

**Written Testimony of**  
**Donnie King**  
**President and Chief Executive Officer, Tyson Foods**  
**before the**  
**U.S. House of Representatives, Committee on Agriculture**  
**April 27, 2022**

Chairman Scott, Ranking Member Thompson, members of the House Agriculture Committee, I appreciate this opportunity to discuss the economics of our business with you today. My name is Donnie King, and I serve as Tyson Foods' president and chief executive officer.

**Tyson Foods is an American company providing opportunities across our country, including in rural communities**

Tyson Foods was founded nearly a century ago, during the Great Depression, in Springdale, Arkansas, by John W. Tyson. It is an American success story: a company started by a young man looking to provide for his family, with a single truck and a plan—to get food to where people needed it. At the time, this meant transporting food from Arkansas to places like St. Louis and Chicago. Today, as a fourth-generation family business, Tyson continues to provide food where people need it, here at home and in many other communities around the world, while also providing jobs and opportunities to nearly 140,000 Tyson team members.

Tyson's home is still Springdale, but our team members live and work all across America. With facilities in 30 states, Tyson produces quality food in places like San Lorenzo, California; Joslin, Illinois; Storm Lake, Iowa; Forest, Mississippi; Amherst, Ohio; and Pasco, Washington. Tyson's economic impact in the communities we operate is more than \$27 billion annually, including \$638 million in Georgia, \$455 million in North Carolina, and \$167 million in Virginia. And every year, we invest more than \$15 billion with more than 11,000 independent producers

who supply us with live cattle, pigs, chickens, and turkeys—many of whom have supplied Tyson for multiple generations.

In the United States, our team members come from diverse backgrounds, many different countries, and speak more than 50 languages. We are an integral part of the communities where we live and work, and Tyson provides opportunities to our team members so they can better access the promise of America.

At an average compensation of \$24 per hour, including medical, retirement, and other benefits, or what amounts to an average of \$50,000 per year in total compensation, Tyson provides our team members with not only a good job, but a career. In fact, that's how I started at Tyson—as an hourly team member on the production floor at our Pine Bluff, Arkansas, chicken plant.

For many of our team members, Tyson represents an opportunity to not only earn a good living, but to do so while attaining practical life skills, high school equivalency, English as a second language education, financial and digital literacy, and other career development training through Tyson's on-site education programs, Upward Academy and Upward Pathways. For others, Tyson gives team members and their families a path to achieving their own American dream, with Tyson paying for team members' citizenship fees and providing legal and other support to those who take citizenship classes. We also provide a second chance to those who need it, with rehabilitation programs that support team members as they overcome substance abuse or reenter society after incarceration. There are so many inspiring stories at Tyson, but not all of them told because it's just who we are as a company.

Because Tyson is part of the communities where we live and work—our charitable impact focuses on the places that we call home. From anti-hunger drives, to disaster relief efforts, to community fundraising, to support for public schools. Last year alone, Tyson and our team members donated 64 million meals to help those in need, and we will continue to provide such community support this year and in the future.



I want to thank our many communities who support our business, and I want to thank the 11,000 independent ranchers, farmers, and growers who have been incredible partners, especially during these critical times. And most of all, I want to thank our team members for the work they do for this country every day. We are a diverse team of dedicated people working together to overcome difficult challenges, including sometimes personal ones, as we do our best to keep food on the tables of our own families, our neighbors' families, and all the families in the communities we serve across the nation and the world.

### **Basic market forces set prices**

Although my testimony will focus on Tyson's beef business, inflation is not limited to beef nor is it limited to Tyson. Across all of Tyson's businesses, we are seeing significant increases to our input costs. So too are other manufacturers—from other food companies to manufacturers of appliance, furniture, automobile, and building materials, to name a few.<sup>1</sup>

It's also important to note that Tyson does not set the prices for either cattle that we buy or beef that our customers purchase. These prices are set by straightforward market forces, namely available supply and consumer demand. These market forces mean that there are times when the commodity business cycle favors one party over another. For example, in 2015, these market forces worked against us when our beef business lost \$66 million because the supply of live cattle was at its lowest. At the same time, cattle producers and feeders were making record margins. In fact, the beef and cattle markets are some of the *most transparent* in the world. For over two decades Tyson and other producers have been required by law to electronically report to the USDA, twice per day, the prices

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<sup>1</sup> See, e.g., "Supply Chain, Rising Raw Material Costs and Workforce Shortages Top Concerns for Manufacturers" March 17, 2022, National Association of Manufacturers, available at: <https://www.nam.org/supply-chain-rising-raw-material-costs-and-workforce-shortages-top-concerns-for-manufacturers-17080/>

we pay for all cattle and all prices at which we sell our beef. This mandatory price reporting—industry-wide pricing data—is publicly available at the USDA website.

