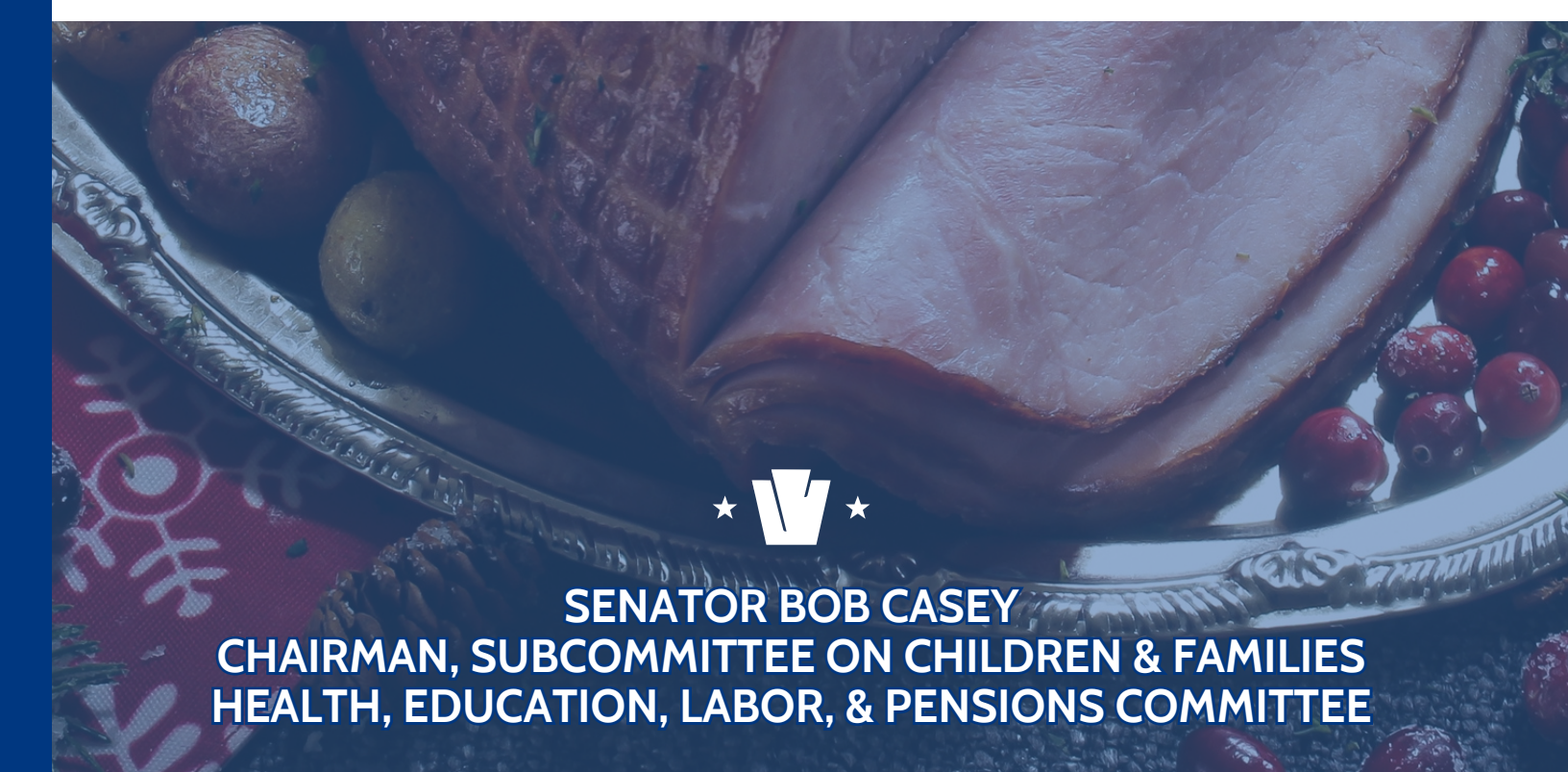




NOVEMBER 2023

# A GREEDFLATION REPORT: STUFFING THEIR POCKETS

HOW BIG FOOD AND AGRICULTURE BUSINESSES ARE  
MAKING YOUR HOLIDAY MEALS MORE EXPENSIVE



SENATOR BOB CASEY  
CHAIRMAN, SUBCOMMITTEE ON CHILDREN & FAMILIES  
HEALTH, EDUCATION, LABOR, & PENSIONS COMMITTEE

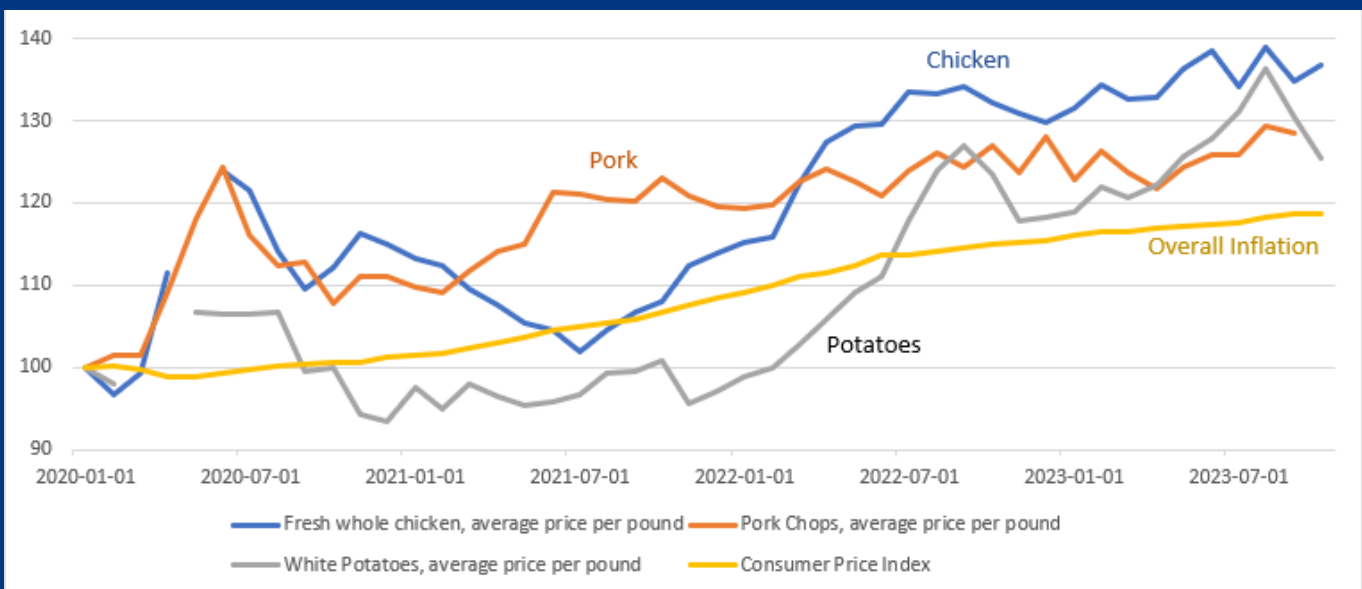
# INTRODUCTION

As the holiday season approaches, many families will find that their favorite foods are more expensive than at almost any point before. While the price of many goods have increased in recent years, the price of food has risen faster than most others, straining family budgets and taking a bite out of holiday celebrations. While turkey prices have fallen this year, families are still paying higher prices than they did in 2020.<sup>1</sup> Prices for other holiday meal staples, including chicken, pork, and potatoes, are rising faster than headline inflation,<sup>2</sup> earning companies billions and costing consumers.

