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Negative: S. 2911 Antitrust Actions Against Meatpackers

By John Hall & “Coach Vance” Trefethen

INHERENCY

1. Market solves for monopolies / market consolidation.

Big meat companies are worried about competition: Most of them are upstarts themselves and the market is competitive

Patrick Boyle, 2002 (CEO of the American Meat Institute; quoted by Public Broadcasting System) “Industrial Meat” (ellipses in original) <http://www.pbs.org/wgbh/pages/frontline/shows/meat/industrial/consolidation.html>

Most business sectors in the United States economy are fairly concentrated, comprised of three or four market leaders that in general have about a 60 percent, 70 percent, 80 percent market share. You see that happening in the banking business, and it's been a long-standing structure in the automobile industry. So in that regard, in terms of the overall economy of the United States, the beef industry is not much different in its economic structure. But what is important to understand is that it is a dynamic, evolving, highly competitive sector of our nation's agricultural economy. Four companies account for more than 80 percent of the beef capacity in the United States. ... But 30 years ago, only one of those big four were actually in the beef industry. Within the last 30 years, three of the other big four have actually grown up as startup companies, or expanded as a result of acquisition, to the market share levels that they have today. It's a vibrant competitive industry. If you ask the CEOs of the four largest beef companies, one concern that they have is the upstart companies that are coming into the business, the small regional new entries that are coming into the beef industry, who one day may have the agility, the acumen, and the competitive instincts to achieve the market share levels that the larger companies have today.

1. Justice Department solves

Justice Department took action to block over-consolidation in the beef industry

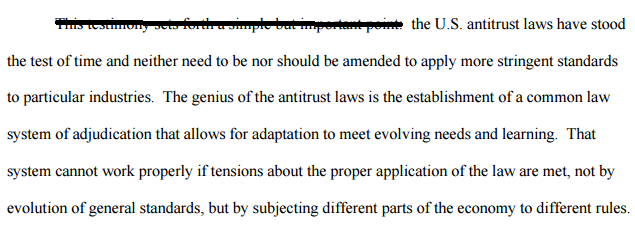
Philip J. Weiser 2009 (Deputy Assistant Attorney General, Antitrust Division, US Dept of Justice) 7 Aug 2009 “"Toward a Competition Policy Agenda for Agriculture Market” <https://www.justice.gov/atr/speech/toward-competition-policy-agenda-agriculture-markets>

With regard to beef, the Division filed a complaint in federal court in Illinois in October 2008 that opposed the proposed merger of JBS and National Beef Packing Company. The Division opposed that merger because it found that by eliminating one of only four competitively significant packers, the merger would place more than 80% of domestic fed cattle packing capacity in the hands of the remaining three major firms and enable them to exercise market power against producers and sellers of livestock. Consequently, the Division concluded, the consummation of this merger would have resulted in lower prices paid to cattle suppliers and higher beef prices for consumers. After several months of litigation, the parties abandoned the deal.

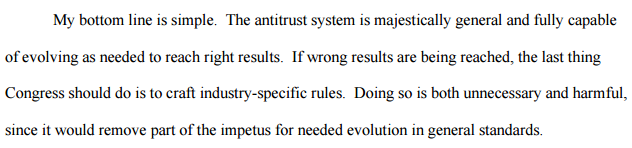
1. Anti-trust law solves

Status Quo anti-trust law solves and solves better than any specific legislation targeting one industry

Prof. Stephen Calkins 2010 (law prof. at Wayne State Univ., former advisor to a Commissioner of the Federal Trade Commission) 6 Jan 2010 Submission to the Department of Justice/USDA Workshops. Agriculture and Antitrust Enforcement Issues in our 21st Century Economy <https://www.justice.gov/sites/default/files/atr/legacy/2010/05/07/AGW-14966-b.pdf>



**END QUOTE. Prof. Calkins goes on to conclude later in the same context QUOTE:**



HARMS/SIGNIFICANCE

1. Consumer meat prices not a problem.

Beef, pork, and poultry prices are declining as of Aug. 2016. Strange: AFF claims they rig prices. Why didn’t they stop this?

