Animal Disease Traceability

Issue: A modern animal disease traceability system, that is affordable for producers, is essential to ensure a quick response to trace sick and exposed animals to stop the spread of disease and safeguard consumers and the industry. Livestock groups and state veterinaries have spent many years working on improving our system of surveillance, prevention, response and eradication of diseases to get a system handled by federal and state agencies to protect the livestock industry and its producers. The United States livestock industry is the healthiest and safest in the world, but threats such as African Swine Fever, Foot and Mouth Disease, and High-Path Avian Influenza are always knocking at the door.

Background: On January 9, 2013, USDA published a final rule (9 CFR, part 86) titled "Traceability for Livestock Moving Interstate." The rule establishes requirements for the official identification of livestock and documentation for certain interstate movements of livestock. Specifically, unless exempted, livestock belonging to species covered by the regulations that are moved interstate must:

- Be officially identified, and
- Be accompanied by an Interstate Certificate of Veterinary Inspection (ICVI) or other movement document.

Livestock species covered under this rule include cattle and bison, horses and other equine species, poultry, sheep and goats, swine, and captive cervids.

On September 25, 2018, Greg Ibach, Under Secretary for the U.S. Department of Agriculture's Marketing and Regulatory Programs, announced USDA's four overarching goals for advancing animal disease traceability for the purpose of protecting the long-term health, marketability and economic viability of the U.S. livestock industry. USDA's four overarching goals for increasing traceability are:

- Advance the electronic sharing of data among federal and state animal health officials, veterinarians and industry; including sharing basic animal disease traceability data with the federal animal health events repository (AHER).
- Use electronic ID tags for animals requiring individual identification in order to make the transmission of data more efficient;
- Enhance the ability to track animals from birth to slaughter through a system that allows tracking data points to be connected; and
- Elevate the discussion with States and industry to work toward a system where animal health certificates are electronically transmitted from private veterinarians to state animal health officials.

To advance the objectives listed above, in April 2019, USDA's Animal and Plant Health Inspection Service (APHIS) released a factsheet outlining its timeline to enforce policy requiring the use of radio-frequency identification (RFID) tags. Additionally, the factsheet included a timeline for the disallowance of metal bangs tags and other metal clip tags as "official" identification for sexually intact breeding cattle that move through interstate commerce. However, on October 25, 2019, USDA pulled this factsheet from its website in response to concerns and livestock industry feedback. Specifically, R-CALF, through the New Civil Liberties Alliance, sued USDA opposing the requirement of the application of an RFID tag instead of the old metal ear tags.

Talking Points:

- Given the USDA pulled the April 2019 factsheet, what is the timeline for a new animal disease traceability rule?
- How will the new rule be different from April 2019 rule?
- What measures are the USDA taking to ensure a single sector of the industry will not absorb the cost of traceability, ie cow/calf operations?

Farmer Fair Practices Rule

Issue: Recent industry changes have highlighted the need to update contracts as integrators are going to No Antibiotics Ever (NAE) and other animal welfare changes that are impacting a poultry grower's profitability.

Background: The 2008 Farm Bill required the USDA Grain Inspection and Packers and Stockyard Administration (GIPSA) to review its rules for poultry contracts. Reports earlier this summer indicated rules GIPSA would release rules by October for public comment; however, no rules have been released yet. Below are some of the issues AFBF recommended changing in poultry contracts:

> **Length of Contract** – Producers need a set contract length, in some cases producers are growing on a flock to flock basis. Additionally, producers need a copy of the signed contract with both their signature and the integrator.
>
> **Legitimacy of house upgrades** - Many producers question the need for facility upgrades on structures that do not have performance issues.
>
> **Downtime between flocks –** Many our producers count on 5-6 flocks/house per year, with a downtime between flocks being approximately 14 days. Inconsistency in downtime between flocks, often much longer than 14 days, can cause a producer to loose a flock, which is their profit.
>
> **Contract extensions** - There is not a contract extension offered as a result of making upgrades. Producers need assurance that a return on investment will be achievable if they make the upgrade.
>
> **Compensation for losses** - No Antibiotic Ever (NAE) is the latest poultry program, these birds have a higher mortality and can have smaller placements, but the producer is not paid a higher price per bird nor are they compensated for higher losses associated with this production style.
>
> **Animal welfare and production practice** - Animal welfare issues are a concern for producers raising NAE. Birds are routinely sick and the integrator will not immediately treat them. There is a need for a of mortality or morbidity threshold that will force treatment on flocks.
>
> **Tournament system** - Tournament members are assigned by the week of processing and payments are made according to performance compared to the tournament average.
>
> **Enforcement –** Many producers feel as if current rules were enforced consistently, some frustrations could be mitigated.

