

“Food Supply Chain Is Breaking”: Tyson Foods

By [Zero Hedge](#)

Global Research, May 01, 2020

[Zero Hedge](#) 27 April 2020

Region: [USA](#)

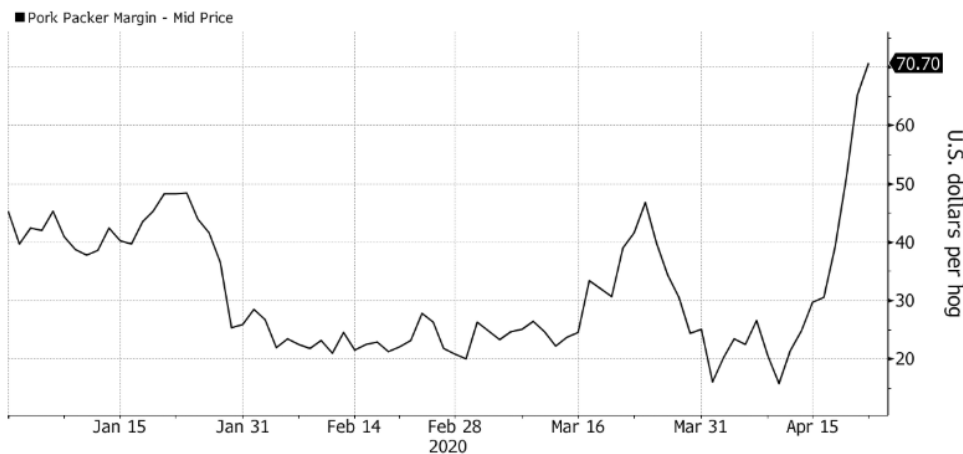
Theme: [Global Economy](#), [Science and Medicine](#)

News feeds in April have been inundated with food supply chain disruption stories due to [coronavirus-related shutdowns](#). At least a third of US meatpacking facilities handling hogs have shifted offline this month, other plants that process cows and chickens have also shuttered operations, [forcing farmers to cull herds](#) and flocks. This is because each plant closure diminishes the ability for a farmer to sell animals at the market, leaves them with overcapacity issues similar to the turmoil facing the oil industry. Only unlike oil where pumped oil must be stored somewhere (as one can't just dump it in the nearest river) even if that ends up costing producers money as we saw last Monday when oil prices turned negative for the first time ever, food producers have a simpler option: just killing their livestock.

We previously explained what this imbalance has created: crashing live cattle spot prices while finished meat prices are soaring, which doesn't just affect farmers but also consumers simultaneously and could spark a shortage of meat at grocery stores as [soon as the first week of May](#).

Pork Profits

Margins for slaughtering hogs surge as plants shut down



And in the starkest warning yet that high food prices could last for a long time, Tyson Foods warned in a full-page ad in the [New York Times](#) on Sunday that the “*food supply chain is breaking.*”

“As pork, beef and chicken plants are being forced to close, even for short periods of time, millions of pounds of meat will disappear from the supply chain,” wrote Tyson Chairman John Tyson, patriarch of the company’s founding family, in a Tyson Foods website post that also ran as a full-page ad in several newspapers. “The food supply chain is breaking.”

A Delicate Balance: Feeding the Nation and Keeping Our Employees Healthy

Sometimes life changes in the blink of an eye, and the world as we know it is different. Anxiety, doubt, and the fear of the unknown are now our constant companions.

As Chairman of Tyson Foods, I am grateful for our team members, but most of all I care about their health and safety. They come to work every day to feed our country with safe, sustainable, quality and affordable food. Our team members produce food to go on family tables, in lunch boxes, in picnic baskets, for take-out orders and wherever else you may choose to eat.

Even as COVID-19 is changing everything, Tyson Foods is rising to the challenge. Over these last few months, our team members have done what they always have: put food on the tables of millions of homes around the country. But we aren't just feeding our nation; we are feeding communities, our friends, our neighbors – and our own families. I am thankful for our team members' commitment to something bigger than a job.

Now, Tyson Foods is facing a new set of challenges. In small communities around the country where we employ over 100,000 hard-working men and women, we're being forced to shutter our doors. This means one thing – the food supply chain is vulnerable. As pork, beef and chicken plants are being forced to close, even for short periods of time, millions of pounds of meat will disappear from the supply chain. As a result, there will be limited supply of our products available in grocery stores until we are able to reopen our facilities that are currently closed.