CNBC 2016 (journalist Jeff Daniels) 4 Aug 2016 “Food deflation good for consumers, but pinching grocers” <http://www.cnbc.com/2016/08/04/food-deflation-good-for-consumers-but-pinching-grocers.html>

The USDA's price of retail ground beef was $3.73 per pound in June, down about 12 percent from $4.22 a year earlier. Price declines for top steak cuts were more modest. As for pork, prices were down an average 1.4 percent in June from a year ago, but were up 1.2 percent from May. The USDA is looking for pork prices to fall between 0.5 percent and 1.5 percent this year, a moderation from the 3.9 percent average decline tracked in 2015. Pork prices over the last 20 years have seen inflation on average of about 2.5 percent. Poultry prices fell an average of 3.4 percent in June from the year-ago period and dropped 0.5 percent from May. The government sees poultry prices flat to down 1 percent in 2016, below the category's 20-year historical average of 2.6 percent inflation. [Tyson Foods](http://data.cnbc.com/quotes/TSN) is scheduled to report its fiscal third-quarter earnings Monday, and analysts estimate its poultry division sales will be down slightly from a year ago due to pricing declines, reflecting in part lower breast meat prices.

Tyson makes high profits even with falling meat prices

Kim Souza 2016 (journalist) “Tyson Foods forecasts record results in 2016 and 2017 despite lower meat prices” 8 Aug 2016 <http://talkbusiness.net/2016/08/tyson-foods-forecasts-record-results-in-2016-and-2017-despite-lower-meat-prices/>

With three quarters of fiscal 2016 already in the books, officials with Springdale-based Tyson Foods are optimistic that net income will set a new record even with lower revenue. It’s been two years since Tyson Foods acquired Hillshire Brands and the integration is complete. Earnings are expected to increase another 40% this year with projected revenue of $37 billion, lower than the $41 billion reported last year. Revenue continues to trend lower thanks to chicken, pork and beef prices falling an average of 7% from a year ago. Fiscal third quarter net income for Tyson Foods [**totaled $484 million**](http://talkbusiness.net/2016/08/tyson-foods-quarterly-income-of-484-million-up-41-year-to-date-income-up-43/) – up 41% –  and the company posted $9.403 billion in revenue. The company’s net income for the first nine months of its fiscal year is up 43%.

Consolidation doesn’t necessarily mean higher consumer meat prices

USA Today 2014, (journalist Christopher Doering) “Who will food industry consolidation squeeze?” <http://www.usatoday.com/story/money/business/2014/06/05/food-companies-mergers/9926501/>

Chad Hart, an Iowa State University associate professor of economics, said it is uncertain what the merger rush will mean for meat prices. Consumers could benefit from the deals as the combined companies are able to streamline their operations and produce and deliver the meats at a lower cost. But at the same time, fewer producers competing against each other could mean less incentive for food companies to drive down prices. "Looking back over time, typically the fewer players usually does mean a little bit higher prices, but there are cost savings involved here as well," Hart said. "It is something the government will be watching to see if there is a enough competition in the market to allow these mergers to go through."

Consolidation hasn’t hurt prices: They’re driven by supply and demand like they always have

Bill Haw 2002 (CEO of Kansas City's National Farms, which operates one of the largest cattle feedlot operations in the country) “Industrial Meat” quoted by Public Broadcasting <http://www.pbs.org/wgbh/pages/frontline/shows/meat/industrial/consolidation.html> (ellipses in original)

I don't think we ... have become too concentrated in the beef industry. If you're willing to step back and look at the figures and know the players, I think the competition between these few dominant packers is extremely intense, extremely personal. And if you look at price patterns over the last 20 years, you find that supply has driven price almost perfectly. Although we in the business, when times are good and prices are high, think that we can over-produce and get away with it, the fact is as supply increases, price goes down: classic Adam Smith economics. And if you go back and recreate the relationship of supply and price over the last 20 years, 30 years, 50 years, you'll find that that relationship is almost perfect.

1. “Big Meat Companies” aren’t bad

Leonard is wrong: “Big meat companies” actually make very low profit margin

*Dr. Michael Dicks 2014 (Professor Emeritus in Agricultural Economics from Oklahoma State Univ) 25 Feb 2014 “*Checking the Facts on Chris Leonard’s “The Meat Racket” <https://agricultureproud.com/2014/02/25/checking-the-facts-on-chris-leonards-the-meat-racket/> (brackets added)

The author [Chris Leonard] writes of the economic “power” of one major U.S. meat company, noting that it generated $780 million in profits on $28.43 billion in sales in 2010. However, using simple math, anyone can figure out this represents only a 2.7% profit margin or less than 3 cents on every dollar of sales. That’s hardly a profit margin most people would consider high or powerful. It’s actually low, especially compared to the high profit margins generated by other major companies, including the CBS Corporation, which owns the publishing company that released this book.

