Presentation to

The South Dakota Law Review Symposium: Antitrust & Competition in America’s Heartland

by

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Under Siege: The U.S. Live Cattle Industry
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Precarious Structure of U.S. Beef Cattle Industry

- 729,000 Beef Cattle Operations, including Seed Stock Producers, Cow/Calf Producers, Backgrounders and Stockers.
- Only 69,000 U.S. Beef Cattle Operations have a Herd Size Over 100 Head.
- Since 1980, Approx. 544,000 Beef Cattle Operations have Exited the Industry at a Rate-of-Loss of about 17,000 Operations Per Year.

Four Mega-Packers Slaughter Approx. 85% of All U.S. Fed Cattle.

2,100 Large Feedlots Fed Approx. 89% of All Fed Cattle in 2012, up from 85% in 2008.

73,000 Farmer Feeders in 2012 (Reduced from 110,00 in 1996). These Smaller Feeders Fed Approx. 11% of All Fed Cattle in 2012, down from 15% in 2008.
Meatpackers’ Winning Strategy for Controlling Livestock Supply Chains

**Step 1:** Create market access risk for producers who sell slaughter-ready livestock.

**Step 2:** Solve the market access risk problem by granting market access in return for producers’ commitment to enter marketing contracts.

**Step 3:** When livestock volumes shift from cash to contract, continue using the cash market to discover/set the base price for all contracts.

**Step 4:** Exploit the thinning cash market that produces below cost-of-production prices and forces producers to exit the livestock industry.

**Step 5:** Lead producers to believe the cash market is antiquated and start shifting livestock volumes from marketing agreements to production contracts.
Loss of Livestock Operations


<table>
<thead>
<tr>
<th>Type of Livestock Operations</th>
<th>Number of U.S. Livestock Operations</th>
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</thead>
<tbody>
<tr>
<td>Beef Cattle</td>
<td>1,272,950</td>
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<tr>
<td>Swine</td>
<td>667,000</td>
</tr>
<tr>
<td>Diary</td>
<td>335,270</td>
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<tr>
<td>Sheep</td>
<td>120,000</td>
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</tbody>
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- 43% Loss
- 91% Loss
- 83% Loss
- 34% Loss

Source: USDA-NASS

R-CALF USA
Shrinking Number of Cattle Feeders

Decline in Numbers of U.S. Feedlots
1996-2012

Number of U.S. Feedlots

Source: USDA-NASS, Various Cattle on Feed Reports
R-CALF USA
Harm to Producers and Consumers

RANCH GATE TO RETAIL COUNTER BEEF PRICE SPREADS (Nominal Prices)
JAN. 1980 - JAN. 2013

Net Farm Value (Cattle Price) vs. Retail Beef Prices

Source: USDA-ERS