

FINAL REPORT

**IOWA'S LIVESTOCK INDUSTRY AND THE
EFFECT OF MEATPACKING CONCENTRATION
STUDY COMMITTEE**

**Presented to the Legislative Council
and the Iowa General Assembly
January 1991**

Prepared by the Legislative Service Bureau

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AUTHORIZATION AND APPOINTMENT

The Iowa's Livestock Industry and the Effect of Meatpacking Concentration Study Committee was established by the Legislative Council to meet during the 1990 interim to "study the state of livestock production in Iowa including the ramifications of the current trend toward concentration in the meatpacking industry and make recommendations on ways to promote growth of Iowa's livestock industry."

Members serving on the Study Committee were:

Senator C. Joseph Coleman, Co-chairperson
Representative David Osterberg, Co-chairperson
Senator Eugene Fraise
Senator Berl Priebe
Senator Jack Rife
Senator John Soorholtz
Representative Kenneth DeGroot
Representative Daniel Fogarty
Representative Daniel Petersen
Representative Jane Svoboda

COMMITTEE PROCEEDINGS

The Study Committee was authorized three meeting days which were held at the State Capitol Building in Des Moines, on August 20, September 12, and November 29, 1990.

1. Meeting of August 20, 1990.

The Study Committee heard presentations on the general state of Iowa's livestock industry including information on existing state programs. The first

speaker was Dr. Dennis Starleaf of Iowa State University who discussed the status of the livestock industry, the pros and cons of maintaining the livestock industry in the state, and the favorable export potential for the industry. Dr. Doyle Wilson of Iowa State University explained and discussed the accomplishments of the Extension Service's Livestock Initiative Program consisting of two components which are technical assistance service and environmental study.

The Study Committee also heard from Dr. Kelly Donham of the University of Iowa about agriculture health and safety; Mr. Mike Miller, Iowa Department of Economic Development on the new livestock program and cattle cooperatives; Mr. Ron Rowland, Regulatory Director, Department of Agriculture and Land Stewardship, on the Department's three livestock-related programs and the various regulations affecting the livestock industry; Mr. Tim Benton, Assistant Attorney General, who described Iowa's corporate farming law and recommended that the Secretary of State require corporations owning farm land to report under which exception to the law they fall; and Mr. Darrell McAllister, Department of Natural Resources, on the Department's programs and regulations which prevent, abate, and control water pollution as they relate to the livestock industry.

2. Meeting of September 12, 1990.

The focus of the second meeting was on the concentration in the meatpacking industry. Dr. John Helmuth, Iowa State University, provided a report on the impact of concentration on Iowa livestock producers and an overview of meatpacker concentration ratios from 1909 to 1989; Ms. Ellen Huntoon supplied a written statement by Senator Harkin reporting on hearings conducted by him for the United States Senate Agriculture Committee; Deputy Administrator Cal Watkins, Packers and Stockyards Administration, United States Department of Agriculture, who discussed the origins of the current situation in the meatpacking industry and his agency's monitoring activities of the industry; Mr. Denny Colvin of the United Food and Commercial Workers Union, who discussed the effect of meatpacking plant closings on the workforce, retirees, community, state, and the nation, and the role played by the big three meatpackers in plant closings.

After the luncheon recess, testimony continued with Mr. Don Paulsen of the Iowa Farm Unity Coalition and Prairie Fire Rural Action and Mr. Darrell Weems of the Iowa Farm Bureau Federation, discussing the accelerated pace of packer concentration, vertical integration, forward contracting, and contract feeding. Mr. Marshall King, President of the Iowa Cattlemen's Association, talked about the individual business decisions made by cattlemen and gave recommendations that would enhance the competitive environment for individual producers. Mr. Harlan Meyer, Iowa Pork Producers Association, expressed the concerns pork producers have in regard to the lack of sufficient bidders for hogs, the need for packers to reinvest in modern and efficient slaughter facilities, and the seeming lack of interest by the United States Department of Justice in actively investigating acquisitions and

mergers involving meatpacking companies. Mr. Gary Lamb, President of the Iowa Farmers Union, also expressed his and the Iowa Farmers Union's concern with the increased meatpacking concentration and recommended that Iowa's corporate farming law not be changed, that there be stricter enforcement of the law regarding the requirement for reporting on contract feeding activities, and that meatpackers be required to file copies of their federal Packers and Stockyards Administration reports with the Iowa Secretary of Agriculture.

