MINUTES

MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON AGRICULTURE, LIVESTOCK, & IRRIGATION

Call to Order: By Senator Greg Jergeson, on February 8, 1991, at 3:00 P.M.

ROLL CALL

Members Present:
Greg Jergeson, Chairman (D)
Francis Koehnke, Vice Chairman (D)
Gary Aklestad (R)
Thomas Beck (R)
Gerry Devlin (R)
Jack Rea (D)
Bernie Swift (R)
Bob Williams (D)

Members Excused:
Betty Bruski (D)

Staff Present: Doug Sternberg (Legislative Council).

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion:

Chairman Jergeson announced that he would turn the Chair over to Vice Chairman Koehnke since Senator Jergeson had to present a bill in another committee.

HEARING ON HOUSE BILL 207

Presentation and Opening Statement by Sponsor:

Representative Joe Barnett, House District 76, extended condolences to Senator Betty Bruski on the death of her mother.

Rep. Barnett advised that HB 207 was presented at the request of State Lands. It is a bill to eliminate the deposit requirement for the lessee of a state agricultural grazing lease who exercises his preference right to meet a high bid and requests a hearing to have the bid rate lowered, and would amend Section 77-6-205, MCA. He explained that this would apply in a case in which a lessee has been outbid. At that time the lessee has three options: (1) refuse to meet the bid, and thus give up his lease; (2) meet the bid and pay the fee; or (3) meet the bid, pay the fee and then request a hearing with State Lands to determine whether the bid was in the best interest of the state. This procedure came about in a law passed in the 1977 session under HB 526, which required the lessee to put up a 20% deposit when he requested a hearing. That bill was faulted because of the process by which the person could appeal the bid. It was never determined just what purpose the 20% bond played, because the lessee has already indicated he would meet the bid, and had paid his fee. The State Lands desires to eliminate that 20% deposit transaction, since they merely held it until after the hearing at which time it was returned to the lessee. Rep. Barnett advised that Jeff Hagener of the Department of State Lands was present to answer questions.

Proponents' Testimony:

Jeff Hagener, Administrator, Department of State Lands, stated that Rep. Barnett explained accurately the purpose of HB 207. The bond is 20% of the fee, it is held until after the hearing, and then is returned to the lessee. Since it serves no purpose, and there is the possibility of loss, the Department would like the deposit requirement eliminated.

Opponents' Testimony:

None

Questions From Committee Members:

Senator Williams asked for clarification regarding the options of the lessee. He asked if the person who submitted the high bid has a right to a hearing. Mr. Hagener stated he has the right to come into the high bid hearing to explain and justify why he feels it is a fair bid. Senator Williams wondered if it is an equal playing field for the two parties. Mr. Hagener advised that once the lessee has met the high bid, the lease will be returned to him. The only question is whether it will be at the high bid amount or some amount the hearing determines should be lower. The high bidder does not have an opportunity to get the lease once the lessee has agreed to meet the high bid.

In response to a query from Senator Aklestad, Mr. Hagener explained that in order for the high bid to be considered by the Department, the high bidder has to submit a 20% bond. That is his guarantee and the Department has the right to keep it if the bidder pulls out. The bond in question is assessed after the bid has been approved by the Department. The Department notifies the lessee that he has had a bid against his renewal. He has a right to meet that high bid, and once he meets the bid by paying the bid for the full lease term, then he has a right to request a hearing. According to present law, he would have to pay an additional 20% of that high bid amount to schedule a hearing. The Department takes the 20% bond, places it in the file until the hearing is over, and then it is returned to the lessee. There is no provision for the revocation of that bond.

Senator Rea asked if the original high bidder has ever contested the fact that the lessee gets the lease if he meets the high bid. Mr. Hagener stated there have been cases, and they have to do with the Preference Right, adding that it has held up and is legal.

Closing by Sponsor:

Representative Barnett stated it is his opinion that this is a good housekeeping bill. He said he hoped the committee would act favorably on House Bill 207.

HEARING ON SENATE JOINT RESOLUTION 14

Presentation and Opening Statement by Sponsor:

Senator Cecil Weeding, Senate District 14, stated he is the principal sponsor of SJR 14. This resolution calls for an interim study on the growing problem of concentration of vertical integration in the meat packing industries. As stated in the resolution, the top four beef packing companies who had a combined market share of 25% in 1977, had risen to 74% in 1987. In the lamb packing area, four firms controlled 58% of the market in 1977, and by 1987 there were only three firms controlling 76% of the lamb market. There is good reason to believe that the concentration has continued, so those figures are probably conservative. These companies also have horizontal integration into other industries. The speaker stated that these higher levels of concentration and integration typically cause lower prices for producers and consumers alike. Dr. John Hillman, Iowa State University, estimated that the potential loss to producers during this ten year period (1978-1987) was 5.7 Billion on cattle prices alone. A similar resolution was passed last session but it failed to be picked by the Legislative Council to be funded, so nothing was done with it. There has been some action on a national level in this regard, and Montana was invited to join that effort. However, it declined because they did not have any legal authority, and also no funding to take part. The Justice Department has been called upon several times to investigate concentration and they have made some cursory observations, but to this point have declined to instigate any type of action. In fact, they have suggested that monopoly itself is not any indication of anything bad, and may be the product of efficient management. Senator Weeding commented that monopoly would not be in the best interest of producers or consumers in Montana.

Proponents' Testimony:

GILLES STOCKTON, stated he raises cattle and sheep near Grass Range, and is testifying on behalf of Northern Plains

Resource Council. He read and presented his written testimony to members of the committee (Exhibit #1).

BOB GILBERT, Montana Wool Growers Association, which group has about 2600 members in this state, advised that Jim Peterson of the Montana Stock Growers Association, wished him to relate that the Stock Growers Association is in support of this Resolution and their members are very concerned about concentration in the cattle business. Mr. Peterson also wished to point out, however, that with the record-setting prices that the cattle industry is receiving it is difficult to complain about livestock concentration. Mr. Gilbert also stated there has been livestock concentration in the packer industry for the last three to four years and is growing. They are concerned about that, but he emphasized there are other problems in the lamb business than with packer concentration.

Mr. Gilbert stated his organization at their annual convention passed a resolution which stated they are in favor of studying the lamb marketing chain, and investigating ways in which competitive marketing can be restored including alternative methods to market lambs. This is a complex issue, according to Mr. Gilbert. Unlike in the cattle business, the lamb dealers are not only selling meat on the carcass, but also wool and pelts. Both of those markets are dismal. Mr. Gilbert gave a lengthy presentation concerning the depressed lamb market in the United States. He furnished the committee members with copies of an article from the National Wool Grower magazine concerning lamb and pelt prices, and also regarding the wool market (Exhibit #3).

Carol Mosher, representing the Montana Cattle Women, which group works in conjunction with and follows the policies of the National Cattlemen's Association, stated that although she is not an expert on the subject of packer concentration, they are concerned about the subject. She presented copies and read a recent resolution of the Marketing Committee of the National Cattlemen's Association, and also submitted some clippings relating to the subject (Exhibit #4).

LORNA FRANK, representing the Montana Farm Bureau, advised that group is also very concerned about the concentration issue that is taking place, but in view of a study released in December, 1990, by the U. S. General Accounting Office, it is their opinion that the state of Montana would be out of its jurisdiction in conducting a study proposed in SJR 14. It is the function of the U. S. Justice Department's Anti-trust Division to investigate conduct that involves prospective mergers. They feel that with the current Montana budget restraints, they can ill afford entering a study such as this.

