

Banning Packer Ownership Provides Producer Opportunities Not Limitations

Kansas Cattlemen's Association, along with other producer organizations, is urging senators and representatives to keep the ban on packer ownership and other competition reforms in the Farm Bill.

In recent days, the NCBA President, Andy Groseta, stated, "Some are already calling for Congress to further inject itself into this situation by banning packer ownership of cattle. But that would not be productive, nor would it make any sense. Banning packer ownership more than 14 days before slaughter actually limits the marketing options of cattle producers, and reduces the field of potential buyers. It does nothing to enhance competition."

So how does banning packer ownership enhance competition? Or, better yet, how does packer owner deplete competition? Brazil owned JBS just purchased National Beef and Smithfield Beef, the fourth and fifth largest meat packers in the United States. In 2007, JBS purchased the then third largest packer, Swift & Co. So, to date, one company consolidated three packers and is purchasing Five Rivers Ranch Feeding Company LLC, a business that has more than an 800,000 head capacity. When the cattle market is high and one company owns its own cattle, that packer has the capability of not competing in the market by staying out to the market all together and utilizing its own cattle for processing. This drives down the price of cattle and is negative to producers. If packer ownership is banned, packers would then need to compete for its weekly processing, benefiting producers.

The industry has heard rhetoric the banning packer owner more than 14 days before slaughter actually limits the marketing options of cattle producers. Yet, the provision of banning packer ownership as it appears in the Senate version of the Farm Bill does not address formula or program cattle. Producers will still be able to utilize those marketing opportunities. The ban on packer ownership, however, would affect when a base price is established...prior to delivery of cattle to the packer. Premiums based on formula incentives and quality cattle would still be available to those producers. Therefore, banning packer ownership does not limit marketing opportunities; it enhances producer opportunities.

By: Brandy Carter