Lonely at the Top: The Case for Meatpackers Antitrust

By John Hall

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Lonely at the Top: The Case for Meatpackers Antitrust

Competitive markets are the key to a well functioning economy and fairness to all who participate in it. Whenever one group or player rigs the system to their own advantage, everyone else suffers. Unfortunately, that’s exactly what’s happening in the cattle and meat markets today, and you the consumer and many small farmers are paying the price. Please join my partner and me as we affirm that The United States federal government should substantially reform its agriculture and/or food safety policy in the United States.

OBSERVATION 1. We offer the following DEFINITIONS.

**Policy**: “a high-level overall plan embracing the general goals and acceptable procedures especially of a governmental body” (*Merriam Webster Online Dictionary, copyright 2016* [*http://www.merriam-webster.com/dictionary/policy*](http://www.merriam-webster.com/dictionary/policy))

**Substantial**: “large in amount, size or number” (*Merriam Webster Online Dictionary, copyright 2016* [*http://www.merriam-webster.com/dictionary/substantially*](http://www.merriam-webster.com/dictionary/substantially)*)*

**Agriculture:** “the science, art, or practice of cultivating the soil, producing crops, and raising livestock and in varying degrees the preparation and marketing of the resulting products” (*Merriam Webster Online Dictionary, copyright 2016* [*http://www.merriam-webster.com/dictionary/agriculture*](http://www.merriam-webster.com/dictionary/agriculture))

**Vertical Integration** “Vertical integration is the merging together of two businesses that are at different stages of production—for example, a food manufacturer and a chain of supermarkets.” *(The Economist “Vertical Integration” 2009* [*http://www.economist.com/node/13396061*](http://www.economist.com/node/13396061)*)*

OBSERVATION 2. INHERENCY, the structure of the Status Quo. Two key FACTS

FACT 1. Concentrated market

60% - 90% of the meat market is in the hands of four companies.

Tom Laskawy, 2011 (Tom Laskawy is a founder and executive director of the Food & Environment Reporting Network and a contributing writer at Grist covering food and agricultural policy. his writing has appeared online in *The American Prospect*, *Slate*, *The New York Times*, and *The New Republic*.) “Killing the competition: Meat industry reform takes a blow” <http://grist.org/factory-farms/2011-11-09-killing-the-competition-meat-industry-reform-takes-a-blow/>

The USDA itself eviscerated its proposed reform to a set of rules which would have given a government division with a wonky name — the Grain Inspection, Packers and Stockyard Administration (GIPSA) — authority to crack down on the way large corporate meatpackers wield power over small and mid-sized ranchers. To say this was a lost opportunity is a vast understatement. After all, the top four companies control 90 percent of all beef processing. In the case of pork, four companies control 70 percent of the processing, while for poultry it’s nearly 60 percent. When you get that kind of market power, abuse becomes rampant. Indeed, ranchers all around the country now agree that it’s impossible for them to get a fair price for livestock.

FACT 2. Concentration = Manipulation.

Concentration of ownership is increasing in the meat packing industry, allowing price manipulation

South Dakota Farmers Union 2016 (Works to promote the interests of farmers and ranchers and their families – from a national, state and local perspective) May 12th 2016 “S.D. Farmers Union Supports Sen. Grassley's Reintroduction of Legislation Banning Packer Ownership of Livestock” <http://www.sdfu.org/news/article/sd-farmers-union-supports-sen-grassleys-reintroduction-of-legislation-banning-packer-ownership-of-livestock>

Recent mergers and acquisitions - such as the mergers of JBS USA and Cargill pork divisions or Tyson Foods and Hillshire Brands - have only advanced the concentration in the packing industry. When you concentrate livestock ownership among a few multinational firms, competition in the livestock sector is severely reduced and there's a strong potential for market price manipulation.

OBSERVATION 3. The HARMS.

HARM 1. Ranchers abused

In a monopolized market, the big corporations abuse the ranchers by denying a fair price for livestock

Tom Laskawy 2011 (founder and executive director of the Food & Environment Reporting Network and a contributing writer at Grist covering food and agricultural policy; his writing has appeared online in *The American Prospect*, *Slate*, *The New York Times*, and *The New Republic*.) 9 Nov 2011 “Killing the competition: Meat industry reform takes a blow” <http://grist.org/factory-farms/2011-11-09-killing-the-competition-meat-industry-reform-takes-a-blow/>

After all, the top four companies control 90 percent of all beef processing. In the case of pork, four companies control 70 percent of the processing, while for poultry it’s nearly 60 percent. When you get that kind of market power, abuse becomes rampant. Indeed, ranchers all around the country now agree that it’s impossible for them to get a fair price for livestock.

