



Mr. Michael Sheats, Director  
USDA-AMS Livestock, Poultry, and Grain Market News Division  
1400 Independence Avenue, SW STOP 0249  
Washington, DC 20250-0249

RE: Comments on Development of Cattle Contract Library Pilot Project

On behalf of Five Rivers Cattle Feeding and Colorado Cattlemen's Association (CCA), we would like to submit this letter of recommendations for the CCL pilot project administered by Livestock Market News. Five Rivers is actively involved in various industry issues at both the state and national level. With a one-time capacity of approximately 900,000 head, Five Rivers employs more than 700 people across 6 states. Since 1867, Colorado Cattlemen's Association has been committed to protect and promote the Colorado ranchers' way of life and *advance the legacy* of Colorado's beef industry.

I would like to begin by expressing my appreciation for the opportunity to provide comments regarding the Cattle Contract Library this past week in Kansas City. I sincerely hope our suggestions were valuable to you and your team.

Working in conjunction with Texas Cattle Feeders Association, we ask USDA to consider three crucial elements prior to implementing the Cattle Contract Library:

First, a library must be structured in a manner that provides factual and reliable information and does not result in unintended consequences of divulging confidential or proprietary business information, does not provide packers with additional market information that could inadvertently give packers more leverage, and does not limit nor constrain the future negotiating opportunities for cattle feeders.

Second, while the intent of a cattle contract library is to provide insights on the type, structure and duration of marketing transactions utilized by cattle feeders and packers to arrive at a final price, it should not be constructed in a way that stifles marketing innovation and results in "forcing" cattle feeders to trade on the averages. One option to avoid this outcome is to not organize the library in the same manner as the swine contract library, where individual contracts are listed with numeric, non-identifying numbers. Instead, we recommend organizing the library by disaggregating the terms contained within all contracts and then aggregating those terms into four categories: (1) Determination of Base Price, (2) Premium/Discounts, (3) Freight Costs and (4) Final Price Formulas. This approach has multiple benefits in that it adds another layer of protecting confidentiality. Please refer to the attached "Example Categorical Summary of Contracts" using the first two pages from the most recent "Swine Packer Marketing Contract Summary for Iowa and Minnesota." We believe this provides a useful example of how the CCL might differ from the swine library. *For the sake of brevity, I've not included the TCFA example here. Please refer to their original document for reference.*

Third, we encourage USDA to limit the scope of the Cattle Contract Library pilot project to deliver timely results and reports by focusing on:

1. "Market transaction terms" contained within existing contracts, which would be defined to include only those terms of a contract that determine the final payment paid to the owner of the cattle, such as how the base price is determined, premiums and discounts, freight costs and final price formulas.

Other non-market related terms of contracts, such as animal raising provisions, financing arrangements, climate change or sustainability, should not be collected nor reported by USDA in the Cattle Contract Library.

2. Developing report forms, similar to the current LMR reporting process between packers and USDA, that would allow to provide “market transaction terms” on the prescribed LMR form in lieu of submitting copies of actual contracts to USDA. We believe this approach is reasonable since USDA has the authority to review or inspect actual contracts during the course of on-site audits conducted at the packers. USDA uses this same approach for audits conducted as part Process Verified Programs. This will further ensure that confidentiality is protected.

3. Developing producer education information on existing USDA market news reports and any new reports that might be developed as part of a Cattle Contract Library pilot project. We recommend that USDA consider expanding the scope of the USDA Cattle and Carcass Training Centers to help deliver this information to producers.

4. Lastly, we recommend that USDA not expend any time or resources to collect information from packers for the purposes of reporting the total number of fed cattle committed under contracts for delivery to packers within the 6-month and 12-months periods. The confidence in these types of projections is questionable and could have the unintended consequence of providing more information to the teams of packer analysts that might inform future negotiations and purchasing decisions by packers. It could also result in potentially false or inaccurate data erroneously influencing cattle futures positively or negatively.

On a final note, I’m sure you’re aware the state of Colorado is often scrutinized for its lack of reportable cash negotiated trade. While numerous industry led attempts have been made to increase cash negotiated volumes, we often lack adequate packing capacity to fulfill LMR confidentiality requirements. Please be cognizant of confidentiality issues within our state and potentially other states we conduct business in.

Detailed analyses have shown no strong statistical relationships between the supply of Five Rivers cattle and macro level FSIS slaughter. It is even difficult to draw notable correlations between Five Rivers shipments and marketing data from the Cattle on Feed sample. As one begins to “deconstruct” MPR data from an aggregate to more granular level (i.e. total volume vs. net formula dressed, net formula live, etc.) our contribution to the sample becomes noteworthy. Please see attachment regarding my comments made this past week in Kansas City.

Thank you for the opportunity to provide these comments on behalf of Texas Cattle Feeders Association members.

Sincerely,



Billy Schmitz

CCA Marketing Committee Chairman  
Five Rivers Cattle Feeding, Head Analyst