

# BEEF SALUTE

## Iowa's congressional delegation pushing for cattle market reforms

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U.S. Sen. Chuck Grassley and U.S. Rep. Randy Feenstra have been working to bring reforms to the cattle industry.

Earlier this spring, Feenstra and Grassley co-authored an opinion piece that was first published in the Sioux City Journal, and was reprinted on Feenstra's website in April.

"The status quo, where Iowa cattlemen are one 'black swan' event away from losing everything that they built, cannot remain the norm," the Congressmen wrote. "Iowa cattlemen deserve to sell their beef on a level playing field. With the right information and full transparency, independent cattle producers can receive a fair price and the big meatpackers will finally be held accountable for their anti-competitive schemes."

The Cattle Price Discovery and Transparency Act, which Grassley re-introduced in the Senate and which Feenstra co-sponsored in the House, would combat those schemes, the Congressmen wrote.

"Our legislation is

straightforward: Iowa cattle producers should have access to the same market information that the big packers use to manipulate beef prices and exploit independent producers," the article said. "The bill enjoys wide, bipartisan support in both the U.S. House of Representatives and the U.S. Senate."

Feenstra, in a separate statement in early March, called out the main four cattle growing companies for causing the situation, which has led to lower beef prices for Iowa farmers.

"The Big Four Meat Packers are illegally distorting the cattle market to increase their profits at the expense of Iowa family farmers," Feenstra said. "It's shameful and it's wrong. The Cattle Price Discovery and Transparency Act will finally expose the Big Packers' price-fixing schemes and hold them accountable for their antics. I am proud to introduce this important legislation with Senator Grassley to bring transparency to the cattle marketplace and ensure that our producers and their families are paid a fair price for their high-quality product."

The Big Four meatpackers are Tyson Foods, JBS, Cargill, and Marfrig, which control 85 percent of the cattle market. The large packers use their clout to control beef prices by setting line speeds, regulating slaughter numbers, and writing unfair contracts," Feenstra said.

"Instead of paying cattlemen a fair price for their product, the big packers have increasingly forced producers to sign alternative marketing agreements, which establish beef prices well in advance and trap cattle producers in a raw deal," the opinion piece said. "Ultimately, these anti-competitive tactics take advantage of independent producers who lack vital pricing information and other critical market data, essentially cheating producers out of a fair price. But Iowa cattlemen have product quality on their side."

The proposed legislation has several elements. One, it would require the Secretary of Agriculture to establish five to seven regions encompassing the entire continental U.S. and then establish minimum levels of fed cattle purchases made through



approved pricing mechanisms. Approved pricing mechanisms are fed cattle purchases made through negotiated cash, negotiated grid, at a stockyard and through trading systems that multiple buyers and sellers regularly can make and accept bids. These pricing mechanisms will ensure robust price discovery and are transparent.

The bill would also establish a maximum penalty for covered packers of \$90,000 for mandatory minimum violations. Covered packers are defined as those packers that during the immediately preceding five years have slaughtered five percent or more of the number of fed cattle nationally.

The act also includes provisions to create a publicly available library of marketing contracts, mandating boxed beef reporting to ensure transparency, expediting the reporting of cattle carcass weights, and requiring a packer to report the number of cattle scheduled to be delivered for slaughter each day for the next 14 days. The contract library would be permanently authorized and

specify key details about the contents that must be included in the library - like the duration and other provisions in the contract that may impact price such as schedules, premiums, discounts, and transportation arrangements.

"These reforms - while vehemently opposed by the Big Four meatpackers - will give independent cattle producers a strong voice in price negotiations and beef transactions," the opinion piece said. "Competition, transparency, and access to information are all critical prerequisites to a fair economy and the purest form of capitalism. Surely, the big meatpackers can agree to these basic rules."

Recent market conditions have also contributed to challenges for cattle farmers, the Congressmen said.

"Between record inflation, high energy costs, and regulatory uncertainty, independent Iowa cattle producers face major challenges to make a living and raise high-quality beef," Feenstra and Grassley wrote. "Egregious WOTUS regulations threaten

to saddle producers with costly red tape, sky-high feed prices drain cash reserves, and the cyclical nature of droughts and floods contribute to constant unpredictability. However, the

greatest concern that we hear from Iowa cattlemen is the growing power and outsized influence of the Big Four meatpackers."

## Consumers storing ground beef as sales increase

Information collected by Iowa Beef indicates consumers spent 2022 increasing how much ground beef they purchased, even as prices and markets have shifted.

"Nearly every consumer has been impacted by the volatility of goods and services during 2022," Iowa Beef officials wrote on their website. "As consumers have grappled with these changing market dynamics, shifting preferences have emphasized versatility, affordability, and convenience. These shifts can be observed within the beef retail market, as purchases have gravitated towards ground beef products and away from more premium cuts, such as steaks and roasts."

As of early November 2022, 51 percent of the pounds of beef sold in 2022 and 40 percent of the money consumers have spent on beef was directed toward purchasing ground beef sales.

"Not only is ground beef a major component of the beef retail market, but ground beef also accounted for 21% of all retail fresh meat sales in terms of volume and 20% of all retail fresh meat sales in terms of value during the same time frame," Iowa Beef officials wrote. "Ground beef sales (by dollar amount) have increased by 9.5% from the same timeframe in 2021. While a portion of this increase can be attributed to increasing unit prices, ground beef volume sales have held steady (dropping only 1.2%) despite experiencing over a 10% increase in average price per pound."

Consumers aren't just buying ground beef right as they need it, officials said.

"Over 80 percent of consumers claimed to have at least one meal worth of ground beef in storage at home," Iowa Beef said. "Roughly a third of consumers reportedly keep at least 1-2 meals worth of ground beef products in storage at home and a quarter of consumers claimed to keep between 3-4 meals worth of ground beef in storage at home. For comparison, only 37% of respondents claimed to have at least one meal worth of a meat alternative in storage."

One in five of the survey respondents said they would spend more on ground beef in 2022 than they did the previous year, while 61 percent said they would buy the same amount.

"In an age of unprecedented price increases, consumers still find enough value in ground beef products to not substitute them out of their diets," Iowa Beef officials said.

The survey respondents said their favorite ground beef was 80 to 89 percent lean.

"These market shares have remained stable over the past few years, with 80-89% lean ground beef showing signs of slightly increasing market share over the past few years," officials said. "Ground beef is a versatile, cost effective, and in demand beef

product, in part due to the custom feel that ground beef offers. Whether shoppers are looking for a primal specific product, certain leanness percentage, or form, ground beef is well apt to cater to a multitude of lifestyles and preferences. This versatility

helps explain why ground beef is consistently one of the best-selling beef products year-over-year. As consumer preferences continue to shift, ground beef will be sure to continue adapting to meet these needs."



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