# The Truth about Beef Price Fixing, the JBS \$52.5 Million Settlement, and Justice

By Jim Mundorf-Lonesome Lands, REPRINTED WITH PERMISSION

n Thursday the worlds largest meat packer JBS announced that it was paying \$52.5 million to settle a price fixing lawsuit...and that's all that was reported. I read all the articles I could about it, and that's really all the information that was given. There was no mention of who was actually suing them, no specifics about the allegations, no mention of evidence included in the complaint, and because of the lack of details given, many people, publications, and organizations, have simply been making things up.

## THE COMPLAINT

The original lawsuit that JBS is settling was filed on October 10, 2019, by Pacific Agri-Products against the big 4 beef packers, JBS, Tyson Foods, Cargill and National Beef. Pacific Agri-Products is a wholesale food distributor that, in this case, buys beef direct from the packer and distributes to retailers and other wholesalers. After filing, five other wholesalers joined the class action. The evidence used in the complaint is pretty much, word for word, the same as a lawsuit filed in April of that year by the cattlemen's organization R-calf, and a number of cattle producers. It seems like the lawyers just copied and pasted R-calf's lawsuit onto their own and sued for price fixing of beef instead of for the cattle. This works because what they are accusing beef packers of doing, impacts prices for both cattle and beef.

## THE ALLEGATIONS

The lawsuit states that Tyson, Cargill, National, and JBS worked together, starting in 2015, to reduce the number of cattle slaughtered which created, "artificial Beef supply restraints." Reducing the slaughter numbers works to fill packer pockets on both ends. They are able to put the squeaze on cattle feeders because there are too many cattle. The feeders can't feed them forever and have to take what they can get. The packers are then able to charge more for beef, because wholesalers, like Pacific-Agri Products,



are under supplied and have to pay through the nose for the beef they can get.

#### THE EVIDENCE

There are pages and pages of evidence provided to show how beef packers did this and the obvious results of lower cattle prices and higher beef prices. The most damning evidence given is the testimony of a packing plant employee. The witness was the Head Quality Assurance Officer at one of the major packing plants for 10 years. The witness, "reports having multiple discussions with the Fabrication Manager during which the Fabrication Manager explained that all of the Defendants(Packers) agreed to reduce their purchase of fed cattle and slaughter volume. For example, during one conversation, the Fabrication manager specifically admitted that the Defendants had an "agreement" to reduce their purchase and slaughter volumes in response to what they perceived to be high fed cattle prices." The witness specifically recalls a conversation with the plants fabrication manager where he was told, "We have had that agreement that we don't kill while prices are up for a while." The witness also explains that the plants in on the, "agreement" were, Tyson Amarillo, Texas; JBS Cactus, Texas; Cargill Friona, Texas; and National Beef, Liberal, Kansas. Last summer the packers lawyers tried to have the case thrown

out because they said that the witness was unreliable. The Judge looked into the witness and denied their request. Another part of the evidence was simply listing the packing plants that the four packers shut down. In around 30 months they shut down a total of 12 different packing plants. The suit states that if you combine that with the slowing down of other plants this, "stripped out approximately two million head from the industry's annual slaughter *capacity.*" Quite possibly the most eye popping evidence given is simply showing the results of what happened to prices when the packers colluded to slow production.

### **SETTLEMENTS VS. JUSTICE**

So JBS is paying \$52.5 Million to get out of the beef wholesalers' lawsuit. Cargill, Tyson, and National are still involved and probably negotiating their way out right now. All four are still being sued by R-calf and the Cattlemen. I get that some people in the cattle industry are happy or satisfied to hear that JBS is paying \$52.5 million to settle. I'm not. I want this to go to court and I want the packers to lose. The truth is if the USDA had any courage and wasn't controlled by the packers' lobby they would be the ones prosecuting these charges. There are laws about price fixing and manipulating markets. These corporations have broken those laws, and the people tasked with enforcing those laws, the USDA, have refused to do their job. If this goes to court and the packers lose, the USDA could finally be forced to take some real action. Settlements are about money, they are not about justice. The people raising cattle deserve justice. Justice for the past seven years of struggle. Justice for those who've been forced to constantly ask themselves if it's even worth it anymore. Justice for the liquidations of farms, and ranches, that just could not continue to lose money. Justice for the farmers and ranchers who have had to sell out, and watch, with tears in their eyes, as their last loads of cattle go down the road. Justice for the kids growing up on those farms and ranches, who just wanted the chance to raise cattle like Dad and Grandpa. Justice for the Dads and Moms who have had to tell their kids that the cattle have to go, because it just isn't worth it anymore. That is what these illegal activities have forced on a lot of families in the the past few years. Settlements aren't going to fix that. Only a guilty verdict could have the possibility of fixing that. Never settle.

The most up to date version of the chart used in both original lawsuits. The red line is cattle prices and the blue columns are beef prices. The in between is beef packer profit margin.

The red line is cattle prices and the blue columns are beef prices. When the red and blue are moving together it shows a market functioning properly. When demand for beef went up, the price and demand for cattle went up with it. When beef packers all slowed production in 2015 it increased the supply of cattle causing the cattle price to go down while at the same time decreasing the amount of beef available, driving the demand, and price, up. The difference between the red and the blue is the beef packer profit margin and for the past two years it is literally off the charts.



