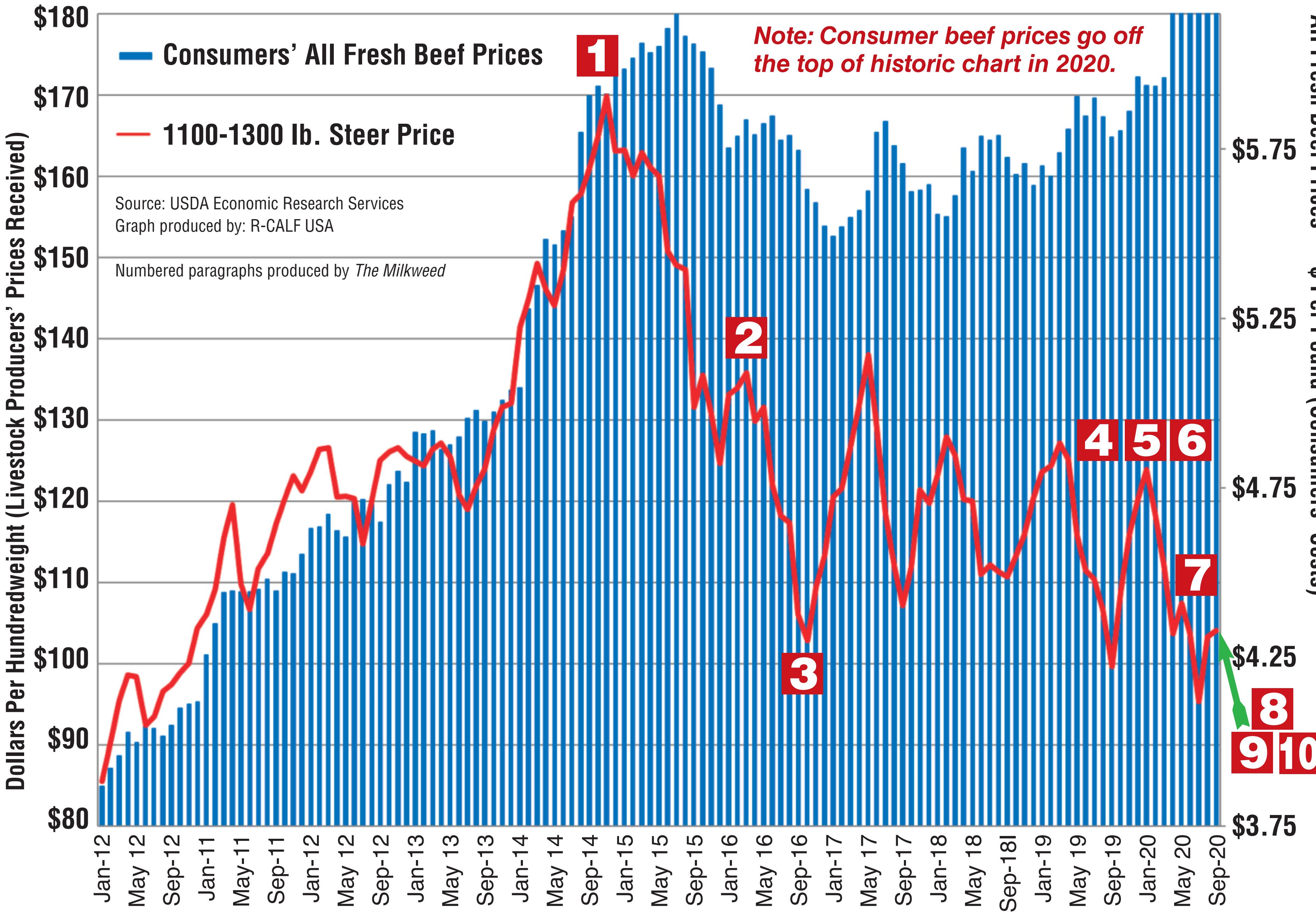
Cattle Prices Crash While Consumers Continue Paying Record Beef Prices



This graph was created by the staff at R-CALF USA, the progressive U.S. cattle producers' group. R-CALF USA combats the political agenda of "Big Beef." The graph above depicts the past eight years of data for both prices received by producers' slaughter cattle, as well as costs paid by consumers at retail for all cuts of fresh beef. The (numbered) points were created by *The Milkweed.* The spread between the data lines is criminal.

