

Understanding **THE FARM BILL**

A Competition Title for Farmers

The farm economy is becoming more concentrated at all levels. Fewer companies control nearly all aspects of food production, from input and seed suppliers to processors, packers and supermarkets. Increased concentration has squeezed farmers on both sides of the production chain. In some cases, the same companies dominate multiple layers of the production chain.

Most economists believe if the top four companies in any sector control 40 percent of the market, competitiveness begins to decline. A study by the National Farmers Union found that the top four companies exceed the 40 percent threshold in the beef, pork, poultry, flour milling and soybean crushing sectors.

Is competition declining and price manipulation is occurring? While the U.S. Department of Agriculture (USDA) is charged with investigating complaints of price manipulation and restriction of competition, a 2006 Inspectors General report found the agency actually blocked such investigations. The 2007 Farm Bill should include a separate title that improves market competition throughout the food production chain.

ADDRESSING COMPETITION?

The House Farm Bill passed on July 27 did not address competition. Senate Agriculture Chair Tom Harkin (D-Iowa) is expected to introduce a Livestock Title, which would address competition and fairness in livestock and poultry markets. The Livestock Title would: set fair standards for agricultural contracts and retain farmers' right to legal action; require companies to bargain in good faith and allow farmers to join bargaining associations without fear of retaliation; and close loopholes related to poultry in the Packers and Stockyards Act which would halt unfair practices or penalize poultry companies.

Three additional competition bills will be considered by the Senate: the Captive Supply Reform Act, the Prohibition on Packer-Owned Livestock, and the Market Transparency Act. The Captive Supply Reform Act would eliminate confidential "unpriced" contracts that risk price manipulation by packers. Instead, all captive supply contracts would be required to set a price when the agreement is made. The Prohibition on Packer-owned Livestock would prevent companies from owning livestock and potentially manipulating the market. The Market Transparency Act would set a min-

imum floor price for the spot livestock market each day, thereby reducing the risk of price manipulation.

IATP'S BOTTOM LINE

On September 4, IATP and more than 170 organizations sent a letter to Congress calling for a Competition Title that addresses the increasing market power of the food industry. Congress should pay attention. Senator Harkin's Livestock Title, the Captive Supply Reform Act, the Prohibition on Packer-Owned Livestock, and the Market Transparency Act should be included in the Senate Farm Bill and in the final Farm Bill. The Farm Bill should also include a legal clarification of the Packers and Stockyards Act, so that in cases of price manipulation by packer companies, the courts do not also force producers to prove that the packer had no legitimate reason for doing so.

LEARN MORE

IATP. A Fair Farm Bill for Competitive Markets. <http://www.agobservatory.org/library.cfm?refid=98445>

National Farmers Union. Concentration of Agricultural Markets. <http://www.nfu.org/wp-content/2007-heffernanreport.pdf>

Letter to Senate Agriculture Committee - <http://www.agobservatory.org/library.cfm?refid=99862>



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