Larger volume of big meat companies leads to improvement, innovation and efficiency

*Dr. Michael Dicks 2014 (Professor Emeritus in Agricultural Economics from Oklahoma State Univ) 25 Feb 2014 “*Checking the Facts on Chris Leonard’s “The Meat Racket” <https://agricultureproud.com/2014/02/25/checking-the-facts-on-chris-leonards-the-meat-racket/>

Since meat and poultry companies are in a narrow margin business, they must focus on volume and efficiency, in addition to the consistent quality their customers expect. That’s why they provide farmers with performance incentives. For example, poultry farmers who produce the most meat from a flock of birds in a given amount of time can earn more money. It’s a merit-based bonus; the same type of compensation system some people believe should be used by schools to reward teachers. It’s the kind of system that stimulates improvement, innovation and efficiency.

Large companies important for reliability

Dr. Michael Wohlgenant,2013 (agricultural economist Ph.D., of North Carolina State University) “Competition in the US Meatpacking Industry” Annual Review of Resource Economics Vol. 5: 1-12 (Volume publication date June 2013) <http://www.annualreviews.org/doi/pdf/10.1146/annurev-resource-091912-151807>

Of paramount importance in livestock is the supplier’s reliability. Because of significant transaction costs, livestock buyers have an incentive to seek sellers who reliably supply large quantities of livestock of similar quality. Thus, the livestock and meat industries will continue to vertically integrate and/or seek contracts with a relatively small number of high-volume-supplying producers (Sexton 2013).

1. Farmers not harmed by market consolidation

Consolidation has been good for cattle & hog producers, not harmful

Michael Wohlgenant,2013 (agricultural economist Ph.D., of North Carolina State University) “Competition in the US Meatpacking Industry” Annual Review of Resource Economics Vol. 5: 1-12 (Volume publication date June 2013) <http://www.annualreviews.org/doi/pdf/10.1146/annurev-resource-091912-151807>

Both the beef and pork industries have under gone significant structural changes over the past few decades. The changes have led to increased consolidation and concentration of upstream livestock operations and of downstream meat processing and distribution (Saitone & Sexton 2012). The available empirical evidence, however, indicates that these changes have not adversely affected prices received by producers or prices paid by consumers. Indeed, there is substantial evidence that producers in both the cattle and hog industries have benefited from lower processing and distribution costs due to cost savings from reorganization and technical innovations.

Farm failures are not unusual and are caused by lack of skills, not the meat companies

*Dr. Michael Dicks 2014 (Professor Emeritus in Agricultural Economics from Oklahoma State Univ) 25 Feb 2014 “*Checking the Facts on Chris Leonard’s “The Meat Racket” <https://agricultureproud.com/2014/02/25/checking-the-facts-on-chris-leonards-the-meat-racket/> (brackets added)

The author [Chris Leonard] spends a lot time on a few farmers who failed and blame the meat company they were supplying. I feel badly for these farmers. No one wants to see anyone go out of business. However, based on my knowledge of agriculture, less than 50% of agricultural business of any type survive for longer than 5 years and most of those that don’t survive lack either the agricultural skills, business skills or both. Most of today’s successful farmers know that farming is not just a way of life; it’s a business and one that requires financial competence to make money.

Good cattle producers are rewarded under current system, and have reduced risk

Frank Morris 2012 (journalist) National Public Radio “Antitrust Official Gets Stampeded By Big Beef” 25 Jan 2012 <http://www.npr.org/sections/thesalt/2012/01/25/145846326/an-antitrust-official-gets-pounded-by-big-beef>

Meatpackers once bought cattle on the open market. But those days are over, says Steve Kay, the publisher of Cattle Buyers Weekly. The four big packing companies now buy mostly on contract — a more sophisticated and efficient arrangement. "It rewards producers who produce the most consistent, highest-quality cattle, so that we can then produce more consistent, high-quality beef for consumers," Kay says. Packers get a guaranteed supply; cattle producers get a guaranteed market. That's good for everybody, according to [Mark Dopp](http://www.meatami.com/ht/display/ShowPage/id/2267/pid/2267), senior vice president of the American Meat Institute. "That working relationship gives everyone some certainty and removes risk," says Dopp.