HARM 2. Higher consumer prices.

Higher prices. Meat industry consolidation hikes consumer meat prices

Christopher Leonard 2014 (former national business reporter for the Associated Press; Schmidt Family Foundation fellow with The New America Foundation, a nonpartisan public policy institute in Washington, DC.) “How the Meat Industry Keeps Chicken Prices High” <http://www.slate.com/articles/life/food/2014/03/meat_racket_excerpt_how_tyson_keeps_chicken_prices_high.html>

In the chicken business, for example, Tyson Foods owns the breeding company that determines which birds are raised, the hatcheries where chicks are born, and the chickens that it delivers to contract farmers who raise them. It owns the feed mills that fatten the birds up, the slaughterhouses where the birds are processed, and the trucking lines that deliver the meat. Tyson Foods has finally answered the age-old question: Before there is the chicken or the egg, there is a multinational meat corporation. This tightly integrated model has become the norm in pork production and also allowed companies like Tyson to corner the beef market. The results of this consolidation have been predictable. Meat prices are climbing relentlessly.

HARM 3. Broken communities

Concentration of wealth leaves rural America in poverty and despair

The New York Times, Nicholas Kristof, 2014 (Nicholas Kristof has been a columnist for The New York Times since 2001. He graduated from Harvard, studied law at Oxford University as a Rhodes Scholar) “The Unhealthy Meat Market” <http://www.nytimes.com/2014/03/13/opinion/kristof-the-unhealthy-meat-market.html?_r=3>

The heartland is left with a few tycoons and a large number of people struggling at the margins. Leonard writes in his book that in 68 percent of the counties where Tyson operates, per capita income has grown more slowly over the last four decades than the average in that state. We may think of rural America as a halcyon pastoral of red barns and the Waltons, but today it’s also a land of unemployment, poverty, despair and methamphetamines.

HARM 4. Small farm bankruptcies

As the few big companies use their market power it pushes small farmers out of business.

Pew Charitable Trusts 2012, (The Pew Charitable Trusts is driven by the power of knowledge to solve today's most challenging problems. Pew applies a rigorous, analytical approach to improve public policy, inform the public and invigorate civic life.) “How Corporate Control Squeezes Out Small Farms” July 18, 2012 <http://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2012/07/18/how-corporate-control-squeezes-out-small-farms>

Competition is a critical element of our free market economy and is particularly important in agriculture. Consumers understand almost instinctively that market domination by a single powerful business can lead to higher prices. Less obvious is the role that lack of competition has played in squeezing out small and midsize farms and ranches and in changing the nature of animal agriculture across the country. Over the past 50 years, the United States has lost more than a million farms, yet more animals than ever are being raised, slaughtered, and processed.

OBSERVATION 4. We offer the following PLAN:

1. Congress passes Sen. Chuck Grassley’s bill S. 2911 to amend the Packers and Stockyards Act of 1921. This bill makes it illegal for a meat packer to own, feed, or control livestock intended for slaughter.
2. Funding through existing agencies and existing budgets.
3. Enforcement through normal means, and all Affirmative mandates will be upheld and enforced by federal courts.
4. Plan takes effect 30 days after an affirmative ballot.
5. Affirmative speeches may clarify.

OBSERVATION 5. The Plan solves

1. National Farmers Union agrees

National Farmers Union 2016 (NFU represents family farmers, fishers and ranchers across the country) “NFU Commends Sen. Grassley’s Reintroduction of Legislation Banning Packer Ownership of Livestock” <http://nfu.org/nfu-commends-sen-grassleys-reintroduction-of-legislation-banning-packer-ownership-of-livestock/4886>

The livestock market today is heavily concentrated among a handful of conglomerates, and our family farmers and ranchers are forced to compete in an increasingly uneven playing field in the marketplace. I applaud Senator Grassley for championing this important piece of legislation that places the family farmer first.

B. Ranchers and Cattlemen agree

The Ranchers-Cattlemen Action Legal Fund 2016 (The Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA) represents the U.S. cattle industry in trade, marketing and private property rights issues) “Meatpackers Cite Outdated Studies in Attack Against Senator Grassley’s Ban on Packer Ownership Legislation” <http://www.r-calfusa.com/meatpackers-cite-outdated-studies-in-attack-against-senator-grassleys-ban-on-packer-ownership-legislation/>

Just last year fed cattle prices fell farther and faster than at any time in history and domestic beef production fell to a 20-year low while consumers continued paying near record prices for beef. Our cattle markets are seriously broken and Senator Grassley’s long-needed legislation to ban the largest packers from owning and feeding their own cattle will provide immediate relief from the abusive control that packers are exerting in our markets.

