Packer Concentration

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Beep, beep, beep; it's six a.m. and your alarm clock just went off. Time to put on your chore clothes and head out the door. Since it snowed a few inches in the night, the first thing on the agenda is to feed all of the cattle. After throwing some hay to your horses, you load up the feed wagon with a bale of hay and head to the first bunch of cows, and the next, and the next, until they're all fed. While feeding and checking cows, you notice one of their tanks is low. After some investigating, you find the water line is frozen. This becomes the next item on the agenda. For the next few hours, you work in the sub zero temperatures to unthaw the line and get your cows some water. None of what I described sounds much fun does it? This is just one example of the neverending hard work ranchers put in to produce wholesome, quality meat. So why is it that as consumers are paying more for their meat at the grocery store, ranchers are receiving relatively the same price for their livestock? I'll tell you why, packer concentration.

The year is 1921. The "Big 5" meat packers are engaging in practices that are having detrimental effects on producers and consumers. As a result, Congress passed the Packers and Stockyards Act. Fast forward 100 years, and this is still an issue.

The Packers and Stockyards Act was drafted to guarantee effective competition and integrity in the livestock, poultry, and meat industries. In 1918, there was a report done by the Federal Trade Commission on the meatpacking industry to investigate the five packers. The report found that the "Big 5" controlled 70% of the total slaughter of all species. It also concluded that the combination of the five packers was not a casual agreement brought about by indirect methods but a definite conspiracy to regulate livestock purchases and control the price of meat (Gabel, 2021). Subsequently, President Woodrow Wilson's attorney general demanded the "Big 5" consent decree under the 1902 Sherman Antitrust Act, which drove them out of meat production. The renewed concerns of packer concentration today are the same ones that led to the creation of the Packers and Stockyards Act. The “Big 4” is now the problem as they control the majority of the market.

The Packers and Stockyard Act worked for a while. The “Big 4” only controlled 28% of the market in 1975, which was half of what they controlled in the early 1900s. However, in the last 25 years, the four significant packers have tripled their share of the slaughter market. They now control ¾’s of boxed beef business and have gained leverage by using captive supplies of fed cattle (McInnis, 2011).

The “Big 4” consists of Tyson, JBS, Cargill, and National Beef. Today, they control more than 80% of the market. Feeders and cattlemen are angered about the control packers have over the price of beef. This view is disputed, however, by the North American Meat Institute, which says “consumers saw increased meat prices in 2021 because of labor shortages, greater consumer demand, supply chain problems, and other factors experienced by most sectors of the economy” (Henderson, 2022). Chief executives of the “Big 4” say they are not the cause of surging meat prices at the grocery store, and that there was no pact to drive up prices at the expense of consumers or limit the supply for Americans. Still, these concerns have initiated investigations from the USDA, the Department of Justice, and state attorneys general.

In May of 2021, representatives of six livestock groups that typically do not see eye to eye met in Phoenix to seek common ground. Brooke Miller, President of U.S. Cattlemen's Association, said, “It was a historic meeting.” Not long after the group met, a letter signed by 28 members of Congress called on the Department of Justice to “determine whether the stranglehold large meat packers have over the beef processing market violate our antitrust laws and principles of fair competition” (Henderson, 2021, p. 16). Last June, USDA announced it would begin to work on ways to enforce the Packers and Stockyards Act. It intends to create three rules. The first will provide greater clarity to strengthen enforcement of deceptive practices, undue preferences, and unjust prejudices. Secondly, USDA plans to propose a new poultry grower tournament system rule and withdraw the current inactive proposal. Last but not least, it will re-propose a law that will clarify that parties do not have to demonstrate harm to competition to bring an action under the Packers and Stockyards Act (Henderson, 2021, p. 16).

Ranchers are ready to fight back. Rusty Kemp, in particular, has launched a bold plan that includes collecting more than 300 million dollars from ranchers to build their own plant and put their future in their own hands (Lee, 2021). As crazy as it seemed, the plan is now becoming a reality. Once Sustainable Beef's final contract is signed, their last obstacle will be securing the loan, equity, and contract before crews are able to begin the construction of the beef plant in North Platte, Nebraska. Inspired by Kemp's plan, other groups are making similar moves in states such as Iowa, South Dakota, and Texas. This will be the true test to see whether it is really possible to compete financially against the "Big 4." It is the perfect time to build the plant, as the U.S. Department of Agriculture is taking steps to encourage a more diverse supply in the beef industry. Texas Agriculture Commissioner Sid Miller feels pushing back against the big processors is the right move and will benefit both ranchers and consumers.

The unanswered question is will it work? Will the smaller packers that are willing to pay more for the cattle still be able to make a profit? David Briggs, CEO of Sustainable Beef, says his company remains confident in the plan. He feels cattle people are risk-takers, and they are ready to take the risk.

Concentration in the meat industry must come to an end. The "Big 4" are driving down earnings for producers while driving up prices for consumers. This consolidation is not only an issue in the beef industry. In the poultry industry, the four big packers controlled 35% of the market in 1986, and now they control 54% (The White House, 2021). The same goes for the pork industry. The 33% that was controlled in 1976 has doubled to 66%. Being the middleman in the food supply chain allows the “Big 4” the opportunity to cheat the producers and consumers. Getting rid of corporate consolidation would lower the price of meat for consumers and raise prices for producers.

Being the fifth generation on my family’s ranch, I have developed a strong passion for producing beef. I know firsthand the amount of hard work that goes into getting an animal from the pasture to your plate. Packer concentration was an immense problem 100 years ago, and it still is today. It is time we, as producers and consumers, stand up to the packers and end packer concentration once and for all.

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