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September 10, 2018

Saadeh A. Al-Jurf  
Senior Trial Attorney  
Division of Enforcement  
U.S. Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

Sent via e-mail: [sal-jurf@cftc.gov](mailto:sal-jurf@cftc.gov)

**Re: R-CALF USA's Request for Investigations into Specific Cattle Futures Market Transactions**

Dear Mr. Al-Jurf:

The Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA) is the nation's largest producer-only cattle trade association in the United States. Our members have been financially harmed by anomalous downturns in the Live Cattle futures market that have occurred for at least the past six years. R-CALF USA respectfully requests that the Commodity Futures Trading Commission (CFTC) investigate packer-related or packer-directed trading activities that occurred on or around the specific dates that we have identified below.

I have charted data from calendar years 2013 through 2017, and for 2018 through August 10, 2018, using daily CME Group Live Cattle futures prices, U.S. Department of Agriculture (USDA) 5-Area Daily Weighted Average Direct Slaughter Cattle – Negotiated (LM\_CT100) <https://mpr.datamart.ams.usda.gov/menu.do?path=Products\Cattle\Daily%20Cattle>, and National Daily Boxed Beef Cutout and Boxed Beef Cuts – Negotiated Sales (LM\_XB403) <https://mpr.datamart.ams.usda.gov/menu.do?path=Products\Beef\Daily%20Boxed%20Beef>. The charts are copied at Appendix 2 and the charts and data are included in the attached spreadsheet.

The seven charts created from these data depict the daily price relationship between cattle futures prices, cash cattle prices, and both Choice and Select boxed beef prices. The cash cattle prices reflect the prices paid to live cattle producers for their cattle while the boxed beef prices reflect the wholesale prices paid to packers. The spread between cash cattle prices and boxed beef prices roughly equate to the gross margins earned by packers.

If you first view the combined chart under the tab “2013-2018,” and corresponding sheet 7, you will see historical price relationships between each of these data streams. Obvious from this chart is that a

fundamental shift has occurred following the downturn in cattle prices that began in late 2014. The shift is reflected by substantially increased packer margins. After December 21, 2015, the shift became overtly manifest and has remained relatively permanent through at least August 10 of this year.

This shift may well be explained by the findings of Xiaowei Caia et al., who published a study in 2011 that essentially found that despite the dominant market shares of the largest four packers, when short term cattle supplies are tight, the oligopolistic packers must nevertheless compete for the limited supply of available cattle. However, when short term cattle supplies become more plentiful, the dominant packers begin to cooperate rather than compete. The Caia et al. study is attached.

We know cattle supplies were tight in 2013 and 2014, and then became more plentiful in 2015 and beyond. We believe the Caia et al. study helps explain the fundamental shift that has occurred in the marketplace that now benefits packers at the expense of producers, and likely consumers as well. While we are convinced the packers are engaged in conduct to manipulate the market, we are continuing our search for how they have succeeded in capturing larger margins while cattle producers receive depressed prices.

The six individual charts for 2013 through 2018 show anomalous breaks in the Live Cattle futures market. We suspect that all or some of these breaks were effected by a person or persons representing the financial interests of the oligopolistic packers.

We further suspect that the anomalous cattle futures market breaks that occurred in 2013 and 2014 were efforts to influence cash cattle prices, hence packer margins, but were less effective because cattle supplies remained very tight. However, those same efforts applied when cattle supplies became more plentiful after 2015 appear to have reaped huge financial rewards.

Attached hereto as Appendix 1 is a summary of anomalies revealed during each calendar year; and for each calendar year, a request for an investigation to determine any packer-directed or packer-related trading activities that occurred on or around the specified dates that may have caused the cattle futures market to abruptly depart from its more favorable trajectory.

We respectfully request that the Commodities Futures Trading Commission investigate the specific anomalies we have identified in Appendix 1.

Thank you for your consideration of our request.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Bullard", with a stylized, cursive script.

Bill Bullard, CEO

Attachments: R-CALF USA Excel Workbook  
Xiaowei Caia et al. Study

## APPENDIX 1

### **Narrative for Price Relationship Charts and Specific Requests for Investigations**

**Summary of Chart 2013:** There were several anomalous breaks in the futures market. Beginning after Jan. 3, the cattle futures market trended downward, then strengthened through March 4 and remained somewhat steady until after April 30, at which time the futures market appeared to drag down cash cattle and boxed beef prices for a prolonged period. The two latter cattle futures market breaks are notable because they both occurred when cash cattle and boxed beef prices were increasing.

**Requested Action for 2013:** We request an investigation to determine if the packers, or a person or fund representing the packers' interests, were responsible for the trades that drove the futures market downward on or around Jan. 3, Mar. 4 and Apr. 30.

**Summary of Chart 2014:** There were several anomalous breaks in the futures market. All prices were trending upwards throughout the year, yet the futures market made several abrupt departures from this otherwise upward trajectory. These breaks occurred after Jan. 22, Feb. 28, after Apr. 30 and thru May 27, July 7, Aug. 6 and Dec. 1. The cattle futures market breaks after about Feb. 28 and Apr. 30 are notable because they both occurred when cash cattle and boxed beef prices were increasing.