Talking Points

- Can you provide us with an update on when the new poultry contract rules will be released for public comment?
- Arkansas Poultry Producers are very blessed because we have competition, with most of our producers having access to multiple integrators; however, changes like No Antibiotics Ever has had a significant impact on farmer profitability.
- There needs to be some type of flock per year guarantee to ensure producers get what they are told when they opened the house. When a producer loses a flock, because of increased out time forced by their integrator, that is that producers profit.
- There needs to be consistency of revenue per house for growers. When integrator reduces flock size or mortality increases across the tournament then growers should be compensated more per bird.
- Our members are split and not supportive of compensation per sq foot, we actually have policy supporting the tournament system.
- If a grower is among the top performers in their tournament system, they should not be forced to upgrade until they fall into the lower half.

<u>Grain Grading Standards</u>

Issue: In 2020, the U.S. Grain Grading Standards Act is up for renewal, which offers producers an opportunity to provide input on how to remove the variability in the grain grading system.

Background: The United States Grain Standards Act (USGA) provides governance carried out by the USDA Agricultural Marketing Services' (AMS) Federal Grain Inspection Service (FGIS) to facilitate the marketing of grain, oilseeds, pulses, rice, and related commodities by:

- establishing descriptive standards and terms
- accurately and consistently certifying quality
- providing for uniform official inspection and weighing
- carrying out assigned regulatory and service responsibilities, and
- providing the framework for commodity quality improvement incentives to both domestic and foreign buyers.

To accomplish this mission, FGIS uses a network of federal inspection locations across the country to ensure grain sold in the world market meets a level of standard and quality that provides US farmers a respected and trusted reputation in international trade. While FGIS inspects samples of grain for the export market, they rely on a system of partnerships to ensure this standard is met for domestic transactions. To accomplish this, FGIS designates or delegates authority to state agencies, more localized agencies, regional inspection companies (private), and other persons authorized under USGA rule. These are designated as Official Agencies (OAs), which receive training and inspection from FGIS to maintain the standards of grade and weight established under USGA, and subsequently administer training and oversite for the point of sale between farmer and grain buyer in a designated geographical area.

<u>Current Breakdowns or Issues in the System</u>

- Umbrella licensing – Multiple elevator employees administering grades are operating under the license of another employee.
- Accountability for grades outside FGIS' margin of error – the human element involved in visual grading standards calls for the reasonable margin of error permitted under USGA regulations. However, when there is no repercussion for frequent mistakes outside the margin of error, this allows private companies the freedom to manipulate their grading for private gain.
- Inconsistency between facilities
- Lack of awareness of checks and balances options – Education of the seller (farmer) of their options for regrades and appeal grades is lacking.

Talking Points:

- Any individual administering grades on grain should be tested annually and licensed individually, raising consistency and reducing regularity of error.
- Technology has removed much of the human error for quality grades from many industries in the manufacturing and processing. Due to the public nature of agricultural commodity grading, it may be up to public institutions and congressional funding to bring commodity grading up to the standard of technology that is needed to ensure consistency throughout this industry.
- Without countermeasures or incentives to correct mistakes, farmers will continue to be dis-incentivized to question the grade they receive.
- Public posting of regrade options, with public notice of the appeals process, sellers would be more aware of their rights to crosscheck those who have such great impact on the final return they receive for their product.

<u>Tyson Holcomb Kansas Packing Plant Fire</u>

Issue: Following the fire at the Holcomb packing plant cattle prices dropped as much as 10%, while beef cutout values increased. This led to historically wide margins for cattle packers that continued for some time.