JIM BARNGROVER stated he represents the Alternative Energy Resources Organization (AERO), which organization is comprised of farmers and ranchers who are committed to enhancing the productive capability of their farms and ranches. AERO is concerned about the impact of consolidation of the meat packing industry and what it may mean to the rural communities and the economy. They, therefore, urged support in adopting SJR 14.

BOB HEISER, United Food and Commercial Workers Union, stated they are very much in support of SJR 14. He stated they are very concerned about the concentration in the packing industry. There used to be a good packing industry in Montana, but they have lost those jobs over the past years to the "Big Three". He provided information regarding the demise of the Midland Packing Company of Billings. He stated they wished to go on record as supporting SJR 14.

ED MOTT, rancher and cow-calf producer from Augusta, stated he does not have the facts and figures - he has the feeling. He stated he has talked with cattlemen up and down the state of Montana, and they are concerned and worried. He added that they are also angry and upset. They are told that free enterprise is working, but the producers he talks with agree that they are getting some record prices for cattle right now, but based on inflation they are about 20% lower than 1979-80 prices. He believes the state of Montana, through the interim committee, could tell the farmers and ranchers what this concentration is doing to them individually, community wise, and state wise, and what might be the consequences down the road. He believes it also might indicate how to stop or turn around the present trend, or at least to be able to compete competitively from now on. He urged the committee's favorable recommendation on SJR 14.

CHRISTIAN MACKAY advised that he is testifying on behalf of Don Judge, Executive Secretary of the Montana State AFL-CIO. Mr. Mackay read and presented written testimony to the committee (Exhibit #5).

JOHN MOTT, representing himself, stated he is the son of a previous witness, Ed Mott. He stated as a young person looking at ranching today, there is basically no way to get into it unless he inherits it or marries into it. He stated in 1979, it took 17 calves to get a four-wheel drive pickup; in 1989, it took 32 calves. He believes high prices are relative - they may be higher but they are lower than what they used to be. He questioned whether his generation has any hope of making it in agriculture in the future.

BETH BAKER, Department of Justice, advised that in the spring of 1990 the Attorneys General of the states of Iowa, Montana, North and South Dakota, and Minnesota wrote a letter urging the United States Department of Justice and the Federal Trade Commission to investigate vertical integration and market concentration in the meat packing industry. Attorney General Racicot followed through on this inquiry last December and forwarded to the Justice Department petitions containing some 4500 signatures of individuals concerned about concentration in the industry. Although the Justice Department has not commenced an investigation as a result of the requests of the state Attorneys General, it has indicated an interest in receiving further information from the states. Other agricultural states are working together to share information about the meat packing industry and its effects in the various states. This kind of cooperative effort is representative of the future of anti-trust enforcement in this country. She stated we now are in a period called the renaissance of state anti-trust law enforcement, which has been characterized as part of a general resurgence of states in the American federal system. The National Association of Attorneys General has a multi-state anti-trust task force which works on anti-trust enforcement matters, and has already published guidelines for the states dealing with vertical restraints, horizontal mergers, and other anti-trust issues. One reason for the states' emergence in anti-trust enforcement is the current federal policy. By 1996 most anti-trust enforcement will be conducted by the states. The staff of the U.S. Department of Justice Anti-trust Division has been reduced by one-half since 1980. She informed that although the volume of merger transactions increased 300% between 1980-86, federal enforcement during that period decreased to one-fifth of its pre-1980 level. The General Accounting Office recently completed a study on concentration in the beef packing industry concluding that the trend may result in lower cattle prices to producers and recommending that Congress and anti-trust enforcement agencies follow through with additional weight. The study was based on 1970's data. Reliable information indicated that the 81% increase in concentration in the steer and heifer slaughter industry from 1978 to 1987 is the largest, most rapid seizure of economic power in the history of America. Based upon data from the 1970s and early 1980s, it was estimated producers potentially lost 5.7 billion dollars as a result of lower cattle prices. In Montana, these losses totalled over 115 million dollars. A conference held last fall in Minnesota drew many people from all across the country. According to the Minnesota Attorney General's office, conditions are right for price depression in the cattle industry due to market concentration. The first thing the states need to do is develop geographic market data on producers and packers and the effects of concentration. The will to put together a multi-state examination exists among agricultural states, but its realization is a matter of resources, according to Ms. Baker. The basic premise of the underlying anti-trust laws is when fewer and fewer individuals make more and more of the economic decisions the result is anti-competitive, inefficient and harmful to society as a whole. By conducting an interim study of this problem, Montana can participate with other states in the fact-finding process and determine what, if any, action should be taken to protect free market competition in Montana. The only thing this resolution seeks is that the facts be uncovered.

Opponents' Testimony:

None

Questions From the Committee:

Senator Williams asked if Mr. Stockton was disappointed in the response from the Justice Department. Mr. Stockton stated it was not the answer he would have liked but it shows movement from the first time that the Attorney General responded. The latest answer does not say they are doing anything, but it does not say they are not doing anything. It is Mr. Stockton's opinion that the pressure that the American Wool Grower's Association is exerting is finally forcing the Justice Department to look at the sheep industry.

Senator Beck stated that in addition to any study, he would like to see something done to solve the problem.

Mr. Gilbert advised that there are no packing plants in Montana. There is no problem in finding a market; the problem arises from not having enough cash in the bank to "pay the guy at the back door" until they get the money back.

Mr. Stockton advised that Montana cannot solve the problem alone, but he suggested two avenues: (1) the monopoly came about because of mergers. The National Association of Attorneys General are capable of litigating to reverse the mergers. (2) open and free competitive markets. He believes this is a failure in both the cattle and sheep industries. There is no open market for carcasses. There is virtually no open market for fat lambs or fat cattle. There are remnants of an open market for feeder calves and feeder lambs. They are trying to find methods to reinstitute competitive marketing at all levels of the industry.

Senator Devlin asked how would it be possible to get a meat packing plant in this state if the study indicated that would be a good idea. Mr. Stockton stated the Meats in Montana Plant is for culled cows, and a small packing plant could work and be beneficial to the economy of Montana. Montana does not feed enough cattle to supply a packing plant of the size required for cattle.

Upon further questioning by Senator Devlin it was disclosed that South Dakota has passed an interim study. One of the conclusions they came to is being addressed in another bill in this session. Senator Devlin stated he is concerned that they will be studying a study in each of the surrounding states and spending money for each state. He asked Beth Baker what the Attorney General would gain from the proposed study. Ms. Baker stated that the states are trying to cooperate with the U. S. Department of Justice and try to work together instead of being at odds. She acknowledged it takes a substantial amount of money to investigate a huge company like ConAgra. The states are coming together and trying to find out what exactly is going on. The Department of Justice has not investigated the mergers, but have indicated a willingness to work with the states and try to examine the impact on each state.

Senator Devlin asked if anything could be done prior to next session. Ms. Baker advised that Montana does not have an anti-trust bureau or allocation of resources to investigate complaints of anti-trust violations. She stated that unfortunately since 1983 there have been no resources devoted to anti-trust enforcement.

Senator Beck asked if the study showed positive with three packing plants, then what would their position be. Ms. Baker stated that the Attorney General's office had a number of inquiries regarding this issue indicating the great importance to the state. If the results showed Montana was not being harmed by this, they would have to be satisfied. Senator Devlin asked what would be the response if the study shows Montana is being harmed. Ms. Baker stated that the U. S. Justice Department is favorably disposed to receiving information and indicated a willingness to investigate if Montana can provide specific incidents of anti-competitive conduct. She said, in fact, they have expressed an eagerness to follow through on information provided.