This report examines how the agribusiness companies that process Americans' food have increased prices for everyday staple foods and raises questions about why those price increases are necessary. These same companies have a history of engaging in price-fixing,<sup>3</sup> colluding to raise prices,<sup>4</sup> anti-competitive conduct,<sup>5</sup> and touting their ability to raise prices without limit.<sup>6</sup>

## PERCENT PRICE CHANGE SINCE JANUARY 2020

SOURCE: FEDERAL RESERVE FRED DATABASE



# CHICKEN

## PRICES ARE UP

Chicken processing corporations are raising their prices above the cost of inflation. Since January 2020, inflation overall has risen 19 percent.<sup>7</sup> But over the same period of time the price for boneless chicken rose 38 percent, twice as much as inflation.<sup>8</sup> In October 2023, *Reuters* reported that:



Chicken prices at U.S. grocery stores have hit **record highs and should stay elevated** as Tyson Foods and other companies dial back poultry production to boost margins while inflation-weary shoppers buy chicken instead of beef and pork.<sup>9</sup>

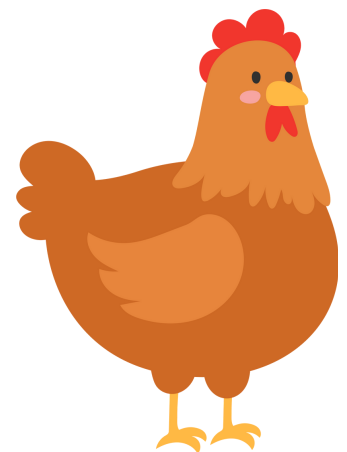
As *Reuters* reports and government data confirms,<sup>10</sup> the price for whole chickens has reached record highs, meaning that Americans now pay 35 percent more for a pound of chicken than they did in 2020.

## PROFITS ARE UP

Higher prices have meant higher profits for chicken producers. Tyson Foods, the largest producer of chicken in the US and one of the largest producers of beef and pork, doubled its profits in the final quarter of 2021<sup>11</sup> and then reported record sales and earnings 2022, the last full year available.<sup>12</sup>

Pilgrim's Pride, the second-largest chicken producer in the US, saw its net revenue increase by 53 percent in just three years from 2019-2022.<sup>13</sup>

Even as consumer prices remain high, today it is cheaper for companies to feed their chickens. Corn is one of most common ingredients in chicken feed.<sup>14</sup> Last month, corn feed prices were down 27 percent from the previous year<sup>15</sup> and global corn prices are at the lowest level since December 2020.<sup>16</sup>



# DEMAND IS HIGH

For decades now, Americans have consumed more chicken per capita than any other meat.<sup>17</sup> Even as chicken prices rose to historic highs in 2022,<sup>18</sup> demand for chicken continued to grow. The US Department of Agriculture now projects that consumption of chicken will surpass 100 pounds per person in 2023, which would be a record.<sup>19</sup> Persistent and growing demand for chicken is reflected in the National Chicken Council's 2023 "Chicken Wing Report," which predicted that during the Super Bowl LVII weekend Americans would eat a "record-breaking" 1.45 billion chicken wings, or four for every person in the United States.<sup>20</sup>



## WHAT ARE COMPANIES DOING TO KEEP PRICES HIGH?

With prices high, demand high, and feed costs falling, it would be reasonable to think that companies would expand production. The opposite seems to be true in some cases, and certain companies are restricting supply to drive prices even higher. Businesses can inflate prices and profits by eliminating competition and coordinating with competitors to raise prices. The chicken industry has been accused or found guilty of doing all of the above in recent years.