**Requested Action for 2014:** We request an investigation to determine if the packers, or a person or fund representing the packers' interests, were responsible for the trades that drove the futures market downward on or around the Jan. 22, Feb. 28, and Apr. 30 thru May 27 timeframes, and the July 7, Aug. 6, and Dec. 1 timeframes.

**Summary of Chart 2015:** There were several anomalous breaks in the futures market. 1) With cash cattle and boxed beef prices increasing, the cattle futures market broke after Jan. 6 thru Jan. 26, apparently pulling all other prices downward. 2) After a brief recovery, another significant futures market break occurred after Feb. 26. 3) A brief but rocky recovery ensued until after April 30, at which time all other prices began to fall for several months, until Oct. 1. The cash cattle market fell by nearly \$43 per cwt. 4) The cattle futures market then began an upward trend until after Nov. 3, when all prices began again to fall until after Dec. 17.

**Requested Action for 2015:** We request an investigation to determine if the packers, or a person or fund representing the packers' interests, were responsible for the trades that drove the futures market downward on or around the Jan. 6 thru Jan. 26 timeframe; on or around the Apr. 30 thru Oct. 1 timeframe; and on or around the Nov. 3 thru Dec. 17 timeframe. The investigation should include the factors that caused the unprecedented spread between both cattle futures prices and cash cattle prices and Select and Choice boxed beef prices, which spread has enabled packers to earn historically high margins. Though this unprecedented spread appears to have materialized after April

30, it appears fully manifest after Dec. 21, as most clearly illustrated in the combination chart labeled 2013-2018.

**Summary of Chart 2016:** There were several anomalous breaks in the futures market. 1) Cash cattle and boxed beef prices were increasing at the end of 2015 and beginning of 2016 until a series of futures market breaks occurred after Jan. 6, Jan. 14, and Feb. 11. When cash cattle and cutouts started to recover, another futures break occurred after Feb. 29. 2) All prices began a short recovery until after March 16, at which time the cattle futures market marched downward through October 13, with several intermittent breaks during this months-long downward trend. All prices followed the futures market's downward trajectory. After hitting its low on Oct. 13, all prices began rebounding, though they appear hindered by intermittent futures market breaks.

**Requested Action for 2016:** We request an investigation to determine if the packers, or a person or fund representing the packers' interests, were responsible for the trades that drove the futures market downward on or around the Jan. 6, Jan. 14, Feb. 11, and Feb. 29 time frames; and during the extended period from on or about Mar. 16 through Oct. 13 when cash cattle and boxed beef prices fell substantially, with cash cattle prices falling about \$42 per cwt during this period. The investigation should include the factors that caused the unprecedented spread between both cattle futures prices and cash cattle prices and Select and Choice boxed beef prices, which spread enabled packers to continue earning historically high margins.

**Summary of Chart 2017:** There were several anomalous breaks in the futures market. 1) In mid-January cash cattle and boxed beef were increasing in value when, on Jan. 25 the futures market began to break until Feb. 16, causing a downturn in both cash cattle and boxed beef. 2) While all prices were increasing after Feb. 17, an abrupt break in the futures market occurred after Feb. 28, while boxed beef prices continued increasing but cash cattle prices faltered. 3) Another significant futures break occurred after Apr. 28, again while cash cattle and boxed beef prices were all increasing. This break lasted through May 30, and it appeared to pull all prices downward. 4) A recovery of all pricing ensued until about June 9, when the cattle futures prices began falling precipitously for months, hitting a low on Sept. 5. All prices appear to have followed the futures during this downturn. 5) Following this downturn, all prices appeared to recover until Nov. 3, when the futures market broke again, and all prices followed until hitting a low on about Dec. 11.

**Requested Action for 2017:** We request an investigation to determine if the packers, or a person or fund representing the packers' interests, were responsible for the trades that drove the futures market downward on or around the Jan. 25 thru Feb. 16 time frame; on or around the Feb. 28 timeframe; on or around the Apr. 28 thru May 30 timeframe; on or about the June 9 thru Sept. 5 timeframe; and, on or about the Nov. 3 through Dec. 11 timeframe.

**Summary of Chart 2018:** There were three anomalous breaks in the futures market. 1) The first began Jan. 4 and lasted through Jan. 10. The second began Feb. 21 and continued through Apr. 9. This break occurred while both the cash cattle and boxed beef prices were increasing in value. Cash

cattle and boxed beef remained strong for several days until the futures market took another substantial fall beginning Mar. 15, after which both cash cattle and boxed beef prices succumbed to the futures downward trend. The futures began recovering on Apr. 10 and in the next ensuing several days, both cash cattle and boxed beef prices increased. 2) The third break occurred immediately after April 30, falling nearly \$18 per cwt. The futures market broke while both cash cattle and boxed beef prices were increasing. After several days, both cash cattle and boxed beef prices succumbed to the futures market's downward trend.

**Requested Action for 2018:** We request an investigation to determine if the packers, or a person or fund representing the packers' interests, were responsible for the trades that drove the futures market downward on or around the Jan. 4 thru Jan. 10 timeframe, the Feb. 21 thru Apr. 9 timeframe, as well as on or around the Apr. 30 thru June 4 timeframe. The investigation should include the factors that caused the unprecedented spread between both cattle futures prices and cash cattle prices and Select and Choice boxed beef prices, which is continually enabling packers to earn historically high margins at the expense of live cattle sellers.

## APPENDIX 2