***Background*:** On August 9, a fire partially destroyed a Tyson Foods' beef processing facility, located outside of Holcomb, Kansas. While the fire only destroyed a portion of the plant, the damage was significant and the facility closed operations for a brief period of time. Given the location of the plant in relation to cattle feeding operations, the impact was felt immediately. It is estimated that prior to the fire, the Holcomb plant slaughtered approximately 6,000 head per day and as many as 30,000 head per week, accounting for 5 percent of the national fed cattle slaughter.

In the week following the fire, fed cattle prices dropped 5 to 10% across the country. Cattle futures were 5% lower one week after the fire and remain near these levels today. Additionally, live cattle futures dropped 8% in a week and also remain at these depressed levels.

At the same time, choice boxed beef cutout values surged 7% in the first week and are 8.5% higher three weeks after the fire. The Holcomb plant processed 5,000 head of cattle per day. Following the fire, it was reported the total number of cattle processed would be down. However, recent cattle slaughter reports since the fire only show a 0.2% drop, compared to the week prior to the fire.

On August 28, in response to concerns from the industry, Secretary Purdue directed Under Secretary Ibach and the Packers and Stockers Division of the USDA, to open an investigation on the fire. Specifically, USDA's investigation is focusing on the recent depressed beef margins to determine if there is any evidence of price manipulation, collusion, restrictions of competition or other unfair practices. Secretary Perdue noted "if any unfair practices are detected, we will take quick enforcement action." USDA remains in close communication with plant management and other stakeholders to understand the fire's impact to the industry.

Tyson Foods has signaled its commitment to rebuild the Holcomb plant with the expected project finish date to be in January 2020. Currently, the plant's processing operations are running with primal cut and hamburger processing. While Tyson has diverted cattle to its other plants, not all the cattle were initially absorbed – resulting in the tighter slaughter capacity. Finally, Tyson Foods has not imported any foreign cattle while the Holcomb plant is under construction.

<u>Talking Points</u>

- Thank you for investigating – are there any details you can share regarding any confirmed market manipulation?
- The ranchers I represent, like all ag producers, are price takers, and want know why we saw the spread widen to such an extraordinary level at the expense of the producer?
- When these thing happen, it fuels the mistrust between the different sectors of the cattle industry (cow/calf, stockers, feeders), and packers supplying consumer products. That is why it is so important for the USDA to provide clarity of why the market fell and continues to remain low while packers' margins were at an all-time high.
- We need to see a thorough USDA investigation that explains why this market event occurred.
- If market manipulation is found, then the USDA needs to take swift and public action to maintain credibility.

Ibach Meeting Summary Regarding Holcomb Fire

Meeting on October 1, 2019 at the USDA with several Southeast Farm Bureau Presidents to thank the Undersecretary for opening an investigation and discuss questions they felt needed to be answered.

The group began by thanking Undersecretary Ibach for the USDA investigation into the historic spread between box beef and cash cattle prices. The Secretary discussed what the USDA is doing and noted that by opening an investigation it gave GIPSA authority to see AMS mandatory price reporting. While the USDA wants to get to the bottom of what happen, he feels it is unlikely there will be a trail to follow to prove wrong doing by the packers.

At this time the USDA is reviewing data, which should take a couple of more months, then they will do an economic review and finally release a report in layman terms explaining what happened in the market. (Is this almost wrapped up?)

The Undersecretary noted that GIPSA is operating under the restraints of the Packers and Livestock Act. Under the act GIPSA did not have access to AMS mandatory pricing system, and without a formal investigation GIPSA could not access this data. There are several limitations to GIPSA authority in the Act. The Secretary asked the group if the Packers and Stockyards Act is sufficient, or if they thought changes needed to be made.

The group emphasized that they were only interested in GIPSA providing insight into this issue, and unlike other groups, we are not interested in using this event to bring back COOL or a mandatory animal ID system.

The Undersecretary talked about various challenges associated with an Animal ID system including high verses low frequency tags, the cost associated, and perceived notation that this will not add value only a cost to farmers and sale barns. He discussed internal talks regarding a cost-share program where USDA might help offset cost of tags if other issues were resolved.

Finally, we discussed poultry contracts. The Undersecretary did not mention a release time for rules from OMB, but did seem sympathetic to poultry grower's challenges. He discussed potential for USDA to host a generic information session in states for growers to discuss what they need, but given that many growers fear retaliation from their integrator he was unclear how successful this would be.

FARM BUREAU ARKANSAS