Still have opportunities for smaller producers

Dr. Michael Wohlgenant,2013 (agricultural economist Ph.D., of North Carolina State University) “Competition in the US Meatpacking Industry” Annual Review of Resource Economics Vol. 5: 1-12 (Volume publication date June 2013) <http://www.annualreviews.org/doi/pdf/10.1146/annurev-resource-091912-151807>

Despite all the empirical work done on evaluating whether increased concentration has benefited producers, there is a dearth of studies that evaluate different types of policies to help small producers. The meat industry, as presently constituted, offers two alternatives to producers to improve their well-being (Barkema et al. 2001). First, producers may want to become larger producers with strong and direct ties to processors through alliances and/or production and marketing contracts. Second, smaller producers may want to look more closely at niche markets such as organic livestock production. The latter approach maybe advanced through research that evaluates alternative niche enterprises.

1. No price manipulation

GAO Study: Consolidation has no effect on meat market

Dr. Michael Wohlgenant,2013 (agricultural economist Ph.D., of North Carolina State University) “Competition in the US Meatpacking Industry” Annual Review of Resource Economics Vol. 5: 1-12 (Volume publication date June 2013) <http://www.annualreviews.org/doi/pdf/10.1146/annurev-resource-091912-151807> (brackets and ellipses in original)

In a comprehensive review of studies on market power in the beef and pork processing industries, the GAO (2009, p. 27) concludes that “[e]mpirical economic literature has not established that concentration in the processing segment of the beef, pork...sectors...has affected commodity or food prices.” In assessment of its conclusions, the GAO reviews 19 studies on beef and pork processing that have been published since 1990 and that are relevant to assessing the competitiveness of meatpacking. These studies, although differing in types of data, sample periods, and methodology, are uniform in concluding that cost economies tend to outweigh any anticompetitive aspects of these industries. Moreover, in a similar review of market power studies, Ward (2002) finds price distortions from imperfect competition to be less than 3%, generally much less than the cost savings from consolidation and concentration.

GAO and other studies show: No evidence of price manipulation in the meat industry

Dr. Tina L. Saitone and Prof. Richard J. Sexton 2012 (Saitone - postdoctoral scholar in the Agricultural and Resource Economics Department at the University of California, Davis. Sexton - professor of agricultural and resource economics at the University of California, Davis, ) Market Structure and Competition in the US Food Industries Implications for the 2012 Farm Bill <http://www.aei.org/wp-content/uploads/2012/04/-market-structure-and-competition-in-the-us-food-industries_102234192168.pdf>

The GAO, in responding to congressional concerns about concentration in the food sector, summarized its findings as follows: “The empirical economic literature has not established that concentration in the processing segment of the beef, pork, or dairy sectors or the retail sector overall has adversely affected commodity or food prices. Most of the studies that we reviewed either found no evidence of market power or found efficiency effects that were larger than the market power effects of concentration.”

Studies show market consolidation in the meat industry hasn’t significantly affected seller or buyer prices

Dr. Tina L. Saitone and Prof. Richard J. Sexton 2012 (Saitone - postdoctoral scholar in the Agricultural and Resource Economics Department at the University of California, Davis. Sexton - professor of agricultural and resource economics at the University of California, Davis, ) Market Structure and Competition in the US Food Industries Implications for the 2012 Farm Bill <http://www.aei.org/wp-content/uploads/2012/04/-market-structure-and-competition-in-the-us-food-industries_102234192168.pdf>

In recent decades, considerable research has investigated market power in specific agricultural industries using the methods of the new empirical industrial organization (NEIO). Studies have examined food-marketing firms’ oligopsony power over farmers, oligopoly power over downstream buyers, or in some cases both. The red-meat processing industries have been a key focus in a number of studies. Despite the high and rising levels of processor concentration in these industries, most studies found small departures from competitive pricing on either the selling or buying side of the market. Other empirical studies found that efficiency gains from consolidation dominated any losses from market power.

