Congressman Jerry Moran
Chairman, General Farm Commodities and Risk Management Subcommittee
Room 1301 Longworth House Office Building
Washington, DC 20515-6001

July 27, 2006

Dear Honorable Moran,

Thank you for the opportunity to testify on behalf of the South Dakota Stockgrowers Association in regard to the 2007 Farm Bill. We are proud and honored to host you and other members of the subcommittee in one of the best cattle-producing regions in the country – Western South Dakota.

Background
As a rancher, I derive nearly all of my family's income from cattle production. I do not farm nor do I have an "outside" job. I am a cattle rancher, who relies on the weather and the market, along with my own management endeavors, to provide my annual income. My wife and I own and operate our ranch East of Hermosa, S.D. Our teenage son is a necessary component and our two grown daughters worked on the ranch during their years here as well.

I currently serve as the President of the South Dakota Stockgrowers Association (SDSGA), the state's largest and fastest growing cattle organization. We represent about 1,800 cattle ranchers with backgrounds similar to mine. We are ranchers who raise cattle as a main source of income, not a hobby or a tax write-off. The SDSGA is committed to representing the cattle industry's needs in regard to animal health, trade, marketing and land use issues.

SDSGA appreciates the opportunity to provide meaningful input regarding the 2007 Farm Bill.

Comments
The SDSGA believes strongly in the need for a healthy and competitive cattle market, one that allows America's good cattle producers to be profitable. We do not believe that government subsidies are a long-term solution to low markets, drought, disease or any other difficulty that cattle producers face. We acknowledge that there are a number of hardships in the cattle business, but a strong, vibrant cattle market allows cattle producers to take advantage of market highs and make preparations for the inevitable downturns in the market.

- *The SDSGA strongly supports the addition of a competition chapter - the Captive Supply Reform Act, to the 2007 Farm Bill.*

The problem that has occurred in the past 15 years is an artificial suppressing of the cattle market, which has not allowed the natural law of supply and demand to work properly, and has denied America's cattle producers that necessary "high" cattle market. Until the unexpected event of Canada's BSE discovery in May of 2003 and the subsequent closure of the Canadian border to cattle and beef, America's cattle producers had been enduring a 12 year "low" in the cattle market. This wasn't because of poor beef demand or because of an overproduction of cattle. Beef consumption was high and cattle numbers were dropping steadily. The reason for the unprofitable market was downward pressure by the big packers who used captive supplies in both the United States and Canada to manipulate the cash market. They would virtually refuse to buy cattle on the cash market if the price began to rise. By collectively refusing to buy cattle, they forced the price downward and then eventually bought at a price they determined to be "low enough."

This practice didn't stop as the result of the Canadian border closer. However, it became inarguably obvious that it was happening because, without access to their Canadian captive supply cattle, packers and processors were being forced to buy more American cattle on the cash market, thus driving up cattle prices and allowing America's cattle ranchers to be profitable for the first time in over a decade.

In short, the meat industry's use of captive supplies to control the market negatively affects profitability for America's cattle producers. It certainly increases profits for the packers and processors, but only at an extreme cost to the independent producer.

- *The SDSGA strongly supports stronger enforcement of GIPSA*

For many of the reasons mentioned above, GIPSA must be scrutinized and adhered to in a serious effort to determine and remedy illegal behaviors. If USDA is unable to enforce GIPSA in a manner satisfactory to America's cattle industry and to Congress, the Department of Justice should take over.

- *The SDSGA strongly supports implementation of Mandatory Country of Origin Labeling.*

Mandatory country of origin labeling became law upon passage of the 2002 Farm Bill but has been effectively stalled by opponents including the packing, processing and retailing industries. The current "USDA inspected" stamp misleads consumers into thinking they are buying USA produced beef. According to USDA, about 18% of the beef consumed by American consumers is imported, yet until mandatory country of origin labeling is implemented, US consumers will not be able to choose USA born, raised and processed food. Survey after survey has concluded that over 80% of consumers would pay more for USA raised beef. Currently, without a labeling mechanism, beef demand in the US can maintain record highs, but with imported beef meeting that demand, the importing companies experience profits, not the American cattle producer.

