

Testimony

on behalf of the

Florida Cattlemen's Association

with regards to

the State of the Beef Industry

submitted to the

United States House of Representatives
Committee on Agriculture
Subcommittee on Livestock, Dairy, and Poultry

Representative Tom Rooney, Chairman

submitted by

Mr. Jim Strickland

President
Florida Cattlemen's Association
Member
National Cattlemen's Beef Association

April 6th, 2011
Washington, DC

Mr. Chairman, Ranking Member Cardoza, and members of the subcommittee, my name is Jim Strickland. I am President of the Florida Cattlemen's Association and am pleased to be with you today.

America's cattle producers range from giant operations to very small family ranches where producers raise cattle to supplement their income from a wage paying job. I raise cattle as a family business. I do a few other things but like the vast majority of other producers in the United States, I am a small producer.

However, let me be clear. Being a small producer does not mean my business is simple. In addition to managing my herd, I must manage land, water and other resources. I compete in foreign and domestic markets. Like all other producers, I have to care for the health of my cattle and deal with weather extremes. Additionally, because I focus on producing pedigreed cattle, some sold for breeding rather than slaughter, I also concern myself with genetics.

In addition to all of this, I spend a lot of my time thinking about government, laws, and regulation. I do not do this because I am a political philosopher but because government at all levels – in this country and abroad – has created a multitude of rules that affect the way I do business.

But I am not here to engage in a diatribe about “big government” or to push a partisan or ideological agenda.

I know enough American history, to know that many regulations are enacted for excellent reasons – healthier food products, cleaner water, fighting rapacious business practices and more. I know that business practices change and that new laws and regulations are sometimes needed to ward off new ills.

With these cautions voiced, I must say over the past century, we have seen far more regulations and laws added than taken off. We have learned that laws and regulations have unintended consequences and that they can introduce wasteful habits that benefit few and harm many.

With that off my chest, here are my personal views on some of the government-related issues I face in my business.

Conservation and the Environment

Let me begin by stating that cattlemen who knowingly and willfully violate the Clear Air and Clean Water acts should be prosecuted. These criminals gain unfair advantage in their competition with honest producers and degrade life for all.

I care about the environment. My business depends on clean air, clean water, clean ground and healthy stock. I admire and respect the professionals at the Environmental Protection Agency (EPA). They have an extremely complicated job as they try to understand the nearly infinite interrelationships of the ecosystems upon which

all of us depend. Even so, I think they often overreach on evidence that does not meet the test of clear and accepted scientific standards. Their actions damage producers without evidence of benefit to the environment or public well-being. The cumulative effect is to force agricultural producers out of the business with little corresponding benefit.

Right now, the EPA is in the process of reviewing its National Ambient Air Quality Standards for coarse particulate matter, more commonly called dust.

I would like to clear some things up related to the review of EPA's dust standard. First, EPA claims they are not and have no intention of regulating dust. Unfortunately, dust is already regulated under the current coarse particulate matter standard. Therefore they are already regulating farm dust but at a level that, while challenging, is manageable. Second, while EPA has not officially proposed a lower standard, farmers and ranchers can see the writing on the wall. Under the current "review" of the dust standard, EPA's staff recommended to Administrator Lisa Jackson that she could either keep the standard the way it is, or make it twice as stringent. With their track record, EPA's promise of not regulating rural dust gives us in rural America no comfort. Lastly, making this standard twice as strict will put entire regions of this nation's agricultural production in violation of the standard. At a time when we are supposed to feed a growing world population, preventing farming and ranching activities because we kick up too much dust goes against all logic.

The total maximum daily load (TMDL) action surrounding the Chesapeake Bay and the numeric nutrient criteria restrictions in my home state of Florida strike me and many others as being based on dubious background data. Their impact on water quality is unproven. One element is not debatable, however, is that these actions will have severe, negative effects on production agriculture in the affected areas. Some farmers and ranchers will even be forced off the land. Taking some land out of agricultural production will eventually increase pressure to change land use regulations to permit more residential and industrial development around the shores of the Chesapeake and the beaches of Florida. The EPA says these water issues affect a limited area, but experience and intuition tell me that they are likely to spread to other watersheds across the country.

