

United States Senate

WASHINGTON, DC 20510

April 24, 2020

The Honorable William Barr
Attorney General
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530

The Honorable Heath Tarbert
Chairman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

The Honorable Sonny Perdue
Secretary of Agriculture
U.S. Department of Agriculture
1400 Independence Ave. SW
Washington, DC 20250

Dear Attorney General Barr, Secretary Perdue, and Chairman Tarbert:

The coronavirus (COVID-19) pandemic has exposed troubling vulnerabilities in our meat supply chain that are harming both American livestock producers and consumers. We urge you to work to identify the root causes of these disruptions so we can work together to implement appropriate solutions.

As Americans have gone to buy groceries during this pandemic, they have often been confronted by higher prices for beef and pork products, or in some circumstances, nearly empty meat cases. With many restaurants now closed, food suppliers have struggled to adjust to new consumption patterns to the detriment of consumers, as well as participants up and down the meat supply chain. Livestock producers – especially independent livestock producers – are feeling the pain of these disruptions acutely.

Since the initial phases of the nationwide shut-down, we have seen once again the disparate impact catastrophic events have on cattle and hog producers as compared to their meat packer and processor counterparts. Livestock prices have fallen dramatically since the first weeks of the crisis, with live cattle futures falling by 29 percent and hog futures falling by 39 percent between the middle of January and the first week in April while beef and pork prices at the grocery store rose dramatically. As during past market disruptions, we saw producers' margins fall to unsustainable levels while packers' margins increased.

In more recent weeks, the spread of the virus has forced closures at major meat packing facilities. While some facilities have closed temporarily, others have been shuttered indefinitely. These closures, and the resulting uncertainty, force producers to make difficult decisions that could

threaten our food supply or result in unnecessary increased costs for consumers. During this worldwide pandemic when unprecedented numbers of families are standing in food lines, we cannot afford to waste available food resources that could be utilized if only there were available options for processing and packing.

We recognize the complex nature of these markets and the potential multi-faceted causes of these supply chain disruptions that disproportionately impact independent livestock producers, such as the dominance of formula pricing – which bases livestock pricing on low volume cash markets – or highly concentrated meat packing markets with high entry barriers for new competitors. There have also been allegations of potential market manipulation or anticompetitive conduct.

In light of the above, we ask that each of you, in your respective capacities, investigate the vulnerabilities in these markets that have been exposed by the COVID-19 pandemic and identify areas of concern, regulations that can be modified or relaxed, any verifiable antitrust violations, and/or structural changes in the trading market to help ensure that our country's food markets work for consumers, as well as our farmers, ranchers, and packers.

We look forward to working with you on this important issue.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Lee".

Mike Lee, Chairman
Subcommittee on Antitrust,
Competition Policy & Consumer Rights

A handwritten signature in black ink, appearing to read "Amy Klobuchar".

Amy Klobuchar, Ranking Member
Subcommittee on Antitrust,
Competition Policy & Consumer Rights

Cc: The Honorable Makan Delrahim, Assistant Attorney General, Antitrust Division
United States Department of Justice