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**Subject:** Comments

Comments Regarding Atriculture and Antitrust Enforcement Issues in Our 21st Centruy Economy.

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**Comments Regarding Agriculture and Antitrust Enforcement Issues in Our 21<sup>st</sup> Century Economy.**

I am a third generation cow-calf operator in eastern Colorado. My perspective is from that of a producer who sells spring calves off the cow for fall delivery. I offer my calves with Superior Video Auction in hopes of attracting a wider buyer base. This program has worked for me as good as anything but the bottom line is that we are still price takers and ultimately subject to the profitability in the slaughter cattle market. The key point is that being a producer since 1974 I have personally witnessed a dramatic reduction in independent backgrounders and small feedlots in my home area of northeast Colorado. When I started out many farmers finished cattle or back grounded calves and stockers as a means of enhancing the marketing of their grain through cattle feeding. But over the 30 years that I have produced calves I have witnessed a direct correlation of the exodus of independently owned feeder and feedlots. The reason is simple, as the packing industry has consolidated with four firms harvesting close to 90% of the available supply and with the advent of captive supply owned or controlled cattle to feed those plants the "free" or independent cattle have become a secondary supply source and as such have become a cheaper input sourcing tool for these multi-national firms. Those feeders that have chosen to be assured kill privileges have in some instances survived but still lack the profitability that should exist in an open competitive market.

Specifically I know of a feedlot in my area that could not even get a bid from the JBS buyer for over 30 days last spring. With only two buyers in the immediate area (JBS and Excel) that put my friends basically at the mercy of Excel to slaughter their ready cattle. This is one specific example but goes on all the time. The availability of Canadian cattle has also hurt our domestic feeding industry.

For a while Coleman Pack in Limon, Colorado offered smaller independent feeders in the Wiggins and Weldona area of northeast Colorado a good alternative to dealing with Cargill-Excel and JBS-Swift. But when Swift purchased and closed the plant it was the beginning of the end for this group of independent farmer-feeders. I know of at least a half dozen that do not feed now. Some of these operations had purchased our calves on the video sales.

The past three years have been particularly tough but the past two years losses have been passed down to us calf producers with noticeably weaker prices. Our calf prices this year were down \$12/cwt from 2008 and \$20.25 from 2007 at a time when our production costs have continued to increase. Acknowledging the weaker economy it is hard to accept the reality of these lower prices when our U.S. cattle numbers continue to decline and we witness strong profitability in the packing and retailing sector of our business.

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To me the most detrimental aspect of the present lack of competition in my business from the top down is the captive supply source of cattle available to the packers which enables the packers to kill their own cattle without having to be competitors in the cash market only when it behooves them. This practice has a negative downward effect on all of us down the supply chain and is eliminating what is left of independent producers. The “consent decree” agreed on in the 1920’s prohibiting packers from feeding their own captive supply should have never been taken off! All politicians talk about maintaining food security in this country. If those entrusted to “referee” in our free enterprise system do not step up to enforce anti-competitive buying practices, i.e. non-priced contact arrangements and packer ownership of supply the independent cattle business is doomed. And ultimately the American consumer will be at the mercy of a few multi national corporations for their red meat protein. Ultimately the real damage is the decimation of rural communities across this great country.

Sincerely,

Gerald Schreiber