In order to compete effectively in a global market, our beef must be labeled as to country of origin. South Korea for example has their border closed to US beef because of co-mingling of Canadian beef, with no label to differentiate. The customer is always right. As an industry, it is our job to provide the product that the consumer wants to buy.

- *The SDSGA strongly urges immediate abandonment of the NAIS*

There are numerous tracking systems already in place across the country, including brand inspection programs in Western states. To force a mandatory animal identification program onto producers would be a severe infringement of constitutional rights, private property rights, and would burden the U.S. cattle industry with unjustified expense, creating a more severe imbalance in cost of production as we attempt to compete in the global marketplace with other beef producing nations. Other countries such as Canada and Australia who have differing versions of a "one-size-fits-all" animal identification program are experiencing severe difficulties in administering their systems. Australia recently miscounted their cattle herd by 11 million head of cattle!

Please bear in mind that a tag will never prevent a disease and it will never make a dishonest person honest. Please set aside all the promises made by technology companies and take a hard look at the situation. Costly and burdensome tagging requirements will not stop foreign disease. Stricter border patrols and inspections will stop the importation of foreign disease. Implementation of the NAIS is, in effect, a weakening of our trade laws. Rather than adhering to our time-tested and proven policy of preventing disease by disallowing importation of beef from countries with certain diseases, USDA would rather try to manage disease after it is introduced. This is unfair to America's food producers and even more unfair to America's consumers.

Additionally, please keep in mind that wildlife is often the carrier of disease. Even with a perfectly functioning animal id system with no human errors or unethical behaviors, diseased wildlife (deer, antelope, birds, prairie dogs) will continually be in contact with livestock, unknowingly spreading disease to healthy livestock. Who will be blamed for this?

The U.S. has too many cattle and too many different production methods to allow for one universal tracking method, or for one tracking agency. The key to managing our cattle herd and keeping good records about movement is to allow for local control at every level. Allow state brand inspection programs to keep working as they are. Work with state animal health agencies that have brucellosis or other animal disease tracking systems in place. These programs have been proven throughout history to be extremely effective. New technology is untested and unproven and costly. It might promise to be fast, easy and inexpensive but as they say, the proof is "in the pudding." If electronic identification is the most effective method of tracking cattle, the private marketplace will prove it to be so.

Do not slap an unfounded mandate on the least profitable sector of the beef industry – the U.S. cattle producer until you prove to us that the benefits should outweigh the costs. If there are niche marketing profit opportunities available now through individual animal identification such as electronic tags, all those opportunities will be lost with a mass generic nationwide system.

- *The SDSGA strongly supports ESA reform or repeal*

For years the Endangered Species Act (ESA) has been used by anti-agriculture groups to wreak havoc on natural resource and agriculture production industries. Cattle ranchers have been forced off of federal lands as well as private lands all in the name of an obscure mouse, prairie dog, fish, butterfly, salamander and numerous other species that are never proven to be in danger of extinction. In fact, in many instances, the species is actually thriving, but the ranchers are never compensated for loss of forage, water or access. Ranchers are true stewards of rangeland who tend to provide a beneficial environment for wildlife to thrive. Their protection and management of America's resources often goes unappreciated. In study after study, wildlife biologists discover that areas grazed responsibly by cattle allow numerous other species to exist in unison. Often when the cattle are removed, the rangeland is not properly cared for and wildlife species begin to suffer. History has proven such. Ranchers should be rewarded, not punished, when a rare species is discovered on private or federal range land.

Wildlife will not survive to a healthy degree in large cities or even suburbs or subdivisions. Private ranch property and federal grazing lands are America's hope for protection of our diverse wildlife. The ESA should not be allowed to be used as an excuse to reduce or eliminate grazing arrangements or to force private landowners to manage their land as the governments directs.