1. No abuse of farmers

Big meat processors don’t oppress small farms: Driving them out of business would hurt their own profits in the long run

Dr. Tina L. Saitone and Prof. Richard J. Sexton 2012 (Saitone - postdoctoral scholar in the Agricultural and Resource Economics Department at the University of California, Davis. Sexton - professor of agricultural and resource economics at the University of California, Davis) Market Structure and Competition in the US Food Industries Implications for the 2012 Farm Bill <http://www.aei.org/wp-content/uploads/2012/04/-market-structure-and-competition-in-the-us-food-industries_102234192168.pdf>

Given this apparent lack of competition among processors to procure raw product, processors in many cases have significant short-run monopsony power over producers with whom they regularly do business. Moreover, short-run supplies are likely very inelastic for most commodities, creating the potential for a large price markdown below a product’s marginal revenue product. However, such an exercise of monopsony power by a processor would drive returns to its suppliers below the competitive or “normal” level, causing resources to exit the industry in favor of other farm products or nonagricultural pursuits—an outcome inimical to the processor’s goal of maintaining a stable supply of the farm product. The very inelastic short-run supply becomes very elastic in the long run, and short-run monopsony markdowns are not consistent with a long-run profit-maximizing strategy, especially considering processors’ sunk investments in long-lived processing facilities. Rather, a processor has strong incentive to ensure that its suppliers earn a return sufficient to maintain their resources in production and ensure a stable supply of product to the processor’s facilities.

Hog farmers better off in the current system: It reduces risk and stabilizes prices. They wouldn’t want the alternative

Dr. Tina L. Saitone and Prof. Richard J. Sexton 2012 (Saitone - postdoctoral scholar in the Agricultural and Resource Economics Department at the University of California, Davis. Sexton - professor of agricultural and resource economics at the University of California, Davis) Market Structure and Competition in the US Food Industries Implications for the 2012 Farm Bill <http://www.aei.org/wp-content/uploads/2012/04/-market-structure-and-competition-in-the-us-food-industries_102234192168.pdf>

Wohlgenant has recently provided econometric evidence for hogs that moving packer-owned hogs to the spot market would reduce the spot price by about 7 percent.60 Many producers voluntarily select contract sales as a way to reduce risk, ensure reward for product quality, improve supply management, and obtain better prices, making it likely that some producers “forced” into the spot market under a minimum-purchase requirement would be unhappy

1. Animals not harmed by big operations

Better Fed, Sheltered and Nourished

Bill Haw, 2002 (CEO of Kansas City's National Farms, which operates one of the largest cattle feedlot operations in the country) “Industrial Meat” quoted by Public Broadcasting <http://www.pbs.org/wgbh/pages/frontline/shows/meat/industrial/consolidation.html> (ellipses in original)

I think a feedlot is not an inhumane place for cattle. Certainly there's a dichotomy there. I mean, the animal is confined as opposed to roaming free in rangeland. And the picture in your mind of course is not as good. And that's where the dichotomy comes in. The animal is better fed, better sheltered, better nourished, and watched literally daily, as cowboys ... daily ride the pens and look for animals that have got health problems so that they can treat them immediately. So it's a mixed blessing, really. My guess is that, could you interview a steer and ask him whether he'd rather be out in the pasture or in the feedlot, I think the vast majority of them would vote to be in the feedlot.

Animals are treated immediately

Bill Haw, 2002 (CEO of Kansas City's National Farms, which operates one of the largest cattle feedlot operations in the country) “Industrial Meat” quoted by Public Broadcasting <http://www.pbs.org/wgbh/pages/frontline/shows/meat/industrial/consolidation.html>

Well, a very nutritious and very palatable diet is delivered to them upon demand whenever they want it. If health problems come up -- which do in all of us, as humans and other animals -- they're treated immediately. All of their wants and needs are really taken care of in a very pampered sort of a way.

No evidence smaller farms would be safer

Bill Haw, 2002 (CEO of Kansas City's National Farms, which operates one of the largest cattle feedlot operations in the country) “Industrial Meat” quoted by Public Broadcasting <http://www.pbs.org/wgbh/pages/frontline/shows/meat/industrial/consolidation.html>

The important thing is that we have the safest food supply in the world. One of the things that's fascinating in having been in production agriculture for about 30 years to me is that consolidation concentration becomes kind of the whipping boy for a populist attitude -- that surely if we could just go back to the small family farm, the idyllic rural life, that things would be better; not only for the people living out that life, but for the people consuming the product. That's a gigantic leap of faith that in fact those things would occur that way.