1) Late summer 2014:. Precisely at the time when cattle producers' prices were at their peak, USDA Secretary Tom Vilsack announces that the U.S. may import beef from Brazil and Argentina.

2) Early July 2015: Tom Vilsack announces U.S. has agreed to import beef from Brazilian regions deemed "free" of dreaded Foot-and-Mouth Disease. Prices across the entire cattle complex – from calves to animals ready for slaughter, start sharply collapsing.

3) September 2016: First shipments of beef from Brazil start arriving in U.S. ports. Prices for slaughter cattle further collapse – both beef animals and dairy steers and culls.

4) January 31, 2020: Sonny Perdue blows off letter from Connecticut Congresswoman Rose DeLauro, asking for more oversight of JBS, in light of federal investigations into JBS and other beef processors operating in the U.S. Perdue labels Delauro's references to federal investigations of JBS as "alleged."

5) February 20, 2020: USDA Secretary Sonny Perdue announces that the U.S. will start importing fresh, chilled beef from Brazil.

6) March-April 2020: Covid-19 pandemic shocks the United States, leading to many businesses, educational institutions, and government agencies constricting operations. Covid-19 also starting to appear in meat-packing plants, leading to some shut-downs and slow-downs. Supermarkets' supplies of fresh meat (beef, pork and poultry) are seriously depleted amid fears of meat shortages. But bottlenecks at meat processing plants mean that market-weight livestock are backing up at the farm. Prices for beef and pork producers fall, compounding losses incurred by producers having to maintain market-weight critters.

7) May 2020: First shipments of fresh, chilled beef from Brazil start arriving in the U.S. Slaughter prices for beef and dairy livestock continue nose-diving, despite high retail prices paid by consumers.

8) July-August 2020: Massive quantities of fresh, chilled beef from Brazil are imported into the U.S. Slaughter cattle prices continue to decline. From their early summer peak, prices for top-end dairy cull cows drop by 12-15 cents per pound, according to *The Milkweed's* coverage of dairy auction markets.

9) September 2020: Slaughter prices paid to U.S. producers for their beef and dairy animals continue collapsing.

10) October 14, 2020: Two JBS subsidiaries operating in the U.S. agree to pay millions of dollars in fines, to settle federal investigations involving bribery of foreign officials and price-setting in poultry in the U.S. In poultry, the settlement blocks any more federal investigations into JBS' Pilgrim's Pride possible misdeeds to date. Following those settlements, JBS' stock goes up 16%. Crime pays!

2020: U.S. Resumes Imports of Fresh & Frozen Beef from Brazil

by Peter Kane

In May 2020, the United States began importing fresh, chilled beef from Brazil for the first time since 2017.

Three years prior, scandals involving Brazilian food inspection officials compelled the United States Department of Agriculture to ban imports of uncooked Brazilian beef.

Remember last spring? By May, the Covid-19 virus had already reached many meat processing plants' workforces, temporarily closing some plants and slowing the butchering capacity of many other facilities. Meanwhile, consumers were emptying supermarket supplies of beef, pork, and chicken – panicked stockpiling spurred by fear of pending meat shortages.

The policy change to resume importing frozen and fresh beef from Brazil was announced February 20th, 2020. At that time, high-level government officials knew of the potential devastation that might result from Covid-19 infections. Perhaps with the goal of maintaining national food supplies, U.S. Secretary of Agriculture Sonny Perdue proclaimed that Brazil had resolved food safety concerns, and the USDA would again allow fresh beef from certain regions of Brazil that were deemed "free" of the dreaded Foot and Mouth Disease (FMD).