2A Evidence: Meatpackers Antitrust

DEFINITIONS & BACKGROUND

Oligopoly

Merriam Webster Online Dictionary, copyright 2016 <http://www.merriam-webster.com/dictionary/agriculture>

“a condition in which a few sellers dominate a particular market to the detriment of competition by others”

Full text of S.2911

US Congress official website 2016 <https://www.congress.gov/bill/114th-congress/senate-bill/2911/text>

S. 2911  
To amend the Packers and Stockyards Act, 1921, to make it unlawful for a packer to own, feed, or control livestock intended for slaughter.  
IN THE SENATE OF THE UNITED STATES  
May 10, 2016   
Mr. Grassley introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry  
**A BILL** To amend the Packers and Stockyards Act, 1921, to make it unlawful for a packer to own, feed, or control livestock intended for slaughter.  
Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,   
SECTION 1. Prohibition on packers owning, feeding, or controlling livestock.  
(a) In general.—Section 202 of the Packers and Stockyards Act, 1921 ([7 U.S.C. 192](http://uscode.house.gov/quicksearch/get.plx?title=7&section=192)), is amended—   
(1) by redesignating subsections (f) and (g) as subsections (g) and (h), respectively;  
(2) by inserting after subsection (e) the following:  
“(f) Own or feed livestock directly, through a subsidiary, or through an arrangement that gives the packer operational, managerial, or supervisory control over the livestock, or over the farming operation that produces the livestock, to such an extent that the producer is no longer materially participating in the management of the operation with respect to the production of the livestock, except that this subsection shall not apply to—   
“(1) an arrangement entered into within 7 days (excluding any Saturday or Sunday) before slaughter of the livestock by a packer, a person acting through the packer, or a person that directly or indirectly controls, or is controlled by or under common control with, the packer;  
“(2) a cooperative or entity owned by a cooperative, if a majority of the ownership interest in the cooperative is held by active cooperative members that—   
“(A) own, feed, or control livestock; and  
“(B) provide the livestock to the cooperative for slaughter;  
“(3) a packer that is not required to report to the Secretary on each reporting day (as defined in section 212 of the Agricultural Marketing Act of 1946 ([7 U.S.C. 1635a](http://uscode.house.gov/quicksearch/get.plx?title=7&section=1635a))) information on the price and quantity of livestock purchased by the packer; or  
“(4) a packer that owns 1 livestock processing plant; or”; and  
(3) in subsection (h) (as redesignated by paragraph (1)), by striking “or (e)” and inserting “(e), or (f)”.  
(b) Effective date.—   
(1) IN GENERAL.—Subject to paragraph (2), the amendments made by subsection (a) take effect on the date of enactment of this Act.  
(2) TRANSITION RULES.—In the case of a packer that on the date of enactment of this Act owns, feeds, or controls livestock intended for slaughter in violation of section 202(f) of the Packers and Stockyards Act, 1921 (as amended by subsection (a)), the amendments made by subsection (a) apply to the packer—   
(A) in the case of a packer of swine, beginning on the date that is 18 months after the date of enactment of this Act; and  
(B) in the case of a packer of any other type of livestock, beginning as soon as practicable, but not later than 180 days, after the date of enactment of this Act, as determined by the Secretary of Agriculture.

History of meat industry competition issues, background on the Packers & Stockyards Act of 1921

Prof. Clement E. Ward 2010 (Professor Emeritus, Dept of Agricultural Economics, Oklahoma State Univ,) “Assessing Competition in the U.S. Beef Packing Industry” <http://www.choicesmagazine.org/UserFiles/file/article_121.pdf>

Competition issues in the beef industry can be traced to the late 1880s and stemmed in part from market structure changes of an evolving economy. Railroads, improved highways, irrigated grain production, and technological changes within meatpacking plants combined over time to alter cattle feeding and marketing and the market structure of the U.S. meatpacking industry. Along the way, court decisions and Congressional actions altered the regulatory environment. Most notably, the Supreme Court issued the Packers’ Consent Decree in 1920 and Congress passed the Packers and Stockyards Act of 1921. The Act created the Packers and Stockyards Administration, now called the Grain Inspection, Packers and Stockyards Administration (GIPSA), within the U.S. Department of Agriculture (USDA).

OPENING QUOTES / AFFIRMATIVE PHILOSOPHY

Long overdue: Need competitive markets

Center for Rural Affairs 2016 (non-profit advocacy group for farms and rural communities)“Senator Grassley Re-introduced Bill to Ban Packers from Owning Livestock” <http://www.cfra.org/news/160606/senator-grassley-re-introduced-bill-ban-packers-owning-livestock>

“Competitive markets are the foundation of America’s economy. Family farmers and ranchers asking for a level playing field where farmers and ranchers, not the packers, own the livestock, is a request that is not only eminently reasonable, but long overdue.”

