



March 30, 2021

WHAT YOU NEED TO KNOW ABOUT

Consolidation in the Beef Industry

PRO POINTS

- **JBS, Tyson Foods, Cargill and National Beef handle the vast majority of the nation's beef.**
- **Supply chain breakdowns during the pandemic supplied fuel for advocates who have been arguing for decades that more competition is needed within the industry.**
- **Political pressure is high for the Biden administration and Congress to investigate whether the companies have been fixing prices or manipulating the market.**

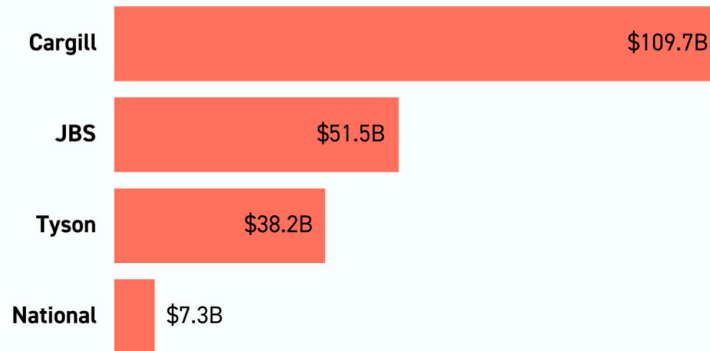
HOW WE GOT HERE

The beef industry is one of the most concentrated food sectors: Just four companies are in charge of about 85 percent of the processing and packaging of beef.

But it hasn't always been this way. About 100 years ago, the industry was controlled by five companies, and the Justice Department stepped in to break up their power — spurring decades of competition. By 1980, the top four businesses controlled only 36 percent of cattle slaughters in the U.S. Yet a flurry of deals throughout the 1980s shifted the industry's structure to where it is today. By 1988, the new four biggest companies again managed 70 percent of the beef meatpacking market.

The top four beef processors rake in billions in revenue

JBS, Cargill, Tyson Foods and National Beef consistently see year-over-year growth as they dominate the meat sector. Together the companies control about 85 percent of the processing and packaging of beef in the U.S. Listed below are 2017 revenues for each of the top four companies:



Under the direction of these companies, the industry has moved toward a contract model when negotiating cattle purchases from producers. The increase in contracts has some advantages for producers because they know they have a buyer for their herd and don't have to spend time on negotiations. But some complain that companies are able to squeeze lower prices out of producers who are locked into long-term contracts with limited alternate buying options.

Supply chain breakdowns at the start of the Covid-19 pandemic exposed liabilities with having only a handful of



companies process the meat that Americans eat. Thousands of workers who process beef, pork and chicken contracted coronavirus, forcing meatpacking plants to shut down and creating a backlog of animals waiting to be slaughtered. Although facilities soon were up and running following an executive order from former President Donald Trump, the crisis resurrected calls from advocates and lawmakers for the federal government to take steps to prevent a similar disruption from reoccurring. Their solution? Break up the giant corporations.

WHAT'S NEXT

The Agriculture Department and federal prosecutors are looking into whether the dominant players are fixing or manipulating prices. The Justice Department, which is specifically zeroed in on the big four, could try to make a case that the meatpackers have monopolized the beef market.

But so far, the Biden administration has maintained that its focus is getting shots into arms and has shown a reluctance to wade into developments like vaccine passports or other health credentials that airlines have been pressing for.

The Agriculture Department, meanwhile, is probing beef price fluctuations. The average price of beef rose during the pandemic while producers reported they were getting paid less per head of cattle.

