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California cattle ranchers fight to survive

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Sunday, January 30, 2011

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(01-30) 04:00 PST Washington - -- Great herds of tule elk once grazed the rolling grasslands of California's coast and Sierra foothills. Today it is cattle grazing on private ranches that preserves 20 million acres of incomparable landscape.

The ranches are under pressure from many directions, including the consolidation of the meatpacking industry that has left few options to slaughter cows in California.

Modern packinghouses and feedlots, concentrated east of the Rocky Mountains, have become a symbol of factory farming and have left California ranchers - conventional and grass-finished - in a pinch because most of the two-dozen major slaughterhouses that existed in California in the 1980s are gone.

"We are seeing the toppling of the last critical mass of infrastructure around the country," said David Evans of Marin Sun Farms, a fourth-generation rancher at Point Reyes Station who works with other ranchers to market California grass-finished beef locally.

"There is a small-farming entrepreneurial mecca in the Bay Area," he said, "but the access to the market is limited, because you cannot get it processed."

Complaints of price collusion are common. One California rancher who would not speak publicly said that when it comes to selling cattle, meat packers "all want to drink coffee out of the same cup," each offering ranchers the same low price for their cattle.

The [Obama](#) administration has proposed a rule that aims to address market abuses and rescue cattle from the fate of hogs and poultry, where growers work under one-sided contracts with large meat packers, a relationship described as "feudal" by Robert Taylor, an agricultural economist at Auburn University.

Giving farmers more power

The rule, now under review, generated 65,000 comments and a fierce blowback from packers. It is based on the Packers and Stockyards Act of 1921, which focused on the meatpacking cartel of a

century ago. The change is meant to give more power to farmers in contracting and to revive shrinking auction markets.

Supporters of the rule see it as a first assault on the industrialized food system; it is also integral to Agriculture Secretary Tom Vilsack's efforts to combat the "hollowing out" of rural towns by agribusiness.

The rule has provoked an uproar in cattle country. Some small livestock growers and their allies among sustainable-farm groups claim it is the last thing standing between cattle ranchers and annihilation. They point to the 40 percent decline in independently owned ranches since 1980 - from 1.3 million to 753,000.

"We are losing more ranches in this country each year than there are in the entire states of Arizona, Idaho, Montana and North Dakota," said Bill Bullard, president of R-Calf, a rancher group that supports the rule.

But many California ranchers, some of them at the vanguard of the "natural beef" movement, worry that the proposed rule could interfere with their efforts to provide the branded beef consumers increasingly want. Such beef is often grown under contract.

"It looks to me like ranchers who have tried to do a good job genetically, gone through organic certification, raised antibiotic-free and hormone-free beef - under the proposed rule I don't know if we'd be getting any premium," said Darrell Wood, owner of Leavitt Lake Ranches in Vina (Tehama County), which has been in his family since the 1860s. Wood won a national conservation award and raises grass-finished beef for Whole Foods.

Jim Warren, who raises as many as 2,000 cattle on leased land in the Central Coast and operates the 101 Livestock cattle auction in Aromas (San Benito County), selling 30,000 and 50,000 head of cattle a year, is also skeptical.

"This rule looks back, not forward," he said. "Maybe there was some manipulation ... that could have been corrected a long time ago and wasn't. But the reality is we need to look forward."

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.

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.

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