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Will the Last Independent Cattle Producer Please Turn Off the Lights

It was inevitable that this day would come. Tyson Foods has now turned its corporate attention to absorbing independent cow/calf ranchers. Tyson pioneered the factory farm system for raising chickens, in the process turning independent poultry growers into corporate serfs. By 1985 it was the independent hog producers turn to be converted into corporate serfdom. In just a decade and a half (1985 to 2000), the hog industry went from 388,550 independent producers to 85,760 serfs. Today, twenty-three years later, there are only 66,000 left.

Independent cattle feeders were next. During the last ten years, 48,000 independent feedlots stopped buying calves. Today only a little more than 25,000 are still trying to feed cattle and not lose money in the process. They survive by marketing through "captive supply." And while the smaller independents closed their yards, the number of vertically integrated feedlots with more than 50,000 head capacity increased from forty-five to seventy-seven.

Tyson now has their corporate claws sharpened and out to eliminate independent ranchers. On March 31, the day before April Fool's Day, Tyson explained their new vertical integration plan to a group of ranchers at Great Falls, Montana. This plan involves a corporate owned branded product called Brazen Beef which will market source verified beef that somehow - but not explained - will result in ten percent fewer greenhouse gas emissions.

According to ranchers who attended the meeting, the presentation was vague on how the feeder calves would be priced. Tyson's claim is that producers would get a premium and a report on the carcass characteristics of their particular animals. This seems to be a version of "grade and steal" where you don't get paid until the calves are dead and in the meat counter at the supermarket.

There is nothing new in this scheme, as there are a number of branded programs available to producers. And there is nothing wrong in a rancher signing up for such a concept, particularly if there is a nickel or two to be made. The concern is that this is one of the big four packers who is muscling in on the business.

Therefore, the issue of how the price for the calves will be determined becomes really important. The cow/calf segment of the cattle industry has stayed independent because we rely upon an independent price discovery mechanism. Auction yards and video auctions are the bed rock of this system. Of course, many calves move on private treaty, negotiated directly with the cattle buyers, but those prices are always based on the most recent auction.

If we lose the auctions then we lose our independence. Ask the hog producers, because that is what happened to them. The contracts they were offered were attractive up and to the day the auctions for pigs disappeared. This is a real dilemma. How do we protect our independent

price discovery mechanisms in the face of what will be a growing trend to sign up for a branded beef program offered by one of big four packers?

The lack of honest competitive price discovery is what is being faced by the surviving feedlot owners, who now sell into the “captive supply” system. The negotiated spot market, which is supposed to set the value for all of the fat cattle, is so thin as to be useless.

Cow/calf producers are, of course, equally affected by this this dysfunctional negotiated spot market for fat cattle, but we just feel it less because it is more remote from our daily marketing concerns. And the big reason we feel it less is that we still have our own market system that is independently owned and operated. This auction system moves enough calves that we can be confident that this results in reasonably fair prices. But you can also be sure, that the people bidding on your calves are acutely aware of the dysfunction in the fat cattle market.

By all means sign up for Tyson’s program or that of JBS, Cargill, or Marfrig if their terms fit your needs. But if as an industry we do not come together on a plan to protect the independent nature of ranching, than we had better get used to the idea of being nothing more than a corporate serf. Or as I heard one contract hog producer say - a janitor cleaning up the waste left behind.

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