All of us, especially those in charge of protecting the environment, must recognize that human beings and civilization change the environment. Before Columbus, there were no cattle in this hemisphere. The Great Plains had never been plowed. No reasonable person wants to unwind these changes. Our challenge is to manage these changes with a reasoned, scientific approach that proceeds in a manner that affords adequate protections without destroying productivity.

Trade

International trade in cattle began long before the United States of America. The ancestors of the Devon Red cattle George Washington raised were imported to what became the United States about 100 years before he was born.

American cattlemen have always been strong believers in international trade. We support aggressive negotiating positions to open markets and to remove spurious “health regulations” and other trade barriers intended to keep our products out of foreign markets. As you are aware, we continue to fight to recover the market share we once had in many countries, including Korea, China and Japan. We ask that you continue to help us by ending pseudo-scientific trade barriers designed to exclude us from foreign markets. International trade is vital to the sustainability of the U.S. cattle industry. We must look to the 96 percent of the world population outside our borders as markets for our products. We applaud and encourage the Subcommittee’s continued oversight of the enforcement of any trade pact to which American agriculture is a party. And we ask that you fight to pass of the South Korea, Panama and Colombia trade agreements.

Research

Research in new production methods, nutrition and animal diseases is an important part of federal agricultural policy. The U.S. Department of Agriculture’s (USDA) research is critical in all aspects of our business. The research and extension activities help identify new cattle production methods that make our business safer and more efficient. Animal health research aids in the control and eradication of animal diseases, prevents intrusion of foreign animal diseases and helps to preempt new diseases. These activities keep our national herd healthy and enhance the export of our beef and cattle. Nutrition research validates that lean beef plays a critical role in a well-balanced, nutrient-dense diet.

I want to emphasize the importance of USDA’s Agricultural Research Service (ARS) centers in all regions of the country. I was very dismayed recently to learn of the possible closure of the Sub-Tropical Agricultural Research Station in Brooksville, Fla., which is one of only three ARS Beef Cattle Research Stations in the country. The other two are located in Nebraska and Montana. The work of the Florida center cannot be replicated or replaced by the other two centers because of the vast differences in cattle genotypes, soil types and unique environments. The Brooksville center has the potential to impact nearly one third of the beef cow population in the nation. It seems very unwise to shut down this important part of the national animal research infrastructure.

Additionally, I would reiterate that the collaborative research USDA’s ARS conducts cooperatively with the nation’s land grant universities is vital to the future of the cattle industry, the environment and safety of the food supply. The combination of research, teaching and extension must be maintained as America assumes a growing role in feeding a rapidly growing global population.

Energy

I live and die by the market. President John F. Kennedy once said agricultural producers are the only people in our country who “have to buy at retail, sell at wholesale and pay the freight both ways.”

That makes the economics of raising cattle a tough balancing act. However, what is already tough is made worse by a government's thumb on the scale. I am speaking of laws and policies that subsidize corn-based ethanol production. When I buy a bushel of corn, I am competing against someone whose purchase is subsidized by my tax dollars.

I understand why soaring oil prices, dependable energy supplies, and other factors caused our national experiment with subsidizing ethanol. But 30-plus years and more than \$30 billion of subsidies have failed to create a self-sustaining economic model for ethanol. After 30-plus years of rising oil prices and increasing oil imports, we can say the experiment failed.

An August 2009 U.S Government Accountability Office report titled "Biofuels – Potential Effects and Challenges of Required Increases in Production and Use" is evidence that the corn-based ethanol industry is mature and that the VEETC should be allowed to expire. According to the report, the VEETC's annual cost to the Treasury in forgone revenues could grow from \$4 billion in 2008 to nearly \$7 billion in 2015 for conventional corn starch ethanol."

The USDA's Economic Research Service release a report in 2008 that reported feed costs for livestock, poultry and dairy reached a record high of \$45.2 billion – an increase of more than \$7 billion over 2007 costs. Further, a September 2008 Congressional Research Service report stated that the dramatic increase in livestock production costs was attributed to feed. The cattle feeding sector has lost \$7 billion in equity from December 2007 to February 2010 because of high feed costs and economic factors that have negatively affected beef demand.

I have two specific requests on ethanol:

1. Let corn-based ethanol compete on the same terms I do. If ethanol producers can make money without a subsidy paid with my tax dollars, I will be happy for them.
2. Oppose the Volumetric Ethanol Excise Tax Credit (VEETC) and the tariff on imported ethanol.

