

INDUSTRY OVERVIEW

Livestock and poultry farms represent an important arm of the U.S. food production system. While each subsector discussed here – beef, dairy, poultry, eggs, and pork – has varying production models, all have undergone immense consolidation over the past several decades, resulting in a severe restructuring of the supply chain.

In general, the production of these various commodities is split up across stages, each of which has historically occurred at distinct locations. The animals are hatched or born, and undergo various stages of growth, at which point the product (animal or its byproduct) is marketed to a processor. Following the processing stage, the commodity is then sold and distributed to grocers, distributors, and other various wholesale outlets.

A critical component that varies both across and within subsectors is animal ownership. In beef and dairy production, farmers and ranchers still generally own the animals, whereas the bulk of poultry production occurs under contracts in which the “integrator” owns the birds the feed, and the medicine, and the farmer provides caretaking services. In the egg industry, the companies more often than not own the egg-laying facilities as well, although some egg production is still contracted out. Pork is a relatively mixed bag, in which integrators raise pork under contracts that are similar to those found in the poultry market, but meatpackers also own a sizable portion of the pork being raised in the U.S.

Across all subsectors, transportation remains an influential market factor. Transporting live animals is expensive, and animal values deteriorate quickly during transport – so processors tend to buy animals close to processing facilities. Consequently, national-level concentration statistics often underestimate the regional levels of concentration.

Additionally, livestock and poultry products are sold under a number of different transaction methods:

- **Cash or Spot Markets:** Historically, these were how farmers sold most of their livestock. Starting in the 1990s, however, alternative marketing arrangements (see below) became increasingly dominant. Between 1995 and 2022, the percentage of cattle sold through the more transparent negotiated cash trades plummeted from 81.9% to 27%, and the cash market for slaughter-ready pork has all but disappeared.
- **Alternative Marketing Arrangements (AMAs):** AMAs are agreements under which the feedlot agrees to sell its cattle to a packer at a future date, with the price determined by a set formula. AMAs have become the dominant form of transaction in the cattle industry with roughly three-quarters of fed cattle sold through various forms of AMAs. Between 1995 and 2022, the percentage of cattle sold through AMAs rose from 18.1% to 73%.
- **Contract Growing:** In certain subsectors, such as poultry, farmers no longer own the animals they are raising and instead contract out their animal-raising services and production facilities with integrators. Ninety-five percent of poultry broiler production occurs under contract with integrators. In these arrangements, the integrator owns the birds plus the feed and medicine the birds are given. Integrators provide these items and maintain tight control over the production process. Once the flock matures, the integrators pick up the animals for processing and packing.

HISTORICAL CONTEXT

In the early 1900s, the livestock and poultry sector was dominated by a “Meat Trust,” which was comprised of five dominant meatpackers. By 1918, public concern launched a series of agency and congressional actions (including the passage of the historic Packers and Stockyards Act of 1921) that eventually resulted in successfully ending this oligopoly control. By the 1950s, the economic playing field had been leveled.

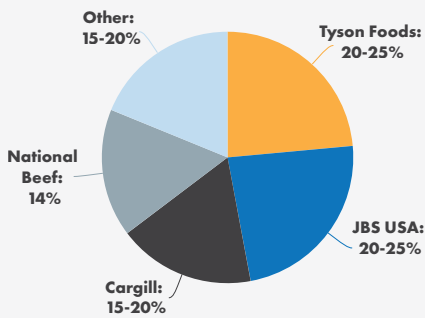
As the Big Five’s centralization of slaughter ended and thousands of smaller plants were built near production areas in rural communities, the proportion of total slaughter by the industry’s largest firms declined rapidly. By 1963, the percent share of the top four firms, or CR4, in livestock markets dipped as low as 26% for cattle, 33% for hogs, 14% for chicken, and 23% for turkeys.

This all began to change in the 1980s when various market conditions provided the industry an opportunity to take advantage of the atrophy of federal antitrust enforcement. Following a wave of serial acquisitions that started

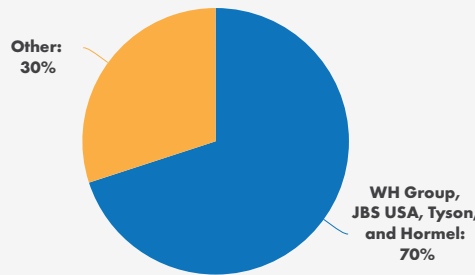
in 1982, various subsectors in the livestock and poultry sector began to quickly consolidate into the hands of a few dominant firms. By 1990, four firms – IBP, Cargill, ConAgra, and National Beef – controlled 70% of cattle processing in the U.S. Since then, these industries have only consolidated further, leading to the current concentration level today.

