

# Breaking up Collusion in Missouri's Cattle Market



Family Farm Action Alliance applauds the initiation of a Meatpacker Price-Fixing and Collusion investigation in Missouri. This investigation could bring large monopoly meatpackers to task after decades of unbridled concentration and corporate abuses that have harmed farmers, ranchers, and their rural communities. Establishing fair markets for Missouri's farmers and ranchers who raise cattle (cattle producers) will increase their farm income by \$1.8 billion and bolster rural Missouri's economy by circulating an additional \$12.6 billion.

## BACKGROUND

In the U.S., 73%<sup>1</sup> of beef processing is controlled by four meatpacking companies (JBS, Tyson, Cargill, and Marfrig), and regional control by a single meatpacker is often even greater. Decades of consolidation have allowed meatpackers to gain control of almost all stages of production, operating fewer, larger plants and forcing out smaller competing operations, leaving farmers with fewer and fewer options when deciding where to sell their cattle.

The few monopoly meatpackers in operation offer low prices to cattle producers for their livestock, and in many cases, collude with one another to be sure that the prices offered to these cattle producers stay low. There is not a fair, competitive market with many buyers and sellers. Rather, the monopoly meatpackers formulate their prices together and extract high profit margins for themselves, leaving cattle producers with no choice but to take their price.

The federal government has failed to bring the meatpackers to task for the harm they cause, with recent DOJ investigations and fines serving merely as a slap on the wrist - even when the packers plead guilty. In February 2021, Pilgrim's Pride, a subsidiary of JBS, was assessed a \$107 million fine for price-fixing, leading to inflated prices for consumers. The fine

represented only two percent of JBS' June 2020 year end revenue of \$52.4 billion.<sup>2</sup>

## MEATPACKERS HARM PRODUCERS

Prior to the consolidation of the meatpacking and retail sectors that began in the mid 1970s, a cattle producer consistently received over 65% of the retail value of beef. Today, with the loss of competition, the producer share of retail beef is 42% - a loss of a third from that of the 1970s. During the COVID-19 pandemic, the producer share fell to 27%, a devastating low for cattle producers.

If, at the beginning of March 2021, the producer was still receiving 65% of the retail value of beef, their income per head of cattle would be \$2,575 instead of the current price, \$1,677.<sup>3</sup> This difference is \$898 less per head to the producer. From 1974-2017, this consolidation has driven over 40% of Missouri's cow-calf producers and 35,000 cattle feeding operations out of business. If meatpackers didn't steal the producer's \$900 share for each of the about two million annual beef cattle produced in the state, producers would earn an additional \$1.8 billion of income. Missouri income is typically spent in local communities seven times before leaving. The result of this additional circulation of hard-earned producer dollars would amount to a total of \$12.6 billion in economic activity in Missouri.

## MEATPACKERS STRIP MISSOURI OF ECONOMIC OPPORTUNITY

Concentration has been justified over the years by touting efficiency and economies of scale. If these benefits were realized, why aren't the producer, processing worker, and consumer realizing any of the benefits? Rural places have higher rates of poverty and food insecurity when compared to metropolitan areas. 15.8% of rural people live below the poverty line compared to 12.2% in metropolitan areas, and 15% face food insecurity compared to 11.8% respectively. Further, the only instances of persistent poverty (where at least 20% of people have been in poverty over 30 years) are in rural places.



Rural Missouri holds the opportunity to become a revitalized U.S. economy, and grow food for local and regional residents. Yet, it is experiencing disproportionate economic depression,

depopulation, crumbling infrastructure, inaccessible basic social services, and continued extraction and pollution from corporations. Rural Missouri deserves better than a handful of meatpackers cheating them out of income and economic development opportunities.

### Bringing the large meatpackers to task is long overdue.

We cannot depend on the federal government alone to give Missouri cattle producers and their rural communities the chance to prosper.

This state investigation is the right thing to do for ALL Missourians.

#### Footnotes:

<sup>1</sup> Hendrickson, Mary K., Philip H. Howard, Emily M. Miller, and Douglas H. Constance. 2020. The Food System: Concentration and Its Impacts. *Family Farm Action Alliance*.

<sup>2</sup> <https://www.macrotrends.net/stocks/charts/JBSAY/jbs-sa/revenue>

<sup>3</sup> USDA Livestock, Poultry and Grain Market News. St. Joseph, MO. USDA-ERS Meat Price Spreads. March 1, 2021.

For more information contact: [jmaxwell@farmaction.us](mailto:jmaxwell@farmaction.us)