Smaller operations are less capable to address safety issues

Bill Haw, 2002 (CEO of Kansas City's National Farms, which operates one of the largest cattle feedlot operations in the country) “Industrial Meat” quoted by Public Broadcasting <http://www.pbs.org/wgbh/pages/frontline/shows/meat/industrial/consolidation.html> (brackets in original)

I think the more decentralized and the smaller the operation, the less capable that operation is of taking all of the precautions that need to be taken, on one hand. The conflict is always going to be there, because watching American rural life disappear is a painful thing -- not only for the people who are in the process of disappearing, but for the public who really wishes that that way of life [would continue]. It's sort of a wistful thing to watch that disappear and wish that things could be different.

Smaller plants are less safe

Dave Theno, 2002 (Food safety expert hired by Jack in the Box after the E. coli outbreak of 1993) quoted by Public Broadcasting “Industrial Meat” <http://www.pbs.org/wgbh/pages/frontline/shows/meat/industrial/consolidation.html> (ellipses and brackets in original)

That's a widely held notion, that the small plants were safer, slower, and that the old days were better, and that now it's riskier. That's actually not true. ... The reality is the new plants, and the big plants, and larger people, have more money to spend on technology. And I'm not saying small is bad. There are people that have small plants [who] do a great job, but it's harder to do it without these technologies that are available to you.

SOLVENCY

1. Packer ownership ban won’t solve

Eliminating packer ownership of livestock (key element in the Grassley bill) would not enhance competition, may even have opposite effect

Dr. Tina L. Saitone and Prof. Richard J. Sexton 2012 (Saitone - postdoctoral scholar in the Agricultural and Resource Economics Department at the University of California, Davis. Sexton - professor of agricultural and resource economics at the University of California, Davis) Market Structure and Competition in the US Food Industries Implications for the 2012 Farm Bill <http://www.aei.org/wp-content/uploads/2012/04/-market-structure-and-competition-in-the-us-food-industries_102234192168.pdf>

The main arguments for banning packer ownership are that the practice attenuates incentives to bid on the spot market (due to self-supply filling part of packing needs); causes spot markets to be thinner, creating potential for manipulation; and facilitates packer-to-packer sales, which by revealing prices can be a collusive device. Restricting or eliminating packer ownership would likely result in packer-owned animals being replaced by animals procured through other forms of captive supplies, so the arguments about the spot market seem irrelevant. Moreover, it is not packer-owned livestock, but livestock procured under contracts tied to the spot price, that can soften competition in the spot market and reduce prices; directing supplies from packer ownership to alternative captive-supply forms is not likely to enhance competition and may have the opposite effect.

1. More study needed

Research doesn’t find any significant problem, and it’s hard to find any change that wouldn’t make things worse.

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

Lastly, research findings do not consistently and convincingly identify serious problems, though many studies point to potential problems and raise several issues. Determining the need for legislative or regulatory reform is difficult, as is identifying what the reform measures should be that would be corrective, without being disruptive and injecting unintended, negative consequences onto the marketplace.

DISADVANTAGES

1. Decreased food safety

Link: AFF reverses meat industry consolidation

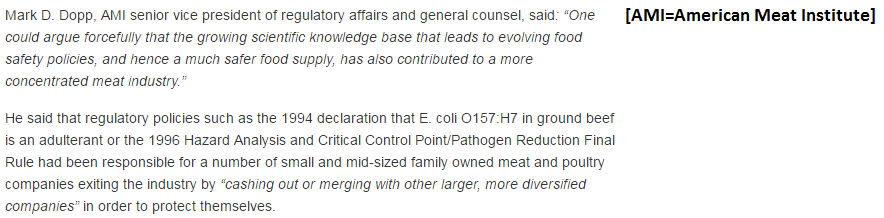
Link: SQ system increases efficiency, which leaves more resources for solving food safety concerns

PBS, Patrick Boyle, 2002 (CEO of the American Meat Institute) “Industrial Meat” <http://www.pbs.org/wgbh/pages/frontline/shows/meat/industrial/consolidation.html>

That system also makes us more efficient. That system also gives us greater resources to identify and reduce and ultimately eliminate the kind of food-safety concern that you raise. And at the same time, that system has given us the ability to respond to our customer needs and consumer preferences.

