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Beef with Big Beef

The Impacts of a Globalized Food Chain

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Introduction

Globalization is a combination of technological advances that allows a company to begin operational on a global scale or the ability to launch internationally having impacts outside of its home borders. Meat processing consists of the steps involved in butchering and preparing edible animal tissues for human consumption. (Singh & Cross, 2020) Globally there are three leading companies that handle most of the world's meats, Tyson, Cargill, and JBS, that have scaled so large that they now have control over much of the world's meat processing and have been accused of manipulating markets to suit their needs and reduce competitive prices within initial production. This is an attempt to look at the history of these companies and deduce if globalization has unfairly influenced how these companies function and operate today, as well as the effects of covid-19 on operations and the effect on the public.

Company History

Tyson

Tyson Foods began its journey as a small chicken farm in Arkansas during the Great Depression in the 1930s, but really developed as a prominent producer during the second world war. At this time food rationing was implemented to ensure shortages did not occur during a time when many of the household "breadwinners" were away at the war. Poultry however was not on that list in the US, which dramatically increased the demand. In 1947 the company was incorporated and now provided three essential services in the industry: the sale of baby chicks, the sale of feed, and the transportation of chickens to market. This opened the doors for the company to greatly expand during the 50s and open their own processing plant, which later lead them to go public on the stock market in the 60s. In 1989, the company doubled in size within five years, becoming the largest integrated producer, processor, and marketer of poultry in the world. This gives them to opportunity to begin opening plants and acquiring other suppliers in the international market, ultimately expanding to other types of meat products besides chicken. (Foods, 2018)

JBS

JBS, a Brazil based meat packing company started by Jose Batista Sobrinho in the 1950's. He started with the ability to process 5 livestock per day and went on to sell his product to the local construction and development sites. The globalization process of JBS consisted of small company purchases in Brazil during their boom years after the 50s, and later moved on to larger global company purchases from 2007 onward. This helped them get recognized in 2014 as the second largest food packing company in the world.

Much of the expansion developments were due to the ability of the company to increase its in house operation from processing a few animals a day, to processing several thousand per day. (JBS, 2020) For example, in 2018, their daily handling capacity hit 77,000 cattle, 116,000 pigs and 13.6 million poultry birds, which would not have been possible without the mechanical and technological advances that happened between the 1950s and 2000s.

Technological Advantages

Global technological advances are important to note since the time frame of Tyson and JBS's company growth skyrocketed at the same time as the world population double from 2.5 billion in 1950 to 5 billion in 1987. (Roser, 2013) One can speculate that the demand for food in the cities, along with the development of better refrigeration and processing technology along with easier and faster transport methods, played a key role in propelling the company's growth and expansion from small local businesses to the large-scale global operation they are today.

Complications

Currently however, JBS has been taking some hits from an ethical and financial point of view. Several investors dropped the company after finding connections to deforestation of the Amazon Forest, even after the company claimed to have halted purchases from known suppliers involved in deforestation. (Phillips, 2020) They even hold the title of paying the world's largest fine of $3.2 Billion for bribery, are under continuous scrutiny from investigators over allegations of falsifying import documents, selling "dirty" and rotten meat, salmonella infected chicken, as well as worker-well-fare during the Covid-19 pandemic where the company failed to supply the employees with face masks and other protective equipment. There are also reports of connections to some farms JBS purchased animals from which forced workers to live in inhumane, and slave-labor like conditions, as well as inhumane treatment of animals. To JBS's credit they did stop purchasing from those suppliers, as this is unrelated to how the company itself handles the animals under their care at processing, unless the farms under scrutiny were owned or managed by JBS, which in this example does not appear to be the case. This could however fall under the category of how technology and "whistle-blowers" can greatly impact how a company manages operations and is viewed in the public light. (Wasley, et al., 2019)

Allegations

One of the main allegations under public and producer scrutiny is the "price-fixing" these large companies induces upon the producers by coordinating with other packing companies to not compete in the general market. In this case they did this by conspiring with the four main packing plants in the US, "Tyson, Cargill, JBS and National Beef, which controlled more than 81 percent of the market for U.S. fed cattle in 2017, with more than $48 billion of beef sales in that fiscal year..." (Stempel, 2019) These companies then purchased or imported livestock from outside the US to drive the local market prices down, even though store prices were at an all-time high. Consequently, this put producers under severe pressure to compete with cheap low-quality meats, that many times were labeled by the packing companies as US raised beef misleading the consumers into thinking they were supporting their own economies. With 93% of US consumers having a desire to know where the products they purchase are from, you would think that mandatory Country of Origin Labeling (COOL) labelling on all food store items would be supported and easily implemented. But as of today, there is still no mandatory labeling of beef and pork in the US, because congress was "under pressure from lobbyists of corporate meatpackers who control more than 84% of U.S. cattle slaughter. (WORC, 2018)