Roughly two months after Perdue's declaration, the first imports of uncooked Brazilian beef reached ports in the United States. During May-September, this country imported 11,207.2 metric tons of frozen beef and 227.5 metric tons of fresh, chilled beef from Brazil — the highest numbers in years. Compared to the amount of beef this nation imports from Canada, Mexico, New Zealand and Australia, that's not a lot of beef. But the reappearance of fresh Brazilian beef in United States markets threatens to be detrimental to domestic beef and dairy producers, whose products must now compete with lower-cost Brazilian beef imports, an unscrupulous major beef processor owned by Brazilians, and millions of cattle in beef feedlots in the United States owned by those same Brazilian interests. This nation's cattle producers face vertically-integrated competition, both foreign and domestic – largely owned by one decidedly corrupt Brazilian firm.

From Brazil, with blood

Brazil is the world's largest beef exporting nation. In 2018, that South American nation accounted for more than 20 percent of global beef exports, and continues to expand rapidly into new markets around the world. Through summer 2020 — aided by an increased demand for affordable meat during the Covid-19 pandemic — Brazil enjoyed record-breaking beef exports to China, Egypt, and other nations concerned about limited domestic beef production.

But uncooked Brazilian beef is a relatively new competitor in the United States. And the late-summer 2020 imports marked the beginning of a new chapter in the history of United States/Brazilian beef trade: a tumultuous tale marked by years of international corruption, tainted meats and import bans, corporate chicanery and court-ordered settlements. At the center of this complex plot, one company survives, scandal after scandal, largely unscathed and still churning out massive profits: the Brazilian-owned JBS, SA (JBS).

Now the world's largest meat processor, JBS has spent the better part of two decades consolidating the

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The Rise of JBS: A Brief History of Corruption and Scandal

by Peter Kane

JBS' ascent to the top of the protein-processing world is heavily laden with scandal. Below, a brief timeline highlights many of the known, nefarious actions of JBS' owners, Joesley and Wesley Batista. In the past 15 years the Batistas have busily expanded their company from humble origins – founded by their father as a one-man slaughterhouse — into a multinational corporation. Testimonies from executives caught red-handed reveal the company's growth was largely bankrolled by investments from Banco Nacional de Desenvolvimento Econômico e Social (BNDES) the Brazilian national investment bank.

2005- (September): JBS begins a spree of foreign acquisitions by purchasing Swift Armour SA, a leading Argentinian beef firm, for $200 million. BNDES loans JBS $80 million for that purchase. Later, Joesley Batista admits paying a $3.2 million bribe to Guido Mantega, then the director of the bank.

2007-2009- JBS grows to become the world's largest meat company and world's second-largest food company after a streak of expensive purchases of debt-laden meat firms in the United States. The company acquires Swift & Co in 2007 for $225 million, Smithfield Beef Group in 2008 for $565 million, and the majority shares of Pilgrim's Pride Corporation in 2009 for $800 million. The Batistas will later admit (in 2017) the company receiving $3.2 billion from the Brazilian national investment bank (BNDES) to finance their takeover of the global food network. "It wouldn't have worked," Joesley later said, "if it hadn't been so fast."

2014- (October): JBS and its parent company, J+F Investimentos, are among the largest donors in the 2014 elections resulting in the re-election of President Dilma Rousseff. The Batistas spent over $100 million on candidates like Osmar Serraglio, who in 2014 received $59,000 from JBS, the single-largest donation to his campaign. When Serraglio was named Minister of Justice by President Michel Temer in February 2017, … nearly a quarter of the official meetings held during his first 55 days were with members of the beef caucus, according to the *Folha de S. Paulo,*a Brazilian daily newspaper."

2015- After widespread corruption with President Rousseff's administration, the Brazilian Supreme Court bans corporate donations to campaign and parties in future elections. From then on, JBS' bribes become significantly more discreet.

(July): United States Secretary of Agriculture Tom Vilsack announces he will allow beef from selected regions of Brazil and Argentina "free" from Foot-and-Mouth Disease to be imported into U.S. markets. Prices across the entire U.S. beef and dairy cattle complexes collapse by late that same month.