Taxes

I know both sides of the estate tax debate. I do not claim to be comfortable with billionaires passing vast wealth through generations untold. But as a rancher, I have issues that do not apply to financiers, bankers, real estate magnates, oil producers or software geniuses.

Most of my worth is in land – land that is necessary to what I do to earn my living. It is not readily divisible and is far from liquid. I am not a land speculator and while I try to behave in a gentlemanly fashion, I am no gentleman farmer. If my heirs or I sell off a chunk of my ranch for any reason, my economic model falls apart.

My son is in the Army and is in a combat zone right now. I do not know if he will stay in the Army or if he will choose to follow me into the cattle business or not, but I want him to have that option.

A permanent end to the estate tax is the simplest way to resolve the matter, but if you cannot find a way to do that, please find some kind of exemption for land that is worked by its owners. According to USDA, the death tax is one of the leading causes of the breakup of multi-generational family operations. Agricultural production in America is heavily dependent on inheritance, but the death tax makes it difficult and in some cases impossible for a farmer or rancher to pass his land on to the next generation.

Transportation

A safe and efficient transportation system is an important component of cattle ranching in Florida and the rest of the East. We raise our cattle and then ship many of them to the feedlots in Kansas, Oklahoma and Texas. Of course, trucks and fuel to move them are part of our cost. To make things worse, the animals lose weight and “shrink” in transit. This is tough when you sell by the pound. We ask that you support an increase in trailer weights, with the addition of a third axle. We especially ask that you move to standardize these weight limits across state lines. The current patchwork requires circuitous routes as we move to our markets.

Marketing Issues

Beef producers embrace free markets. The cyclical ups and downs of the market can be harsh, but the system works. We remain steadfastly committed to a competitive market system.

Those who implement policies that set prices, underwrite inefficient production, or manipulate domestic supply and demand readily cite supposed benefits. But a review of economic history suggests that government distortions of the market far too often throw the economic balance wheels out of kilter.

Marketing cattle has grown very complex. Market factors from energy costs, consumer preferences, feed costs and many others have ended the old system of raising what you can and hoping for good prices when your animals hit the market. Most of the cattlemen who thought they were in the business of raising cattle and praying for decent prices have gone broke.

I raise cattle, but my business is selling beef. Like most of my fellow ranchers (and fellow competitors), I must be in tune with what the consumers want to see in the meat case at their local market. By recognizing the importance of consumer preferences, cattle producers have created innovative marketing programs, improved the quality of beef and given the consumer he or she wants. We have also become more profitable and efficient. Some of these innovations have come in the form of alternative marketing arrangements (AMAs) such as forward contracting, marketing alliances and packer

ownership. These arrangements offer me a better opportunity to be compensated for the value I add to my animals.

In the old days, all cattle in a pen were auctioned for the same average price. Cattlemen had no incentive to produce higher quality beef. Why invest to produce a leaner steak when you receive no more for a quality steer than the next guy gets for a four-legged bundle of fat and gristle?

As our industry struggled through decreasing demand in the 1970s, 80s and early 90s, the government was not pushing us toward leaner, more consistent beef. Producers, including myself, began to overhaul our practices so we could produce high quality lean beef. I invested in genetics, management and herd health to meet the demand some of us had begun to recognize.

I paid for my investment by demanding a premium price for my premium product. Meeting this demand for a premium product has produced the current system of value-based marketing, a system with a multitude of premiums, discounts, grids, contracts, formulas, and alliances that have become commonplace in the beef industry. You recognize some of the many names given to premium products:

- Certified Angus Beef
- U.S. Premium Beef, Ltd.
- Ranchers' Renaissance
- Harris Ranch

These are just a few of the innovative marketing programs available. Many of our country's ranchers have chosen to participate in one program or another in order to become more competitive in a market controlled by consumers. These arrangements are led by producers but driven by markets and consumers. There are many more, particularly in areas where producers are teaming with other segments of the industry to take advantage of national, regional, and even niche market opportunities ranging from breed or genetics programs to natural and organic production. Process and source-verified programs use electronic identification of animals and this, in turn, leads to efficient production of healthy animals yielding beef for which consumers are willingly paying a premium.

