Livestock MARKET Digest

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When Big Is BAD

by Lee Pitts
A Digest Exclusive

> Keep plenty of dry hay in the barn & your horse will always find its way home.
>
> Trail Talk

"We don't need 'the little guy.' He is responsible for our poor quality, high prices and safety problems. If we had fewer players, we'd have fewer problems." Sound familiar? These are the reasons currently being given to integrate, concentrate, merge and purge virtually every industry in the land.

The last 15 years have seen the most corporate mergers and acquisitions during any 15-year period in U.S. history. In just seven years, there were 387 mergers between companies in the food industry.

People as Shock Absorbers

Supposedly, the combining of these multinational corporations has meant wonderful things for the consumer. But there has been a definite downside.

- During the same time frame, farmers and ranchers have seen their income rise 7.5 percent and their costs increase 23 percent.
- From 1970 to 1992, the producer's share of the beef dollar fell from 64 percent to 57 percent. Bad as that was, it wasn't as bad as pork producers who saw their share drop from 51 percent to 31 percent as their industry became much more concentrated.
- Since 1950 the agricultural producer's share of the nation's income has gone from nearly six percent to 0.8 percent . . . and dropping.
- We are currently losing agricultural producers at the rate of 32,500 per year.
- In 1990, 22 percent of farm households were living below the poverty level, twice the rate of the average American family. How odd that the people who can't afford to feed their families are the ones who grow the food!

In agriculture we still live by the boom and the bust, but the big boys are maintaining their profit margins while the producers have become the primary shock absorbers for fluctuations in the commodity cycle.

If producers are the shock absorbers, who has been getting the smooth ride?

IBP: What started out as an oil giant is now the largest pork and beef packer in the world. What do oil and food have in common? A former president of Occidental, when it owned IBP, said, "Our strategy for the 1990s is to be prominent in the food area. We're going to be running into a food scarcity situation in the 1990's in the same way that we had an energy shortage in the 1980s."

We wonder, will IBP have us waiting in long lines to pay higher prices?

ConAgra: Their Fresh Meat Division had sales of seven billion in 1996, representing 25 percent of total sales. Like a true multinational, ConAgra doesn't care where they get their input. If you are a ConAgra shareholder . . . you HAFTA like NAFTA.

Cargill: The largest privately held corporation in the world made its highest profit ever in fiscal year 1996 . . . $900 million on sales of $56 billion. That figure represents 34 percent more profit and 10 percent more sales than the previous year. Their packing and feeding divisions have been able to ride out the bumps in the grain market because they are also the world's largest grain trader.

Continental Grain: The third largest privately held company in the nation is the second largest grain trader and the largest beef feeder. They operate in 58 countries around the world.

Anti-Competitive Factors

According to the minority report on packer concentration, "There are severe anti-competitive forces at work in the livestock industry that are artificially accelerating the rate of concentration." These include:

Soft Money: The figures aren't in yet for the 1996 election, but we have known for some time that in the 1992 election, four out of the top five contributors to political parties and candidates

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