

11/11/2002 Entry: "A Legal Review and Economics of the Beef and Cattle Markets"

Mike Schultz KCA Executive Director

Kansas Cattlemen's Association's "A Legal Review and Economics of the Beef and Cattle Markets" gave every producer the opportunity to meet and listen to three of the leading Economist/ Ag Lawyers in the industry explain in detail the overall problems, legal opinions, and some legal solutions to the Beef and Cattle industry. This meeting was a first for producers to meet with the members of the legal system who wrote Senator Chuck Grassley's "Packer Ownership Ban" for the Farm Bill" and worked over the years to restore true competition in the Beef and Cattle industry as well as other industries in the U.S.A.. We want to thank those of you who attended and our speakers for fitting a meeting into some of the busiest schedules. The speakers provided a wealth of info for KCA members.

The meeting kicked off with opening statements from our KCA President Ken Winter with the welcome and introduction of speakers, followed up by Dr. Robert C. Taylor from Auburn University on the serious marketing problems associated with "Marketing Power in the Meat Industry", Problems and potential solutions. Dr. Taylor mentioned the following issues: Price spread differences from the ranch to the retail, Contracting agreements, vertical integration and the growing imbalance of power between meat packers and producers. Dr. Taylor showed the effects of "market power" when he who writes and delivers the contracts has market power in itself. Dr. Taylor's solutions were to:

1. Eliminate anticompetitive bidding practices.
2. Severely restrict captive supplies.
3. Provide accurate, timely information on process, captive supplies and contract term.
4. Eliminate packer to packer transactions.
5. Enforce Predatory Pricing Laws.

Dr. Neil Harl from Iowa State gave the presentation on "Farmers in the Twenty-First Century: Independent Entrepreneurs or Serfs?"

Dr. Harl addressed the structure of the current Ag Sector, highlighting that "competition is the most critical element of a price oriented, market economy". Without competition, firms become complacent, are less likely to innovate, tend to become arrogant and indifferent and are inclined to produce less and obtain a higher price for their output. Dr. Harl talked about a system of market protection (or antitrust) to penalize collusion and to prevent undue concentration and economic power. Dr. Harl also talked about mergers, concentration, market power and the effects of contracting, leading to a deadly combination.

Dr. Harl gave three solutions:

1. Antitrust enforcement by the federal level.
2. Ending packer ownership of livestock.
3. Collective Action by the farmers (Capper – Volstead Act of 1922 provides

protection from farmers organizing and to collective bargain with processors, handlers and input suppliers).

The final speaker is one of which I feel is second to none-Dr. Roger McEowen from Kansas State. Dr. McEowen has broken the cycle of land grant universities telling us that as small producers we are the inefficient and we need to get out of the way. Dr. McEowen helped write and then explained the “The Packer Ownership Ban – Specifics of the Legislation from a legal point of view vs. the earlier 8 economists who tried to interpret the law and where not lawyers. This legislative landmark is professionally written and very capable of withstanding the challenges brought about by the meat packing industry and those lobbying in favor of stalling its timely passage. Dr. McEowen explained at no time did any of those working against this legislation ever show factual information as to why the packers have to own or feed cattle. Dr. McEowen explained the argument used by some that the legislation didn’t have or meet the “bright line” test (being specific), this legislation was written just as the previous legislative landmark pieces such as the Sherman Act of 1890, The Clayton Act of 1914, The Packers and Stockyards Act of 1921 and the Capper- Volstead Act of 1922 where these have stood the test of time. Dr. McEowen closed with “Why do we support Banning Packer Ownership? Why all the opposition to banning packer ownership of livestock? Packer ownership of livestock is an extreme form of captive supply and is the type most easily manipulable”.

For those who were attending it was a once in a lifetime day of information made available for your best interest regardless of the side you choose to be on. We at KCA are very thankful and proud to be associated with these University Professors who are and do work for you the independent ag producer on a daily basis. If anyone would like more information about this meeting we encourage you to contact the KCA office.