Participating in these marketing arrangements brings other benefits. Most importantly, we have the best price risk tools ever. Price or market risk is not avoidable. The path from calf to porterhouse is strewn with opportunities to lose money. Forward contracting permits me to shift some of the risk to others. In return for a guaranteed price, I forfeit some opportunity for outsized profits. I am happy to do it. If I know the price I am going to receive down the road, I can plan and operate more efficiently. Instead of fretting over what live cattle will be worth in several months, I can focus on day-to-day operations and herd improvement. Whoever buys my future delivery is protected against a spike in prices and the buyer too appreciates the stability. Furthermore, these contracts are voluntary. If I do not like the offering price, I can walk away and find another buyer, either now or later.

All these changes ease financial operations. Ranchers who need operating capital get a much friendlier reception from their banker when they can show evidence of a marketing plan and a firm price for their product

These webs of marketing arrangements are sometimes complex, but they bring efficiency. Feedlots can report how cattle perform when being fed. Packers can report yield and quality. And I use this “actionable intelligence” to manage my herd.

This not smoke and mirrors. The benefits have been demonstrated. In 2007, USDA’s Grain Inspection Packers and Stockyards Administration’s (GIPSA) Livestock and Meat Marketing agency released a government-funded, 3.5 year study based on more than 500,000 transactions representing more than 58 million head of cattle. According to the study, producers participate in alternative marketing arrangements to buy or sell higher quality cattle, improve supply chain management and obtain better prices.

The study demonstrates that a market-driven system works. The study’s overwhelming conclusion is that overall alternative marketing arrangements help all sectors of the industry.

Auction markets are also a critically important part of the U.S. cattle industry. They have been the primary arena for marketing cattle for more than 100 years. In this marketing method, a willing seller takes the highest bid for his cattle when he decides it is the right time to bring them to the auction barn. Ranchers who market this way cite several reasons for their choice. One reason is independence. By using the cash or spot market, producers have no restrictions or cattle quality concerns that would keep them from selling your cattle – unlike marketing arrangements that require certain criteria be met before cattle qualify for filling the contract. Flexibility is also important to these producers. Selling on the spot market gives ranchers the opportunity to participate in market rallies. Those who have already contracted their cattle lose that opportunity because they are locked into a price agreement.

Even with traditional means of marketing, we have seen innovations and improvements that have been market-driven. One of these innovations is video livestock auctions. With this method, ranchers can auction their animals by video and reach customers in other parts of the country and even in other countries. This style of spot market stemmed once again from ranchers who produce a higher quality product and want to make sure they are getting paid for the value they are adding to their cattle.

The GIPSA study concluded that reductions or restrictions on AMAs would cause a decrease in the supply of cattle, a decrease in the supply and quality of beef and an increase in retail beef prices.

Who needs that?

Given the results of this study, I have no idea why GIPSA is proposing its competition rule, which is a rule I oppose.

This rule goes beyond the intent of Congress in the 2008 Farm Bill and proposes major changes to the Packers and Stockyards Act (PSA) that will damage our ability to market cattle.

Under existing law, you must show that a packer or processor harmed the market by engaging in illegal actions such as collusion, price fixing, etc. This is known as showing “competitive injury.” Under the new definitions included in the proposed rule, “competitive injury” and “likelihood of competitive injury” are re-defined and made so broad that mere accusations, without economic proof, will suffice for USDA or an individual to bring a lawsuit against a buyer (packer or processor). In this case, a producer need only say that he was treated “unfairly” to sue a packer or processor. There is no definition of what “fair” should be. Anyone has ever raised a child or listened to school yard bickering knows that “fair” is an elastic term. The rulings of eight U.S. Circuit Courts have upheld the need to show competitive injury to the market before you can sue. Do we need to throw these well-defined rules out the window and watch for a decade or more as our courts attempt to sort out what “fair” means?

Under the proposed rule, order buyers will only be able to represent one packer. It is at quite possible that the loss of efficiency from requiring a single buyer for multiple packers will end up hurting producers like me. I do not envision packers flooding livestock barns with exclusive buyers. In fact, I see some barns having no buyers at all.