Senator Rea asked how the funding would be provided. Senator Weeding informed that five studies would be funded through the Legislative Council. They determine the resolutions they deem the most important, and those receive the funding.

Senator Koehnke asked Mr. Gilbert if it was really possible for co-ops to buy out a meat packing plant. Mr. Gilbert said money would be a factor. He said there might be an opportunity through co-op banks which fund co-ops 40% to 60%. It is his feeling the packing business is a tough business to be in.

Senator Swift asked why couldn't Montana work collectively with other states to make requests to the U. S. Attorney General. Ms. Baker informed that last spring six Attorneys General jointly wrote a letter to the U. S. Department of Justice and that has been re-confirmed by Montana's Attorney General and the new Attorney General in Iowa. The U.S. Department of Justice said they have been monitoring developments, have met with members of various organizations and are scheduled to meet with representatives of the sheep industry in the near future. They are attempting to learn as much as they can about current conditions and are particularly interested in receiving reports of any specific practices or activities, which would result in a thorough investigation of any such conduct. They advised they would carefully scrutinize any future meat packing mergers to ensure they will not result in any lessening of competition, and they continue to encourage members of the industry to submit any specific information regarding anti-competitive activities.

Senator Swift commented that the above reply sounded like a typical bureaucratic response. Ms. Baker stated that the GAO report was more specific, but they refrained from drawing firm conclusions because they felt the number of studies was too low and was based on old data. She believes the cooperative effort on the part of the states to build up a factual basis to be presented to the Department of Justice is the best avenue.

Senator Williams asked how the "Big Three" fit into the world beef market. Mr. Gilbert stated they are a dominant force in the world market.

Closing by Sponsor:

Senator Weeding stated that what is most apparent is that no one really knows what is going on and that is the reason for the resolution. It will then be determined if Montana should pursue something on its own, or join forces with other states. He also believes that Montana is not alone in thinking there is something that should be looked at. He believes there is good and sufficient reason to make the expenditure for the study, and go from there. He urged passage of SJR 14.

ADJOURNMENT

Adjournment At: 4:45 P.M.

Greg Jergeson
GREG JERGESON, Chairman

Dorothy Quinn
DOROTHY QUINN, Secretary

GJ/dq

ROLL CALL

AGRICULTURE COMMITTEE

DATE 2/8/91

52nd LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. JERGESON	X		
SEN. KOEHNKE	X		
SEN. AKLESTAD	X		
SEN. BECK	X		
SEN. BRUSKI			X
SEN. DEVLIN	X		
SEN. REA	X		
SEN. SWIFT	X		
SEN. WILLIAMS	X		

Each day attach to minutes.

Northern Plains Resource Council

SENATE AGRICULTURE
EXHIBIT NO. #1
DATE 2/8/91
BILL NO. SJR 14

TESTIMONY BY NPRC
RESOLUTION FOR INTERIM STUDY ON AFFECTS OF CONCENTRATION

1/ MY NAME IS GILLES STOCKTON. I RAISE CATTLE AND SHEEP NEAR GRASS RANGE AND I AM TESTIFYING ON BEHALF OF NORTHERN PLAINS RESOURCE COUNCIL.

2/ PERHAPS YOU ARE QUESTIONING WHY THE LEGISLATURE IS BEING ASKED TO CONSIDER A RESOLUTION SO SIMILAR TO THE ONE THAT WAS PASSED OVERWHELMINGLY JUST 2 YEARS AGO.

3/ THIS RESOLUTION, FOR AN INTERIM STUDY, IS AN OPPORTUNITY FOR THE LEGISLATURE TO ASSESS THE IMPACT OF BEEF AND LAMB CONCENTRATION ON MONTANA'S PRODUCERS AND MONTANA'S ECONOMY. THIS IS AN OPPORTUNITY TO DETERMINE WHAT CAN BE DONE TO COUNTERACT THIS THREAT.

4/ SINCE THE LEGISLATURE PASSED A SIMILAR RESOLUTION IN 1989, SOME DISTURBING INFORMATION HAS BEEN PUBLISHED.

5/ ACCORDING TO THE NCA TASK FORCE REPORT ON INTEGRATION AND CONCENTRATION, "THE COW-CALF SECTOR LIKELY WILL EVOLVE TO LARGE, WELL CAPITALIZED, COMMERCIAL PRODUCERS AND SMALL 'PART TIME' PRODUCERS WITH MOST OF THEIR INCOME FROM OFF-FARM SOURCES OR OTHER FARMING ENTERPRISES." THE REPORT GOES ON TO SAY THAT ..."COW-CALF CONCENTRATION IS EXPECTED TO TAKE PLACE AT A RELATIVELY RAPID PACE..."

6/ DR. WALLACE REHBERG, AN AG ECONOMIST FROM WASHINGTON STATE UNIV. IS QUOTED TO SAY. "WE WILL SEE THE DEMISE OF THE MID-SIZE HERD.... ....THE REMAINING LARGE CATTLEMEN WILL GROW CATTLE ON CONTRACT TO THE FEEDLOT RATHER THAN SELLING THROUGH THE MARKET."

7/ 92.8_% OF MONTANA'S 17900 LIVESTOCK PRODUCERS , ARE MIDSIZED OR SMALLER. CAN OUR RURAL COMMUNITIES SURVIVE THE ELIMINATION OF THIS MANY OF IT'S CITIZENS?

8/ THE 1990 MARKETING SEASON FOR LAMB HAS DISTURBING IMPLICATIONS. EXCESSIVE MARKET POWER BY ONE LAMB PACKER AND A HANDFUL OF EASTERN WHOLESALERS HAS DEVASTATED THE INCOME OF MONTANA SHEEPMEN. IN 1987 I SOLD FEEDER LAMBS FOR $1.01. IN 1990 I RECEIVED 46 CENTS.

9/ IN THIS WEEKS BILLINGS GAZETTE I READ THAT DR. MYLES WATTS, AG ECONOMIST AT MSU PREDICTS THAT "CATTLE PRICES WOULD REMAIN STRONG FOR THE NEXT YEAR OR TWO, AS LONG AS THE NATIONAL HERD DOES NOT INCREASE". HE GOES ON TO OBSERVE THAT THE HERD HAS INCREASED 1% IN THIS PAST YEAR.

10/ MONTANA'S PRODUCERS ARE EXTREMELY CONCERNED. BUT IT IS NOT JUST PRODUCERS WHO SHOULD WORRY. AGRICULTURE ACCOUNTS FOR AROUND 40% OF BUSINESS ACTIVITY IN MONTANA. SHEEP AND CATTLE PRODUCE OVER HALF OF THAT INCOME. THIS STATE'S ECONOMY CAN NOT AFFORD FURTHER REDUCTIONS. REMEMBER IT IS PROFITS THAT ARE SPENT IN MAIN STREET BUSINESSES - NOT LOSSES.

11/ THE FAILURE OF THE FARM ECONOMY DURING THE 1980'S IS RESPONSIBLE FOR THE LACK OF POPULATION GROWTH. WE'VE LOST A CONGRESSIONAL SEAT. WE'VE SEEN OUR CHILDREN MOVE OUT OF STATE. RURAL COMMUNITIES CAN NOT RECRUIT PHYSICIANS. BUT THAT DOESN'T MATTER BECAUSE WE CAN'T AFFORD HEALTH INSURANCE ANYWAY. WE ARE IN A WORLD OF HURT.