U.S. Meat, Poultry, Eggs, and Dairy Concentration

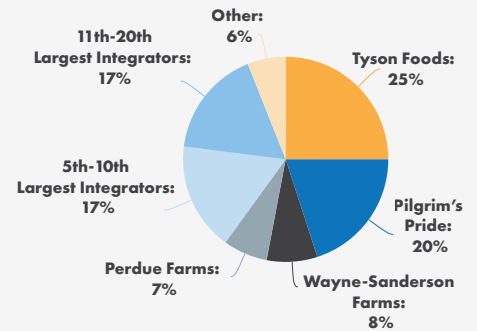
Beef Processing CR4: 80-85%



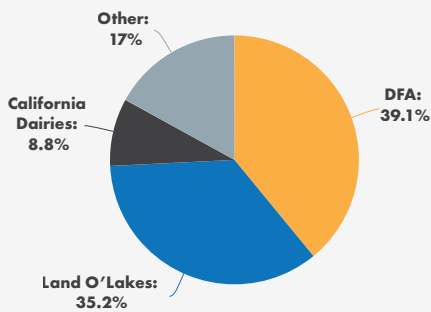
Pork Processing CR4: 70%



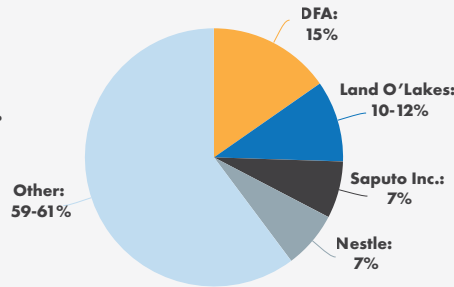
Broiler Chicken CR4: 60%



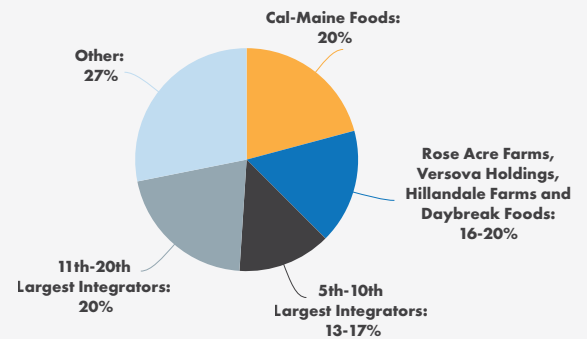
Fluid Milk Sales CR3: 83%



Milk and Milk Product CR4: 39-41%



Egg CR5: 36-40%



DIGGING DEEPER

Regional concentration is even more severe across subsectors.

Transportation limitations and restrictions mean that for many producers, even where national data indicates there are at least four or five major buyers in a market, that number can be as low as one or two in certain regions.



- **Beef:** Many local geographic markets where cattle are actually sold have only one or two buyers.
- **Poultry:** More than half of contract poultry growers report having a choice of only one or two integrators in their locality and almost none have access to more than four.
- **Eggs:** Egg production is concentrated in the Midwest, the South, and California. In California, the four largest egg producers control 68% of the state's egg production.

Packers are no longer dominant in certain proteins but have expanded to be dominant across major meatpacking industries.

The three largest meatpackers in beef – Tyson, JBS, and Cargill – are also dominant across other major meats. While Cargill is dominant in both cattle and poultry processing, JBS and Tyson are dominant across all three major meats – beef, pork, and poultry. Moreover, through a series of serial acquisitions, Tyson, JBS, and Cargill are now expanding into other protein industries, such as salmon processing and meat alternatives.

Historically, meat prices were kept somewhat in check by competition from other major meats— for instance, if beef prices soared, consumers bought more chicken until prices lowered. However, this expansion across proteins has eliminated another element of competition, further enabling price gouging from dominant corporations.

Collusive behaviors are facilitated by current concentration levels.

As is the case across sectors, when a handful of corporations control a significant majority of a market, competition between corporations is often replaced with collusion. For example, in 2019, class action lawsuits were filed by grocery stores, ranchers, restaurants, and other wholesalers in Minnesota federal court against JBS, Tyson, Cargill, and National Beef. The lawsuits alleged that the “Big Four” beefpackers had conspired to suppress the number of cattle being slaughtered at least since 2015 to drive up the price of beef and suppress the price of cattle. The ranchers’ case specifically alleged that the Big Four strategically cut back on cash-market cattle bids, closed plants, and imported foreign cattle to force farmers to accept lower prices, with an economic analysis showing that these manipulations depressed the price of fed cattle by an average of 8% starting in 2015.

WHAT THIS MEANS FOR FARMERS AND THEIR COMMUNITIES

The impact of this corporate capture of the livestock and poultry sector has had a devastating effect on the industry – driving farmers off the land, raising prices for consumers, and leaving our food supply vulnerable to supply chain disruptions.

The transformation of these markets has dramatically undermined the viability of smaller and midsize operations. Between 2002 and 2022, roughly 58,000 feedlots (72%), 18,000 hog farms (23%), and 56,000 dairy farms (61%) exited the market, while herd sizes remained relatively consistent across subsectors.

As small and medium-sized farms have been swallowed up by mega farms, a polarized market has emerged with dominant processors and corporate production operations producing the vast majority of the food. The relative size and sales of smaller operations have become minuscule when compared to this new scale.

With a handful of operations producing the majority of our food supply, the impact of single-plant disruptions or other supply chain issues is magnified across the country. For instance, when a Tyson beef processing plant in Holcomb, Kansas, which was responsible for five to six percent of beef processed in the U.S., caught fire in 2019 it caused panic in the market, leading to a run on beef. This panic also allowed the packers to drive up the spread of what beef packers paid cattle producers and how much they charged grocers by 143%.

Corporate capture of this sector has also led to higher prices for consumers and lower prices for farmers. Whereas in 1970, 70% of the consumer's beef dollar went to cattle producers (with only 30% going to markups by processors and retailers), today it is closer to 30%.

