



SPECIAL REPORT

Where's the Beef?

Big packer power is bad for America's farmers and ranchers.

By Chance Gowan

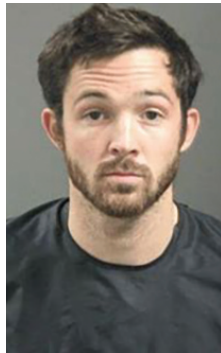
Less than two months after taking the reins as Tyson Foods chief financial officer and executive vice president, the heir to the Tyson Foods fortune has apparently flamed out, crashed, and burned. This, after his arrest on Nov. 6, 2022, for drunkenly breaking into the home of a “college-aged woman,” disrobing and crawling into her bed.

Arresting officers report that when they attempted to awaken John R. Tyson, the youngest CFO in the history of Standard and Poor's or a Fortune 500 company, the 32-year-old reeked of alcohol and was unable to verbally respond.

When John R., great-grandson of the founder, took over the chief executive position at Tyson Foods, some investors and other business executives questioned whether an unproven heir “who was once an alcoholic” could lead one of the nation's largest companies. With this latest episode one might conclude that their concerns were well founded.

But this story isn't about Mr. Tyson's antics. It's about corruption, antitrust violations, and well-planned-and-executed monopolistic behavior by the four companies which control the prices and availability of beef products across our nation. It's about racketeering and deception. And, mostly, it's

about greed and how these beef-processing companies have conspired to corner the market and artificially depress prices paid to America's ranchers and farmers while inflating the prices charged to American consumers.



JOHN R. TYSON MUGSHOT VIA INTERNET

These four companies control both ends of this equation and have systematically eliminated virtually all significant avenues for open competition in beef markets. As this saga moves forward, remember one thing: “bribery” is legal in politics so long as it's referred to as “lobbying.” To help understand the magnitude of these price-fixing schemes, what follows is a brief look at the companies comprising this cartel.

THE BIG FOUR

Tyson Foods is a senior member of a group referred to as the Big Four, which includes JBS, National Beef and Cargill. These companies control 85 percent of the wholesale beef market and have formed what is a monopolistic stranglehold on America's beef. Tyson Foods is based in Fayetteville, Ark., with a net worth of about \$24.2 billion. Best known for its chicken operations, it is also deeply involved in beef, and to a lesser extent pork. In 2021, Tyson employed 137,000 people with only 12,000 in the United States.

Tyson is a publicly traded company but the family still holds controlling interest in the corporation. Tyson has become one of the largest food companies in America by snatching up rival food processors and it has a spotty history involving its business practices. When Don Tyson's old friend Bill Clinton became president, it was soon discovered that Mr. Tyson's lawyer had helped Hillary Clinton make some surprisingly good bets on commodities. For example, one tip quickly turned \$1,000 into \$100,000.

In a separate case, Bill Clinton's secretary of Agriculture was charged with corruption for accepting “gifts” from Tyson Foods. The company wound up paying \$6 million in fines and costs for that little boondoggle, which, in the end, resulted in absolutely nothing, just business as usual for our secretary of Agriculture.

Cargill is one of the largest privately held corporations in the United States and one of the largest players in the agricultural, livestock and processed-foods markets. At its inception, through a series of acquisitions, Cargill grew from a single grain mill into a company generating more than \$134 billion in annual revenues. Since it is privately owned it isn't compelled to release its earnings, or, really, much of anything else.

JBS and National Beef are a different matter entirely. These companies are both Brazilian-owned, and for reasons that are unclear are allowed to own property and operate within the bounds of the United States without adhering to all of our laws. JBS is widely recognized as the world's largest meatpacking and processing business, with billions of dollars in holdings around the world. It buys full-weight cattle from feedlots and young feeder cattle off ranches and brings them up to market weight on cut hay and other types of dry feed, along with substantial grain, which is typically laced with synthetic steroids, growth hormones and antibiotics. This is especially true with cattle and “broken beef” that they produce in other countries and then ship to America where the product is then stamped “Product of U.S.A.”