12/ YES, THE FAILURES IN POLICIES CAME FROM WASHINGTON. BUT YOU, THE MONTANA'S LEGISLATORS, MUST DEAL WITH THE CONSEQUENCES. YOU ARE STRUGGLING TO PROVIDE ESSENTIAL SERVICES ON AN INADEQUATE TAX BASE. IT LOOKS TO ME TO BE IMPOSSIBLE AND THANKLESS TASK. UNLESS THE CONCENTRATION OF POWER IN THE LIVESTOCK INDUSTRY IS CHECKED, THE LEGISLATURE 10 YEARS FROM TODAY, WILL HAVE AN EVEN MORE IMPOSSIBLE SITUATION?

13/ THIS INTERIM STUDY WILL GIVE YOU THE OPPORTUNITY TO ASSESS THE PROBLEM AND CONSIDER WHAT MONTANA CAN DO TO COUNTERACT IT. WE CAN NOT SIT ON OUR HANDS AND HOPE THAT SOMEONE ELSE WILL SOLVE THIS PROBLEM. WE MUST ACTIVELY LOOK FOR OUR OWN SOLUTIONS.

SENATE AGRICULTURE
EXHIBIT NO. #2
DATE 2/8/91
BILL NO. SJR 14

The Meat Trust

A Western Organization of Resource Councils Factsheet

March 1990

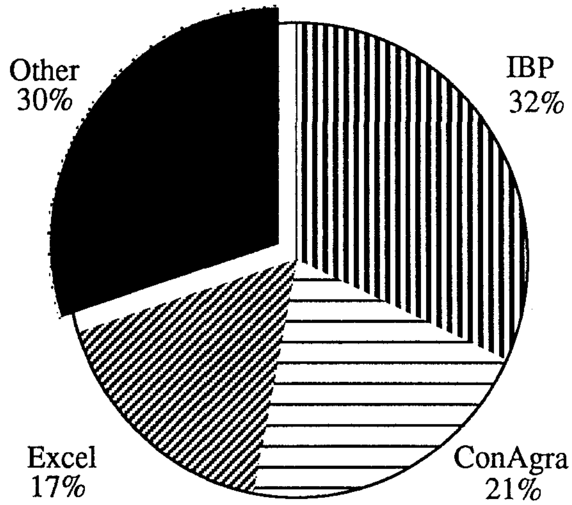
A New Meat Trust in the Making

"When a few large firms buy, slaughter and sell the meat products from most of the livestock produced by farmers, those few firms are in a position to control the price they pay for livestock, control the quality of meat produced, and control the price of meat products they sell . . . such firms are motivated to pay the lowest possible price for farmers' livestock, produce the minimum quality meat product the consumers will accept, and charge the highest possible price for the meat products they sell." (John Helmuth, Iowa State University)

Concentration is a measure of monopoly power in an industry which describes the share of production accounted for by the top firms (the combined market share of the top four firms is commonly used). In the meat industries, concentration is normally measured by percentage shares of livestock slaughter totals. Concentration in the cattle industry has increased rapidly in the past few years.

In 1982, the top four meatpackers slaughtered 45% of all U.S. fed cattle. **In 1988, three corporations — IBP, ConAgra, and Excel (Cargill) — accounted for 70% of the U.S. fed cattle slaughter. Given current expansion plans it is estimated that they will control 80% of the fed cattle slaughter in 1990.** The concentration of the Big Three surpasses that of the original beef trust in the early 1900s. Mergers and buyouts have gone unchecked by antitrust laws. In regional markets the Big Three can command upwards of 95% of the fed cattle supplies. Fewer buyers for livestock result in lower prices paid to livestock producers. In order to ensure a steady supply of cattle to their packing plants, the Big Three are forward contracting with commercial feedlots (buying fed cattle to be delivered at a specified future date) and putting cattle on feed themselves. This reduces the number of cattle which are sold on the open market, making price discovery difficult and giving the packers greater control over price setting.

Market shares: Beef 1988



(based on % of slaughter)

Source: Meat & Poultry, August, 1989

Three companies controlled 70% of all U.S. fed cattle slaughtering in 1988.

The Big Three are increasing their control over the entire food industry.

"I buy my feed from ConAgra, my mineral salt from Cargill, sell my calves to Continental Grain and buy meat in the supermarket from IBP" (Bill Gillin, Forsyth, Montana, rancher).

IBP, ConAgra and Cargill are also the top three pork processors; ConAgra is the largest lamb processor, second largest poultry processor, largest seafood processor and the largest flour miller; Cargill controls one-quarter of the world's grain trade and is the country's number one egg producer, number two soybean crusher and flour miller, and number three corn miller. Each of the firms is aggressively expanding production.

The monopoly control which these firms exercise has serious implications for producers, consumers, and their communities:

Increased concentration means reduced prices to ranchers for livestock.

* "When concentration crosses...50 to 60 percent, there is a statistically significant relationship between that and lower prices paid to producers" (John Connor, Purdue University, in the Des Moines Register, 7 November 1988). A University of Wisconsin study showed that cattle prices are 10 to 23 cents per hundredweight lower for every 10 percent increase in concentration in a given market. IBP's presence in a regional market costs producers 44 cents per hundredweight.

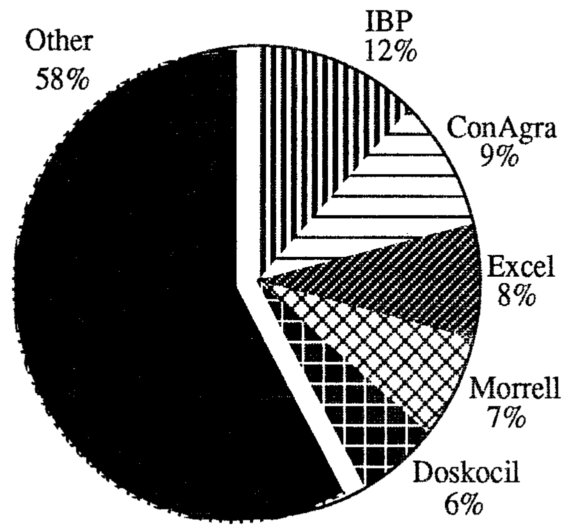
* The Big Three can influence prices by tying up cattle supplies through forward contracting, marketing arrangements and feeding their own cattle. Fewer cattle are left to be sold on the open market, making price discovery difficult for ranchers and farmer-feeders. If one, two or three of the big packers are off the market in a given day, prices are depressed due to the lower demand.

* The major packers are moving to replace the traditional method of determining cattle costs through average cash prices — in which prices are 'discovered' on the open market — with a 'grade-and-yield' system in which the packer charges the supplier based on the quality of individual carcasses (which is determined by the packer). This would allow the packers greater control over the setting of live cattle prices. As Northern Plains Resource Council rancher Gilles Stockton argues, "only the meat monopoly will know what the market price really is and producers will only be able to guess. This will allow the meat monopoly a lot of opportunity to manipulate the market."

* As concentration increases, producers and feeders are left with fewer buyers for their cattle. "As a rancher I want as many bidders in the audience as I can generate when I sell livestock. The more competition there is for livestock, the more price stability there will be and the less temptation for collusion" (Colorado Agriculture Commissioner Peter Decker, Denver Post, 15 January 1989).

* When cattle supplies increase in the next few years, the lower prices dictated by the larger cattle supply will be compounded by the power of a few meatpackers to 'pick-and-choose' from regional cattle markets. In many local markets, only one or two buyers are bidding for cattle, further limiting competition and influencing prices in the corporations' favor.