- *The SDSGA believes BSE standards should be implemented to protect animal health and consumer safety, not corporate profits*

USDA should adhere to global BSE standards rather than showing favoritism to certain countries in which the packing companies are deeply rooted. For example, according to OIE standards, the Canadian border would not have been opened nearly so quickly, yet USDA wrote "special rules" that gave Canada preference over other countries affected by BSE. Unfortunately a precedent of changing rules "midstream" has now been set. It is imperative that USDA discontinue this practice because other diseases such as foot and mouth would be even more detrimental to the U.S. cow herd than BSE. USDA and Congress must adhere to the strictest standards in regard to imports – it is much more prudent to prevent the importation of disease than to try and manage a disease after it's been introduced. Subscribing to a "cheap food" policy over the health and safety of America's consumers is immoral and should stop immediately. Any perceived benefits of importing cheap beef and cattle from diseased countries are strongly outweighed by the risks to America's consumers and America's cattle herd.

- *The SDSGA believes a strong and healthy ag production industry is a matter of Homeland Security*

The continued trend toward a more severe trade imbalance makes the U.S. more and more dependent on other countries, many of them undeveloped countries, for our food supply. While we believe that dependence on foreign oil has caused serious problems, depending on other countries to provide our most basic need – food – is absolutely hazardous to the American public. At any moment, political matters could create negative relations and a foreign country could deny shipments of food, taint food or dramatically raise food prices. We're living with this problem due to our foreign energy dependence. Let's prevent a similar but worse case involving food. Congress and USDA should ensure

that America's food producers have the opportunity to compete in a healthy market place, one that allows good producers to be profitable. Without profitable food producers, our food production will continue to move outside of America's borders, increasing our dependence on a foreign food supply. This is perilous territory. No country could win a war with an empty stomach.

- *The SDSGA believes that imported food should adhere to standards that meet or exceed U.S. standards*

USDA does not even inspect most imported food. They form agreements with production and processing entities outside of this country who agree to follow standards "equivalent" to U.S. standards. "Trust but verify" was a quote made famous my Ronald Reagan. Inspecting all food at the border, and ensuring that the food is produced under conditions that meet or exceed US production standards is the only way to ensure that Americans are being treated fairly. Do not allow global food companies to jeopardize the health of the American public buy importing cheap, un-inspected food that was grown under standards that would be illegal in this country. Not only does this put consumers at risk, it forces American food producers to compete in an unfair trade environment. Our producers who comply with EPA standards, minimum wage requirements, pay property taxes and use only those chemicals and fertilizers that meet the strictest standards must try to compete with producers in Brazil, Argentina and other under developed countries who don't have any of those factors figured into their bottom lines.

- *The SDSGA strongly supports interstate shipment of beef with state inspection*

USDA inspections should not be required for interstate shipment of beef. State beef inspections that meet or exceed USDA standards should be sufficient to allow beef to be shipped nationwide. Imported food travels from state to state with no inspection, yet our own state inspectors – American citizens – are not trusted to inspect meat for shipment across state lines.

Again, SDSGA does not believe that government subsidization of agriculture production is a long-term solution to any of the concerns we've laid out. We believe that creating a fair and healthy marketplace is the answer.

We hope to continue this dialogue and look forward to being an integral part of the writing of the 2007 Farm Bill.

Sincerely,

Rick Fox
President
South Dakota Stockgrowers Association

Committee on Agriculture
U.S. House of Representatives
Information Required From Non-governmental Witnesses

House rules require non-governmental 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:** Rick Fox

2. **BusinessAddress:** PO Box 35
14363 Hasselstrom Pl
Hermosa, SD 57744

3. **Business Phone Number:** 605-255-4614

4. **Organization you represent:** South Dakota Stockgrowers Assn.

5. **Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:**
Born & Raised on a ranch, north of Newell, SD. Moved to Hermosa, SD in 1983 and worked as a ranch hand and started buying the ranch in the mid 90's. We now own & operate the entire ranch.

6. **Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:**
Been around cattle my whole life. 95% of our gross income is from raising & selling cattle

7. **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

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, 2004.

Name: Rick Fox

Address: PO Box 35, Hermosa, SD 57744

Telephone: 605-255-4614

Organization you represent (if any): South Dakota Stockgrowers Association

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, 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: none **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, 2004, as well as the source and the amount of each grant or contract:

Source: none **Amount:** _____

Source: _____ **Amount:** _____

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

Signature: Rick Fox

* Rule XI, clause 2(g)(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.