The ranchers in this system make almost nothing on the sale of their young cattle. The Big Four manages markets so there's one price offered by one buyer at any given sale. The competition to buy beef at the sale yards is essentially locked out. It has truly degenerated into a take-it-or-leave-it system for American cattle producers.

Following are just the latest in a series of settlements paid by JBS, which has been sued

for corruption in every sector of its operations. In February 2022, Reuters reported that this multinational agreed to a settlement of \$52.5 million for alleged price-fixing which pales in comparison to its profits: In the third quarter of 2021 alone, JBS's U.S.-based operations delivered a gross profit of more than \$1.7 billion. In December 2021, JBS's American pork division paid \$24.5 million to settle pork price-fixing claims. Meanwhile, the company's U.S. gross pork profits reached \$261.9 million in just the third quarter of 2021. In January 2021, JBS subsidiary Pilgrim's Pride paid \$75 million to settle a poultry case, yet still grossed \$2.9 billion during the same quarter in 2021.

In reality, these sorts of fines are simply a means to an end for this group. "They can profit from it, they

When it comes to scandals, you can take your pick. During its rapid rise to become the world's biggest meatpacker, JBS and its network of subsidiaries have been linked to allegations of high-level corruption, modern-day slave-labor practices, animal-welfare violations, and illegal deforestation. In the latest

"We are protein leaders. Food innovators who thrive at the intersection of opportunity and capability."

TYSON FOODS WEBSITE

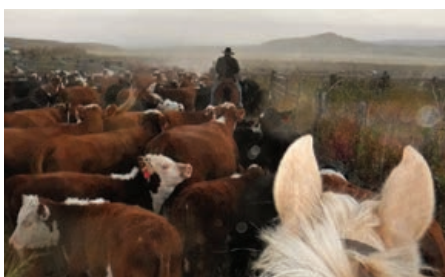
poration, has massive holdings in the United States and around the world. How can foreign companies with long histories of corruption and employees working in deplorable conditions establish controlling interests in our nation's food supply? In 2006, National Beef acquired Brawley Beef in Brawley, Calif.

This plant was built in 2001 and could process 1,200 to 1,500 head per day. National Beef leaders touted the purchase saying it would allow them to create new relationships with producers and expand their presence in the West. Then, in a move that was clearly intended to consolidate their stranglehold on American food supplies while further forcing American cattlemen to sell cattle to feedlots in a one-buyer, one-price, take-it-or-leave-it marketplace, it turned around and closed this major meat-



can pay the fine, and they know they can do it again," says Joe Maxwell, president of Farm Action. "It's not a deterrent. A penalty should be a deterrent for future actions." The Big Four meatpackers' growing record of eight-figure settlements is seen by many industry groups as little more than a rebate for their illegal anticompetitive activities, which has the dirty underbelly of allowing them to avoid admission of actual wrongdoing. Maxwell says, "Payouts over price-fixing allegations come nowhere close to reflecting the true cost of damages for industry collusion."

JBS is a company that worldwide slaughters a staggering 13 million animals every single day, which generates annual revenues of \$52 billion. To them, \$25 million in fines here and \$75 million in fines there is little more than chicken feed. In 2017, its holding company agreed to pay one of the biggest fines in world history—\$3.2 billion—because its leaders admitted to bribing hundreds of politicians. Yet it has vast business and real-estate holdings across our country and its products remain on supermarket shelves. This, as it conspires to join forces with the rest of the Big Four in a never-ending stream of antitrust violations.



