

Food distributor accuses ‘Big Four’ beef packers of price-fixing

By MATEUSZ PERKOWSKI
Capital Press

A major food distributor has accused the “Big Four” beef packers of fixing prices and manipulating markets to the detriment of ranchers and consumers.

Sysco, a Texas-based company that distributes food to restaurants, hotels and other facilities, has filed a lawsuit alleging violations of anti-trust laws by Cargill, JBS, Tyson and National Beef.

The complaint claims the beef packers colluded since at least 2015 to reduce their purchases of cattle, thereby driving down livestock prices while increasing meat prices.

The plaintiff has asked for a jury trial and will be seeking an injunction against the alleged anti-competitive behavior as well as unspecified financial damages.

“The principal, but not exclusive, means Defendants have used to effectuate their conspiracy is a scheme to artificially constrain the supply of beef entering the domestic supply chain,” the complaint said. “Defendants’ collusive restriction of the beef supply has had the intended effect of artificially inflating beef prices.”

The case was filed in a Texas federal court and is set to proceed before a judge in Houston.

According to the lawsuit, a former quality assurance officer at a JBS facility “has confirmed the existence of a conspiracy” among the beef packers, which is corroborated by statistics that show “industry-wide slaughter and capacity reductions.”

The four meat packers collectively generate about 80% of the U.S. beef supply and control an even higher proportion of the domestic cattle market, as well as the associated “supply and distribution chain,” the complaint said.

By exploiting their market power, the companies have “created surpluses in the cattle market and shortages in the wholesale beef market,” artificially raising their profit margins higher than they can achieve under competitive conditions, the complaint said.

“United by their conspiracy, Operating Defendants were confident that none of them would break ranks and disproportionately expand their beef production to satisfy unmet demand,” the plaintiff claims. “Armed with



J. Scott Applewhite/Associated Press File
A major food distributor has accused the “Big Four” beef packers of price-fixing. Last year, a federal judge allowed a similar case to proceed, ruling that testimony from former workers is sufficiently detailed direct evidence of collusion.

this assurance, Operating Defendants improved their meat margins by achieving and sustaining an unprecedented gap between cattle and beef prices.”

Production was decreased in “relative lockstep” at their domestic facilities despite ample cattle available and even though the demand for beef was surging, the complaint said.

“Operating Defendants did not do the things true competitors would do in a competitive market. They did not attempt to capture each other’s market share or lower prices as their costs declined,” according to the lawsuit.

Representatives of Cargill, JBS, Tyson and National Beef did not respond to requests for comment as of press time.

Last year, a federal judge in Minnesota refused to dismiss a similar price-fixing lawsuit originally filed against the beef packers in 2020 by groups representing ranchers, food companies and consumers.

Chief Judge John Tunheim of the U.S. District of Minnesota previously dismissed the case without prejudice, allowing the complaint to be refiled, because the plaintiffs haven’t plausibly alleged direct evidence of a conspiracy.

The plaintiffs amended their lawsuit to include testimony from two confidential witnesses who claim the beef packers purposely reduced slaughter to depress cattle prices. One of those witnesses is also cited in Sysco’s new lawsuit.

Last September, the judge determined this testimony represented “sufficiently detailed direct evidence” to proceed with the antitrust litigation and rejected the defendants request to dismiss the case.



Don Jenkins/Capital Press

Inflation is pumping up Washington state taxes. Two Republican legislators June 22 said the state should provide tax relief by suspending the gas tax.

Inflation pumps up Washington coffers, prompts call for tax relief

By DON JENKINS
Capital Press

OLYMPIA — Because of inflation, Washington residents are paying higher sales taxes on goods and services, raising government revenues and increasing calls from Republicans to suspend the state fuel tax.

The state anticipates collecting \$1.4 billion more in taxes over the next year than forecast four months ago, the state’s chief economist, Steve Lerch, said June 22.

“The higher inflation, of course, has a big impact on our tax collections,” he told the bipartisan Economic and Revenue Forecast Council.

“If inflation is higher, the price of goods and services is higher. That means the sales and (business) taxes paid on that also will be higher,” Lerch said.

The council’s two Republicans said lawmakers should return money to taxpayers by suspending the state’s 49.4 cents a gallon tax on gasoline and diesel.

President Biden on June 22 asked Congress to suspend the federal 18.4 cents per gallon tax for three months.

Washington Democrats appear cool to the idea of suspending the state gas tax. Gov. Jay Inslee’s budget director, David Schumacher, cautioned against cutting taxes.

A spike in tax revenue could be followed by a dip if the economy sours further, he said.

“We’ve been in this situation before where we get an upturn in revenue followed by a downturn or recession and all of a sudden we can’t meet our obligations,” Schumacher said.

The Revenue and Economic Forecast Council projects how much money lawmakers have to spend. State revenue typically rises and falls with the health of the private-sector economy.

So far, inflation, the highest it’s been since 1981, has driven up state revenues. Since February, the state has collected an unanticipated \$590 million in taxes.

The windfall contributed to the projection that the state will

collect \$63.1 billion in general taxes during the current two-year budget, an 11.6% increase over the previous biennium.

Lerch said he expects revenue growth to taper off in 2023. Tax collections could even fall if the nation slips into a recession, he said.

Schumacher and Rep. Timm Ormsby, D-Spokane, said the threat of a recession was a reason to stay away from tax cuts now.

People will need government help, Ormsby said. “It is actually the time for targeted investments,” he said.

The council’s Republicans, Sen. Lynda Wilson of Vancouver and Rep. Ed Orcutt of Kalama, said suspending the gas tax would give taxpayers immediate relief.

Orcutt said that during flush times the Legislature expands state government. During lean times, the Legislature raises taxes to boost government revenues, he said.

“When does the taxpayer get their turn?” Orcutt asked. “Why we can’t look at some sort of tax relief is beyond me.”



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