But this manipulation of markets does not stop with beef and pork. In the documentary (Super Size Me 2: Holy Chicken!), Jason Spurlock sees first-hand how the poultry industry can control and manipulate chicken producers, even threatening some with undercut prices that would put them out of business for participating in the documentary. Tyson and Pilgrim (a JBS owned company) were accused of making production cuts in 2008, 2010 and 2011 to manipulate the markets to benefit themselves. This action destroyed flocks of breeding hens responsible for producing eggs, causing the price of chicken to significantly increase even though feed costs were low. This has a major impact on the farmer, who is reliant on these companies to supply the fertilized eggs or chicks as well as specialized feed for these animals, before the company purchases the animals back for processing. (Yaffe-Bellany, 2019)

Globalization Consequences

The consequences of such large company operations were also exposed by the Covid-19 pandemic when grocery retailers in the US were unable to stock shelves for weeks with beef, pork, and poultry because packing plants were forced to close due to severe Covid-19 outbreaks. A seriously consequence when a single packing plant holds the ability to slaughter 5% of America's consumed pork, with Tyson Foods themselves warning that the pandemic could collapse the food production industry earlier in the year. (Hein, 2020) These closures caused many pork and poultry farmers to euthanize and destroy animals because there was no place for slaughter ready animals to go, and fresh shipments (or births) of fatting animals were already on their way to the farmers. (Lussenhop, 2020) (Estes, 2020)

Pros and Cons

Globalization may favor large companies by increasing access to funding and shareholders through incorporation, governmental grants, or tax cuts, as well as cheapened expenses that result in large bulk sales and shipments. Cheap or immigrant labor for example is readily available. These benefits can also be contradicted with the effects global publicity can have from media, trends, and data tracking (such as deforestation), changing cultural trends which may not be easily adapted to, ethics breaches, and the effects that a global pandemic can have on company image and production. (Brunelle, et al., 2014) (FAO, 2020)

Small companies can take advantage of globalization and the technology that comes with it because of the internet and how easy marketing is with social media by cheapening branding and having a global audience at your fingertips. Adapting to local trends and fads can be more easily implemented since small scale usually means small changes, like shifting to organic farming practices. However, liability is generally higher in small startups and tax breaks are not as easily accessible to small companies. Labor for instance is more likely to be local and paid a living wage. Shipping products globally for a small company can also be impractical as the expense of added taxes and importation fees are often not feasible. There is little opportunity to supply a large-scale grocer with local supplies without the help of a large multi-national provider, and since shopping habits have become about saving time with a one stop shop, the small holders like butchers and farmers markets are less desirable to everyday consumers. (Collins, 2015) (Avery, 2011)

Between the green revolution, Covid-19 induced meat shortages, and the publics pursuit to purchase locally this year, many small holdings are now beginning to "cut out the middleman" with a pasture/field to plate initiatives. This encourages small holdings and stock producers to raise, fatten, and process an animal before selling it on to the consumer. This demand has also sparked webinars (SDFarmBureau, 2020) during the pandemic to educate producers in the matter, as well as Facebook groups to connect producers with consumers. This is often met with processing regulations to meet health and safety standards that sometimes incur higher resulting prices. Non the less, farm to table initiatives have been gaining popularity, as consumers become more aware of the impacts of large retail companies and the economic costs induced because of them. (Henke, 2020) (MullygarryFarm, 2020)

Conclusion

After looking at the influences these companies have on the global markets, it’s hard not to see a staggering differentiation in the influence that a global market can have on a large company. Much like any other large company, these wrong doings often go overlooked due to political gains. While these companies do appear to be in a league of their own it may be justified to find a way to level the playing fields for the smaller companies or producers that depend on them. Imposing import and proper packaging regulations with consequences to these companies for wrong use of labelling for a start would at minimum help the consumer make better purchasing decisions. While technology enhances the benefits for anyone in the meat production sector, the real benefit lies within the power of numbers these companies use as outputs and the reliance of large grocers to stock shelves.

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