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## California cattle ranchers fight to survive

Carolyn Lochhead, Chronicle Washington Bureau

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**Meatpacking** today is more concentrated than it was in the heyday of Teddy Roosevelt. Four packers - Tyson Foods, Brazilian giant JBS, Cargill and National Beef - control 84 percent of the beef market. The consolidation mirrors a transformation of American agriculture since 1980 in which industrial operations have displaced small, diversified farms.

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### Major mergers in '80s, '90s

Mark Shelley, who raises cattle on ranches in Big Sur and Elkhorn Slough and runs Tassajara Natural Meats in Monterey County, said the lack of slaughterhouses is "a real stumbling block to everybody being able to provide healthy, good local meat" to consumers.

In the 1980s and '90s, meat packers underwent a rapid series of horizontal mergers that created today's behemoths. Those firms are now in the midst of a vertical integration, using contracts with cattle growers to control their supplies.

What scares supporters of the new rule is that this model swallowed poultry and hog farmers. In 1980, there were 667,000 hog farmers dotting the Midwest; today there are just 67,000, a 90 percent drop. Nearly all chicken farmers now work under contract with the large packers.

Until the Bush administration blocked a merger between JBS and National Beef in 2008, there was little antitrust action in meatpacking. The Obama administration adopted a

much more aggressive stance, becoming perhaps the first in the postwar era to scrutinize market power in the farm sector.

## **Workshops produce leads**

Last year, [Vilsack](#) and Attorney General Eric Holder held an unprecedented series of workshops across the nation to examine livestock, dairy and seed markets and concentration among supermarket chains. Christine Varney, the assistant attorney general for antitrust, said her office has "several investigations" following leads from the workshops.

Last summer, the Agriculture Department's Grain Inspection, Packers and Stockyards Agency - long criticized by the government's own watchdogs for its failure to enforce the [Packers and Stockyards Act](#) - proposed the new rule to toughen enforcement, following congressional orders in the 2008 farm bill.

The rule would force packers to justify price differentials and provide sample contracts to post on the Internet.

Warren, the Aromas cattleman, called the rule ridiculous. "How can the federal government dictate to us how and where and when (ranchers) sell their cows?" he said. "That would be like telling car dealers that they can only sell seven [cars](#) this week and they have to sell them to certain people."

The rule allows contracts, but packers said it would invite lawsuits and force them to stop contracting with ranches for specialized beef.

"If you're a packer, you're not going to take that chance," said Mark Dopp, head of regulatory affairs for the American Meat Institute, which speaks for the packers. "That means marketing agreements go away. It will re-commoditize the industry."

## **'Very difficult problem'**

UC Davis economist Richard Sexton is sympathetic to small farmers but said the rule goes overboard. He described "inexorable" market forces worldwide - driven by consumer insistence on low prices - that are pushing the food industry at all stages, from farmers to retailers, toward fewer and bigger players.

"That obviously has consequences for smaller producers and for the rural communities they populate," Sexton said. "It's a very difficult problem, and something like this rule is literally trying to put your finger in the dike."

But Fred Stokes, a retired Mississippi cattleman and executive director of the anti-packer Organization for Competitive Markets, said the proposed rule offers hope.

"We are doing a travesty to our people and to independent agriculture, and these rules are the only glimmer of hope that I see to redress that," he said.

### Slaughterhouse rules

**The law:** The 1921 Packers and Stockyards Act granted the government broad powers to rein in the meatpacking cartel, banning packers from "any unfair, unjustly discriminatory, or deceptive practice" and prohibiting them from making "any undue or unreasonable preference or advantage, or disadvantage" to any livestock grower. It has five other provisions outlawing collusive conduct.

**Proposed rule:** After decades of scant enforcement, the Obama administration proposed a rule, at the direction of Congress, to improve enforcement of the law by clarifying and defining its terms. The rule covers all livestock, including beef, poultry and swine.

**Ranchers react:** Cattle ranchers in [California](#) and across the nation are deeply divided over whether the new rule will help them survive against alleged manipulative buying practices of the big packers or ruin their efforts to sell beef under consumer brands.

*E-mail Carolyn Lochhead at [clochhead@sfnchronicle.com](mailto:clochhead@sfnchronicle.com).*

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