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Meatpacking Giants Subject Of USDA Probe

By **Elaine Meyer**

Law360, New York (May 03, 2010) -- The U.S. Department of Agriculture is carrying out a comprehensive probe into whether the nation's largest meatpacking companies are illegally driving down the price of cattle, according to the head of a group representing independent cattle producers.

Bill Bullard, the CEO of R-CALF USA — a cattle producer's legal fund — said the USDA's Grain Inspection, Packers and Stockyards Administration has been talking to members of his group for months and said regulators appeared to be conducting a full investigation of meatpacker purchasing patterns in the cattle market.

In one instance, Bullard's group provided the USDA with dates in February 2006 when four of the major meat packers are alleged to have stayed out of market for an unprecedented two weeks, which caused the price of cattle to fall.

The USDA did not immediately respond to a request for comment.

At issue for independent cattle producers is alleged anti-competitive behavior by the nation's largest meatpackers. The "big four," as they are known, are Tyson Foods Inc., JBS, Cargill Inc. and National Beef Packaging Co. LLC.

Cattle producers contend that over the last 11 years, competitive bidding by these companies for cattle has eroded, as the meatpacking giants make preset deals with individual ranchers or feedlots rather than bidding on an open cash market. The result is that cattle prices are artificially deflated, according to Bullard.

Independent producers have called for enforcement of the Packers and Stockyards Act, which regulates competition in the meat industry. The law has not been enforced for many years, according to Bullard.

However, the USDA and the U.S. Department of Justice have been holding hearings on competition in agriculture over the last few months, with plans to confer about the livestock industry in late August.

Gary Mickelson, a spokesman for Tyson Foods said the company could not comment on any specific inquiries GIPSA has made but pointed out that the meat industry is heavily

regulated and that Tyson “works hard to comply with the Packers and Stockyards Act and to cooperate with GIPSA.”

“More than any other major packer, we rely on independent cattle producers to provide a steady supply of livestock to keep the company’s plants running efficiently. We want to see them succeed so they can continue supplying high quality cattle to our plants,” Mickelson added.

A majority of the cattle Tyson purchases is from a daily cash market, while others are bought through various marketing arrangements that are initiated by cattle producers “who came to us seeking a more efficient way of selling their livestock,” Mickelson said.

But R-CALF says the big meatpacking companies like Tyson have changed the nature of the marketplace by driving cattle producers to enter into contracts before a price for their product is set. As a result, the cattle that is still subject for competitive bidding on the cash market lowers in value.

“We have been losing ranchers at the rate of over 10,000 per year from our industry. This has occurred at the same time as Tyson and other major packers have been growing in economic power and concentrating,” Bullard said.

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