Need the plan for an effective and efficient marketplace

*Senator Chuck Grassley 2016 (R-Iowa) “Grassley bill would ban meatpackers from owning livestock”* [*http://www.grassley.senate.gov/news/news-releases/grassley-presses-ban-packer-ownership-livestock*](http://www.grassley.senate.gov/news/news-releases/grassley-presses-ban-packer-ownership-livestock)

"An effective and efficient marketplace is one where packers that control all harvest capacity of the industry do not also own a majority of the animals to be processed”

Government has responsibility to ensure competitive markets.

**Speaking in context of the US meat industry, former US Secretary of Agriculture Dan Glickman said in 2002:**

Dan Glickman 2002 (U.S. Secretary of Agriculture, 1995-2001) “Industrial Meat” <http://www.pbs.org/wgbh/pages/frontline/shows/meat/industrial/consolidation.html>

I don't think we can go back to the old days. But I think that what the government needs to do is it needs to make sure that the pricing is fair, that you don't have monopolies out there, so that people don't have a chance to compete fairly. And we probably haven't been doing as good a job in that area as we should have.

INHERENCY

Meatpackers successfully blocked Obama administration reforms

NPR (National Public Radio), 2012 (Frank Morris is a reporter for member station KCUR and Harvest Public Media ) “Antitrust Official Gets Stampeded By Big Beef” <http://www.npr.org/sections/thesalt/2012/01/25/145846326/an-antitrust-official-gets-pounded-by-big-beef>

Dudley Butler is quitting his job tomorrow. Never heard of him? He's President Obama's appointee to run the division of the U.S. Department of Agriculture that governs antitrust issues in the meat industry. He was part of a cadre of high-level bureaucrats charged to expose and fight agribusiness monopolies. In fact, he was the last of that group. Butler set out to change the cattle industry. But he ran into many hurdles, not least of which was fierce opposition from meatpackers, who exert a lot of influence in Washington, D.C.

Reform advocates in the Obama administration are gone, so nothing gets done on antitrust reform

NPR (National Public Radio), 2012 (Frank Morris is a reporter for member station KCUR and Harvest Public Media. ) “Antitrust Official Gets Stampeded By Big Beef” <http://www.npr.org/sections/thesalt/2012/01/25/145846326/an-antitrust-official-gets-pounded-by-big-beef>

Bill Bullard, who runs R-Calf USA, a cattleman's advocacy organization, says Butler and Varney were part of the reformist team that was supposed to restore competition to the market. "Now they are all gone, and we have seen no improvement, whatsoever in the ongoing erosion of competition," he says.

Why does reform get canceled or stalled? Because monopolists have political power to block reform

CBS Money Watch, Mark Thoma 2014 (macroeconomist and time-series econometrician at Univ of Oregon; fellow at The Century Foundation) “What's so bad about monopoly power?” 18 Sept 2014 <http://www.cbsnews.com/news/whats-so-bad-about-monopoly-power/>

The problems with monopolies go beyond the economic effects. Many large, economically powerful companies also have considerable political influence and the ability to "capture" the political and regulatory process. This allows a powerful firm to tilt the legal and regulatory processes against any potential threat to its market power, and to bring about changes that further enhance the profits it earns. It can get health and safety regulations removed, have licensing requirements imposed that make it harder for new firms to enter a market, avoid state sales taxes for online retailers, or get invited to speak at congressional hearings on matters such as immigration and corporate taxation.

Meatpacking industry is growing more concentrated, markets are not functioning properly

Kelsea K. Sutton 2013 (JD candidate, Univ of S. Dakota law school) SOUTH DAKOTA LAW REVIEW Fall 2013 “The Beef with Big Meat: Meatpacking and Antitrust in America's Heartland” <https://www.questia.com/library/journal/1G1-352493085/the-beef-with-big-meat-meatpacking-and-antitrust>

In 1919, the Federal Trade Commission ("FTC") found the five major meatpacking companies controlled around fifty-five percent of the market. Congress responded to the FTC's findings with the Packers and Stockyards Act in 1921. Despite the Act, agricultural antitrust laws have remained largely unenforced, and today, America has an even higher degree of concentration within the meatpacking industry. This concentration, in addition to increased vertical integration, forward livestock contracts, and a lack of government intervention, has led to the widespread conclusion that the largest packers' influence over the market is far too strong, and the market is not functioning competitively.