Market shares: Pork 1988



(based on % of slaughter)

Source: Denver Post, January 15, 1989

Just five companies controlled 42% of the U.S. hog slaughter in 1988. The share of the Big Three is expected to rise to 60-70% within four years.

Increased concentration means higher prices for consumers.

* Purdue University economist John Connor states that once the Big Three begin to advertise their own brands heavily, retail prices will rise well above what they would have been in a competitive market. Cargill (Excel) is starting to market brand-name beef. IBP and ConAgra are sure to follow.

* Greater control over the beef, pork, lamb and poultry industries by the same firms means that consumers will have little choice between companies at the meat counter. Beef processors don't need to be as concerned about holding down retail beef prices to compete with other meats and poultry when they are also pork, lamb and poultry producers.

* A House Committee on Small Business report in 1980 found that between 1965 and 1978 "the oligopoly of meatpackers had annually inflated the retail price of beef by an average of 25.1 cents, thereby accounting for 30% of all meat price increases during the period." Concentration has more than doubled since then.

Increased concentration has serious environmental and community impacts.

"We're being carved up, piece by piece. When decisions on this ranch are taken out of the ranch kitchen and put in corporate boardrooms, this rangeland suffers" (Gilles Stockton, rancher, Grassrange, Montana).

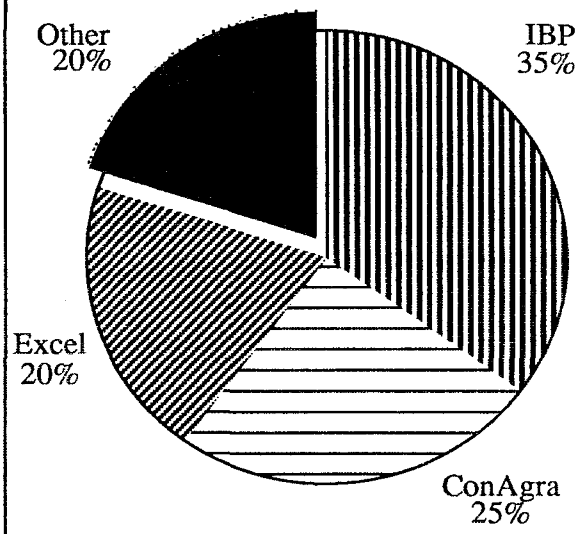
* Concentrated livestock production eliminates the possibility of integrating livestock and crop production and turns livestock manure from a natural fertilizer (replacing chemicals) into a huge waste disposal problem, contaminating water supplies and creating noxious odors. This further reduces options for family farmers seeking to make a living on the land.

* If current trends towards increased concentration of livestock feeding and meatpacking continue, the vast majority of livestock will be fed in a few large feedlots and slaughtered in a few large plants. In recent years Montana has lost 1,100 jobs as small beef and pork packers have been forced out of business. Iowa lost 9,000 meatpacking jobs in the 1980s. Between 1977 and 1986, Colorado lost 1,200 meatpacking jobs.

Why have concentration and vertical integration increased?

***Technological change.** IBP revolutionized the industry in the 1960's with the production of boxed beef on high-volume 'disassembly' lines. Meatpackers had traditionally sold meat to breakers, wholesalers and retailers in carcass form. By cutting a carcass into primal and subprimal cuts, the meatpacker was able to command more of the value added to the product. Boxed beef also reduced production and transportation costs, forcing competitors to follow suit and leaving many of them behind. IBP, ConAgra and Cargill are highly-capitalized firms able to invest millions into new plants and equipment.

Market shares: Beef 1990



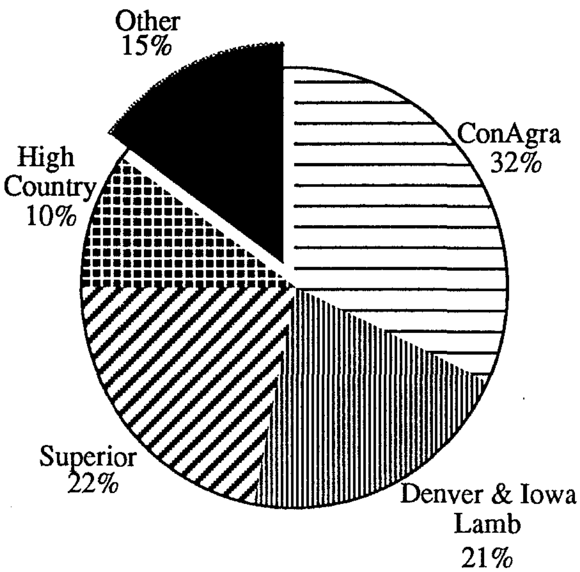
(based on projected % of slaughter)

Source: Estimate based on Beef Today, January, 1989, and Meat & Poultry, August 1989.

Four of every five fed cattle slaughtered in the U.S. in 1990 will be processed by the Big Three.

* **Low wages.** Meatpacking workers are among the most exploited in American industry. The Big Three have dramatically reduced workers' wages. Before the 1980's most meatpacking workers were covered by master contracts with the United Food and Commercial Workers (UFCW), which provided uniform wages and cost of living allowances throughout the industry. This decade has seen an all-out assault by meatpacking plants against their workers, who have been forced to absorb wage freezes and major cutbacks. In 1983, for example, Wilson Foods slashed wages by 40%, from $10.69/hour to $6.50/hour. At the John Morrell plant in Sioux Falls, South Dakota, the base wage rate has been cut to $8.00/hour, a $3.75 decline since 1982. Workers in IBP's Finney County, Kansas plant receive about $5.82/hour. Unskilled workers are being hired in greater numbers as the packers seek ways to reduce the skills required on the production line. Low wages combined with high accident rates have resulted in a high turnover of workers throughout the industry. All this in an industry with the highest accident rate of any in the U.S. Unsafe working conditions, low wages and increased profits all come together in the big packing plants.

Market Shares: Lamb 1990



(Based on percent of slaughter)

Source: WORC estimate based on data from the Packers and Stockyards Administration and the American Sheep Industry Association.

The top four companies control an estimated 85% of all U.S. lamb slaughter.

*** Weak enforcement of antitrust laws.** Antitrust laws — including the Sherman and Clayton Antitrust Acts and the Packers and Stockyards Act of 1921 — were designed to prevent a few large corporations from gaining control of meatpacking and other industries. Today, it can be argued that forward contracting, packer feeding and discriminatory pricing practices violate Sec. 202 of the Packers and Stockyards Act and Sec. 3 of the Clayton Act. Also, most mergers and acquisitions by the big packers violate the Sherman Act and Sec. 7 of the Clayton Act by reducing competition. Despite these developments, antitrust laws have been weakly enforced in recent decades. Mergers and buyouts which reduce competition have been allowed to proceed unchecked.

***Federal `cheap grain' policy.** Concentration in cattle feeding and beef packing has also been fueled by low grain prices. The cost of raising corn and other feed is about twice the market price set by the 1985 Farm Bill. It is no coincidence that Cargill and ConAgra combine grain trading and cattle feeding. By integrating feeding and processing, grain companies capture the profit from their competitive advantage in grain handling. They have the grain from elevator to market, whether it's sold as seed, flour, chicken, pork or steak.

It is clear that Congress will not take action to restore competition to the meat industry unless people make their voices heard. Congress needs to hear our discontent with the corporate takeover of the American food production system.

What you can do:

Join your state WORC group and get involved in our campaign to bust the meat trust. Join the fight to restore competition to the meat industry and revitalize our rural communities.

