

The Battle of Beef Price Disparity

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Abstract

The cattle market has fluctuated with different battles over the last several decades. Today cattle feeders, ranchers, and consumers are all facing a new war in the industry involving beef price disparity. It appears the only player in the industry currently making a substantial profit is the beef packer. Due to significant historical events, such as the packing plant fire in Holcomb, Kansas, and the COVID-19 pandemic, a disparity so large between box beef prices and live cattle prices can no longer be hidden. Consumers are paying astronomical prices while ranchers cannot make ends meet. United States senators and representatives have found a solution to help people in the cattle industry find a profit and survive. With tremendous industry support, Congressman Dusty Johnson led the passing of two pragmatic pieces of legislation in the House of Representatives on December 8, 2021. One extends livestock mandatory reporting, and the other establishing a cattle contract library. Following this movement was the passing of the Cattle Market Act Pilot Program in the March 11, 2022, Omnibus Bill. Beef price disparity is at the forefront of the battleground in the beef industry, and our advocacy must produce results for the American rancher and consumer alike.

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I would like to start today off with a question. Where were you on May 13, 2020? You may not remember. I was standing on the “catwalk” at my family’s livestock auction barn, a four-generation strong balcony, which has withstood droughts, trade wars, economic collapses, and hopefully a global pandemic. Or would it? Standing in front of me, rancher Rusty Redden, was holding a live interview with Austin news station KXAN. The topic was price disparity in the meat industry. I heard him say, “When I slid behind the wheel of my truck today to make the 80-mile trip to the sale barn, I knew I was going to lose money before I ever left the ranch” (Barr, 2020). This was an impactful moment for me. The desperation in his eyes made me wonder, “Can my generation make a living with a cow/calf operation, a sale barn, or even feeding cattle?” Come take a walk with me on this 70-year-old catwalk overlooking an industry whose current battle is beef price disparity.

Two huge historical events revealed a deeply hidden truth in the beef market. In 2019, the Holcomb, Kansas packing plant fire left cattle standing for weeks unable to go to slaughter, and then just months later, COVID-19 brought the world to a standstill and caused unprecedented slaughter disruptions. Suddenly, cattlemen had nowhere to go with their cattle and consumers watched beef prices soar. Low cattle prices for ranchers and exploding consumer costs became headline news.

On May 13, 2020, Austin’s KXAN came to Gillespie Livestock Company to interview cattle producers and my family. They were searching for data to help consumers understand the price disparity between cattle producers and the grocery store. Their timing could not have been better because on this day, the beef industry saw one of the largest margin contrasts in history. Owner, Wayne Geistweidt, explained the problem. He directed the reporter’s attention to a

screen on the Data Transmission Network (DTN) showing that day's box beef pricing at \$4.75 a pound (Barr, 2020). In simple terms, this means if a packer harvested a 1,000-pound carcass, it would sell to the retailer for \$4,750. That same day, ranchers received checks for fat cattle at only \$1.06 per pound. Sid Miller, Texas Commissioner of Agriculture, told KXAN, "Right now, the cow/calf operator is losing about \$300 per head and those same packing plants are making up to \$2,200 per head" (Barr, 2020).

Amidst the ashes of Holcomb and the obituaries of the pandemic, long-standing concerns regarding pricing and market manipulation began to find their voice. In June 2020, the United States Department of Agriculture (USDA) began investigating beef packer profit margins. High-profit margins, the difference between low live cattle prices and high box beef prices, were raising red flags to regulators. A second investigation was started at the U.S. Department of Justice (DOJ) when the Texas Department of Agriculture (TDA), the Livestock Marketing Association (LMA), and six U.S. senators asked for a criminal investigation into "price fixing" among the nation's largest meatpackers. This investigation of the "Big Four" including Tyson Foods, JBS SA, Cargill, and National Beef, who process 80% of our beef, focuses on possible criminal agreements among packers to fix prices, rig bids, and engage in other anti-competitive activity (Latzke, 2020; McLaughlin 2020). For two years we have waited for a public update from the DOJ while, in the House Agriculture Committee hearings, the "Big Four" CEOs all deny market manipulation stating the price shifts are due to labor shortages and a spike in demand. Interestingly enough, they continue to settle lawsuits for millions, and refuse to explain how the rancher's share of the dollar has been reduced from 60 to 40 cents while packers enjoy a 400 percent increase in profits (Pingree, 2022). Chairman of the House Agriculture Committee, David Scott stated "This can't possibly happen in a competitive market," (Evers-Hillstrom,

Burns 2022). Montana cattleman Gilles Stockton said it plainly, “Failure of the DOJ to enforce the Packers and Stockers Act of 1921 undermines the sovereignty of our democracy” (Farm Aid, 2022). He passionately testified to the House Agriculture Committee, “The food security of our children and grandchildren is in jeopardy” (Pingree, 2022).

Addressing this issue on January 3, 2022, President Joe Biden said, “The United States will issue new rules and \$1 billion in funding this year to support independent meat processors and ranchers as part of a plan to address a lack of ‘meaningful competition’ in the meat sector” (Douglas, 2022).

The severity of the issue, the need for a permanent solution, and multiple federal investigations are finally driving some promising answers. In March, a pilot program of the Cattle Market Transparency Act passed as part of the Omnibus Appropriations package (National Cattleman’s Beef Association, 2022). Next, the House of Representatives passed two bills sponsored by Representative Dusty Johnson: one extending livestock mandatory reporting, and the other establishing a cattle contract library (American Farm Bureau Federation, 2021). The new Beef Contract Library and 14-day slaughter report will provide historical references to help with direct pricing (C. Good, personal interview, July 13, 2022). American Farm Bureau President Zippy Duvall said, “This legislation will ensure farmers and ranchers have fair access to markets and are fully informed” (Whitlock, 2021).

Today I stand before you watching an industry still in the heat of battle. So, I ask you? Are you, the consumer at the grocery store, wondering how you can afford ground beef at \$6.21 a pound? Are you, the cattle producer at the auction barn, looking at your check and realizing you did not break even? Are you, the owner of two lots of feeder cattle who received word they sold for \$1.57 per pound, a \$200 loss per head? Eliminating beef price disparity continues to be

crucial to the future of the cattle industry, just as it was the day I stood on the catwalk at my family's auction barn. As a rancher, feeder, or consumer, you have felt the pain of an ever-increasing price spread controlled by the big packers. We deserve better. We deserve market security and justice. We deserve more than a pilot program. We deserve a vote on the Cattle Market Transparency Act in the Senate. For this bill to become law, we must reach out to our elected officials and tell them to support this legislation. By raising the current profit margins for cattle producers and feeders, we will stabilize the national beef industry, provide affordable meat to consumers, and secure a future for young agriculturists like myself.

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