“Meat monopoly”: A few companies own and control virtually every stage of the business

Christopher Leonard 2014 (former national business reporter for the Associated Press; Schmidt Family Foundation fellow with The New America Foundation, a nonpartisan public policy institute in Washington, DC.) “How the Meat Industry Keeps Chicken Prices High” <http://www.slate.com/articles/life/food/2014/03/meat_racket_excerpt_how_tyson_keeps_chicken_prices_high.html>

Four companies make 85 percent of America’s beef and 65 percent of its pork. Just three companies make almost half of all chicken. These figures even understate the reach of the modern meat monopoly, which includes companies like Tyson Foods and Cargill Inc. Today’s meat conglomerates control the food system in a way that that old-school companies could only dream of. Companies like Tyson Foods have pioneered a new model of food production that gives them ownership and control over virtually every stage of the business.

Competitive livestock markets have disappeared

Pew Charitable Trusts 2012, (independent non-profit organization that funds research on public policy) “How Corporate Control Squeezes Out Small Farms” July 18, 2012 <http://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2012/07/18/how-corporate-control-squeezes-out-small-farms>

The result is the disappearance of open and competitive livestock markets: In 2010, for example, about 35 percent of all cattle were sold on the spot market, down from 45 percent in 2001. In 2010, the spot market for hogs was only 8 percent; just 15 years ago, it was 62 percent. For commercial broiler production, there is virtually no spot market at all.

Chicken market is effectively controlled by 3 companies, and one company alone can influence the market

Christopher Leonard 2014 (former national business reporter for the Associated Press; Schmidt Family Foundation fellow with The New America Foundation, a nonpartisan public policy institute in Washington, DC.) “How the Meat Industry Keeps Chicken Prices High” <http://www.slate.com/articles/life/food/2014/03/meat_racket_excerpt_how_tyson_keeps_chicken_prices_high.html>

Back in the 1970s, the Department of Justice sued more than 36 poultry companies for conspiring to cut chicken production and keep prices high. Together, those companies controlled about half the chicken market. Today, just three companies control that share of the market. Because Tyson owns and operates so many chicken factories, collusion isn’t necessary for massive production cuts. The result can be achieved in the kind of supply chain meetings that Donnie Smith attended in 2008.

USDA reforms were canceled. Now a few corporations control the market for meat

Tom Laskawy, 2011 (founder and executive director of the Food & Environment Reporting Network and a contributing writer at Grist covering food and agricultural policy; his writing has appeared online in *The American Prospect*, *Slate*, *The New York Times*, and *The New Republic*.) “Killing the competition: Meat industry reform takes a blow” <http://grist.org/factory-farms/2011-11-09-killing-the-competition-meat-industry-reform-takes-a-blow/>

The USDA itself eviscerated its proposed reform to a set of rules which would have given a government division with a wonky name — the Grain Inspection, Packers and Stockyard Administration (GIPSA) — authority to crack down on the way large corporate meatpackers wield power over small and mid-sized ranchers. To say this was a lost opportunity is a vast understatement. After all, the top four companies control 90 percent of all beef processing. In the case of pork, four companies control 70 percent of the processing, while for poultry it’s nearly 60 percent.

Background and example of how concentrated industry can control a farmer

Lina Khan, 2012 Washington Monthly, (reporter and policy analyst with the Markets, Enterprise and Resiliency Initiative at the New America Foundation.) “Obama’s Game of Chicken” <http://washingtonmonthly.com/magazine/novdec-2012/obamas-game-of-chicken/>

Staples and other farmers described a system that is worse in certain respects than sharecropping. It works like this: to do business nowadays, most chicken farmers need to contract with a processing company. The company delivers them feed and chicks, which farmers raise into full-size birds. The same company then buys those same birds back when they are full grown. The problem is that the big processing company is usually the only game in town. So it can—and usually does—call all the shots, dictating everything from what facilities a farmer builds on his farm to the price he receives for his full-size chickens.

HARMS / SIGNIFICANCE

Industry consolidation creates steadily climbing meat prices

Christopher Leonard 2014 (former national business reporter for the Associated Press; Schmidt Family Foundation fellow with The New America Foundation, a nonpartisan public policy institute in Washington, DC.) “How the Meat Industry Keeps Chicken Prices High” <http://www.slate.com/articles/life/food/2014/03/meat_racket_excerpt_how_tyson_keeps_chicken_prices_high.html>

The results of this consolidation have been predictable. Meat prices are climbing relentlessly. Farmers are earning a steadily smaller share of every dollar that consumers spend on meat. The profit margins of the nation’s biggest meat packers rose dramatically between 2008 and 2010 (the most recent year for which good data is available), even as the national economy cratered. Tyson Foods, the nation’s biggest meat company, reported record profits of $778 million last year as the company hiked prices for beef, pork, and chicken. Last Friday, the company’s stock closed at $39.45 per share.