Western Organization of Resource Councils
412 Stapleton Building
Billings MT 59101
406-252-9672

Northern Plains Resource Council
419 Stapleton Building
Billings MT 59101
406-248-1154

Dakota Resource Council
RR 2 Box 19C
Dickinson ND 58601
701-227-1851

Powder River Basin Resource Council
Box 1178
Douglas WY 82633
307-358-5002

Dakota Rural Action
Box 549
Brookings SD 57006
506-697-5204

Western Colorado Congress
Box 472
Montrose CO 81402
303-249-1978

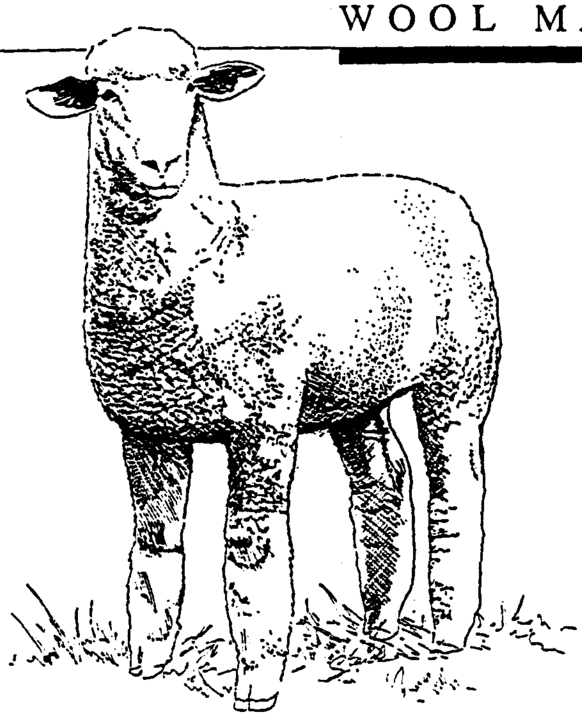
Contact WORC for other factsheets and reports in the series:

FACTSHEETS

Corporate Profiles: The Big Three
Monopoly Power in the Beef Industry
Monopoly Power in the Pork Industry
Monopoly Power in the Lamb Industry

REPORTS

The Original Beef Trust and the Consent Decree of 1920
Meatpacking, Labor and Communities
Antitrust Laws and Legislative Options



Are We Getting "Skinned" By Low Pelt Prices?

By Rick Wertheimer,
ASI Wool Market Services Director

It is no secret live lamb prices are down compared to a year ago. For instance, live prices in the Midwest averaged around 49 cents compared with 60 cents a year ago. The first week of January it is common knowledge that wholesale prices, for the most part determine the level at which packers will pay for live lambs. But when the situation is looked at in more depth, wholesale prices are not that much lower than a year ago. In fact, weighted wholesale prices at the beginning of January were only 3 cents lower than a year ago with this year averaging \$1.1325 per pound.

So, why is there so much difference between live prices in 1989 and those in 1990? One answer can be found in the value of sheep skins. When producers sell their lambs, they do not receive a separate check each for the meat, the pelt and the offal. Instead, when the buyer bids on a set of lambs, he figures the value of these items into the total price of the lamb. So, even though the value of the meat has not changed dramatically, changes in the value of the pelt and offal can have a dramatic effect on the price of live lambs.

Packers have typically looked at the pelt as a way to pay for the operation of the packing plant. If the kill cost for a packer is \$6-7 per head and the pelt covered the cost of slaughter, the packer could essentially pay approximately what he could get out of the meat, less some profit for the company. For many years, this approach worked for the industry.

However, present pelt market conditions have forced the packer to look at things differently. The pelt no longer covers the cost of slaughter. The value of pelts today are \$5 lower than a year ago. Only two and a half years ago, pelt prices were three to four times higher than they are today.

What caused the dramatic drop in sheep skin prices? As is the case in the domestic wool market, the domestic pelt price is affected by world events rather than just what is happening here in the U.S. In fact, the affect is even more dramatic than in the wool side of the business since 75 percent of domestic sheep skins are exported because demand for sheep skin products is stronger overseas than it is in this country.

Europe is a major demand center for sheep skin products and over the past several winters, temperature have been very mild. Consequently, demand has been slack for sheep skin goods. Sheep skins have suffered from a reputation of being heavy in weight, expensive and more suitable for outdoor activities rather than being included in everyday fashion. Also, demand for napped and sueded leather clothing has increased thus displacing sheep skin garments. As a result, more sheep skins have been fellmongered, pickled and tanned for garment leather. This has caused a world oversupply of pickled skins. Despite the oversupply of pickled skins, with the current wool market, fellmongers are unable to pay as much as they could a year ago simply because the price of wool is down dramatically from a year ago. In fact, the market for grey, heavily stained or black wool is virtually non-existent today.

The current economic situation has consumers cutting back on such purchases as leather products made from sheep skin.

Lastly, specific to this country, has been the closing of several large tanners including Sawyer and Masters at the end of 1990. Today, there are only three major tanners left in the U.S. Five years ago, there were double that number.

These are some of the reasons pelt prices have fallen. More importantly to producers is how it has affected the value of their lambs. To understand this it may be helpful to understand the computations made to determine the value of a live lamb. Below are two examples, one using a pelt value for a No. 1 skin of \$8 while the second uses a value of \$3. In this example, it is assumed that the lamb will produce a carcass of 67 pounds. This is based on a 130 pound live lamb with a 51.5 percent net yield.

First you must arrive at the net value of the carcass at the packing plant. To do this take the present wholesale price for a 65-75 pound carcass delivered to the East Coast, \$1.13 per pound and subtract the delivery charge of 6 cents.

\$1.13	per pound quoted carcass price delivered to the East Coast
- .06	per pound freight cost—slaughter plant to the East Coast
\$1.07	per pound net carcass price at the plant

Example 1—Pelt price of $8

$ 1.07	Packing plant carcass price
X 67	Net carcass weight
71.69	Value of hanging carcass
+8.00	Value of pelt
+1.00	Value of offal
80.69	Adjusted value of carcass
7.00	Estimated plant cost to process lamb
73.69	Net Value of carcass to packer
$56.68	Value of live lamb per pound (73.69 / 130 pounds live weight)

Example 2—Pelt price of $3

$ 1.07	Packing plant carcass price
X 67	Net carcass weight
71.69	Value of hanging carcass
+3.00	Value of pelt
+1.00	Value of offal
75.69	Adjusted value of carcass
7.00	Estimated plant cost to process lamb
68.76	Net Value of carcass to packer
$52.83	Value of live lamb per pound (68.76 / 130 pounds live weight)

Using these two examples, a drop in the value of pelts of $5 results in a net change to the grower of 3.85 cents per pound. Realize that these are estimated figures and that this example does not build in any profit for the packer. Also, there has been no allowance for defective skins.

While this example shows how a decline in pelt value affects the value of live lambs, it does not take into account the market conditions as they exist today. While the quoted prices are down approximately $5 from a year ago, packers are probably using lower value to calculate live values since the demand situation is so poor. The best demand is for white wooled skins. Discounts are being applied to skins with defect such as black, stain and manure.

The situation of low prices is likely to continue to the short term. A better economic situation, a turn around in the wool market and colder winter in Europe will help lift the demand for sheep skins from the low levels of today.

Wool Prices Influenced By World Markets

"Domestic wool prices will be strongly affected by continued chaos of world wool markets," said Steve Raftopoulos, a Colorado rancher and American Sheep Industry Association Wool Council chairman. "There are positive signs that indicate improvement, however, the current situation is still very critical."

