

Campaign for Contract Agriculture Reform, Farm and Ranch Freedom Alliance, Food & Water Watch, Land Stewardship Project, Institute for Agriculture and Trade Policy, Iowa Citizens for Community Improvement, Missouri Rural Crisis Center, National Family Farm Coalition, Organization of Competitive Markets, Ranchers Cattlemen Action Legal Fund – United Stockgrowers of America, Rural Advancement Foundation International-USA, Western Organization of Resource Councils

Our organizations are promoting interrelated reforms to restore competitive livestock markets and fair contracts based on a platform supported by over 200 organizations that represent independent farmers and ranchers, contract growers, and consumers (available at <http://tinyurl.com/3gcty2>).

## **Agricultural Competition Issue Brief 1 of 18:** **Prohibit Packer Ownership of Livestock**

**Obama-Biden position:** “...fight to ensure family and independent farmers have fair access to markets, control over their production decisions, and transparency in prices. Obama is a strong supporter of Senator Tom Harkin’s (D-IA) legislation that protects independent producers by banning the ownership of livestock by meat packers, and he will fight for passage of the law as president. Today meatpackers produce more than 20 percent of the nation’s hogs, and their share is growing. When meatpackers own livestock, they bid less aggressively for the hogs and cattle produced by independent farmers. When supplies are short and prices are rising, they are able to stop buying livestock, which disrupts the market.”

**Relevant Program:** Packers and Stockyards Act

**Relevant Agency:** USDA Grain Inspection, Packers and Stockyard Agency

**Policy Recommendation – Administration Action:** USDA should either pursue rulemaking through the Packers and Stockyards Act of 1921 (P&SA), or encourage, through statute, a prohibition on packer ownership of livestock more than 14 days prior to slaughter.

**Background:** Three major companies have taken control of the marketplace in beef and hogs and buy over 80% of fed cattle. Four companies buy over half of the hogs that end up on American dinner tables; virtually mirroring those of 1921 when the P&SA was implemented.

The fewer packers there are to procure cattle and hogs, the more control they have over the market and the greater their ability to drive down prices through the use of “captive supplies”. Packer ownership of livestock is one form of captive supplies used by the packers.

In such a concentrated market, the packers use captive supplies to manipulate markets. By calling on captive supplies to fill slaughter needs, packers do not have to bid for cattle in an open, public manner. A false period of low demand is created and prices are driven downward. Packers use a contract method known as “formula pricing” where feeders are enticed to commit their cattle through contracts in which the packer bases the price on a cash market they can manipulate, rather than on a firm bid price. On the delivery day, packers are able to call on cattle they own and drive down the cash market, manipulating the formula contract.

In 2006, captive supplies of livestock cost family farmers, ranchers and their communities more than \$5.7 billion, and that loss continues to rise. In cattle alone, captive supplies lowered prices for producers by approximately \$69 per head in 2006.