Impact to monopolies: Consumers made worse off with higher prices and lower quality

White House Council of Economic Advisors, April 2016 (agency within the Executive Office of the President that advises the President on economic policy ) “BENEFITS OF COMPETITION AND INDICATORS OF MARKET POWER” <https://www.whitehouse.gov/sites/default/files/page/files/20160414_cea_competition_issue_brief.pdf>

When there is little or no competition, consumers are made worse off if a firm uses its market power to raise prices, lower quality for consumers, or block entry by entrepreneurs. A firm with market power recognizes that if it reduces price to gain more customers, it loses revenue on the existing customers it already has. Thus, it may set a higher price and provide a lower quantity of its product than would maximize societal welfare. Competition pushes firms to reduce price below this level, both to gain share from rivals, and in recognition that higher prices can be profitably undercut by competitors who are similarly trying to increase their sales. Alternatively, monopolists may choose not to upgrade quality or variety, which would also leave customers worse off than if the market had competitors. And monopolists may be less rigorous in pursuing efficient cost reductions, for as Sir John Hicks (1935) famously wrote, “the best of all monopoly profits is a quiet life.”

Impact to monopolies: Higher prices for consumers

CBS Money Watch, Mark Thoma 2014 (macroeconomist and time-series econometrician at Univ of Oregon; fellow at The Century Foundation) “What's so bad about monopoly power?” 18 Sept 2014 <http://www.cbsnews.com/news/whats-so-bad-about-monopoly-power/>

What's so bad about a company amassing monopoly power? When firms have such power, they charge prices that are higher than can be justified based upon the costs of production, prices that are higher than they would be if the market was more competitive. With higher prices, consumers will demand less quantity, and hence the quantity produced and consumed will be lower than it would be under a more competitive market structure.

Example of price manipulation

Christopher Leonard 2014 (former national business reporter for the Associated Press; Schmidt Family Foundation fellow with The New America Foundation, a nonpartisan public policy institute in Washington, DC.) “How the Meat Industry Keeps Chicken Prices High” <http://www.slate.com/articles/life/food/2014/03/meat_racket_excerpt_how_tyson_keeps_chicken_prices_high.html>

No one in the room was excited about the idea of a production cut. It was Tyson’s nuclear option. It meant the company would intentionally scale back its business, cutting down its sales. It also meant farmers would get fewer deliveries of chickens, reducing their income even as their debt payments stayed the same. But Smith decided that a cutback was inevitable. Ultimately, Tyson cut its production by 5 percent in December. Around that time, the industry as a whole was estimated to have cut back the placement of new eggs between 6 and 7 percent. In a matter of weeks, the price of a boneless, skinless chicken breast rose by about 20 cents, according to an industry estimate. Within a short few months, Tyson’s chicken business was profitable again.

Monopolies force smaller companies out of business

CBS Money Watch, Mark Thoma 2014 (macroeconomist and time-series econometrician at Univ of Oregon; fellow at The Century Foundation) “What's so bad about monopoly power?” 18 Sept 2014 <http://www.cbsnews.com/news/whats-so-bad-about-monopoly-power/>

The bottom line is that when companies have a monopoly, prices are too high and production is too low. There's an inefficient allocation of resources. In addition, the tactics used to establish monopoly power, such as driving competitors out of business or thwarting potential entrants, can also cause considerable harm to households who own the businesses that are forced to close their doors.

Farmers harmed by concentration of the meatpacking industry

Dean Zimmerli 2014 (Law degree,from Hamline Univ. School of Law; law clerk for Judge Douglas L. Richards, 5th Judicial District of Minnesota) SAN JOAQUIN AGRICULTURAL LAW REVIEW Vol. 24 “SOMETHING OLD, SOMETHING NEW: RELYING ON THE TRADITIONAL AGRICULTURAL COOPERATIVE TO HELP FARMERS SOLVE THE POWER IMBALANCE IN MODERN MEATPACKER PRODUCTION CONTRACTS” <http://www.sjcl.edu/images/stories/sjalr/volumes/V24N1A2.pdf>

This consolidation has eroded normal market mechanisms and yields a relationship which is often heavily skewed in favor of the meatpacking firm. As firms have become more consolidated, the use of “production contracts” has increased. Farmers dealing with meatpackers through production contracts often receive lower prices for their livestock, accept large amounts of contract risk, and forego asserting valid contract rights out of fear of retaliation.