Raftopoulos said the drop in wool prices is largely being attributed to the Australian wool market, that in the words of Australian Wool Corporation (AWC) Chairman Hugh Beggs, "has been caught in a series of events the past 12 months that have moved faster and produced greater effects than any other period in wool industry history."

The AWC is currently adopting measures designed to correct the serious imbalance between supply and demand, ensure financial viability of the Reserve Price Scheme and restore confidence among the world's wool users.

The AWC is taking decisive action to cope with the crisis, caused by record production coinciding with a dramatic drop in orders from major wool buyers including the USSR and China.

The two major reasons for the unexpected drop in demand for wool worldwide include the USSR's inability to pay for former wool orders and deliveries. In 1988/89, it bought 18 percent of Australia's wool, the equivalent of 252 million pounds grease, yet in 1989/90, bought only 9 percent, or 139 million pounds grease. Furthermore, the USSR has not yet bought any wool this season. Economic problems are still delaying China's return to the market. Wool sales to China fell from 128 million pounds grease in 1988/89 to 55 million pounds in 1989/90.

As of November 28, the AWC had a stockpile of 4,432,355 million bales of wool, or 1.73 billion pounds grease, more than 17 years of U.S. clip. The stockpile continues to grow at a rate of 85,000-90,000 bales per week. Just eighteen months ago, the stockpile totalled 188,000 bales, or approximately 73 million pounds grease.

Just how bad is the situation? The AWC has submitted a business plan to tackle the urgent problems. The recently imposed measures are drastic:

- the wool tax has been increased 25 percent with an approved level of 30 percent. This means a producer is charged 25 percent tax to help finance the support price.
- with the start of the 1991/92 season, a surcharge on the wool tax of up to 20 percent may be introduced. This would create a total tax nearing 50 percent charged to producers.
- plans for "the orderly and humane disposal of 15-20 million sheep" are being developed.
- individual producers will be assigned quotas for 1991/92, so wool offerings are a maximum of 1.66 billion pounds from 1991/92 production, about 75 percent of the 1990/91 production estimate of 2.2 billion pounds.

Summing it up, AWC Chairman Beggs announced, "The most urgent problem facing the Australian wool industry is to bring our production in line with world demand."

Despite the dire situation, positive indicators for the wool industry are beginning to surface. Japan, another important world wool customer, has stated it will increase purchases in 1991. Also, the Australian federal government has decided to help boost Australian commodity exports to the Soviet Union with a $500 million insured credit program, with $400 million designated specifically for wool.

What can the U.S. industry expect? "We know there's a serious oversupply of wool worldwide," said Raftopoulos. "We have critical economic problems with retail consumer demand for wool, and total mill consumption has dropped 11.6 percent during the first three quarters of 1990 alone."

Commerce department data indicates apparel products are being made lighter by using more 60's and finer wool, versus 60's and coarser. In fact, apparel consumption of finer wool fibers grew from 58 percent to 64 percent, compared with the same period in 1989. In any case, the

Wool Prices — *Continued on page 28*

SJR

Feb. 8, 1991

Montana Cattle Women
by Carol Mosher

MARKETING COMMITTEE
OF NCA

SENATE AGRICULTURE
EXHIBIT NO. #4
DATE 2/8/91
BILL NO. SJR 14

CONCENTRATION/INTEGRATION

WHEREAS, the National Cattlemen's Association Beef Industry Concentration/Integration Task Force has thoroughly examined the economic forces at work in the beef and cattle industry; and

WHEREAS, the NCA Beef Industry Concentration Integration Task Force has unanimously endorsed the belief that the nation and the beef industry are best served by the capitalistic, competitive free market system,

THEREFORE BE IT RESOLVED, that NCA accept the Task Force Report as a resource document and reaffirm support for the competitive free market system in the beef business.

BE IT FURTHER RESOLVED, THAT THE NATIONAL CATTLEMEN'S ASSOCIATION REQUEST THAT THE FEDERAL GOVERNMENT MORE CLOSELY MONITOR MERGERS AND ACQUISITIONS IN THE PACKING AND PROCESSING INDUSTRIES BECAUSE OF INCREASED POTENTIAL FOR ANTI-TRUST VIOLATIONS.

BE IT FURTHER RESOLVED, THE PACKERS & STOCKYARDS ADMINISTRATION BE REQUESTED TO CONTINUE TO CLOSELY MONITOR PRICE MOVEMENTS AND SECTOR MARGINS TO ASSURE THAT PRICE CHANGES ARE THE RESULT OF MARKET SIGNALS AND NOT THE EXERCISE OF MARKET POWER AND THAT INVOLVEMENT OF USDA IN PRE-MERGER EVALUATION OF PROPOSED PACKER MERGERS CONDUCTED CURRENTLY BY THE U.S. DEPARTMENT OF JUSTICE BE REQUESTED.

Packer bashing won't solve concentration issue

Drover's Jrnl

7-90

Both producers and packers should realize they are playing a dangerous game in allowing the issue of packer concentration to heat up as it has in recent months. This is an extremely complex issue, and handling it wrongly could result in serious long-term damage to the whole beef industry.

An important perspective on this issue can be gained from looking at the differing viewpoints of the producer segment. One view is exemplified by the National Cattlemen's Association task force on industry structure—producers from all segments of the industry and all sections of the country who saw dangers in packer concentration if allowed to continue unchallenged but who also saw its advantages in providing a capital base for competing effectively with poultry and pork.

Another approach is seen in the views of producer groups that focus less on the big picture than on the individual feeder or cowman. These groups view concentration as having gone too far and are calling for measures ranging from breakup to strict regulation. The most moderate of these groups, the Center for Rural Affairs, Walthill, Neb. sees government intervention as the only alternative to forced divestiture. This group seems less concerned about beef's competitiveness versus poultry and pork than about predatory procurement and pricing practices.

The point on which these views differ most is the importance of beef's competitiveness versus poultry and pork. The NCA task force looked closely at how poultry and pork are produced and marketed and said that cost reduction must be a high priority for all sectors of the beef industry. "We doubt it," said the CRA investigators, opting instead for getting cattlemen a larger share of the farm-to-market price spread.

Narrowing these differing viewpoints must become a part of the concentration debate, and this will take some bending on the parts of both producers and packers.

Something that producers have to realize is that the cattle industry, itself has played a role in packer concentration. In a sense, it was concentration in the feeding industry that triggered concentration in the packing industry. Until 30 years ago, most feeding was done in many small units by farmers in states like Iowa, Minnesota, Missouri and Illinois. Feeders in these areas were well served by the terminal market system and the geographical distribution of packers that went with it.

Then commercial cattle feeding came along, and states like Texas, Kansas, Colorado and Nebraska became the new feeding centers. The packing industry followed, but it was only those packers with deep enough pockets to afford new plants that moved. And so, the Big Three evolved. Their presence in these areas facilitated both the feeding industry's concentration and their own.

The involvement of producer groups like CRA, whose constituencies are mainly in "small herd" country, suggests that the calls for government intervention are rooted in the hope that packing and cattle feeding will be forced back into the old farmer-feeding stronghold. If so, it might be just as effective to ask for a breakup of the large cattle feeders.

The calls for government intervention will undoubtedly run their course, either resulting in change or the status quo. Meanwhile, it would be wise for everyone concerned to remember that the objective of competing effectively with poultry and pork for the consumer's meat dollar won't be served with a bunch of high-cost packers competing for our live cattle. That can only drive the price of cattle down.

