Feds Investigate Meatpackers For Antitrust Violations

Nate Jenkins, Associated Press Writer

LINCOLN, Neb. (AP) — The federal government is conducting its first investigation into whether the handful of large meatpackers that slaughter most of the nation's cattle are illegally or unfairly driving down cattle prices, according to an official representing independent beef producers nationwide.

The investigation is under way as the Justice and Agriculture Departments hold a series of antitrust hearings on competition in agriculture, and the USDA is expected to release sweeping antitrust rules covering the meat industry this spring.

Many ranchers and critics of the meatpacking industry are cautiously hopeful the investigation and more aggressive action by a little-known federal agency will force meatpackers to competitively bid for more cattle. That, they say, could help slow a 15-year trend in which several thousand ranchers are forced out of business every year, resulting in the smallest U.S. cow herd in several decades and threatening a way of life that has kept the nation supplied with beef for more than a century.

Bill Bullard, chief executive officer of R-CALF USA, said the federal Grain Inspection, Packers and Stockyards Administration has been speaking with his group's members for months and is "clearly asking questions in the context of an investigation."

"They appear to be doing a very comprehensive investigation of the overall behavior of meatpackers in the cattle market," Bullard said, adding he believes a main reason for the investigation is to gather information to help craft new rules.

The administrator of GIPSA wouldn't say whether the agency was investigating the so-called "Big Four" meatpackers — Tyson Foods, JBS, Cargill and National Beef — who together slaughter about 80 percent of U.S. beef.

But administrator J. Dudley Butler said GIPSA is being more aggressive in enforcing the Packers and Stockyards Act and investigations are part of that.

"I will acknowledge that what we're doing at GIPSA now is trying to ... enforce the Packers and Stockyards Act, and it's done in many ways, it's done through investigations, it's done through oversight, it's done through interagency working relationships," such as with the U.S. Department of Justice, Butler said.

The nation's largest meatpackers bought about half of their cattle on the cash market in 2008, according to GIPSA. In that market, feedlots notify meatpackers cattle are for sale and receive bids for the animals.

But, the largest companies have increasingly avoided that market in recent years, buying more cattle through prearranged deals with individual feedlots or ranchers, Butler said.

Critics say that with the biggest companies buying fewer cattle on the cash market, prices have dropped, hurting smaller feedlots and ranchers who don't have deals with the large meatpackers.

Cash market prices have decreased by about 5 percent over the past two decades, said Robert Taylor, a professor of agricultural economics at Auburn University.

The 89-year-old Packers and Stockyards Act is meant to ensure fair competition and protect farmers and ranchers from discriminatory, monopolistic practices by meatpackers. But ranchers say it has long been ignored, and a 2006 federal audit concluded GIPSA had avoided complex investigations.

That may be changing under the Obama administration, which named Butler to head the agency a year ago. The agency requested and received court documents from a landmark 2004 case in which a jury awarded 30,000 cattlemen a total of $1.28 billion after concluding that Tyson Foods, the country's largest meatpacker, used unfair marketing agreements to suppress cattle prices. A judge overseeing the trial overturned the decision.

Nebraska-based attorney David Domina, the lead attorney in the case, said he disclosed all the information he was free to under existing court orders after GIPSA asked him for the information.

Tyson Foods spokesman Gary Mickelson wouldn't comment when asked whether the company was being investigated. In an e-mail, he said Tyson buys most of its cattle through competitive bidding. Spokesmen for JBS and Cargill said the companies often communicate with GIPSA but weren't aware of an investigation. National Beef officials didn't respond to a message seeking comment.

Mark Dopp of the American Meat Institute, an association that includes meatpackers, said both ranchers and meatpackers benefit from agreements between producers and packers.

"The producer...is entering into these agreements because they find them beneficial," he said. "It takes two to tango."

A 2007 study GIPSA commissioned before Butler's tenure concluded that while the deals decreased cash-market prices, they also limited costs and risks and resulted in better quality beef.

Nebraska rancher Tom Hansen, a state senator from North Platte, said the agreements allow for marketing schemes that have helped the beef industry — enabling it to sell and market certain grades and types of beef, for example.

But longtime rancher Jim Hanna, who lives near Mullen, Neb., said ranchers make

much less on each cow now compared to 30 years ago and the deals with large meatpackers are partly to blame. He was skeptical things would change, but said if GIPSA increases enforcement, it could help ranchers and smaller feedlots.

"Only under certain circumstances do the packers go into the open market and actually bid for cattle they have no hold on," he said. "Enforcing the (Packers and Stockyards Act) would certainly shape that up."

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