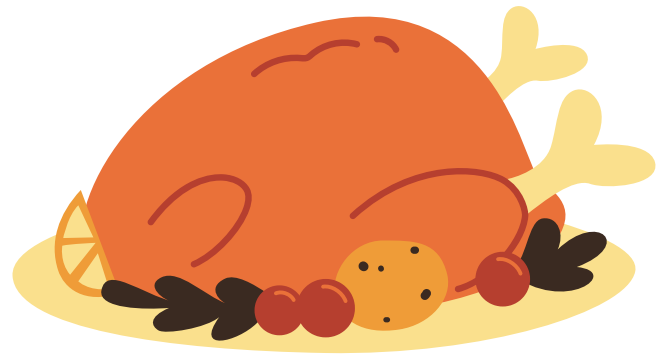
- In 2021, Cargill Inc. and Continental Grain Company purchased Sanderson Farms Inc., the number three chicken producer in the Nation, merging it with Continental subsidiary Wayne Farms to create a new poultry business.<sup>21</sup> Per Forbes, this move "push[ed] the market share of the top four competitors to more than 60% from about 50%."<sup>22</sup> This increasingly leaves growers, workers, and consumers at the mercy of a consolidated industry that can constrict supply to increase profits rather than focus on increasing supply to meet rising demand.
- Pilgrim's Pride, the number two chicken producer, was ordered to pay a \$107 million criminal fine by the Department of Justice (DOJ) in 2021 for its participation in a conspiracy to fix prices and rig bids for broiler chicken products.<sup>23</sup> In 2021, Tyson, the number one chicken producer in the US, paid \$221.5 million to restaurants and supermarkets to settle claims it illegally conspired to inflate chicken prices,<sup>24</sup> and then in 2022 it paid to settle a similar lawsuit brought by the state of Washington.<sup>25</sup>



- Tyson announced in mid-2023 its plans to close six chicken plants across Virginia, Arkansas, Missouri, and Indiana, laying off thousands of workers.<sup>26</sup> In October, Tyson also said that it would be laying off hundreds of additional workers at a plant in North Carolina.<sup>27</sup> With demand and prices still at or near record highs, cuts to operations are expected to boost the bottom lines of companies like Tyson and Pilgrim's Pride while continuing to harm everyday Americans.<sup>28</sup> Other producers have also closed multiple chicken plants since 2021.<sup>29</sup>

Finally, the Department of Justice recently initiated a lawsuit that suggests almost the entire chicken, turkey, and pork industry are engaged in price-fixing practices. The DOJ says the industry sent “sensitive information related to price, cost and output” to a firm called Agri Stats Inc., which then told them

how much they should charge for their products. According to the Department of Justice: “Executives at some of the country’s largest meat processors testified that they could not recall any examples in which their companies used Agri Stats information to lower their sales prices to gain market share. An executive at Smithfield, a pork processor, summarized Agri Stats’ consulting advice in four words: **“Just raise your price.”**”<sup>30</sup>



# PORK

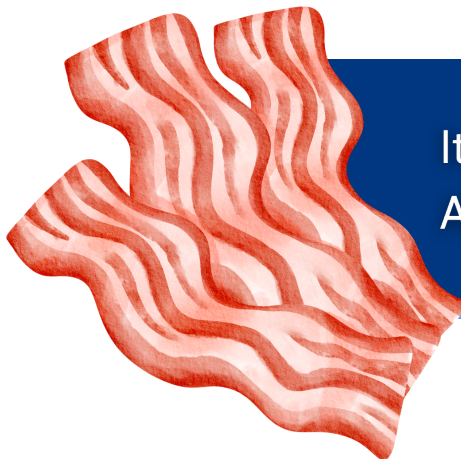
## PRICES ARE UP

If Pennsylvanians want a pork roast on the holiday table this year, they will have to pay extra. Pork chop costs are up 28 percent since 2020<sup>31</sup> and bacon prices were up 30 percent for most of 2022 and are now up 29 percent since 2020.<sup>32</sup> It has, quite literally, gotten harder for working Americans to bring home the bacon.

## PROFITS HAVE BEEN STRONG

Smithfield, the largest pork producer in the US, which is owned by Chinese company WH Group, made profits of over \$1 billion in 2021,<sup>33</sup> which then grew 34 percent to \$1.4 billion in 2022.<sup>34</sup>

As pork prices grew and U.S. demand dipped, American pork processors were able to lean on foreign markets to sell their products, particularly in China. However, China's restoration of higher tariffs on pork imports in 2022 reduced international demand and increased the domestic supply of pork.<sup>35</sup> Per the basic idea of supply and demand, we would expect that a sudden increase in supply would result in lower prices for consumers. Yet, as with chicken, that is not the case. As the Wall Street Journal noted, "the glut of pork on the market has yet to translate into lower prices for consumers."<sup>36</sup>



It has, quite literally, gotten harder for working Americans to bring home the bacon.