Recently, the business cycle for beef has experienced an extreme swing between the price of live cattle and the price of finished beef due to the confluence of a number of unforeseeable factors that constrained the supply of beef while at the same time increasing its demand. Chief among these were the unprecedented shocks caused by and which continue to be caused by the COVID-19 pandemic.

When the COVID-19 pandemic led states and municipalities to enact shelter-in-place orders and require businesses to close, Tyson remained operational as part of the nation's critical infrastructure to ensure continued availability of food. We went to extraordinary lengths to implement promptly protocols to keep our team members protected against the virus. We installed barriers, implemented physical distancing, monitored temperatures, provided personal protective equipment, initiated more frequent deep cleaning of our facilities, held mass testing events—and later, vaccination events. All of these and other necessary actions required us to slow or idle our operations.

We also required team members who felt sick or were displaying symptoms of COVID-19 to stay home, with pay. Likewise, we required team members who tested positive for COVID-19, including those who were asymptomatic and identified through our testing programs, to stay home, with pay. Other employees remained home for a number of other reasons, including to care for children due to school and daycare facility closures.

The collective effect of these factors led to an extremely constrained pool of labor available to operate our facilities at full capacity. Simply put, we just didn't have enough people to fully staff our plants. This lack of available labor resulted in too many live animals ready for processing and too few facilities staffed to properly process those animals. This sudden and swift rise in oversupply of cattle led to a corresponding sharp and swift drop in the market price for them.



While COVID-19 significantly impacted numerous industries, the impact on the cattle industry was pronounced for a number of reasons. First, the cattle industry is the least agile of the three major proteins because it takes years to raise cattle for harvest, as compared to weeks for chickens and months for pigs. Second, cattle are expensive to feed and have a limited age and weight range for processing due to the impact larger, heavier animals have on transportation logistics, team member safety, plant equipment and customer specifications. Third, these market shocks occurred when the supply of live cattle was at its peak. When the pandemic began, there were six million *more* head of cattle on the market than there were at the bottom of the cycle in 2014. Basic economics tells us that when there is an unexpected and significant oversupply of live cattle, the price of those cattle should fall, which is precisely what happened. And, as the markets work through the impacts of COVID-19, we are already seeing live cattle prices rising to more normalized pre-pandemic levels.

At the same time cattle prices were falling, the price for finished beef—the beef that consumers buy at grocery stores—was rising, driven by skyrocketing consumer demand due to the uncertainty caused by the pandemic as well as shelter-in-place and restaurant closure orders, which meant that people were overwhelmingly cooking meals at home. These factors were not unique to Tyson or its beef business. Processing plants across the nation continued to manage without available labor and were either idled or running at severely reduced capacities, meaning that production of chicken, turkey, pork, and beef could not keep pace with overwhelming consumer demand. Demand for beef and other animal protein was rising while supplies were falling. Again, basic economics holds that when demand is high and supply is low, prices will rise, which is precisely what they did.