Farmers put out of business by anti-competitive practices, advocate USDA anti-trust action

Pew Charitable Trusts 2012, (independent non-profit organization that funds research on public policy) “How Corporate Control Squeezes Out Small Farms” July 18, 2012 <http://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2012/07/18/how-corporate-control-squeezes-out-small-farms>

Early in 2010, the USDA and the Department of Justice initiated an unprecedented series of joint public workshops around the country to investigate the state of competition in agriculture markets. Hundreds of independent livestock producers attended the workshops, and many testified that it is increasingly difficult to survive economically. They urged the USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA) to better regulate the anti-competitive practices of large agribusiness. Their pleas were echoed by Sen. Chuck Grassley (R-IA): “The agriculture industry has consolidated to the point where family farmers, independent producers, and other smaller market participants do not have equal access to fair and competitive markets.”

Over half a million cattle operations have gone under in the last 30 years

NPR 2010, (National Public Radio) “As Beef Prices Stay Low, Small Ranchers Cry Foul” 12 Nov 2010 <http://www.npr.org/2010/11/11/131253386/as-beef-prices-stay-low-small-ranchers-cry-foul>

More than half a million cattle operations have gone under in the last three decades. Mississippi cattleman Fred Stokes has a word for what's happening: chickenization.

Monopolized industry hurts farmers

Lina Khan, 2012 Washington Monthly, (reporter and policy analyst with the Markets, Enterprise and Resiliency Initiative at the New America Foundation.) “Obama’s Game of Chicken” <http://washingtonmonthly.com/magazine/novdec-2012/obamas-game-of-chicken/>

The practical result of all this consolidation is that while there are still many independent farmers, there are fewer and fewer processing companies to which farmers can sell. If a farmer doesn’t like the terms or price given by one company, he increasingly has nowhere else to go—and the companies know it. With the balance of power upended, the companies are now free to dictate increasingly outrageous terms to the farmers.

Farmers become slaves to the big corporations

NPR 2010, (National PublicRradio.) “As Beef Prices Stay Low, Small Ranchers Cry Foul” <http://www.npr.org/2010/11/11/131253386/as-beef-prices-stay-low-small-ranchers-cry-foul>

The kind of contract-buying some cattle ranchers hate took over the poultry industry decades ago. Mike Weaver, who heads Contract Poultry Growers of the Virginias, says survivors barely hang on. "It's like us being slaves to the corporations," he says. "They keep us in debt, so that we have to keep raising their chickens. It's kind of like the old company store mentality, as long as they keep us in debt we have to keep digging their coal."

Meatpacking industry gets away with unfair behavior under current law and drive farmers out of business

NPR 2010, (NPR is a mission-driven, multimedia news organization and radio program producer. It is a network with a strong base of member stations and supporters nationwide. The NPR employees are innovators and developers — exploring new ways to serve the public via digital platforms and improved technologies. NPR is also the leading membership and representation organization for public radio.) “As Beef Prices Stay Low, Small Ranchers Cry Foul” <http://www.npr.org/2010/11/11/131253386/as-beef-prices-stay-low-small-ranchers-cry-foul>

"The packing houses would send buyers to bid aggressively to get all the cattle that they needed," says Bill Bullard, who runs R-CALF USA, a cattle producers' trade organization. But the packing houses manipulated prices to the extent that Congress passed the Packers and Stock Yards act of 1921. Bullard can quote it line and verse. "Packers are prohibited from engaging in any unfair, unjustly discriminatory or deceptive practice," he says. "That portion of the act has never been implemented." Bullard says that lax oversight is putting ranchers like Randy Stevenson out of business. Stevenson used to sell his cattle at his local auction market in eastern Wyoming, but no more. "The bids became, take it or leave it," he says. "It wasn't a bid. It was a price. If you want to sell them, this is it." The beef industry is now dominated by four huge packing companies. They buy most of their animals through confidential contracts. Stevenson says those agreements tend to favor high-volume producers, and punish guys like him. "I filed for bankruptcy this year," he says.

Concentrated industry abuses and cheats farmers

Lina Khan, 2012 Washington Monthly, (Lina Khan is a reporter and policy analyst with the Markets, Enterprise and Resiliency Initiative at the New America Foundation.) “Obama’s Game of Chicken” <http://washingtonmonthly.com/magazine/novdec-2012/obamas-game-of-chicken/>

As Staples explained, a processing company can require a farmer to assume substantial debt to pay for new chicken houses, tailored to the company’s exact specifications. Staples said he himself had borrowed $1.5 million. Then the company will offer that same farmer a sixty-day contract that can be changed or terminated by the company for any reason at any time. If a farmer gets fed up with the chronic uncertainty and tries to negotiate better terms, the company can punish him by sending lousy feed or sickly chicks, thereby depressing his earnings. Or the company can simply undercount the full-grown chickens’ weight. Whatever the particular abuse, because there are now so few processing companies—often only one or two in a farmer’s geographic area—there’s little way out of the cycle. For many chicken farmers in America, the only real option is to accept the terms, even if those terms are slowly driving them out of business. And even if those terms keep them from publicly speaking their minds.