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Fines of \$75 million—even \$3.2 billion—is just the cost of doing business for the Big Four. LEFT: Gathering Herefords to wean the calves at Robertson's Diamond S ranch near Hyattville, Wyo. OPPOSITE: Jock McDowell and Phil Thompson rode through snow, rain, sleet and fog at the Elliot Ranch in southwest Montana. Spud the dog, considered turning back.

scandal, the U.S. Department of Labor is investigating JBS's illegal use of children working dangerous jobs at meatpacking and slaughtering facilities in at least three states in the Midwest. So far, the investigation has determined that at least 31 children between the ages of 13 and 17 have worked at its American plants, some on the killing floors. In my younger years, I worked at slaughterhouses and packing plants in both California and Utah. They are very dangerous places: floors are slick with blood, there are sharp things everywhere, and there's high-voltage electricity in close proximity to wet floors. These are egregious violations for JBS, but it will most likely just get a slap on the hand and become a little more secretive the next time it circumvents child labor laws.

National Beef, also a Brazilian-based cor-

packing facility, leaving cattlemen with only one place to turn.

It seems obvious that the Big Four have embarked on a mission to acquire facilities that they view as the most viable while systematically eliminating all competition. Typically these plants aren't just closed; they are also dismantled and utterly destroyed.

These settlements have divided a broad cross section of cattle producers and industry advocates. Some see the repeated litigation, antitrust allegations and multimillion-dollar settlements as a strong indication that additional, related lawsuits and fines may finally put an end to these price-fixing schemes and bring parity back to producers. Most, however, see these never-ending fines as nothing but slaps on the wrists for the Big Four. These fines actually empower those who artificially depress prices to producers and scalp the American consumer, while our government

tells them over and over, “Okay, we’ll look the other way as long as we can keep levying fines and collecting those revenues.” Our government appears to be cracking down on violations when, in fact, it has virtually no ill effect at all.

In an effort to further depress prices paid to American producers, JBS and National Beef acquire beef from a multitude of other countries and sell the meat to Tyson Foods and Cargill, as well as themselves. They have discovered a loophole in the law regarding “country of origin,” so when these big foreign beef processors acquire meat from other countries, it’s shipped to companies like Tyson Foods. Then it’s repackaged and stamped with “Product of the U.S.A.,” which is a play on words that the Department of Agriculture has quietly ignored. Americans think the cattle are grown here, but it simply means that the beef was packaged here. The history of these cattle and what steroids, hormones and antibiotics were used on them is unknown.

R-CALF

In addition to the antitrust violations that these companies are facing with the federal government, they’re also facing antitrust litigation from R-CALF—Ranchers-Cattlemen Action Legal Fund—which is suing the Big Four. According to its CEO, Bill Bullard, in 1977 this group owned 25 percent of the market. Today that’s exploded to 85 percent of all meatpacking in America. Bullard says cattle ranchers used to receive 62 cents for every consumer dollar spent on beef. Today, that’s dropped to less than 37 cents, and that’s in 2022 dollars! In the meantime, the Big Four have tripled their profits.

R-CALF is suing the group for manipulating prices. “We’ve alleged that they have conspired to artificially depress prices paid to U.S. cattle producers while simultaneously controlling and inflating the prices the consumers pay.” That is the definition of antitrust!

The Big Four purchase a vast majority of their cattle through what’s known as “forward contracts,” in which producers contract to provide animals to a specific packer without agreement on price. The ranchers get a guaranteed market for their cattle and packers get a guaranteed supply. But the “spot market” determines the price of cattle sold on forward contracts and the Big Four control the spot market, which is the price producers get when their cattle are actually sold to feedlots. In theory, this is a good system for all, except the Big Four control the processing of cattle and therefore dictate the price at sale yards.

According to R-CALF, that’s exactly what the Big Four conspired to do—make selling cattle an unmanageable nightmare by deflating the price of slaughter-ready cattle and essentially forcing cattle growers to accept much lower prices for their highly perishable product. Bullard explains, “The main problem is that ranchers aren’t told what price they’ll receive for their cattle until after delivery to the packers.” The Big Four leverage down prices by squeezing American ranchers out of their products and bringing in beef from foreign countries.

South Dakota Gov. Kristi Noem says that food security is national security. “The coun-

“We do understand the gravity of 8,000 head in this market. I’m not asking for anyone’s money. I’m doing this on my own dime. If I fail, I fail. We know how to fight the Big Four.”