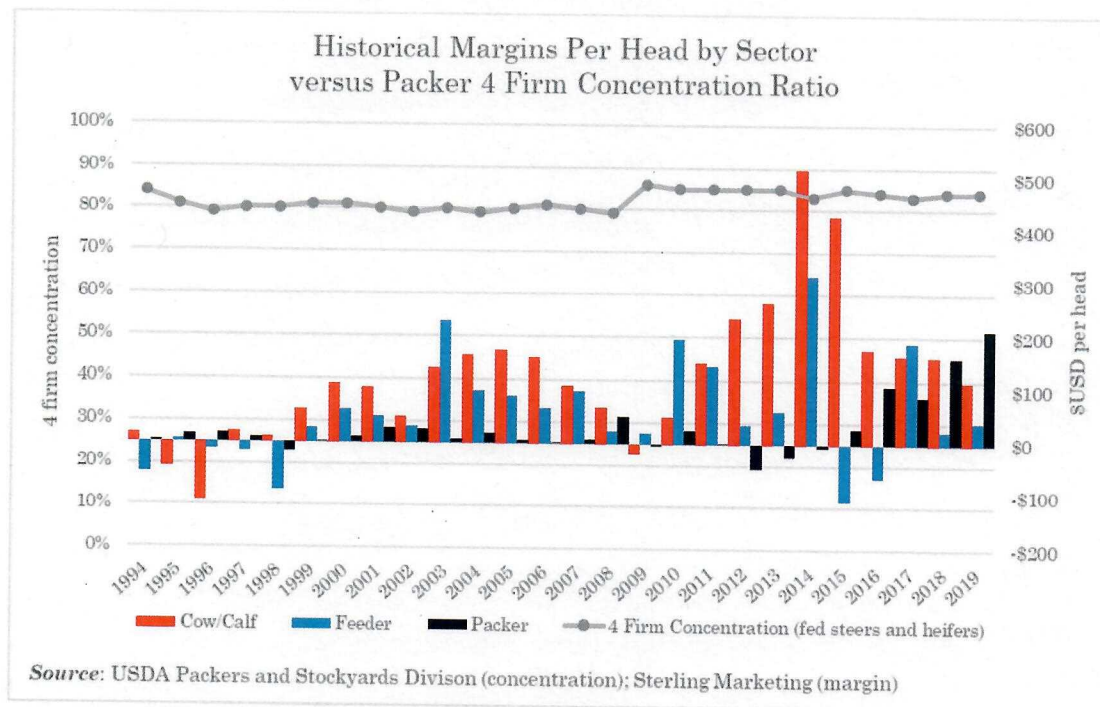
The situation has been deepened by geopolitical issues, which are exacerbating the access to and shortages of essential inputs and ingredients such as grain and cooking oil, resulting in higher costs. To put it in perspective, each head of cattle consumes about 7,000 pounds of grain feed in the seven months

before processing. Today, the cost of gain has increased 75%, from \$0.80 per pound to over \$1.40 per pound. This dramatic rise in input costs is reflected in the prices American families pay at the grocery store.

## Recent price shifts have nothing to do with industry consolidation

Concentration in the beef processing industry has remained constant during the last 30 years. Over that time, data shows that ranchers more-often-than-not achieve higher profit margins than beef processors. And in most of those thirty years, the profit margins of ranchers and cattle producers have been much higher than the low, single-digit margins we made as beef processors. In fact, in several years, ranchers made historic profits on live cattle while beef processors either lost money or barely broke even, as is illustrated in the chart below. This too, is the market at work.

### Historical margins per head of cattle



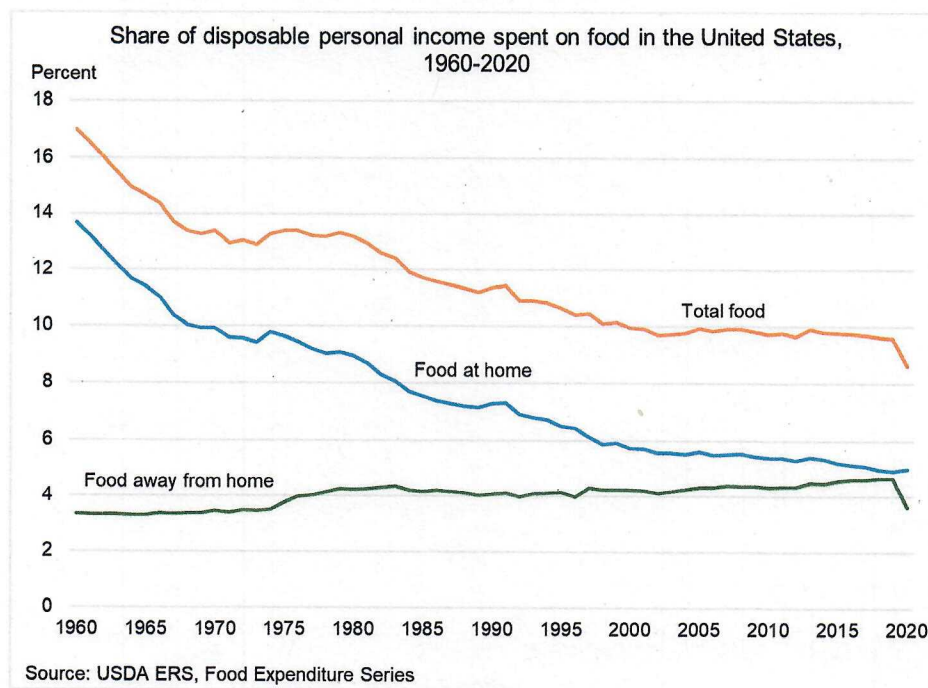
**Tyson produces quality food at market prices**