2016- (September): The first arrivals of uncooked Brazilian beef reach U.S. ports on the East Coast. Prices received by U.S. cattle ranchers and dairy farmers again decline sharply.

2017- (March): "Operation Weak Flesh"- a Brazilian investigation into falsified food inspection forms finds that dozens of food safety officials in Brazil took bribes to approve unsafe meat for global export. Numerous meat processing plants in Brazil are suspended and global condemnation leads to import bans from many nations.

(May 17): "Joesley Day" In a plea deal to avoid charges from "Operation Weak Flesh," Joesley Batista gives prosecutors recordings of himself discussing bribes with then-president Michel Temer. The recordings send Brazil's economy into its largest crash in years; thousands of citizens protest in the streets, demanding the president's resignation. President Temer was allowed to stay in power after a court ruling in June 2017. In exchange for the recordings, Joesley was granted immunity for himself and his brother.

(June 22): United States Secretary of Agriculture Sonny Perdue announces a ban on fresh beef from Brazil because of food safety concerns revealed by Operation Weak Flesh.

(September): The Batista bothers are arrested for insider trading, amounting to $44 million, after they sold shares of JBS ahead of the release of incriminating recordings in May 2017. Both Batista brothers are banned from JBS. Their father, José Batista Sobrinho (the company's namesake), succeeds Wesley as CEO of JBS.

2018- (February/March): Wesley and Joesley Batista are released from prison after serving six months for insider trading. Separate rulings by the Superior Justice Court gave them their freedom.

(November 9): Joesley Batista is again arrested along with the former Brazilian ag minister and other lawmakers for a 2014-2015 bribery scheme that yielded benefits to JBS. Batista is released after less than a week.

(December 14): An investigation by the USDA Agricultural Marketing Service finds that JBS USA violated the Packer's and Stockyards Act by fudging the weights of cattle sold to a plant in Grand Island, Nebraska. The company agrees to pay a civil penalty of $50,000 and reimburse the livestock sellers it had been underpaying for months.

2020- (February 20): After two rounds of onsite audits, the USDA Food Safety Inspection Service (FSIS) announces that Brazil has resolved food safety concerns and has standards "equivalent" to that of the United States. Secretary of Agriculture Sonny Perdue announces that the United States will resume importing frozen and fresh, chilled beef from regions of Brazil that are free of Foot-and-Mouth Disease. One week later, 15 U.S. Senators led by Jon Tester (D-MT), send a joint letter to Secretary Perdue demanding the USDA make a more thorough investigation of Brazil's processing facilities, citing the country's history of failing to meet U.S. food safety standards.

(June): The Batistas are back! After a Brazilian Supreme Court deems them essential to the nation's economic survival of the coronavirus, Joesley and Wesley Batista are allowed to return to management positions at JBS, for the first time since September 2017 (when they were arrested for insider trading).

(October 14): After an investigation by the U.S. Department of Justice into their involvement in corruption scandals spanning years, the Batista brothers and J+F Investimentos agree to pay over $280 million for violating the Foreign Corruption Practices Act. They admit bribing more than 1,800 Brazilian officials with $150 million. That same day, Pilgrim's Pride agrees to pay $110 million in a settlement for a price-fixing plot between major poultry producers that inflated the price of chicken for over a decade.

Crime pays! After two settlements with the U.S. government in mid-October, JBS' market shares jumped by nearly 16 percent — the largest spike of the month! Why might investors feel confident about the company's future after such large fines? The settlements come with a provision that the United States Department of Justice will not bring any more charges on these issues! For now it seems that JBS has successfully put its scandalous reputation in the rear view mirror.

Meat-Packing Plants: Covid-19 Hot Spots

by Peter Kane

Meatpacking plants and other food processing facilities continue to be hot spots for the transmission of Covid-19. Federal regulators have done little to ensure that large employers in the food processing sector are doing enough to stop Covid-19's spread.

In March, when Covid-19 hit the United States, many food processing plants closed temporarily as the virus spread rapidly among workers. Those employees often work shoulder-to-shoulder alongside conveyor belts. In response to the threat of Covid-19 closing meat processing plants, President Trump signed an executive order under the Defense Production Act, compelling meatpacking plants to remain open through the pandemic.

