

From: Gary Nutt <garynutt@live.com>
Sent: Wednesday, December 30, 2009 10:17 PM
To: ATR-Agricultural Workshops <agriculturalworkshops@usdoj.gov>
Subject: **Competitive nature of live cattle market (with attached graphs)
Attach: Packer_Inventory_Model_all_regions.pdf

To: Department of Justice and Agricultural Secretary Vilsack

I would like to commend your departments for requesting market feedback from the industry. I personally have asked several in my area and travels to respond. Surprisingly, very very few have any knowledge of your inquiry. Our industry leaders would much rather speak for the industry, from a large corporate viewpoint. Therefore, securing their own organization's income stream.

The question of most importance is does captive cattle influence price and demand? Let commonsense rule:

Does supply and demand still work in the market place?

If you own or control an ever increasing quantity of a product, will you have an increased demand for that product?

If 55% of contract/formula cattle along with packer owned inventory have no ill effect on a competitive marketplace, then maybe 75% won't in 5 years or 90% in 10 years.

***The attached graphs demonstrate the exponential growth in captive cattle over the last few years.**

****What would these graphs look like had they included packer owned cattle?**

Are big corporate going to help sustain the livelihood of small towns and their businesses?

Does small town America really matter anymore?

My recommendation for improving the efficiency and freedom of the market would be an in depth study involving an electronic auction process through an agency such as USDA.

1. This option would bring in income to USDA.
2. It would involve elimination of all packer ownership over a five year period.
3. All private marketing arrangements, formulas, contracts, basis contracts, and etc. would cease.
4. Contracting cattle would be done through the CME.
5. Seven day pickup would be expanded to two weeks to facilitate packer procurement.
6. Branded or grid products that have merit will survive by the premiums that will be competitively sought after by those desiring them.

Our best cattle are priced in this current marketing structure by using a base cash price, which is made up of the lowest quality cattle and has lost volume yearly.

With a thinly traded live market, what keeps an entity from market manipulation at present or in the future?

I presently market all of my cattle through a captured grid. While this facilitates timely marketing of my cattle, it is not competitive. I look forward to the day that I may negotiate my price in a manner that is fitting

to free enterprise. We have three packers that call upon our feed yard weekly. Two have no room to buy when they call. One has a large amount of packer owned cattle and a very large contract. Thus, the reason for my captured grid.

If I may be of any service or if you have any further questions, I can be contacted at the following address and phone number.

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