You can’t legislate the cattle cycle

There’s a new Family Grocer and Farmer Relief Bill getting tee’d up that promises a lot: break up dominant meatpackers, rein in foreign-controlled giants, stop unfair pricing, and deliver lower prices and better choices at the meat counter.

That’s a clean storyline.

It’s also built on a stack of assumptions that don’t match how the beef system actually operates. When policy is written to a storyline instead of an integrated system, the result is predictable: *more pain for the rancher, more volatility for the packer, and no durable relief for the consumer.*

The bill is treating beef like a courtroom villain, not an integrated supply chain

At its core, the proposal leans on structural remedies:

- **Species separation:** it becomes unlawful for a major meatpacker to operate more than one major type of meat (beef, pork, poultry), forcing the biggest players to choose a line of business.
- **Mandatory deconcentration in beef:** it imposes “hard caps” on concentration and requires FTC-ordered divestitures (sell plants, spin off businesses, create new firms) until markets are “competitive again.”
- **A consumer-facing enforcement push:** it links structural reforms to kitchen-table prices through FTC and Packers & Stockyards tools aimed at “unfair” and “discriminatory” pricing.

So, the promise is clear: restructure the industry and prices come down.

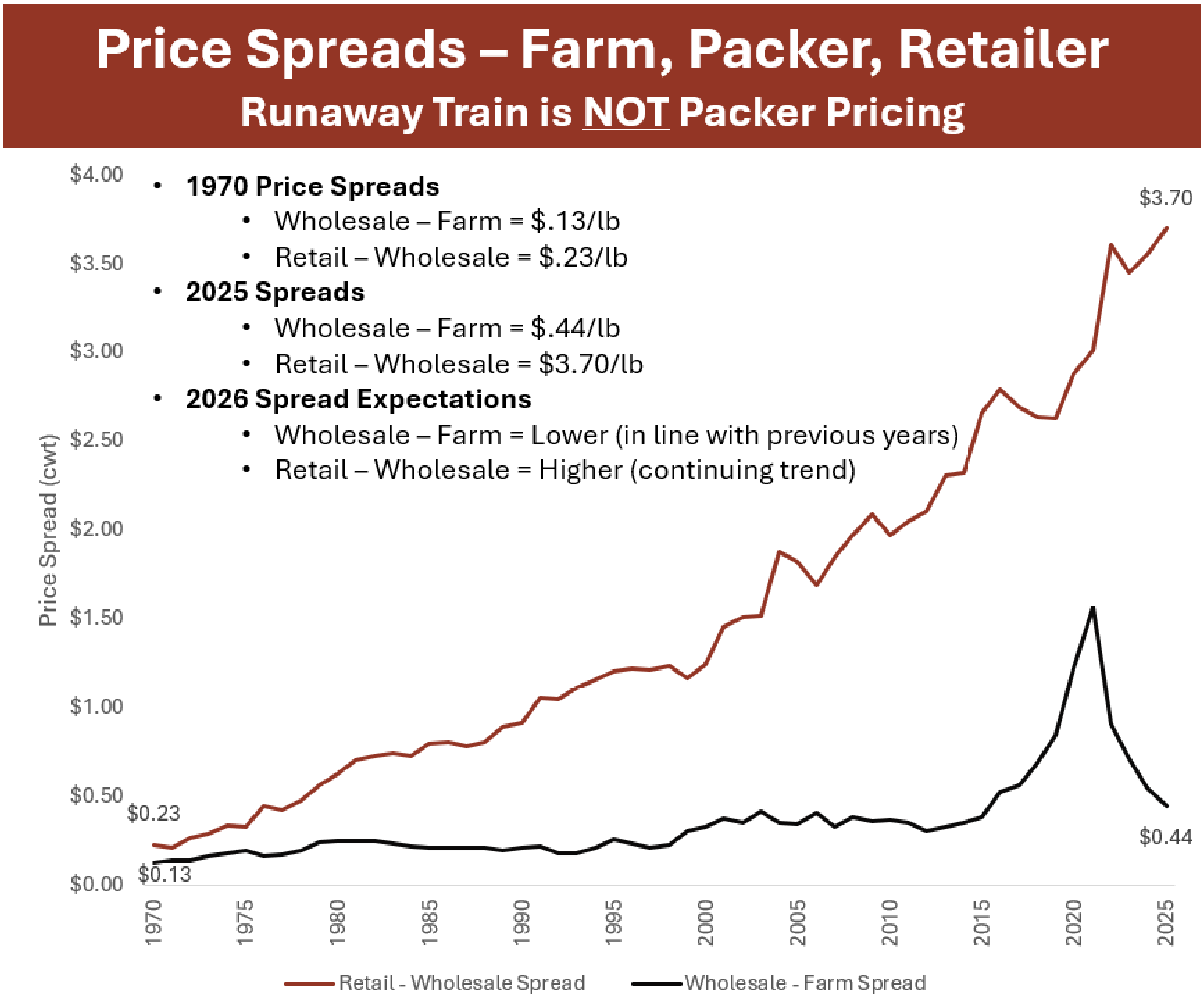
Here’s the problem: that promise assumes the meat case behaves like a direct output of packer structure. It does not.

Retail is sticky, wholesale and cattle aren’t always synchronized, and none of that requires a conspiracy

One of the most persistent myths in this whole debate is the simplest: if we change packers, we change consumer prices.

Retail pricing is sticky by design. Grocers price to categories, promotions, labor, and merchandising cadence, not a daily cattle quote.

That is why in real life, wholesale and cattle prices can, at times, move with a rhythm that retail does not mirror.