Ironically, meat processing plant workers – a sizeable percent of whom are believed to be undocumented foreigners – were deemed essential workers by the White House.

Since then, 48,908 workers at U.S. meatpacking plants have tested positive for Covid-19, and 245 are officially listed as having died from that pandemic, according to the Food and Environmental Reporting Network. Nearly 11,000 of those Covid-19 cases are tied to Tyson Foods and 2,925 are employees of JBS.

The government's response? Largely missing.

After a Covid-19 outbreak last April at JBS plant in Greeley, Colorado infected 294 and killed 7 employees, workers' rights groups called on the Trump administration to hold JBS responsible. Six months later, the United States Department of Labor Occupational Safety and Health Administration (OSHA) recommended the company be fined $15,615, or about $2,230 per dead employee.

2020: U.S. Resumes Imports, con't

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world's food supply into one elaborate corporation with considerable clout in global beef, swine and poultry markets. After a number of high-priced takeovers of United States-based food companies, JBS' subsidiary – JBS, USA Food controls hundreds of processing plants across the United States, with thousands of employees and an aggregate capacity for butchering livestock and poultry like no other firm.

JBS stands ready as a direct beneficiary of the USDA's decision lifting the ban on fresh, chilled and frozen beef from Brazil. Of Brazil's 34 beef processing plants approved to export to the United States, 14 are owned by JBS. And seven of those 14 are approved to export raw beef for further processing in the United States.

In theory, JBS can now import commodity beef from it's own massive feedlots in Brazil, process those cattle in JBS-owned beef slaughter facilities in Brazil, ship those products directly to JBS-owned processing centers in the United States (for example, Packerland JBS in Green Bay, Wisconsin), use its United States labor force to process and package the meat, then sell it to unsuspecting American consumers at prices that compete with United States-sourced beef!

This month, *The Milkweed* takes a closer look at how JBS grew to become the world's second-largest food company, highlighting the corruption scandals involving payoffs to Brazilian lawmakers and food inspection officials, and analyzing the risks that imports of uncooked Brazilian beef pose for our nation's livestock producers and consumers.

The question that stands for judgment: Why would the USDA risk the well-being of domestic beef markets to allow a small amount of Brazilian beef into the United States? Is JBS – with its grotesque history of political and food safety scandals — really the type of company this nation wants as the top meat processor.

Beef Prices are YOUR Beef

by Pete Hardin

Some dairy folks might ask why *The Milkweed* has devoted so much attention to beef-pricing issues in this issue.

1) Income from sale of dairy cull cows, bull calves and, in some cases, dairy steers, make up the second-largest source of annual farm income for most U.S. dairy producers (excluding government program payments). The entire range of dairy livestock values – from calves (both sexes) to cull cows – is greatly sustained by the beef market.

2) Like dairy, beef processing is controlled by a few, very large industry players. Big beef processors' margins have been spectacular in 2020, plumped up by low prices paid for slaughter animals … while consumers' beef prices literally to off the top of the chart.

3) The federal government is doing next to nothing to address the structural inequities in meat processing. Sounds like dairy, eh?

4) Significant ownership of U.S. meat processing firms is held by foreign-based firms. (JBS is one example, Smithfield Foods – owned by the Chinese Army – is another prime example.) Thus, the undue profits extracted by "Big Meat" are often go offshore … to the detriment of U.S. cattle producers, consumers, and taxpayers.

Numerous Lawmakers Ask USDA to Crack Down on JBS

by Peter Kane

Lawmakers from both political parties have called on the Trump Administration to further investigate, and/or restrict the growth of JBS, the Brazilian-owed meatpacker now savoring a huge slice of the U.S. meat processing market. JBS is among the top firms processing beef, poultry and pork in this country. JBS is the world's leading meat processor.