MEGAN KINGSBURY, WESTERN LEGACY

try that feeds itself controls its own future. But when we start importing food from another country, then they control us, and we are getting dangerously close to that.”

The National Cattlemen’s Beef Association (NCBA) has put significant pressure on Congress to break up the Big Four cartel by continually pushing members to take decisive action with effective deterrents that will address their never-ending violations. As a result of the pressure from NCBA and other producer groups, Congress has begun to respond in a slightly more effective manner that will result in meaningful impacts on the Big Four’s antitrust activities.

Most recently, the NCBA has worked with governmental agencies to secure \$1 billion to boost processing capacity for smaller ranchers, which will add competition to the marketplace and return leverage to the producers.

NCBA’s pressure has borne some fruit. Except that Congress and the Department of Justice (DOJ) are reaching settlements with the Big Four without releasing their findings and, more importantly, refusing to provide

cattle producers with significant updates on their progress. NCBA hopes to rectify these injustices.

The question remains: Is pressure from the Big Four so deeply rooted in our governmental system that they’re able to manipulate the DOJ to the point they will downplay the impacts from this cartel? Only time will tell.

America Fights Back

Efforts are underway across the nation to build new meatpacking plants. Once up and running, these plants will offer fair prices for the producers’ cattle and market their products to retailers at a sustainable markup. Of course, that’s assuming they can find markets to sell their products—which might be the biggest problem of all when you consider the Big Four has long-standing contracts and promissory alliances with the five major U.S. grocery outlets and their subsidiaries.

Sustainable Beef broke ground on its first packing plant in fall 2022 on a 400-acre property in North Platte, Neb. The company hopes to reduce employee turnover by offering more than \$50,000 per year, plus benefits and favorable work schedules. Ranchers will have the opportunity to invest in these plants and share the profits—in addition to the profits they make from selling their cattle. Sustainable Beef plans to process 400,000 head per year—1,500 per day—and when at full capacity the plant will employ about 875 workers. It hopes to generate another 1,000 jobs in supporting businesses.

The principal problem Sustainable Beef will face is having enough markets to sell its product. Currently the Big Four control almost every aspect of our country’s meat supply chain so it doesn’t take much imagination to see the monopolists simply blackballing Sustainable Beef and forcing it to rely on small, local grocery outlets which will find it hard to absorb 400,000 head per year. That is a lot of meat!

In a strange quirk, Walmart announced an alliance with Sustainable Beef and its intent to be a minor stakeholder in the company. This “partnership” is confusing. With its investment, Walmart states there will be a consistent approach to steroid use in cattle and herds will be kept in line with Walmart’s position on antibiotics in animals. What makes this relationship peculiar is that Walmart has a long-standing allegiance to the Big Four, where use of antibiotics, steroids and hormones can be significant. Remember, the Big Four bring in beef from around the world, then repackage it as Product of U.S.A.

This is likely something that Walmart has no control over when it stocks its shelves with product provided by the Big Four.

As this is being written it is unclear if Walmart will be the sole buyer from Sustainable Beef or just utilize the company to provide prescribed quantities of better-quality American beef. The stakes are high for all concerned and there are other groups making similar moves in a number of states, including Iowa, Idaho, Wisconsin, Montana and North Dakota. These new enterprises will test whether it's really possible to compete, not just financially, but with the attendant infrastructure needed to bring their products to market, however small they may be.

Success seems unlikely unless our government steps in and starts breaking up the Big Four monopoly. Considering the Biden administration's "let's not rock the boat" attitude and the distinct possibility of growing kickbacks throughout the administration, these new startups may not only be headed for failure, but their failures may also serve to dissuade other efforts to compete. This will only strengthen the Big Four's death grip on American markets.

Nipping at Bloody Heels

In the midst of this, Western Legacy Corporation has emerged. It reportedly has \$1.1 billion to invest in a huge meat-processing plant. This will be a high-tech packing plant expected to provide 2,500 jobs at about \$28 per hour, plus benefits. In the Midwest that's a heck of a job offer.