The best thing Congress can do to ensure a fair and competitive beef industry is to use its oversight power to see to it that the laws on the books are uniformly and carefully enforced.

That is not the case today.

The failure of Eastern Livestock company last fall left ranchers and livestock auction barns holding the bag on more than \$130 million in bad checks. Hundreds were affected and several cattle operations may yet go under. This might have been avoided had GIPSA been faithfully executing its statutory responsibility to audit and oversee Eastern.

If we need legislative or regulatory action in the beef industry, it is a need to faithfully execute existing laws and regulations. If GIPSA and USDA need more money to enforce the PSA, I ask that you give to them. But please ensure they improve their current performance before letting them take on dubious new responsibilities and authorities.

As a member of the National Cattleman’s Beef Association, I support NCBA’s position in favor of a free market system with reasonable regulation. We trust the American ranchers’ ability, adaptability and innovative skills over those of well-intentioned regulators.

Make no mistake. I rely on federal regulators to ensure that the marketplace is free from monopolies, collusion, price fixing and other illegal activities. But I am worried that current plans will poke a stick in the wheels of commerce and destroy a productive system that has benefited everyone.

Like other business operators, cattle producers want access to business opportunities and higher profits. We believe we have them now and proposed regulations will reduce them. That is why I ask that you recall that for every agreement made by a packer; on the other side of the deal is an individual rancher or feeder who has decided that the agreement is in his or her best interest. That opportunity will help to continually improve their herd management, genetics and long-term profitability. The opportunity to engage in and benefit from new advances is good for the individual producer and good for the industry as we strive to supply the consumer with beef products they demand.

Conclusion

This is not fun for me. By temperament and practice, I would rather buy, sell and especially raise cattle than come here to testify. I have come here not in furtherance of some partisan or ideological agenda. I accepted your invitation because I thought it my duty to participate in public policy discussions and to give voice to the concerns I share with most of my fellow ranchers.

I thank you for your service to our country and for your time and attention.

I welcome any questions you might have.

Curriculum Vitae

James A. (Jim) Strickland
24615 Oak Knoll Road
Myakka City, Florida 34251

DOB: April 22, 1955

Spouse: Renee Toussaint Strickland

Son: Captain James A. Strickland Jr. U. S. Army

Education:

Manatee High School 1973
Attended Manatee Community College

Occupation:

Licensed Florida real Estate Salesman 1974-1978
Livestock Appraiser (Bank & Estates) 1980-1986
Director of Agriculture Department, Manatee County Property Appraiser 1991-
Present
(Oversees Valuations of Agricultural Lands for Ad Valorem Taxation.

Industry Organization Service:

Florida Farm Bureau
-Tax Advisory Committee
- Beef Advisory Committee
-International Trade Task Force
Manatee County farm Bureau Board of Directors 1984-Present
Manatee Agricultural Museum Board of Directors
Manatee River Fair Association Board of Directors
Southwest Florida Water Management District
- Agricultural Advisory Board
Owner Strickland Ranch & Exports (Export U.S. Live Animals Worldwide)
Florida Cattlemen's Association
- President 2010-2011
-Chairman, Public Relations Committee
Florida Beef Council
- Treasurer
National Cattlemen's Beef Association
-Board of Directors
-Tax and Credit Committee
University of Florida, Institute of Food and Agricultural Sciences
-Range Cattle Experiment Station Advisory Committee
-Public Information and Education Center Steering Committee

Committee on Agriculture
U.S. House of Representatives
Information Required From Nongovernmental Witnesses

House rules require nongovernmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Jim Strickland
2. Organization you represent: Florida Cattlemen's Association and the National Cattlemen's Beef Association
3. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee: _____
Please see attached Curriculum Vitae
4. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee: _____
Please see attached Curriculum Vitae
5. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold: President of the Florida Cattlemen's Association.
Member of Board of Directors and Member of the Tax and Credit Committee

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.

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, 2008.

Name: James A. (Jim) Strickland

Organization you represent (if any): Florida Cattlemen's Association
and the National Cattlemen's Beef Association

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2008, 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: _____ Amount: _____

Source: _____ 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, 2008, as well as the source and the amount of each grant or contract:

Source: _____ Amount: _____

Source: _____ Amount: _____

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

Signature: Jim Strickland

* Rule XI, clause 2(d)(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.