April 14, 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 Mississippi Cattlemen’s Association formally requests the Department of Justice open an investigation into beef pricing margins as a result of recent extreme volatile markets shifts due to a 2019 fire in a Holcomb, Kansas beef packing plant as well as the outbreak of COVID-19. It is essential 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 rectified immediately.

The COVID-19 outbreak and resulting force on the cattle market have renewed concerns of Mississippi cattle producers following the 2019 Holcomb, KS plant fire. Both events resulted in depressed live cattle prices coinciding with extreme, rapid increased in boxed-beef prices. These actions resulted in historic losses in across the cattle industry while simultaneously providing record profits for the meatpacking sector. In each instance, these events have demonstrated how the production sector of the beef industry is consistently exposed and without the ability to leverage risk. Our cattle producers in Mississippi and across the nation pride themselves in operating in an independent business structure. As these extreme market swings continue to occur, our members fear a shift towards a vertical integration model of production is unavoidable, which is in direct opposition of the long-term goals of our industry stakeholders.

In a five-week time frame following a fire at Tyson’s Holcomb, Kansas beef harvest plant in August of 2019, Nebraska USDA-LMR weighted average cash fed cattle prices dropped by $13.87/cwt, or approximately $187.25/head. Meanwhile, boxed beef values moved sharply higher – resulting in a wave of windfall profits for the beef packing industry while the production sectors of the beef industry dealt with multi-year market low prices for calves, yearlings, and fed cattle. We are now seeing that same type of price action repeated – only in a more extreme manner – during a time of national crises that includes additional logistical stressors 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 Nebraska negotiated cash cattle traded at a weighted average price of $123.94/cwt according to USDA Livestock Mandatory Reporting (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% in price to close at $88.325/cwt with Nebraska’s live cash cattle weighted average having fallen to $111.97/cwt. Meanwhile, boxed beef for the week ending March 27, 2020 was $252.84/cwt choice and $242.38/cwt select.

The Mississippi Cattlemen’s Association recognizes that there is a pending USDA investigation into the market reactions that took place after the August 2019 Holcomb, KS plant fire. We support President Trump and Secretary Perdue’s expansion to included market volatility experienced as a result of COVID-19. We firmly believe that the Department of Justice should additionally open their own investigation and expand the scope to include both the market aftermath of the Holcomb, KS fire that triggered a similar market response to the COVID-19 situation. Both events continue the undue financial burden for all cattle producers within the production side of the beef cattle industry.

Sincerely,

Andy Berry
Executive Vice President
Mississippi Cattlemen’s Association

CC:
Senator Roger Wicker
Senator Cindy Hyde Smith
Congressman Michael Guest
Congressman Trent Kelly
Congressman Steven Palazzo
Congressman Bennie Thompson