Link & Impact: Meat industry consolidation has improved food safety. Smaller companies aren’t as good at removing meat contaminants

Rory Harrington 2010 (journalist) “US Meat Body rejects anti-competiton concerns” 11 Jan 2010 (brackets added) <http://www.bakeryandsnacks.com/Processing-Packaging/US-meat-body-rejects-anti-competition-concerns>



Impact: Meat industry consolidation enhances food safety, because big companies can spend more on it

Bill Haw 2002 (CEO of Kansas City's National Farms, which operates one of the largest cattle feedlot operations in the country) “Industrial Meat” quoted by PUBLIC BROADCASTING SYSTEM <http://www.pbs.org/wgbh/pages/frontline/shows/meat/industrial/consolidation.html> (ellipses in original)

On the other hand, I think that if you spent much time in a major packing house ... you'd find that the sanitation practices are very strict, very well observed, very well monitored by government inspectors -- and probably a very good thing. Our ability to communicate aberrations, as we all know, has increased exponentially. And there are aberrations; there are problems. But I believe that the United States has the safest food supply of any nation in the world. And to a great extent, that's been enhanced by the consolidation, so that you have large entities that are able to concentrate, that are able to spend the money on sanitation devices and practices, and have the capitalization to be willing to focus on it, as opposed to maybe cut some corners for a smaller operation.

Impact: Reduction in E.Coli during time period when consolidation was occurring, since the 1990s

Patrick Boyle, 2002 (CEO of the American Meat Institute) “Industrial Meat” quoted by Public Broadcasting <http://www.pbs.org/wgbh/pages/frontline/shows/meat/industrial/consolidation.html> (ellipses in original)

I'm not sure that concentration has exacerbated our food-safety concerns in the beef industry. Dealing with pathogens is a significant problem. I'm not sure that a significant cause is the concentration of cattle feedlots in our industry. E. coli O157:H7, the primary pathogenic concern within the beef sector today, 20 years ago that pathogen, if it existed -- and there's some debate whether it did exist -- was not known. ... We have done a fairly good job in responding to a pathogen that first became widely known in 1992 or 1993. We've invested tens of millions of dollars in what we call intervention strategies, which are basically new technologies that are in place in beef-processing plants to further reduce the incidence of E. coli in the beef supply. If you look at USDA test results that go back to the early 1990s on E. coli O157:H7, you will find a consistent decrease in the incidence of that pathogen.

2. Higher consumer food prices

Link: Meat industry consolidation is needed to keep fixed costs low

Mark Epp 2015 (journalist for Today's Farmer magazine, the voice of MFA Incorporated, a Midwest farm supply and marketing cooperative.) “Trends for the U.S. beef industry” <http://todaysfarmermagazine.com/blog/1052-trends-for-the-u-s-beef-industry>

At the 2015 Midwest American Society of Animal Science meetings in Des Moines, Iowa, Dr. Greg Lardy of North Dakota State University told those assembled how he sees upcoming changes for the industry. Lardy’s message was aimed at researchers and nutritionists, but it’s the kind of information that helps producers make informed decisions about their operations and future strategy. Here is what Lardy had on his mind. **1. Consolidation will continue** **by the necessity of spreading fixed** **costs over a greater number of** **cattle**. Since 1992, U.S. beef cow and overall beef cattle inventories have continually dropped an average of 1 to 1.25 percent annually. Although beef herd expansion is underway, in historical terms, there are fewer head controlled by fewer, larger operations—a trend that continues to increase. In the United States more than 16 percent of beef cows are in herds of 500 or more head. Ten of the largest cattle feeding groups feed 30 percent of the finished cattle. The topmost 4 packers harvest 80 percent of fed cattle. Consolidation trends will likely continue in the retail sector as well. Market forces from large meat outlets such as Wal-Mart, Costco and McDonalds, will increasingly dictate product requirements. For beef producers to compete in the marketplace of the future, this means a need for more expertise in all sectors of management.

Link & Impact: Studies show no adverse impact on prices and changing SQ policies would make producers & consumers worse off

Dr. Michael Wohlgenant,2013 (agricultural economist Ph.D., of North Carolina State University) “Competition in the US Meatpacking Industry” Annual Review of Resource Economics Vol. 5: 1-12 (Volume publication date June 2013) <http://www.annualreviews.org/doi/pdf/10.1146/annurev-resource-091912-151807>

“Studies on market power in meatpacking indicate that concentration in procurement of livestock (cattle or hogs) has not adversely affected prices received by producers or prices paid by consumers. Indeed, there is evidence that producers may be better off because of lower processing costs due to the concentration and introduction of new technical innovations. Policies to restrict alternative marketing arrangements such as those proposed by GIPSA would make producers and consumers worse off. “

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