Despite the market shocks brought by COVID-19 and global unrest, America's food system remains among the world's safest, most resilient and affordable.

According to the USDA, the "share of disposable personal income spent on total food has trended downward since 1960 . . . ."<sup>2</sup> As illustrated in the chart below and noted by the USDA, "[i]n 2020, U.S. consumers spent an average of 8.6 percent of their disposable personal income on food."<sup>3</sup> Twenty years prior, that number was nearly 12%.

### Historical share of disposable income spent on food



Today, in part because of continuous improvement in how we operate our business, beef is more affordable, available, and accessible for more Americans than ever. And, with advancements in how we source cattle and improvements in modern cattle production, the beef we produce today is consistently higher quality. For example, choice and prime beef grades have increased from 60 percent in 2000

<sup>2</sup> <https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/food-prices-and-spending/> (last visited July 26, 2021).

<sup>3</sup> *Id.*

to 85 percent in 2020. Today, Americans are demanding higher-quality, convenience and variety—all of which customers are willing to pay for across the food chain, benefiting both cattle producers and beef processors. There is also a growing demand for higher-valued products across the world, including specialty products which are in far less demand in the United States, like organ meats. Such demand raises the value of the whole animal, which benefits ranchers, feeders, and producers.

Tyson's returns are also strengthened by our efforts to become a more agile and efficient company through innovation and automation. This means that we are able to run our business more safely and at a lower cost, with higher capacity utilization. These savings will help to keep costs to consumers lower, enable us to pay our team members more, and allow us to further reinvest in our business.

### **Economists and government regulators agree: American businesses are not to blame for inflation**

Today, as the Committee knows well, prices are up for nearly every product Americans buy, as inflation rates climb to the highest level in generations. As of this testimony, gas is up 25%; labor costs are up 20%; and the agricultural commodities we require to operate are up across the board. Since March 2020, the cost of corn is up 127%, soybeans are up 90%, and soybean meal is up 54%. Year over year, soy crush plant margins are up 168% with key fertilizers like nitrogen, potassium and phosphorus going up between 115% to 246% in that timeframe.<sup>4</sup> Freight transportation costs are likewise rising, with international shipping container rates up 68% and diesel fuel up 104% year over year.

Experts, policymakers, and government regulators understand that the cause of the current inflationary environment is some combination of constrained

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<sup>4</sup> Agrus, Goldman Sachs Global Investment Research as of 3/31/2022



supply, high consumer demand, and continued unforeseen disruptions to the global supply chains caused by COVID-19 and exacerbated by geopolitical unrest.

In February 2022, the U.S. Department of Justice recognized that “[e]conomies across the globe have faced significant challenges caused by supply chain disruptions resulting from the COVID-19 global pandemic” and that “[t]ransportation constraints, disruptions to routine business operations and difficulty in obtaining raw materials have all led to increased costs of production and shipment, which in turn have resulted in higher prices for consumers” in a variety of industries, including agriculture.<sup>5</sup> To state the obvious, these rising input costs are not set by Tyson.

Lawrence Summers, the former Treasury Secretary, observed that “[r]ising demand, with capacity and labor constraints, are fully sufficient to account for what we observe in meatpacking.”<sup>6</sup> Earlier this year, the U.S. Chamber of Commerce similarly found that “[l]ike so many other products, the factors driving meat prices higher include increased demand, COVID-related supply chain disruptions, and increased input costs, especially higher energy and labor costs.”<sup>7</sup> “Consumers are buying beef,” said David Anderson, a livestock economist at Texas A&M University.<sup>8</sup> “What we’re seeing with prices, I would argue as an economist, that’s exactly what we should see given this bottleneck.”<sup>9</sup>

Economists recently commissioned by the USDA to study the issues surrounding fed cattle pricing agree, stating in their report: “Fundamentally, the

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<sup>5</sup> Press Release, U.S. Department of Justice (Feb. 17, 2022).