Tyson Foods has a responsibility to feed our nation and the world. The government bodies at the national, state, county and city levels must unite in a comprehensive, thoughtful and productive way to allow our team members to work in safety without fear, panic or worry. The private and public sectors must come together. As a country, this is our time to show the world what we can do when working together.

In addition to meat shortages, this is a serious food waste issue. Farmers across the nation simply will not have anywhere to sell their livestock to be processed, when they could have fed the nation. Millions of animals – chickens, pigs and cattle – will be depopulated because of the closure of our processing facilities. The food supply chain is breaking.

We have a responsibility to feed our country. It is as essential as healthcare. This is a challenge that should not be ignored. Our plants must remain operational so that we can supply food to our families in America. This is a delicate balance because Tyson Foods places team member safety as our top priority.

Here is what we have done to date to protect our team members in our plants: In January, we formed a coronavirus task force; since then, we've put in place numerous measures to protect our team members across the nation. The company's efforts have included taking worker temperatures and installing more than 150 infrared walkthrough temperature scanners in our facilities; securing a supply of face coverings before the CDC recommended their use – and now, requiring them in all company facilities;

and conducting additional daily deep cleaning and sanitizing. We've implemented social distancing measures, such as installing workstation dividers and providing more breakroom space. We've also relaxed our attendance policy to encourage workers to stay at home when they're sick or feel uneasy about coming to work. And in a few circumstances where we haven't been able to meet our own standards, we've voluntarily closed operations, only resuming when adequate safety measures were in place.

We are also encouraging our team members to continue the social distancing practices we have established within our operations, before and after shifts and in their communities. We must do everything we can to prevent their exposure to the virus outside of our facilities and not contribute to community spread in our plant localities.

Tyson is waiving the waiting period to qualify for short-term disability so workers can immediately be paid if they get sick. We're also waiving the co-pay, co-insurance and deductible for doctor visits for COVID-19 testing, as well as eliminating pre-approval or preauthorization steps, waiving co-pays for the use of telemedicine, and relaxing refill limits for 30-day prescriptions of maintenance medication.

Tyson Foods is also paying approximately \$60 million in "thank you" bonuses to 116,000 frontline workers and Tyson truckers who support our operations every day.

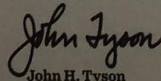
We committed \$13 million to support critical needs in our local communities. That includes \$2 million in community grants and more than \$11 million worth of food and meals donated by the company since March 11. Over the coming days, we will make more product donations equal to an additional 100 million meals.

This year marks the 85th anniversary of Tyson Foods. Our family and the men and women who started this great company had the simple goal of feeding their families and their local communities. We accepted that responsibility then, and we still do today. I'm proud of the efforts of our team as we work through the COVID-19 crisis. We've remained true to our core values, especially by continuing our focus on providing a safe work environment for our team members.

It hasn't been easy, and it's not over. But I have faith that together, we'll get through this. We will continue to bring new ideas to the table, solve new problems, and create new opportunities. We must come together to keep our nation fed, our country strong, and our employees healthy.

What gave us faith in the past and gives me faith today is knowing that together, we will find the right path to take care of our team members and our communities, while providing safe and healthy food for you, our consumers.

I'm grateful for team members, our customers, our communities and our consumers who depend on our products every day.



John H. Tyson
Chairman of the Board

Confirming the worst fears of American pork and bacon consumers, Tyson wrote that the company has been forced to close plants, and that federal, state and local government officials needed to coordinate to allow plants to operate safely, "without fear, panic or worry" among employees. He warned that supply shortages of its products will be seen at grocery stores, as at least a dozen major meatpacking plants close operations for virus-related issues.

Brett Stuart, president of Denver-based consulting firm Global AgriTrends, calls the situation "absolutely unprecedented."

"It's a lose-lose situation where we have producers at the risk of losing everything and consumers at the risk of paying higher prices."

Last week, Smithfield Foods, one of the top pork producers in the world, closed another operation in Illinois. That news came directly after Hormel Foods closed two of its Jennie-O

turkey plants in Minnesota. Then it was reported over the weekend that [major poultry plants across Maryland](#), Delaware, and Virginia had reduced hours because of worker shortages due to virus issues. And then on Sunday, JBS USA closed a large beef production facility in Wisconsin.