The Study Committee concluded the meeting by deciding to issue an invitation to legislators of other livestock producing states to meet with the Study Committee to discuss possible actions that may be taken by the states in regard to the meatpacking concentration issue.

3. Meeting of November 29, 1990.

At its final meeting the Study Committee heard recommendations from livestock producer and feed grower associations. These included Mr. Gene Wiese, Iowa Cattlemen's Association; Mr. Joe Weissshaer, Iowa Farm Unity Coalition; Mr. Jim Meyer, Iowa Pork Producers Association; Mr. H. W. Campbell, Iowa Grain and Feed Association; Mr. Russ Larson, Iowa Poultry Association and Iowa Turkey Federation; and Mr. Gary Lamb, Iowa Farmers Union. In addition to those groups, presentations were provided by Mr. Morris Boswell, Sheep Bureau, Agriculture Marketing Division of the Department of Agriculture and Land Stewardship; Mr. Darrell McAllister, Department of Natural Resources; and Professors Dr. Marvin Hayenga and Dr. John Helmuth, Department of Economics, Iowa State University.

The Study Committee considered testimony emphasizing the need to increase cattle production and were informed of the positive relationship between the federal Conservation Reserve Program and increases in Iowa's cattle populations. The Study Committee heard about the growing threats of nuisance lawsuits to producers and discussed how some believe that corporate farming laws discourage investment into livestock operations. In addition, the Study Committee listened to concerns relating to large production and processing operations which are thought to threaten smaller producers and considered testimony concerning unfair practices associated with contract feeding. Other testimony expressed concerns about diverse zoning and environmental laws existing at the state and local level. The Study Committee considered a proposed recommendation to authorize county boards of supervisors to establish special areas dedicated exclusively for agricultural uses but took no action.

The Study Committee considered competing views regarding the levels of concentration present in the swine slaughtering and processing industries and considered a recommendation that the state require information from slaughtering and processing facilities detailing the size of their operations. Persons expressed concerns that imposing regulations upon this industry could damage Iowa's



competitiveness. Other persons warned that concentration within the industry could eventually destroy competitiveness within the market.

Also attending the final meeting were state representatives Dennis Heeky and Dan Stephen of the Indiana General Assembly and state representative Howard Kennedy of the South Dakota General Assembly. These state representatives appeared as a result of invitations extended on behalf of the Study Committee to 17 state legislatures to appear in Des Moines to discuss meatpacking concentration and what could be done by the states.

RECOMMENDATIONS

The Study Committee discussed various topics for purposes of making its recommendations. The following are the recommendations of the Study Committee:

1. State funding for the Livestock Initiative Program administered by Iowa State University should be increased from \$300,000 to \$600,000.
2. Controls should be placed on predators of livestock.
3. The major livestock producing states should be contacted for purposes of joining in a compact to take antitrust action in regards to the meatpacking industry.
4. That two bills be drafted relating to property tax exemptions as follows:
 - a. Establishing a ten-year tax abatement on new and existing livestock buildings if they remain in use as livestock buildings with counties being reimbursed by the state.
 - b. Establishing a tax adjustment compatible with surrounding states on land which qualifies under federal Conservation Reserve Program highly erodible land standards regardless of whether or not the land is subject to a contract. County conservation boards shall designate what glasslands are highly erodible and eligible for the tax adjustment.

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