

05/26/2002 Entry: "THOMAS REQUESTS IMMEDIATE HEARING ON "ERRATIC" CATTLE MARKET"

For Immediate Release:

May 17, 2002 dan_kunsman@thomas.senate.gov

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Washington, D.C. -- U.S. Senator Craig Thomas is asking Congress today to convene immediate hearings to investigate declining prices within the live cattle market.

In a letter Friday to Senator Tom Harkin (D-IA), Chairman of the Senate Agriculture Committee, Thomas wrote that the cattle market has been plagued by erratic behavior and producers in Wyoming are losing confidence in the ability of the marketplace to reflect a true supply/demand relationship.

"To my knowledge, there does not appear to be a clear explanation as to why cattle futures have rapidly declined," Thomas wrote. "Moreover, industry predictions show depressed prices prevailing into the fall. Since cattle producers are not the beneficiaries of any direct commodity payment or loan program, market conditions similar to those currently occurring can quickly lead to extreme financial stress and even bankruptcies."

According to "Cattle-Fax" estimates, the cattle market has lost \$1.2 billion in equity since Oct. 1, 2001.

Thomas said some speculation surrounds the trading activity at the Chicago Mercantile Exchange for possible illegal practices -- practices that may have resulted from the Senate's move to ban packing companies from owning livestock.

"I know we share strong views about market concentration and packer ownership of livestock, but I believe investigative hearings should serve as an opportunity to review the entire industry, versus a finger-pointing event, so to speak," Thomas wrote.

An amendment to the Farm Bill cosponsored by Thomas that would have banned packer ownership of livestock 14 days prior to slaughter was eventually stripped from the final bill.

Following is the letter from Senator Thomas to Chairman Harkin:

May 17, 2002

The Honorable Tom Harkin, (D-IA)
Chairman
Committee on Agriculture, Nutrition and Forestry
United States Senate
328A Russell Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing to request that you convene immediate hearings in the Senate Agriculture Committee to investigate declining prices within the live cattle market. In recent months, the cattle market has been plagued by erratic behavior and producers in my state are losing confidence in the ability of the marketplace to reflect a true supply/demand relationship.

Prior to completing the conference on the Farm Security Act of 2002, numerous advocacy groups asked you to hold investigative hearings. However, these groups felt such hearings should largely focus on the trading activity at the Chicago Mercantile Exchange for possible illegal practices -- practices that may have resulted from the Senate's move to ban packing companies from owning livestock.

I know we share strong views about market concentration and packer ownership of livestock, but I believe investigative hearings should serve as an opportunity to review the entire industry, versus a finger-pointing event, so to speak.

To my knowledge, there does not appear to be a clear explanation as to why cattle futures have rapidly declined. Moreover, industry predictions show depressed prices prevailing into the fall. Since cattle producers are not the beneficiaries of any direct commodity payment or loan program, market conditions similar to those currently occurring can quickly lead to extreme financial stress and even bankruptcies.

I hope you will act upon my request and give me, in addition to the other Committee Members, an opportunity to better understand what is happening with this economically vital industry. I appreciate your attention to this matter.

Best regards,

Craig Thomas
United States Senator