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The Honorable Speaker Ron Ryckman  
Kansas State Capitol, Room 370-W  
SW 8th & SW Van Buren  
Topeka, KS 66612

Dear Speaker Ryckman,

It is with great urgency that I request you open an investigation, with subpoena power, to address the unlawful, anti-competitive practices in beef cattle markets in the state of Kansas. I am a long-time cow-calf producer and cattle feeder from St. Francis, Kansas. I've seen, firsthand, how cattle markets along with cattle producers have disappeared as the big meatpackers have become more concentrated and anticompetitive.

In March 2021, Missouri State Representative David Gregory spurred an investigation of price-fixing in the cattle market that is driving Missouri cattle producers out of business and raising consumer retail prices while also reaping all-time high corporate revenues. The same abusive business practices are underway in Kansas, home to 2.56 million cattle on feed, with 1.47 million of those born in Kansas. In May 2020, a bipartisan group of 11 state Attorney Generals urged the Department of Justice to open an investigation into cattle market price-fixing by the monopolistic meatpackers.<sup>1</sup> I urge you to join in investigating collusion and price-fixing in the cattle market with subpoena power to restore competition to our cattle markets for producers, consumers, and rural communities across Kansas.

In the U.S., 73%<sup>2</sup> of beef processing is controlled by four meatpacking companies (JBS, Tyson, Cargill, and Marfrig), and regional control by a single meatpacker is often greater. Decades of consolidation have allowed meatpackers to gain control of almost all stages of production by operating fewer, larger feedlots and processing plants, thus forcing out smaller competing operations. The meatpackers pay low prices to cattle producers for their livestock, and in many cases, collude with one another to ensure the prices offered to these cattle producers stays low. A fair, competitive market with many buyers and sellers is non-existent in the Kansas beef cattle

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<sup>1</sup> Reilly Mahon. 2020. "Attorney Generals from 11 states are asking DOJ to investigate meatpacker pricing." Siouxland Proud. Available at <https://www.siouxlandproud.com/news/local-news/attorney-generals-from-11-states-are-asking-doj-to-investigate-meatpacker-pricing/>

<sup>2</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.

industry. Rather, the large meatpackers formulate their prices together and extract high profit margins for themselves, leaving cattle producers with no choice but to take their price.

Prior to the consolidation of the meatpacking and retail sectors, which began in the mid-1970s, a cattle producer consistently received over 65% of the retail value of beef. Today, with virtually no competition, the producer share of retail beef is 42% — a loss of one third of the retail value in the last 40 years. In June, 2021, during the COVID market crash, the producer share dropped to 27%. At the beginning of March 2021, if a producer were still receiving 65% of the retail value of beef, their income per head of cattle would have been \$2,575 instead of the actual live cattle price of \$1,677. The difference is nearly \$900. Without a fair retail share, producers seldom cover the cost of production for their cattle.

Independently owned and operated feedlot operations are going bankrupt while those receiving preferences under meatpacker control are expanding. Nationally since 2000, feedlot returns have been an average of -\$22.10 per head.<sup>3</sup> From 2002 to 2012, Kansas operations with cattle on feed have fallen from 1,672 to 714.<sup>4</sup> However, between 2012 and 2017, Kansas cattle on feed operations have risen from 714 to 761.<sup>5</sup> The recent rise in cattle on feed operations raises concern of preferential treatment for certain feedlots. Producer success should be celebrated; however, in a competitive market, entities would not be able to expand after prolonged sector losses, and negative margins. The expanding feedlots have business arrangements that let them side-step competing in a fair market.

The feedlot market and business behaviors suggest preferential treatment of certain producers and feedlots over others by the corporate meatpackers, which is an “unlawful practice” under the Packers and Stockyards Act of 1921.<sup>6</sup> Such arrangements and practices are far from new or innovative. The federal government has failed to bring the meatpackers to task for the harm they cause, with recent federal Department of Justice investigations and fines serving merely as a light 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>7</sup> Despite many attempts, cases that are suspect or guilty of collusion are curbed by confidentiality clauses that shield preferential transactions and business relationships from coming to light, which further necessitates the use of subpoena power.