In the end, success for the product beef will require a harmonious combination of producers, feeders and packers. Somehow, the present adversarial relationship must be replaced with one based more on trust and fair play—one capable of operating a value based marketing system geared to the consumer's taste. Packer bashing alone won't get the job done. —*F.J.K.*

AGRI. NEWS 2-?-90

Packer attributes $80 fat cattle to his concentrated, competitive industry

by REBECCA TESCHER

Mention that packer concentration results in lower prices for beef producers and Dick Monfort gets a bit feisty.

The President of ConAgra Red Meats Division told the Montana Livestock and Nutrition Conference in Bozeman recently there's "a real bloodletting" between ConAgra and it's two close competitors - - IBP and Excel - - and, ranchers and feedlot operators benefit from the war.

"Without the big three," he said, "you won't have 80 cent fat cattle.

"It is time for the cow-calf rancher, the feeder and the packer to work as allies. We are not enemies."

Monfort told the group of 150 ranchers, feeders, researchers and students, "IBP and Excel are my competitors. I hate them. I want some of the cattle they buy and I want to sell my meat to the same people."

Referring to IBP's newly built beef packing plant near ConAgra's existing plant in Colorado, Monfort reiterated his point: "I will fight like hell to buy every cow they buy. What other business do you know that fights like this for a 1 percent profit?"

Pointing to John Maddux, a Nebraska feeder and fellow panel member, Monfort said, "I am not Jack Maddux' enemy. I am a customer of his. He is a supplier of mine."

Monfort, self-described as a third generation feeder and packing plant operator, said his family beef packing operation nearly failed financially in the early '80s.

"We didn't have deep pockets. We were efficient, stayed after it and fought hard."

Now the company operates four large feedlots, nine beef packing plants, three pork plants, three lamb plants, two ham plants, 60 distribution facilities and a 600-truck fleet.

"Our sales this year will probably approach $6 billion," he said.

Monfort said three major issues facing the beef packing business are food safety, labor and meat inspection.

ConAgra spends considerable money on keeping their meats safe. "We do test swabs on all our meat from all our plants in our $2 million lab in Greeley," he said. "We do so much to keep the product clean now, its a wonder anyone lived 50 years ago eating this stuff."

"All of these things must lead to consumer confidence," he said, "We all remember what happen to the poultry industry."

His company is test piloting a new USDA food inspection system. Monfort believes it's a good system which "we have improved."

However, it's receiving bad publicity, mostly from "a few meat inspectors who are afraid they are going to

(Continued on Page 13)

Packer takes credit for good prices

(Continued from Page 1)

lose their job.

In the next few month, he predicts slaughter plants will be coping with bad publicity from those inspectors "who say our meat is not clean."

Meat packing plants are also facing labor shortages. "Our jobs are very tough. They require hand motion, strength and are very repetitive," he explained.

Currently, Monfort has a former Oklahoma State exercise director to head up a 30-minute morning exercise program for new employees - - all this is to avoid on-the-job injuries which result in expensive lawsuits.

"This will eventually cost ranchers and feeders because it it a higher cost of us doing our job," he said.

The packer predicted the biggest change in the beef industry will be a leaner product coming out of the feedlot. Retailers are placing beef into the case with 1/4 to 1/8 inch of trim. It costs retailers to trim any extra fat off, he says. Monfort wants the trim taken off where it is most efficient, in the feedlot.

He suggested paying premiums for cattle with 3/4 inch or less trim. In time, "the feeder will relay that back to the rancher," he said.

Case-ready product are coming. "Excel already has a case ready product and we are learning from their mistakes," he said.

Retail beef cuts which come out of the beef packing house packaged and ready to sell, require no handling by the retailer.

Ironically we are taking fat off at the least efficient place, he said. "Cheap poultry isn't the only reason it is selling well," Monfort explains. "The retailer opens a box, prices it and throws it in the case."

"If we (beef packers) can get a product the retailer doesn't have to mess with," he claims, "we will sell more beef."

1-17-91

Justice Dept. rejects meat-packing probe

By The Associated Press

The U.S. Justice Department has rejected a state request for an investigation into possible antitrust violations in the meat-packing industry, but those who asked for the federal probe said Wednesday they are not disappointed.

Attorney General Marc Racicot and the Northern Plains Resource Council, which lobbies on agriculture and environmental issues, had requested the investigation last month.

In a letter to Racicot this week, the federal agency said it was monitoring developments in the industry and the dominance of the business by a small number of companies.

However, U.S. Assistant Attorney General Judy Whalley said the department needs reports of specific anti-competitive practices before an investigation can be started.

"We will carefully scrutinize all future meat-packing mergers to ensure that they will not result in any substantial lessening of competition."

Whalley also noted that Justice Department staff has met with organizations that have expressed concern about the growing concentration of power in the meat industry.

Elizabeth Baker, Racicot's executive assistant, said the letter was encouraging.

"It shows that they are looking at the problems," she said. "It doesn't say they're going to conduct an investigation, but it doesn't show they're not doing anything either."

SENATE AGRICULTURE
EXHIBIT NO. #5
DATE 2/8/91
BILL NO. SJR 14

MONTANA STATE AFL-CIO
AFL CIO
APRIL 29 1956

DONALD R. JUDGE
EXECUTIVE SECRETARY

110 WEST 13TH STREET
P.O. BOX 1176
HELENA, MONTANA 59624

(406) 442-1708

TESTIMONY FOR DON JUDGE ON SENATE JOINT RESOLUTION 14 BEFORE THE SENATE AGRICULTURE COMMITTEE, FEBRUARY 8, 1991.

Mr. Chairman, members of the Committee, for the record, my name is Don Judge, representing the Montana State AFL-CIO, and we are here in support of Senate Joint Resolution 14, which would request an interim study of the concentration in the livestock feeding and packing industries.

During the 1989 session, the AFL-CIO rose in support of this same measure. Our interest were to try to protect family farmers, small operators, and consumers from monopolized non-competitive pricing. At that time, three companies controlled 75% of the U.S. fat cattle market. Small operators and farmer-feeders were losing business and going broke every day.

National estimates show that 7000 jobs have been lost due to lack of competition in the meat packing industry. That comes to an annual wage base loss of $75 million. The current trend toward monopolization and big industry and away from healthy competition and small production affects everybody. For the producers, it means a relatively small marketplace to sell their product. For the consumers, it means high prices and quality that is suspect. For the workers it means a smaller choice of places to work.

Meat packing in Montana is a value added process. Adding value to Montana resources is what all recent studies and initiatives in economic development call for in order to help Montana create jobs for our youth and to stimulate our economy. We agree, and urge you to help us promote value added projects that are attached to one of our states largest industries, cattle production.

This resolution calls for an investigation of the conditions of this particular segment of Montana's agriculture. We feel that it is a segment well worth studying, for the good of all Montanan's.

We urge your favorable consideration of Senate Joint Resolution 14.

DATE 2/8/91

COMMITTEE ON Senate Agriculture

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One Support	Oppose
Bob Heiser	UFCW	SJR14	✓	
CHRISTIAN MACKAY	AFL-CIO	SJR14	✓	
Jim Baumgartner	AERC	SJR14	✓	
CAROL MOSHER	Mt. CattleWomen	SJR14	✓	
BETH BAKER	DEPT OF JUSTICE	SJR14	✓	
LORNA FRANK	FARM Bureau	SJR14	✓	
Ed C. Mott	SELF	SJR14	✓	
John Mott	self	SJR14	✓	
Bob Gilbert	MWGA (woolgrowers) & MSGA (stockgrowers)	SJR14	✓	
Gilles Stockton	Northern Plains Res. Council	SJR14	✓	

(Please leave prepared statement with Secretary)