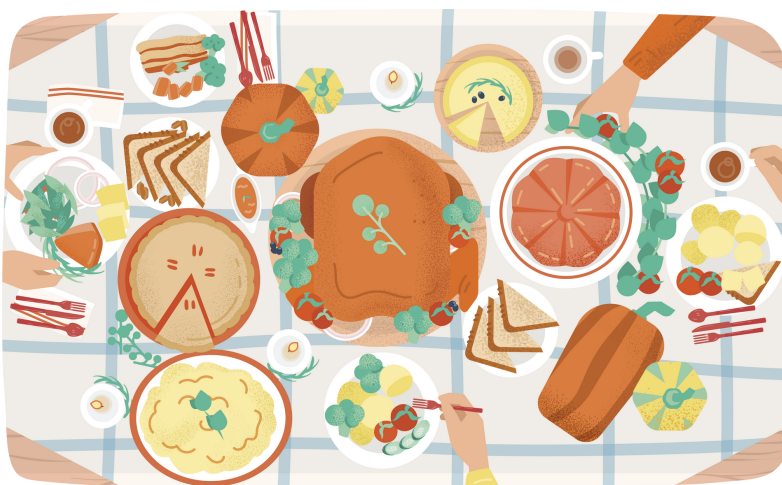


## WHAT ARE COMPANIES DOING TO KEEP PRICES HIGH?

Like the chicken industry, the pork processing industry is similarly concentrated. Per data from the U.S. Department of Agriculture's Economic Research Service, 67 percent of pork processing in 2019 went through the four largest companies, compared to 34 percent in 1980.<sup>37</sup>

Rather than cutting prices, the industry seems determined to cut production, reducing capacity while keeping costs high for consumers. In August, Perdue Farms announced that it would be closing a factory in Michigan that processed ham, sausage, and other pork products, laying off 132 workers.<sup>38</sup> Smithfield Foods Inc., the world's largest pork producer, is closing 35 farms across Missouri,<sup>39</sup> and in October announced it would be closing its Charlotte-based processing plant.<sup>40</sup> While these decisions might help reduce the overhead costs and overall supply for producers and processors, it will only exacerbate demand issues by keeping prices high for consumers.

Unfortunately for consumers, the industry has a history of illegally inflating prices and has faced some consequences for price-fixing. In 2021 and 2022, pork giant JBS settled price-fixing lawsuits for \$20 million and \$13 million, while Smithfield paid two different groups of pork consumers \$83 million and \$42 million in 2021 and 2022.<sup>41</sup> In another lawsuit late last year, McDonald's, the maker of the McRib, accused the pork giants of working together to inflate the price of their product.<sup>42</sup> Pork producers are also implicated by the Department of Justice in the Agri Stats price collusion lawsuit. This suit argues that they have been, and are currently, working with their competitors to keep prices high.



# POTATOES

## PRICES ARE UP

This holiday season, it will cost more than ever to put mashed potatoes on the dinner table. According to news reports,<sup>43</sup> the price of potatoes are up over 60 percent compared to last year.

