and give up rights to seek remedy in court to resolve disputes with companies.

Farm Bureau appreciates the work by the House Agriculture Committees that reauthorized mandatory price reporting last fall. The program has worked well for our producers in providing increased price and market information. We look forward to working with USDA to ensure the program is properly implemented.

The following are additional issues that are indirectly related to competition and the changing market structure.

Interstate shipment of state inspected meat is another issue important to Farm Bureau members. Farm Bureau has long supported allowing meat and poultry inspected under state programs, which are equal to federal inspection and approved by USDA, be permitted to move in interstate commerce. There are 28 states with nearly 2000 state inspection facilities for meat products. All other products such as milk, dairy products, fruit, vegetables, fish, shellfish and canned products, which are inspected under state jurisdiction, are allowed to be marketed freely throughout the U.S. Movement of these products across state lines will increase marketing opportunities and provide more of a competitive marketplace for our farmers and ranchers.

Farm Bureau supports voluntary country of origin labeling. The costs associated with implementing a mandatory program, especially for meat products, would provide a competitive disadvantage for producers. USDA estimates the program could cost the industry between \$500 million and \$4 billion in the first year with per head costs at \$10.00 per cow and \$1.50 per hog. Until a cost-effective program can be implemented, Farm Bureau opposes a mandatory labeling program for meat, fruits and vegetables and peanuts.

Farm Bureau supports the establishment and implementation of a voluntary national animal identification system capable of providing support for animal disease control and eradication. Farm Bureau remains concerned about three major issues that will affect the success of this voluntary program and believes these issues must be resolved prior to the implementation of a program:

- Cost: How much will animal identification cost and who will pay the price? The price tag for a national ID system could run as high as \$100 million annually.

The fiscal year 2007 agriculture budget provides \$33 million to fund activities for system development, a level that is insufficient to obtain satisfactory producer participation in a voluntary program. Producers cannot and should not bear an unfair share of the costs of establishing or maintaining an animal ID system. Implementation of a successful ID program depends on adequate and equitable funding.

- Confidentiality: Who has access to the data used in the NAIS, and how can producers be assured protection from unintended use of the data they submit? Legislation is imperative to ensure the privacy of producers' information submitted to the NAIS, because producers must be protected from public disclosure under the Freedom of Information Act (FOIA). Otherwise, competitors or activist groups could exploit proprietary information. Furthermore, there must be clarity on which state and federal agencies will have access to the data.
- Liability: Are producers appropriately protected from the consequences of the actions of others, after their animals are no longer in their control? Many producers worry they might be forced to share liability for food safety problems that are now limited to meat merchandisers. In order to minimize the threat from occurring, Congress must pass legislation defining the duty of care of a livestock producer as "ordinary care."

Thank you for the opportunity to discuss issues related to the changing market structure for farmers and ranchers. We look forward to working with you to address issues that will enhance a competitive marketplace for our members in the upcoming Farm Bill.



Committee on Agriculture  
U.S. House of Representatives  
Required Witness Disclosure Form

House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Bob Stallman

Address: 600 Maryland Ave SW Ste 1000W  
Washington DC 20024

Telephone: 202-406-3600

Organization you represent (if any): American Farm Bureau Federation

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: None Amount: \_\_\_\_\_

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: None Amount: \_\_\_\_\_

Please check here if this form is NOT applicable to you: \_\_\_\_\_ X \_\_\_\_\_

Signature: 

\* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

## Bob Stallman



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Bob Stallman, a rice and cattle producer from Columbus, Texas, is serving his fourth term as president of the American Farm Bureau Federation, the nation's largest and most influential general farm organization. The 11th president in the organization's history, Mr. Stallman was first elected president on Jan. 13, 2000. He is the first AFBF president to hail from the Lone Star State.

Prior to becoming AFBF President, Mr. Stallman was president of the Texas Farm Bureau, a position he held since 1993. He became a member of AFBF's board of directors in 1994. Mr. Stallman served on various committees and boards during his tenure on the AFBF board of directors, including chairman of the Audit Committee and chairman of the 1998 Farm Economy Committee. He also sat on the International Trade Advisory Committee.

A 1974 honors graduate of the University of Texas, Mr. Stallman joined the family farm operation in 1975. He quickly assumed leadership roles in Farm Bureau, joining the board of directors of the Colorado County (Texas) Farm Bureau in 1977. He eventually served in all officer positions for the organization, including president.

In addition to Farm Bureau involvement, Mr. Stallman has been selected to serve on various state and federal committees. In 1996, then-Texas Gov. George W. Bush appointed Mr. Stallman to the Citizen's Committee on Property Tax Relief. That same year, Mr. Stallman was appointed by then-House Agriculture Committee Chairman Pat Roberts to the Commission on 21st Century Production Agriculture, a panel that proposed recommendations on farm policy for Congress and the administration.

In 2002, Mr. Stallman began serving on the board of directors for the American Council for Capital Formation (ACCF), an organization highly regarded for the role it plays in the debate on tax and environmental policy issues. In September 2001, he was appointed to serve on the Agricultural Policy Advisory Committee for Trade (APAC), which provides the Secretary of Agriculture and the U.S. Trade Representative information and advice on trade negotiating objectives. In June 2001, Mr. Stallman began serving on the Advisory Committee on International Economic Policy (ACIEP), the State Department's principal advisory panel regarding international economic issues. In Spring 2001, he began serving on the board of trustees for the Farm Foundation, a nonprofit organization that improves the well-being of U.S. agriculture and rural people. In addition, he serves on the Advisory Board of the World Agricultural Forum, an independent organization that encourages open debate and discussion of international food, fiber and fuel issues.

Mr. Stallman is a member of the Texas A&M College of Agriculture Development Council and a life member of the University of Texas Ex-Students' Association. He has served as co-chairman of the Texas Agriculture Summit. He also served on the executive committee of the Texas Rice Task Force.

Mr. Stallman was the recipient of the Texas A&M "Friend of Agriculture" award in 1999. In 1986, he was chosen "Man of the Year in Agriculture" by the Columbus (Texas) Rotary Club.

A member of St. Paul's Lutheran Church in Columbus, Texas, Mr. Stallman is married to Stacey Lynne Bryan. He has two daughters who reside in Houston, Texas: Kimberly Willingham, who is a school teacher, and son-in-law Daniel; and Angela Kulhanek, who is a registered nurse, and son-in-law Devin, and four grandchildren, Ashley, Brooke, Kinley and Blake.