In recent years, that company's critics have accused the Brazilian behemoth of a laundry list of poor business practices including, but not limited to: using its vast production and processing capacity to low-ball the price to livestock producers, while monopolizing competing buyers; providing poor working conditions in United States processing plants; bribing food inspection officials in Brazil; destroying the Amazon rainforest to clear space for expanding beef feedlots; and paying Brazilian officials to look the other way as JBS funneled rotten meat into Brazil's school meal programs.

It's no secret that JBS has been a bad actor in the global meat business. That fact made USDA Secretary Sonny Perdue's decision, in late February 2020, to allow imports of frozen and fresh, chilled beef from certain Brazilian producers all the more suspicious. (A significant number – 14 – of the 34 Brazilian beef plants now approved to ship fresh beef to the United States are owned by JBS). Perdue's decision allows the company greater access to our markets and offers JBS greater global legitimacy through a USDA inspection-standards equivalency.

Two separate investigations -- by the federal Department of Justice and Securities, and Exchange Commission — recently fined JBS for price-setting and corruption of foreign officials. Some U.S. senators have called on the federal government to investigate other nefarious practices of the company.

In October 2019, a pair of U.S. Senators — Marco Rubio (R- FL) and Robert Menendez (D-NJ) — ranking members of the Senate Foreign Relations Committee, sent a letter to Secretary of the United States Treasury, Steven Mnuchin, requesting he open a formal review into whether JBS acquired U.S.-based companies with illegally-obtained funds.

In November 2019, US Representative Rosa DeLauro (D- CT) sent a letter to Secretary Perdue expressing her concerns over continued payments to JBS from the USDA. According to disclosures by the USDA, in 2018 JBS received over $90 million in government contracts meant for struggling farmers financially hurt by the Trump administration's trade wars. That's right: more than $90 million in *taxpayer dollars* meant to compensate domestic producers were instead diverted to the owners of a scofflaw, foreign-owned multinational corporation!

A few months later (January 31, 2020), just four weeks before announcing the opening of United States markets to fresh and frozen Brazilian beef, Perdue arrogantly responded to Rep. DeLauro. Perdue's letter to DeLauro is reminiscent of the feigned innocence of the club owner in the movie, *Casablanca*: "What? Gambling in my establishment."

Perdue's letter is a classic example of "See No Evil" and is reprinted in its entirety on this page.

USDA

United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

JAN 31 2020

The Honorable Rosa DeLauro
U.S. House of Representatives
2413 Rayburn House Office Building
Washington, D.C. 20515

Dear Congresswoman DeLauro:

Thank you for your letter of November 21 2019 regarding JBS S.A., a Brazilian-owned meat packing company, and its U.S. subsidiary, JBS USA. I apologize for the delayed response.

In your letter, you note the past and current law violations by JBS S.A., J&F Investimentos S.A., and two of its owners in Brazil. You also allege that similar illegal practices by JBS S.A. and its affiliates have occurred in the United States and assert that both the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC) currently are engaged in investigating the activities of J&F Investimentos S.A. You express your concern that, in spite of these alleged activities by JBS S.A. and its affiliates, the United States awarded millions of dollars in procurement contracts to JBS in recent years. You request that I ask the Inspector General to open an investigation of these practices in order to proceed afterwards with a suspension and debarment of JBS S.A. and its affiliates.

Given that you indicate DOJ and SEC are far down the path with their investigations, then they are fully aware of all potential remedies at their disposal, including an option for suspension and debarment. Accordingly, to avoid any conflict with those investigations, the U.S. Department of Agriculture will not take any action in that regard, unless requested by DOJ and SEC.

I respectfully suggest those two entities may better address your concern.

Sincerely,

Sonny Perdue

Sonny Perdue
Secretary

DOJ & SEC Settle with JBS' International Coruption Scandal

by Peter Kane

The Brazilian parent company of the meatpacking giant JBS pleaded guilty to a corruption scandal that spanned over a decade. That same scandal is likely linked to the company's rapid expansion into the U.S. beef, poultry and swine markets.

The United States Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) were the two agencies involved in a pair of settlements with JBS that were announced last month.