## PROFITS ARE UP

Higher potato prices have meant huge profits for Lamb Weston Holdings, the largest frozen potato provider in the country. Its most recent quarterly report notes that net income soared 111 percent compared to a year before, which their CEO

attributed to “the carryover benefit of pricing actions initiated last year.”<sup>44</sup>



In its yearly shareholder statements, Lamb Weston noted that it has greatly outperformed the S&P 500 over the past several years because its potatoes are “one of the highest-margin food items on the menu.”<sup>45</sup>

## CONSUMERS HAVE NOWHERE TO GO

Potatoes are historically an inexpensive food people can turn to when prices rise. With prices for most other foods increasing as well, while potatoes are no longer the budget-friendly option they used to be, consumers don’t have many other low-cost choices. As one analyst notes, “Although consumers will pay higher prices for fresh potatoes, french fries, and other frozen potato products, they are not expected to reduce their potato consumption. The potato is extra precious during a period of inflation, when consumer purchasing power is eroded.”<sup>46</sup> They note that despite record prices, this season’s crop is the smallest since 2010. Potato production has been falling every year since 2018.<sup>47</sup>

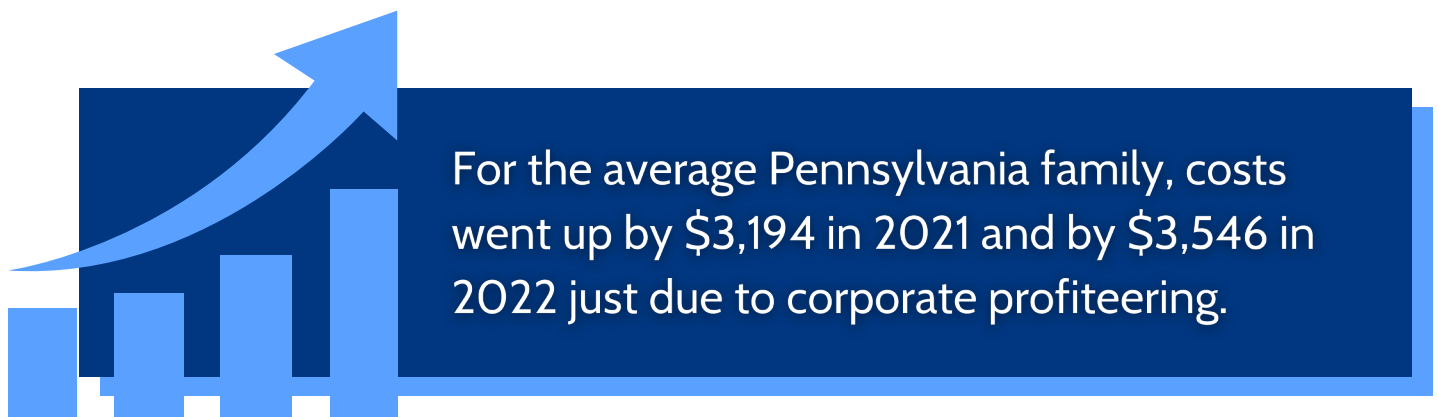




# CONCLUSION

Consumers pay the price for corporate greed. While inflation has stressed family budgets in recent years, data shows that it has recently moderated. Despite this drop, consumers are still feeling pinched because many corporations continue to raise prices on consumers—not to offset inflation—but to increase their own profits. This practice, known as greedflation, is costing American consumers more than ever. Senator Casey’s previous report on greedflation found that corporate profits accounted for all the inflation in the first year of the pandemic recovery (roughly July 2020 to July 2021) and 41 percent of inflation overall in the first two years of the post-pandemic recovery (July 2020 to July 2022). For the average Pennsylvania family, costs went up by \$3,194 in 2021 and by \$3,546 in 2022 just due to corporate profiteering.<sup>48</sup>

As we can see in the food industry, there is no shortage of ways for corporations to raise prices on consumers. Senator Casey has a four-pronged strategy to provide hardworking American families with relief from greedflation: putting more money in the pockets of working families, making big corporations pay their fair share, fighting unfair price gouging, and taking on corporate monopolies to increase competition and lower costs. Senator Casey also believes we need stronger enforcement of our existing consumer protection laws by the Federal Trade Commission, Department of Justice, and Department of Agriculture. Senator Casey will continue to fight to lower prices for consumers, especially at the dinner table, and to put money back in the pockets of working families—where it belongs.



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