



**Policy Position:
Price Gouging in Beef Markets**

During this crisis American people instinctively knew what they needed: food. News showed empty store shelves as politicians warned not to hoard and promised plenty of food.

If our livestock market system were functioning effectively, increase demand would result in higher market prices. Instead, the Montana rancher has seen their price plummet with the live cattle markets. However, the surprising part of this issue is the packing industry is charging higher prices than ever for retail boxed beef.

Do we have a healthy supply of live cattle today? Yes

Did something happen to make Montana cattle less valuable in the live market? No.

Did something happen that makes trucking costs more expensive. No, as a matter of fact the cost of diesel is down nationwide.

Was there a new expense in the packing industry that forces them to increase the price of boxed beef? No

Now during this pandemic, the consumer is paying even more for beef at the grocery stores.

During this big financial period, shouldn't the federal government step up their investigations of this industry?

National Cattleman & Beef Association, who represent the Stockyard and Packing Industry, acknowledged in a letter to the Whitehouse, that the domestic beef supply in the United States remains steady while retail demand and boxed beef prices have increased significantly. Yet, the panic has resulted in a free-fall for cattle markets with cash prices steadily decreasing.

Obviously, if the producer gets less and the consumer pays more there is price gouging in the middle. Americans were rightfully outraged by individuals that purchased excessive amounts of sanitizer in order to profit personally. We should be even more outraged by corporate greed in the food industry. The consolidation of the packing industry means there are fewer buyers available to bid for cattle at market. Coronavirus

has forced our leaders to take bold and drastic measures altering the lives of Americans. Something needs to be done about gouging and price manipulations. Below is a letter from Senator Deb Fisher from Nebraska that gives a clear picture of this issue.

April 6, 2020

**The Honorable Sonny Perdue
Secretary
United States Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250**

Dear Secretary Perdue:

I write to request that USDA expand its investigation of beef pricing margins, which was launched following the Holcomb, Kansas, beef processing facility fire, to include recent market impacts as a result of COVID-19. It is important that we determine if there is any evidence of price manipulation, collusion, restriction of competition, price gouging, or other unfair practices and ensure the beef meatpacking industry is compliant with the Packers and Stockyards Act during this national emergency that has brought about additional logistical stressors on our country's food supply chain.

COVID-19's impact on the cattle market has reignited these concerns, as precipitous price declines are taking place for the production segments of the beef industry amid sharply higher boxed beef values, very strong retail demand for beef, and little overall change in shelf prices. This is resulting in yet another wave of windfall profits for meatpackers, with many producers taking losses that truly threaten the viability of their businesses moving forward.

On January 22, 2020, the day after the first COVID-19 diagnosis in the United States, the CME Live Cattle Futures April Contract closed at \$126.775/cwt while Nebraska-negotiated cash cattle traded at a weighted average price of \$123.94/cwt according to USDA Livestock Mandatory Reporting (LMR) data. USDA-LMR's closing Choice boxed beef index for the week ending January 24, 2020, was \$214.78/ cwt and the Select index closed at \$212.17/cwt. As of April 3, 2020, the CME live cattle futures April contract had declined over 30% in price to close at \$88.325/cwt with Nebraska's live cash cattle weighted average having fallen to \$111.97/cwt. Meanwhile, boxed beef for the week ending April 3, 2020, was \$255.07/cwt choice and \$243.65/cwt select.

Clearly there's an ongoing issue that has come to a head over the last 12 months. The spike in the purchase of beef products at the grocery store has resulted in increased profits for both packers and retailers, yet producers have not shared in that gain. In fact, many have seen a net decrease in the value of their cattle. This has left many producers wondering why, yet again, they have been taking losses as packer and retailer margins have increased.

In August of 2019, cattle producers faced a similar situation when a beef processing plant in Holcomb, Kansas, had a fire. I was pleased that you directed USDA's Packers and Stockyards Division to launch an investigation into beef pricing margins to determine "if there was any evidence of price manipulation, collusion, restrictions of competition or other unfair practices." Given the recent market situation during the COVID-19 pandemic, I urge USDA to expand this investigation to examine recent market events. Twice in the last year, events have highlighted cattle producers receiving diminished prices while boxed beef cutout prices have increased. If USDA does uncover any evidence of wrongdoing, the agency should immediately provide any and all relevant information to the Department of Justice, so that it can conduct a larger probe examining whether the current structure of the beef meatpacking industry and their actions are in compliance with U.S. antitrust law. Additionally, when you appeared before the Senate Agriculture Appropriations Subcommittee on March 12, 2020, you were asked about the disparity in beef prices fetched by livestock producers compared with those the meatpackers were receiving. You stated, "The deltas we're seeing between the prices you describe are historically high. I would love to have some tools to operate." I couldn't agree more, and stand ready to work legislatively to provide any additional tools needed by USDA. Please provide more details to my office by April 24, 2020, so we can begin working together on this front.

Thank you for your consideration of this request. Our nation's cattle producers work hard each day to feed our country and the world, and I look forward to working with you to ensure they are able to participate in a fair and competitive marketplace.

Sincerely,
Deb Fischer
United States Senator

CC: Under Secretary Greg Ibach