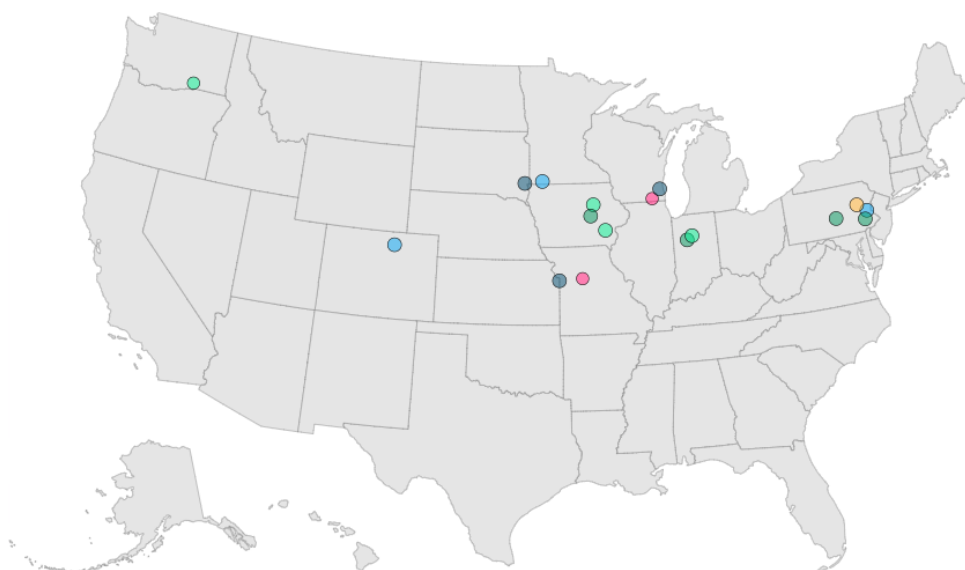
“During this pandemic, our entire industry is faced with an impossible choice: continue to operate to sustain our nation’s food supply or shutter in an attempt to entirely insulate our employees from risk,” Smithfield said in a statement Friday. “It’s an awful choice; it’s not one we wish on anyone.”

Bloomberg’s map shows the latest closures of meatpacking plants:

Meat Plant Closures

U.S. processing plants shuttered due to the pandemic

- Cargill
- Conagra
- JBS
- Smithfield Foods
- Tyson Foods
- Other



Source: Bloomberg News

Even before the Tyson warnings, last week we cautioned that it was [appropriate](#) to label virus outbreaks at meatpacking plants as the “next disaster zones” of the pandemic. This wasn’t just because of workers and USDA inspectors were contracting the virus, and in some cases dying – but because food shortages could also add to social instabilities during a pandemic and economic crisis.

The distress in the agricultural space has not been limited to just livestock. [Dairy and produce farmers have had to dump](#) or throw out spoiled products due to a collapse in demand for bulk products, mostly because of shifting supply chains with the closure of restaurants, cruise ships, hotels, resorts, education systems, and anyone else who is not deemed essential in a lockdown.

What this means is that farmers who generally sell bulk products do not have the means at the moment to convert product lines into individual items for direct to consumer selling. This will take time for the conversion. So, in the meantime, with no customers, farmers have to dump.

[Politico](#) has outlined some of this disruption:

“Images of farmers destroying tomatoes, piling up squash, burying onions and dumping milk shocked many Americans who remain fearful of supply shortages. At the same time, people who recently lost their jobs lined up for miles outside some food banks, raising questions about why there has been no coordinated response at the federal level to get the surplus of perishable food to more people in need, even as commodity groups, state leaders and lawmakers repeatedly urged the Agriculture Department to step in.”

Tom Vilsack, who served as agriculture secretary during the Obama administration, put it this way: “It’s not a lack of food, it’s that the food is in one place and the demand is somewhere else and they haven’t been able to connect the dots. You’ve got to galvanize people.”

The immediate outcome of this food supply chain collapse will be even more [rapid food inflation](#), hitting Americans at a time of unprecedented economic hardships with at least 26.5 million now unemployed since the pandemic struck the US.

And with a sharp economic recession, if not outright depression unfolding, more Americans are ditching grocery stores for food banks, putting incredible stress on these charities, which has forced the government to deploy [National Guard troops](#) at many locations to ensure food security to the neediest.

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