While Kansas cattle producers bare the brunt of monopolistic meatpacker collusion, consumers are also harmed by the abusive business practices. In a competitive market, as the cost of inputs

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<sup>3</sup> USDA-ERS. High Plains Cattle Feeding Simulator.

<sup>4</sup> USDA-NASS

<sup>5</sup> USDA-NASS

<sup>6</sup> 7 U.S.C § 192

<sup>7</sup> Macrotrends. “JBS SA Revenue 2011-2020.” Available at <https://www.macrotrends.net/stocks/charts/JBSAY/jbs-sa/revenue>

fall (cattle in this case), consumer prices ought to follow. Instead, the retail price of beef has risen 51% since 2000, despite the price paid for live cattle dwindling. Rather than passing on supply chain savings to the consumer, the meatpackers are pocketing the extra margin. The big meatpackers are preying upon producers, while gouging wholesale buyers and consumers.

Collusion and price-fixing harms Kansas economic development. If meatpackers didn't steal the producer's \$900 share (explained above) for each of the 1.47 million annual beef cattle produced in the state, producers would earn an additional \$1.3 billion of income. Kansas income is typically circulated in local communities seven times before leaving. The result of this additional circulation of hard-earned producer dollars would amount to a total of \$9.4 billion in economic activity in Kansas. For context, in 2019, cattle generated \$8.4 billion in cash receipts, and in 2018, cattle and calves accounted for 51.7% of Kansas's agricultural cash receipts.<sup>8</sup> If the meatpackers were brought to task and producers were paid their fair share, Kansas economy would increase exponentially.

Concentration of the cattle market has been justified over the years by touting efficiency and economies of scale, especially in rural places. If these justifications were accurate, why haven't the producer, processing worker, or consumer realized any of the benefits? Rural places have higher rates of poverty and food insecurity than 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.<sup>9</sup> Further, the only instances of persistent poverty (where at least 20% of people have been in poverty over 30 years) are in rural places.<sup>10</sup>

Kansas holds the opportunity to become a revitalized U.S. economy, and grow food for local and regional residents. However, I've experienced, firsthand, the disproportionate economic depression, depopulation, crumbling infrastructure, inaccessible basic social services, and continued extraction and pollution by large multinational agribusiness corporations. Kansans deserve 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 Kansas cattle producers and their rural communities their chance to prosper. For these reasons, I am requesting you open an investigation with subpoena power to answer the following questions:

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<sup>8</sup> Kansas Livestock Association. "Kansas Beef Industry Economics." Available at <https://www.kla.org/resources/industry-economics>

<sup>9</sup> Food Research & Action Center. 2018. "Rural Hunger in America: Get the Facts." Available at <https://frac.org/wp-content/uploads/rural-hunger-in-america-get-the-facts.pdf>

<sup>10</sup> Tracey Farrigan. 2020. "Extreme Poverty Counties Found Solely in Rural Areas in 2018." Amber Waves. Available at <https://www.ers.usda.gov/amber-waves/2020/may/extreme-poverty-counties-found-solely-in-rural-areas-in-2018/>

- How are corporate meatpackers making record corporate revenue while farmers are going bankrupt?
- How are feedlots that are contracted with corporate meatpackers expanding while other feedlots are going bankrupt?
- Why do retail beef prices fail to reflect the cost of live cattle to meatpackers?
- Is there preferential treatment by the meatpackers to certain producers and feedlots in the cattle supply chain in Kansas?

This investigation is the right thing to do for *all* Kansans. I look forward to working with you and will offer any assistance you might need as you proceed with this investigation. Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read "M. Callicrate". The signature is written in black ink on a light-colored background.

Mike Callicrate  
Saint Francis, KS  
Member of Family Farm Action