The future of meat – Part 5

The more we look into the future of meat, the more complicated and challenging it becomes. It is not simply a matter of a decline in the per capita consumption of meat (https://tinyurl.com/4hxdhez4), or the impact of livestock raising practices on climate change (https://tinyurl.com/yckkz6e4), or the development of cell-cultivated meats (https://tinyurl.com/ynv5w8uk), or changes in consumer perceptions of “fake meat” (https://tinyurl.com/2p82vdyz). It is all of these and more.

This week we read two news articles and a White House Briefing Room blog that when taken together with the issues we have written about in the last four columns (see the above paragraph) it became clear to us that we—producers, consumers, and policy analysts—cannot deal with these issues one at a time.

We need to deal with all of them at the same time in an integrated manner. Trying to do so feels like attempting to take a drink of water from a fire hose. But before dwelling on feeling overwhelmed, we want to look at issues identified in the two articles and the blog.

The first article, “Record Beef Prices, but Ranchers Aren’t Cashing In,” by Peter S. Goodman (https://tinyurl.com/yckykj5c), published by the New York Times December 27, 2021 and updated December 29, 2021, looks at the financial challenges facing a Montana cattle rancher, Steve Charter. While beef prices are at record highs, and beef packers are reaping record profits, Charter has seen no profits for the last 5 years and is considering selling off his herd.

In his article, Goodman points out that “the distress of American cattle ranchers represents the underside of the staggering winnings harvested by the conglomerates that dominate the meatpacking industry—Tyson Foods and Cargill, plus a pair of companies controlled by Brazilian corporate owners, National Beef Packing Company and JBS.”

In the 1980s these 4 companies (or their predecessors) controlled 36 percent of the beef market. Today their market share is 85 percent and the rancher’s share of the beef dollar has declined.

But these companies don’t directly rely on ranchers like Charter. They obtain the bulk of their animals through private contracts with feed lots. This in turn thins out the public auction markets where Charter sells his animals, resulting in lower prices. With a thin market, Charter is in a take it or leave it situation. The feedlots are also in a dependent position because the price they are paid is based on the price in the weakened public auction markets.

This strategy of dividing up the market along with weakened enforcement of antitrust laws like the Packers and Stockyards Act allows the 4 companies and others to increase their profits at the expense of ranchers (lower prices for their animals) and consumers (higher beef prices in the retail market).

The second article, “On the Slaughterhouse Floor, Fear and Anger Remain” (https://tinyurl.com/mhxyfam9), also written by Goodman, published by the New York Times on December 29, 2021 and revised on December 30, 2021, looks at the deadly choices that face the workers who slaughter and process the animals raised by ranchers like Charter.

While the workers have been able to negotiate wage increases and some health protections during the pandemic, they have not been able to ensure their own safety in the face of the Covid pandemic. Goodman writes, “workers complain that many of the changes have been aimed at managing perceptions, while stubborn problems remain: not enough distance between people stationed at some parts of the assembly line, inadequate stocks of hand sanitizer, and subtle pressure to come to work even when they are ill.”

On December 10, 2021, the White House released a Briefing Room blog written by Brian Deese, Sameera Fazili, and Bharat Ramamurti, titled "Recent Data Show Dominant Meat Processing Companies Are Taking Advantage of Market Power to Raise Prices and Grow Profit Margins" (https://tinyurl.com/b7cjw8zf). They write "According to these companies' [Tyson, JBS, Marfrig, and Seaboard] latest quarterly earnings statements, their gross profits have collectively increased by more than 120 percent since before the pandemic, and their net income has surged by 500 percent. They have also recently announced over a billion dollars in new dividends and stock buybacks, on top of the more than $3 billion they paid out to shareholders since the pandemic began."

The blog said: "As one large meat-processing firm noted to investors during its earnings call, their pricing actions 'more than offset the higher COGS [cost of goods sold].' Comparing the fourth quarter of 2021 to the same quarter in 2020, that same firm increased the price of beef so much—by more than 35%—that they made record profits while actually selling less beef than before…."

"The Administration has…announced strong actions to crack down on illegal price fixing and enforce the antitrust laws robustly, investments of hundreds of millions of dollars to create more competition in meat-processing, over a billion dollars in relief to small businesses and agricultural workers hurt by COVID, and many other steps to ensure American families, farmers, and ranchers get a fairer shake."

But the administration cannot achieve these goals on their own. Neither can ranchers, or workers, or consumers, or ag policy analysts like the two of us. All of us are going to have to grab hold of the fire hose and learn to work together so we can map out a better future without getting drowned by rivalries, cynicism, and distrust.

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Dr. Harwood D. Schaffer: Adjunct Research Assistant Professor, Sociology Department, University of Tennessee and Director, Agricultural Policy Analysis Center. Dr. Daryll E. Ray: Emeritus Professor, Institute of Agriculture, University of Tennessee and Retired Director, Agricultural Policy Analysis Center.
Email: hdschaffer@utk.edu and dray@utk.edu; http://www.agpolicy.org.