Concentrated industry means they can abuse the farmers. Obama Administration failed to do anything about it

Lina Khan, 2012 Washington Monthly, (reporter and policy analyst with the Markets, Enterprise and Resiliency Initiative at the New America Foundation.) “Obama’s Game of Chicken” <http://washingtonmonthly.com/magazine/novdec-2012/obamas-game-of-chicken/>

The message seemed to be clear: the highest brass in the Obama administration was listening closely to how America’s independent farmers are pushed around by big companies, and they were no longer going to tolerate it. For the next seven months, Holder, Vilsack, Varney, and other officials from the Departments of Justice and Agriculture toured the country, hearing from more farmers and rural advocates. Along the way, they learned about concentration in the seed, pig, cattle, and dairy industries, as well as in poultry. During this same period, the USDA also worked on revising and updating the main law that regulates the livestock industries to prevent many of the unfair and deceptive practices that now threaten the dignity and survival of farmers and ranchers. From dairy farms in Wisconsin to cattle ranches in Montana, hopes soared. But today, two years on, almost nothing has changed. Big processing companies remain free to treat independent poultry, cattle, and dairy producers largely as they please. “You had farmer after farmer after farmer telling the same story, basically pleading for help, and absolutely nothing has come of it,” said Craig Watts, a poultry farmer from Fairmont, North Carolina, who drove 512 miles to attend the hearing in Alabama. Staples agreed. “We had really thought something might change.”

SOLVENCY / ADVOCACY

Grassley bill to ban meatpacking ownership of livestock is needed to solve for SQ failures

National Sustainable Agriculture Coalition 2012 ( alliance of grassroots organizations that advocates for federal policy reform to advance the sustainability of agriculture, food systems, natural resources, and rural communities) ”BILL TO BAN PACKER OWNERSHIP OF LIVESTOCK INTRODUCED“ 1 Mar 2012 (Note: Grassley introduced this same bill several times and it was never passed. This article is referring to when he introduced it in 2012) <http://sustainableagriculture.net/blog/packer-ban-bill-introduced/>

Other measures are also needed to ensure fair and open livestock markets.  The Obama administration did issue a proposed rule, under the authority of the Packers and Stockyards Act and the 2008 Farm Bill, that included some of these measures — a ban on packer-to-packer sales and the use of a single buyer for multiple companies at livestock auctions, as well as requirements for packers to retain records about the basis for pricing. But after a lengthy comment period and administrative delays, the Administration announced in November 2011 that it was dropping rather than revising and perfecting these provisions.  The meatpacking mega-companies then followed with a lobbying campaign to block all of the provisions of the proposed rule, even those called for by the 2008 Farm Bill, by getting a legislative rider added to the appropriations bill for 2012 that effectively negates the law as enacted in the farm bill for the rest of this fiscal year. Senators Grassley, Conrad, Johnson and Harkin are to be commended for introducing the packer ban bill as the congressional Agriculture Committees take up the hearings for the next Farm Bill.  Without an expanded and effective Livestock Title in the Farm Bill, the number of farmers and ranchers will continue to shrink and the wealth generated from rural land and our food and farming system will continue to be concentrated in a few corporate hands.

Grassley’s bill will solve for competitive cattle markets

John Crabtree 2016 (with Center for Rural Affairs, non-profit advocacy group for farms and rural communities) 26 May 2016 “Senator Grassley Re-introduced Bill to Ban Packers from Owning Livestock “ (brackets added) <http://www.cfra.org/news/160526/senator-grassley-re-introduced-bill-ban-packers-owning-livestock>

“Our cattle markets are seriously broken, and Sen. Grassley’s long-needed legislation to ban the largest packers from owning and feeding their own cattle will provide immediate relief from the abusive control that packers are exerting in our markets,” [CEO of the ranchers’ organization [R-CALF USA](http://www.r-calfusa.com/), Bill] Bullard concluded. The packers and their sycophants at the [National Pork Producers Council](http://nppc.org/) can whine and complain all they want. But competitive markets are the foundation of America’s economy. Family farmers and ranchers asking for a level playing field where farmers and ranchers own the livestock, not the packers themselves, is a request that is not only eminently reasonable, but long overdue.

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