On October 14, 2020, J&F Investimentos, which owns the majority of JBS and its subsidiaries, agreed to pay a criminal penalty of nearly $256.5 million to the United States Department of Justice for violations of the Foreign Corruption Practices Act.

That same day, JBS and owners Joesley and Wesley Batista agreed to pay an additional $26.8 million to the US Securities and Exchange Commission (SEC) for bribing Brazilian bank officials to obtain funds for expanding JBS' global meatpacking enterprises.

The Batista brothers for years have run JBS — founded by their father — and have played a leading role in a variety of documented crimes. In Brazilian courts, Joesley Batista admitted in 2017 to bribing officials at the Banco Nacional de Desenvolvimento Econômico e Social (BNDES), the Brazilian national investment bank. But the October 2020 settlements were the first penalties brought by the United States against the Batista brothers and their company's bribery schemes.

The settlements mark the end of a years-long investigation that shed light on the Brazilian meatpacker's scandalous history. The settlement also partially explains how JBS was able to buy out its competition, consolidating much of the world's meat industries into one multinational corporation.

According to Joesely Batista's blatant 2017 testimony, he and his brother, along with other company executives, paid over $148 million to Brazilian officials between 2005 and 2017. In exchange, the company received roughly $3.2 billion in capital for the acquisitions in the United States of Swift & Co. (2007), Smithfield Beef Group (2008) and Pilgrim's Pride Corporation (2009).

While the DOJ and SEC investigations focused specifically on Batista's bribery in exchange for funds for the acquisition of Pilgrim's Pride, corrupting officials has long been part of JBS' business model. Thus far, the Batista brothers have largely avoided jail time by turning on their bribed officials and paying large settlements, before being charged themselves.

In 2017, after a Brazilian investigation found that a hundred food inspection officials had been bribed by JBS affiliates, Joesley Batista avoided penalties by recording himself discussing hush-money payments with Brazil's then-President, Michel Temer.

Not long after, Joesly and Wesely Batista served time in Brazilian jail for insider trading after they sold off shares of their company just days before announcing the plea deal with the recording, knowing the share price would fall. They were released in early 2018 but were banned from returning to their companies until June 2020, when the Brazilian Supreme Court decided the coronavirus necessitated their return to the helm of the company.

In November 2018, Joesley was arrested again, along with a former Brazilian agriculture minister and other Brazilian government officials for a separate 2014-15 bribery scheme that yielded benefits to JBS. He was released after two weeks.

With the settlements in the United States, it seems that once again the Batistas and JBS have cleared their names from the worst of their criminal actions and may proceed with business as usual. Because of their penalties totaling $1.4 trillion, which the Batistas currently owe to the Brazilian government in payment for their crimes, the U.S. DOJ and SEC will only charge the Batistas half of the $256 million actually agreed upon. Crime does pay!

JBS' Pilgrim's Pride Pays $110.5 Mil. Poultry Price-Fixing Fine

by Peter Kane

After months of scrutiny, Pilgrim's Pride — a subsidiary of JBS and one of the US's top chicken producers/processors — agreed to pay a $110.5 million settlement to the Antitrust Division of the United States Department of Justice. That fine resulted from JBS' conspiring with other major poultry processors to set wholesale prices for broilers.

The settlement is the latest development in an investigation into rigged poultry markets by the Antitrust Division of the DOJ. In June 2020, federal investigators indicted both the Pilgrim's Pride CEO and vice president, who have since left the company. So far the investigation has revealed how Pilgrim's Pride Corporation shared production data with Claxon Poultry Farms (Georgia) and four other (as yet-unnamed by the investigation), vertically integrated poultry producers/processors, which then offered similar, low bids to bulk buyers that supply grocery stores and fast-food restaurants.

Working together, the poultry companies were able to inflate the prices of broiler chickens ultimately paid by consumers, while undercutting smaller competitors during the period, from at least 2012 to 2017.

With the settlement, Pilgrim's Pride hopes to avoid further scrutiny from the ongoing federal investigation. That plea deal comes with a provision that the Antitrust Division will bring no further charges on the matter; further, no restitution will be paid to the victims of the poultry giant for years of unlawful market control.