SENATOR CORY A. BOOKER

Mr. Rob Larew

1. In 2019 there was a fire at a major packing plant. In 2020 we were collectively hit by the COVID pandemic. In 2021 a cyberattack against JBS took processing facilities off-line. The big meatpacking companies claim that our current consolidated system is very "efficient", but what each of these shocks to the system demonstrated is that the system is very brittle and lacks resilience.
    a. In your opinion is this tradeoff between supposed efficiency and resilience worth it?

National Farmers Union is deeply concerned by the brittleness of the current system, and that farmers and consumers are both hurt by the highly consolidated livestock processing sector. More marketing streams for farmers and ranchers make for more competitive markets and supply chains that are better equipped to withstand disruptions.

2. In 2015, over half (51.5%) of each dollar consumers spent on beef was returned to cattle producers. But the cattle producer's share has since diminished to just over 37% in 2020, the lowest annual percentage on record.
    a. Why do you believe the cattle producer's share of the consumer's beef dollar is shrinking?

There are many variables that contribute to the cost of food and the share of the retail dollar received by farmers. A key component of the falling share of the cattle producers' share of the consumer dollar is lax antitrust enforcement, which has allowed just four corporations to control 85 percent of beef slaughtering and packing in the United States. As a result, those companies can manipulate farmers' and consumers' prices to their advantage.

NFU has long published information about the farmer's share of the retail food dollar, derived from USDA data, for a wide variety of food products. As of August 2022, NFU published that farmers and ranchers receive on average only 14.3 cents of every food dollar that consumers spend. This constitutes an approximately 17 percent decline since 2011.

https://nfu.org/farmers-share/

3. Since January of 2017, retail beef prices have risen higher, with the all-fresh retail beef price increasing from $5.49 per pound to a reported $7.11 per pound in the month of June. Despite the temporary increase to $138 per cwt in May of 2017, fed cattle prices have since dropped and were only $120 per cwt in June.
    a. Why do you believe beef prices and cattle prices have moved in opposite directions since 2017?

Boxed beef and fed cattle price spreads are partially attributable to coronavirus pandemic-related disruptions, but this also underscores the dangers of a highly concentrated food system. There are relatively few, very large meat packing plants. The shuttering of any of these plants, as we saw during the pandemic, led to massive disruptions that harmed producers (who received low prices or lack of access to processing) and consumers (who faced high prices or lack of access to finished products).

4. USDA data shows the monthly returns to cattle feeders has been a loss of over $25 per head per month for each animal fed over the past two decades.
    a. Why do you believe, despite this average monthly loss, the number of the largest feedlots in the U.S.—those with capacities of over 50K head—have increased by 71% (from 45K in 1996 to 77K in 2020) while independent cattle feedlots—those with capacities of less than 1K head—have shrunk by 75% during the same period (from 110K in 1996 to 27K in 2020)?

NFU is deeply concerned by the loss of independent feedlots, and we believe the highly concentrated beef slaughter and processing sector and anticompetitive practices could be contributing to these losses. As the largest meatpacking companies run roughshod over the marketplace, smaller feedlots have been driven out of business in favor of the largest packer-friendly feedlots.

5. The beef industry boasted all-time record beef exports in 2018 yet fed cattle prices fell 4% from 2017 to 2018.
    a. If increased exports are associated with increased cattle prices, why do you believe cattle prices did not increase when beef exports hit record levels in 2018?

There are multiple factors that contribute to cattle prices; exports are not the sole determinant. The market power of the dominant packers puts continual downward pressure on prices paid to producers regardless of the domestic or international destinations for beef production.

6. Many industry analysts attributed higher cattle prices in 2014 in part to low cattle supplies following the late 2010 – 2013 drought. In other words, they say there was low cattle supplies (as measured by the number of cattle ready for slaughter), which drove cattle prices higher. Industry analysts then speculated that the increased cattle supply in 2015 contributed to a collapse in cattle prices—suggesting there were more cattle slaughtered in 2015, which helped drive cattle prices lower. However, the USDA reports that the number of cattle slaughtered in 2015 (28.3 million) was less than in 2014 (29.7 million) which means that in 2015, there were both lower cattle supplies and lower cattle prices.
    a. Can you explain this phenomenon?

Volatility in the cattle markets can be caused by a wide number of factors and influences. Given the long record of abuse of market power by the biggest beef packers, their behavior and influence likely contributed to this phenomenon.

United States Senate Committee on Judiciary

Hearing on Beefing up Competition: Examining America's Food Supply Chain July 28, 2021

Question for the Record for Rob Larew, National Farmers Union

Senator Sasse

Question 1

- Your testimony mentions the closure of several meatpacking plants in Iowa. While many witnesses mentioned reduced packing capacity as a reason for bottlenecks and lower cattle prices, there have been multiple examples of communities rejecting the construction of new packing plants, in Nebraska, Kansas, and recently South Dakota. With substantial upfront construction costs, how can potential new packing plants overcome some of those issues and ensure that they are economically viable into the future?

Part of ensuring economic viability of new packing plants is ensuring we have a competitive marketplace in the first place. We need strong enforcement of our antitrust laws, the strengthening of the Packers and Stockyards Act, and other reforms such as improved cattle price discovery and transparency. Additionally, federal support that helps with those upfront costs, technical assistance, and other needs are important for ensuring the success of new plants; USDA has recently put several programs in place to help address these needs. By fostering the development of new marketing options for farmers and ranchers, the cattle sector will enjoy greater resilience and competition.

Question 2

- The pork industry uses the producer cooperative model in some instances, with facilities constructed in recent years in Missouri, Michigan and Iowa under this type of partnership. Do you believe there is opportunity for greater occurrence of producer cooperatives partnering with packers to expand beef processing capacity? How would this opportunity impact cattle producers?

NFU is a strong supporter of farmer-owned cooperatives, which can help reduce costs of production, effectively market and process farm products, and improve farmer livelihoods. As farmers collectively explore market opportunities, such as new beef processing ventures, they must do their due diligence and have access to capital before moving forward with such projects.

Question 3

- Is the domestic market for beef expanding or shrinking? What do the best projections show? Is the international market for beef expanding or contracting? What are the top three potential markets for beef exports, and what are some of the barriers blocking that trade access?

It is essential that farmers have access to fair and competitive markets, regardless of their size and changes in consumer preferences (which will inevitably shift over time). A September 2022 USDA market outlook report projects the retail weight per capita disappearance of beef to decline by nearly three pounds over 2022 and 2023. This decline follows a several-years-long trend of increased consumption of beef. Meanwhile, the volume of beef exports from the U.S. in the first half of 2022 increased by six percent from the previous year, with much of that growth driven by Asian markets, along with increases in shipments to the Caribbean and Central America, Europe, and the Middle East.

https://www.ers.usda.gov/topics/animal-products/cattle-beef/market-outlook/

https://www.drovers.com/news/industry/us-beef-exports-remain-torrid-pace-pork-exports-lower