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Seen in the chart above, the spread between the price packers receive for beef and the price they pay for cattle has remained relatively flat for decades. Only COVID, a true 'black swan' event, bucked the trend for a short period of time. On the other hand, the spread between the price the consumer pays for beef and the price that the retailer pays for wholesale beef has been on a runaway train since the 1970s.

Even inside the industry, live cattle price and the cutout (the sum value of red meat available after processing) are not a perfect lever system. Sometimes cattle outpaces the cutout, causing losses for the packers (current). Sometimes the cutout outruns cattle, causing profits for the packer. That happens when different constraints bind: herd cycle dynamics, weights, demand mix, export pulls, plant utilization, downtime, labor, logistics.

When the bill markets itself as a cost-of-living solution, it is implicitly saying: restructure upstream and the downstream price follows.

That is not how the chain behaves.

If the goal is cheaper groceries, forced breakups are a strange tool

Let's say, just for a moment, the bill succeeds at what it's built to do: the FTC designs and enforces divestiture plans across proteins, and then orders targeted divestitures in beef until concentration is pushed below the triggers.

What happens next?

In a capital-intensive business, the transition costs are not theoretical:

- **Separation costs:** shared services, procurement, IT, logistics, commercial teams, risk management, get duplicated across the chain of new packers
- **Financing costs:** uncertainty raises the cost of capital and slows investment
- **Execution risk:** plants don't run on good intentions, they run on labor availability, maintenance discipline, regulatory uptime, and steady throughput

Additionally, who can buy these large plants and how can they run them? The financials needed to purchase a large plant and have enough operating capital are only seen in large organizations. If foreign ownership is taken off the table, who is left? Retailers?

The bill sells "resilience."

But forced structural churn in the middle of a tight cattle cycle is the opposite of resilience. It is how you manufacture fragility.

If unit costs rise, there are only so many places that can be burdened with the cost. Which brings me to the rancher.

Ranchers don't get protected by policy that raises system cost

The bill is framed as pro-farmer and pro-rancher.

But in a tight cycle, when cattle are dear and throughput is the constraint, raising system cost does not magically disappear at retail. It gets pushed back into the chain.

That pushback looks like:

- Wider basis and more cautious procurement during ownership transitions and divestiture-driven uncertainty
- More volatility as plants change hands, strategies change, and staffing and uptime fluctuate
- More defensive buying behavior as risk management teams protect against the instability policy injected

A rancher doesn't need a lecture on volatility. Ranchers live it. The point is simple: *policy that adds friction to throughput and coordination is not pro-rancher.*

Don't confuse high prices with manipulation when the cattle cycle is doing exactly what it always does

High beef prices are real. Grocery bills hurt. That's not up for debate.

The question is whether the pain is coming from a cartel story or from the cattle cycle and capacity reality working through the system.

Here's the sober test: if packers set prices, you'd expect durable economic fingerprints: persistent supernormal profits, spreads that blow out and never normalize, loss years disappearing.

Instead, what shows up historically is something less exciting, but accurate:

- Prices and spreads react to shocks and utilization
- Margins fluctuate between profits and losses

- Retail behaves differently because it's category-managed and sticky

That is not a moral defense of every behavior in the chain. It is an economic description of how a tight cattle cycle transmits.

Breaking up the packing sector doesn't change the cycle. It changes the industry's ability to absorb it.

The law of unintended consequences

Breaking up "Big Beef" would have unintended consequences. From a structural standpoint, the following are some likely outcomes:

1. **The Retailer Revolt (Vertical Integration)** - If the government breaks up the Big 4 to "save" independent ranchers from corporate power, they might inadvertently hand the industry to a different corporate power. Giant retailers, like all organizations, hate volatility. If a breakup makes the packing sector fragmented and unreliable, retailers will not sit idle. They will seek control of the supply chain to ensure shelves are stocked.
2. **The "Drop Credit" Collapse** - The "drop credit" (the value of hides, tallow, and variety meats) can add $150 to $200 per head to the value of a steer. The Big 4 maximize this value through massive rendering infrastructure and global export networks. Fragmenting the industry would create substantial loss in the drop credit, which would further degrade the price paid for cattle upstream.
3. **Environmental Regression** - Breaking up plants is bad for the environment. Large packers can implement companywide environmental programs that use best practices and conservation. Fragmenting the plants will fragment those efforts and lead to a regression in conservation practices.
4. **The Capital Freeze** - A forced breakup isn't a clean surgery; it's a messy divorce that would likely take a decade of litigation. During those years, packers would be hard-pressed to invest in their facilities. The industry infrastructure would rot in place while lawyers argue, leaving packers with aging, inefficient plants.

"Regulation is not the answer" doesn't mean "do nothing"

The industry needs all packers, large and small. There is room for everyone, including in a capital-intensive industry like meatpacking.

But if the goal is genuinely to help consumers and ranchers, the remedies should target the real pain points:

- **Throughput and utilization transparency:** consistent reporting on capacity utilization, outages, and spreads reduces rumor-driven volatility without picking winners
- **Policies anchored in timelines**: herd rebuilds are multi-year and capital-intensive; pretending a restructuring bill is a near-term CPI fix is how credibility gets burned
- **Clean market plumbing, not structural demolition:** improve price reporting and market clarity without forcing divestitures that raise unit costs and add execution risk

Last words

This bill is being marketed as consumer relief and rancher fairness.

But the assumptions underneath it, about how prices form, how retail behaves, and what happens when you force structural breakups in a capital-intensive chain, don't line up with the actual mechanics.

You can't legislate the cattle cycle. You can only decide whether policy helps the system move through it with less friction, or whether it adds friction, raises costs, and then acts surprised when the rancher, the packer, and the consumer all feel more pain.

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