Western Legacy's CEO is Megan Kingsbury, who stated that one of the most important high-tech aspects of this packing plant will be the use of methane gas (produced during processing) as energy for the plant. This will also have the side benefit of reducing odor to the surrounding community. Additionally, it will be partnering with Farmers Union Industries, which will specialize in utilizing byproducts from the packing plant while providing additional jobs. Ms. Kingsbury states: "We do understand the gravity of 8,000 head in this market. We know that it's there. We know that we can subsidize if necessary. I'm not asking for anyone's money. I'm doing this on my own dime. If I fail, I fail. We know how to fight the Big Four."

The proposed plant could process about 8,000 animals a day, a quarter of those buffalo. In Rapid City, S.D., on May 27, 2022, it was

announced that the \$1.1 billion meatpacking plant would be opening there, and on June 6 Kingsbury and Associates announced the name of the proposed packing plant, as well as their partnership with Farmers Union Industries. Then, suddenly, managers of the industrial park said something like: "Well, you know, umm, we've got a battery company that seems interested in locating here and, umm, several smaller companies that are also showing some interest. So there won't be room for you. Bye."

That seems like strange business practice for Rapid City to turn away a sure thing that



Ray Marxer, riding for Sauerbier Ranch, and Eli Nordquist, riding for Hamilton Ranch, trail cow-calf pairs to the top of South Fork of Warm Springs Creek in the Upper Ruby Valley. Warm Springs Grazing Association, Alder, Mont.

would provide 2,500 high-paying jobs with no financial liability to the city. Instead, it chose a "maybe" deal with a battery manufacturer with all its attendant environmental complications and far fewer jobs at lower pay for the community.

So Western Legacy took its business to Cheyenne, Wyo. There, they were also greeted with a warm welcome. Negotiations were underway, and everyone seemed excited this would be an even better location for the plant. Announcements of the project were made. Then, seemingly out of the blue, a Cheyenne representative said, "Umm, no thanks," contesting that the proposed plant would need an estimated 3,000 acre-feet of water per year, which couldn't be spared. But when you do the math, a 1,000-acre pasture (not huge by Wyoming standards) could require up to 6,000 acre-feet of water per growing season. Western Legacy promised to bring a few thousand high-paying jobs with benefits and, assuming other infrastructure would follow, it just doesn't add up.

Monopolize and Manipulate

Considering the Big Four's proven track record of bullying, monopolization and

manipulation could this be collusion by the Big Four to ensure that new and powerful competitors are kept out of the market? In the meantime, the giant ship that is Western Legacy—with its \$1.1 billion to spend on some lucky community—is adrift on the vast Midwestern prairies, seemingly with no place to drop anchor.

So what's the answer to all this? Clearly the courts and the Biden administration need to step up and take immediate and decisive action to hit these giant multinationals where it hurts. Make fines financially damaging to the corporations and, more importantly, to their investors. At this point, it's clear that settlements of a few million here and there are nothing more than an annoyance for huge companies grossing billions each year, especially when the cause of these fines result in stratospheric escalations in their bottom lines. As long as investors still receive huge dividends everyone is happy—except American consumers and the farmers and ranchers without whom the United States could scarcely survive.

Time for Real Governance

Something is terribly amiss in the cattle industry and the plants that bring meat to our tables. The U.S. government and its agents have pretty much sat back and watched this situation worsen with each passing day and given nods to corporate corruption, bribery, collusion, and a litany of antitrust violations, while the Big Four are slapped on their wrists, told they're "bad boys," and hit with meaningless fines.

Maybe our current administration is so broken and complacent that it simply doesn't have the wherewithal—or maybe it's the *huevos*—to grab this bull by the horns and wrestle it to the ground. Maybe American cattlemen and women need to throw their weight behind groups that will help them pick up the ball, shame our current government, and slam the Big Four with enough antitrust violations to weaken and end their monopolies.

Whatever is done had better be done quickly and with a huge punch because our nation's entire food system is in jeopardy. ■

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