



Since 1894

April 2, 2020

The Honorable Greg Ibach
Under Secretary for Marketing and Regulatory Programs
United States Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250

Re: COVID-19 Cattle Market Impacts

Dear Under Secretary Ibach:

The COVID-19 pandemic has significantly affected the cattle industry in profound ways. Since COVID-19 was diagnosed in the United States, dramatic price swings have occurred in the cattle markets, causing substantial harm to cattle producers' bottom lines. For example, on January 22, 2020, the day after the first COVID-19 diagnosis in the United States, the CME April Live Cattle Futures Contract closed at \$126.775/cwt, while Kansas negotiated cash cattle traded at \$120/cwt, and boxed beef sold at \$214.96/cwt choice and \$212.02/cwt select. On March 16, 2020, however, the CME April Live Cattle Futures Contract closed at a contract low of \$91.85/cwt, while Kansas negotiated cash cattle traded at \$105.00/cwt, and boxed beef sold at \$224.36/cwt choice and \$216.71/cwt select. The conversion from a negative cash to futures basis to a record-wide positive cash to futures basis, as well as the widening of the spread between the negotiated cash cattle price and the boxed beef price, caused a number of Kansas cattle producers to ask questions about the integrity of the cattle markets.

Given the U.S. Secretary of Agriculture has the authority to investigate and pursue civil enforcement action for anticompetitive behavior in the livestock sector under the Packers and Stockyards Act of 1921 (PSA), the Kansas Livestock Association (KLA) requests the U.S. Department of Agriculture (USDA), Agricultural Marketing Service, Fair Trade Practices Program, Packers and Stockyards Division begin an investigation to determine if any violations of the PSA occurred between now and the first diagnosis of COVID-19 in the United States on January 21, 2020. While KLA does not have any specific allegations to bring to your attention at this time, KLA believes it is prudent, given the price differentials discussed above, for an investigation to proceed to maintain producer confidence in the markets. KLA also makes this request without any preconceived notions, but stands ready to assist USDA in trying to determine if any of the market reactions are attributable to prohibited practices.

This is the second time within a year that cattle producers have experienced a drastic decline in prices, with the previous event being the Tyson processing plant fire in Holcomb, Kansas. After the fire, on August 28, 2019, U.S. Secretary of Agriculture Sonny Perdue "directed USDA's Packers and Stockyards Division to launch an investigation into recent beef pricing margins to determine if there is any evidence of price manipulation, collusion, restrictions of competition or other unfair practices." It has been seven months since this investigation was initiated, and we hope a report can be provided soon.

Thank you for considering KLA's request that the Packers and Stockyards Division begin an investigation into the recent cattle market events surrounding the COVID-19 pandemic. KLA appreciates all you and your staff do for cattle producers and our members look forward to your reply.

Sincerely,

A handwritten signature in black ink that reads "Harry Moser". The signature is written in a cursive, flowing style.

Harry Moser
President