<sup>6</sup> Lawrence H. Summers, former U.S. Treasury Secretary, Twitter (Dec. 26, 2021); *see also* Washington Post Editorial Board Opinion (Jan. 10, 2022) (“Inflation, which was relatively low for years, did not suddenly rise in recent months because businesses decided now was the ideal time to squeeze their customers. What actually happened is that demand soared for many products as the economy recovered. Often, there were not enough products to meet it, thanks to supply chain hiccups and labor shortages, so prices went up.”); Wall Street Journal Editorial Board Opinion (Jan. 7, 2022) (“Like so much else...meat prices have soared amid surging demand, rising production costs, and constrained supply.”).

<sup>7</sup> U.S. Chamber of Commerce News Release (Jan. 3, 2022).

<sup>8</sup> Reuters, “Analysis: High U.S. meat prices: packer profiteering or capacity crunch?” (Jan. 19, 2022).

<sup>9</sup> *Id.*

recent market disruptions were the result of low demand for live cattle, some high demand for beef products, and tight supplies of beef, all resulting from limited live cattle processing capacity.”<sup>10</sup>

### **Tyson continues to invest in America**

The returns we make allow us to invest in our team members and business. For example, during the pandemic we implemented \$500 million in wage increases and bonuses for our hourly team members. We expanded our childcare programs, recently breaking ground on a new onsite childcare facility in Tennessee. We have opened free health clinics on or near a number of our processing facilities where access to medical care is challenging. And, most recently, we announced the expansion of educational opportunities from technical skills to upper-level degrees that will be offered to our team members for free.

We also invest back in our business, including product and process innovation and opening new facilities to increase capacity, meet consumer demand and stay competitive with the rest of the world. For example, since 2019 Tyson has opened several new processing plants, including beef, chicken and pork further processing facilities, distribution centers, feed mills, and hatcheries. We have also increased capacity in a number of our facilities by adding additional production lines. Each of these facilities means more demand for farmers’ and ranchers’ products and more job opportunities for Americans.

Notably, during the pandemic, Tyson began operations at its new \$425 million, 370,000 square foot poultry complex in Humboldt, Tennessee, which is expected to employ 1,500 team members by 2023. In August 2021, we announced a

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<sup>10</sup> Texas A&M University Agricultural and Food Policy Center (AFPC), *The U.S. Beef Supply Chain: Issues and Challenges*, at 163 (2021). In August of 2020, the House Committee on Agriculture asked the USDA to commission a study to look into the issues surrounding fed cattle pricing. The USDA partnered with the AFPC at Texas A&M and the cited book is the culmination of that work. That said, the authors note that the book should not be construed any official USDA or U.S. Government determination or policy.



\$300 million investment to build a new 325,000 square foot fully-cooked chicken plant in Danville, Virginia. This new facility is expected to create nearly 400 jobs when production begins in spring 2023. Also in 2021, Tyson opened two new facilities to support growth in case ready beef and pork products in Eagle Mountain, Utah, and Columbia, South Carolina. These facilities are expected to add approximately 270 million pounds per year of additional capacity. And we recently broke ground on a new \$355 million bacon plant in Bowling Green, Kentucky, which is expected to employ 450 people and meet the growing demand for Tyson's products.

These investments are good for our company and the country, providing additional jobs and opportunities for those in the communities where our facilities are located and adding additional capacity and resiliency to the country's food supply chain.

## **Conclusion**

As I said earlier, I started at Tyson, nearly four decades ago, because I wanted a job. I stayed because of the company we are, the values we hold and the important work we are privileged to do.

Our company was founded by a man who found a better way to feed people. Today, all 140,000 Tyson team members honor that legacy by continuing to find better ways to feed America and the world. What we do is critical to this nation's food security, and I invite all members of the Committee to visit us, anytime, so you can see for yourself why we are so proud of the company we work for.

I appreciate this opportunity to share our perspective.