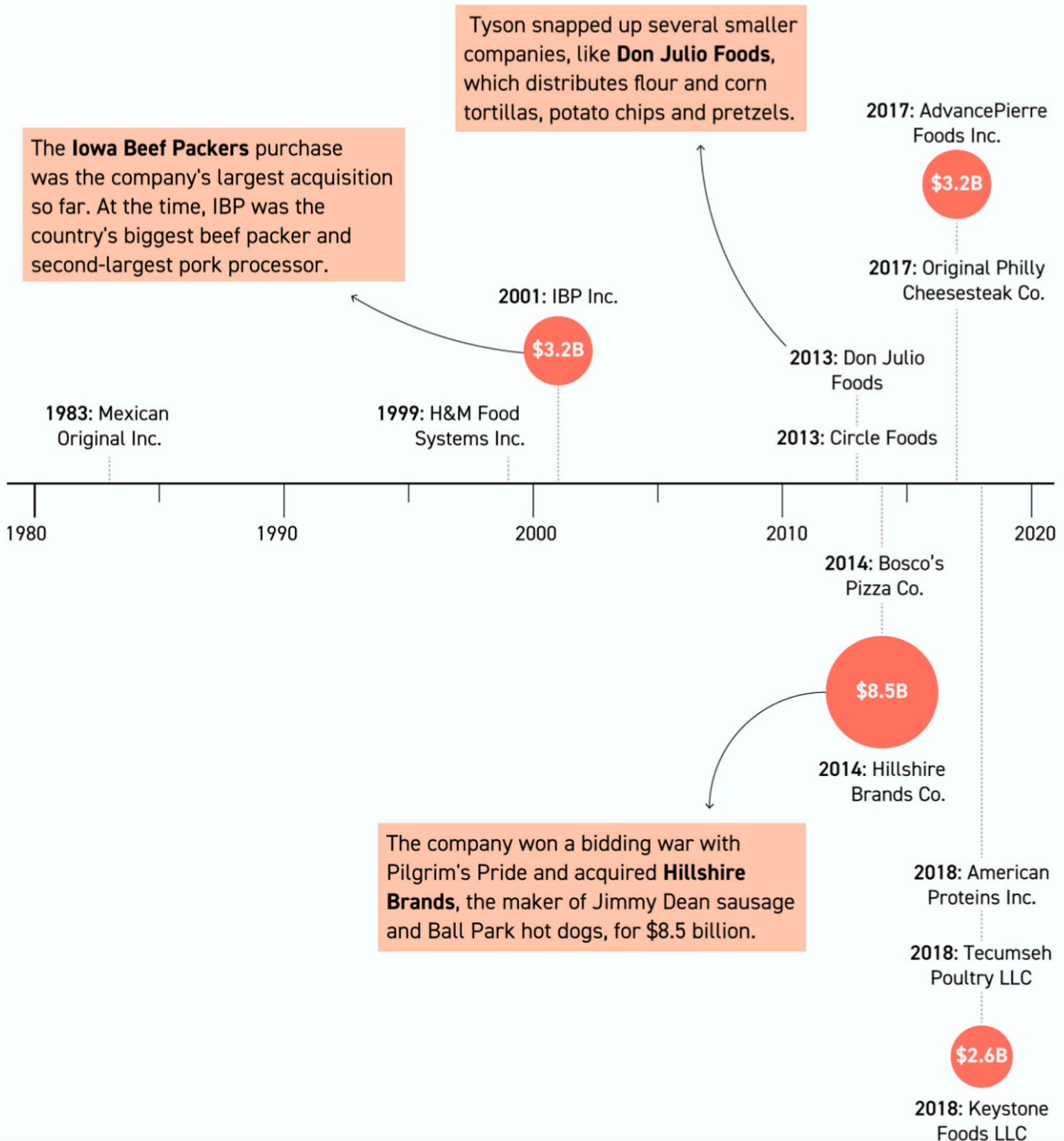
There's also intense pressure on Capitol Hill, with Democrats indicating they will use their profile to spotlight widespread consolidation across industries, not just within agriculture.

In addition to cracking down on big agribusiness, there's also a push for Capitol Hill and the Agriculture Department to support the growth of small, regional meatpackers. It's expected to be a major debate during the upcoming farm bill process.



How Tyson Foods became a massive meat company

Tyson Foods is one of the world's largest processors of beef, pork and chicken. The Springdale, Ark.-based business grew to an enormous size by gobbling up small and large competitors, expanding the company's reach into all stages of processing and distribution. The circles represent Tyson's biggest acquisitions with publicly disclosed purchase prices.





POWER PLAYERS

- **Sen. Elizabeth Warren (D-Mass.):** Warren was one of the early national voices to call for breaking up big agribusiness, and she made antitrust enforcement a key part of her 2020 presidential campaign.
- **Sen. Cory Booker (D-N.J.):** Booker has been outspoken about how consolidation across industries depresses wages and increases income inequality. He's expected to use his appointment to the Senate Agriculture Committee as a platform for continuing to make those arguments.
- **Department of Justice:** An early clue about how aggressive the Biden administration will be in cracking down on corporate power will come from who the White House picks to lead the Justice Department's antitrust division, which oversees mergers in the agriculture industry. The Biden team is vetting Jonathan Sallet, a former top lawyer in the Obama era and lead attorney in the multistate antitrust investigation into Google's online search products, for the post.
- **Tom Vilsack, Agriculture Secretary:** Vilsack vowed to make antitrust a central piece of his prior stint at USDA, but critics say he largely fell short. Now they're hoping he'll be more assertive during his second go-around.