

# Agribusiness Consolidation: *Squeezing out Family Farmers and Consumers*

## Introduction

With over 852 million people on earth experiencing hunger, it is clear that something is wrong with our current global food and agricultural system. A piece of the problem is that the current agricultural system is run by large corporations, banks, and individuals whose primary motive is profit, not feeding people. As fewer and fewer corporations start controlling more and more of our agricultural system, we need to ask whether or not this trend is a contributing factor to hunger in the U.S. and around the world.

## What is agribusiness consolidation?

Over the past decades, fewer and fewer agribusiness firms are controlling more and more of our food markets. For example, only four firms – Tyson, Cargill, Swift & Co., and the National Beef Packing Co. – controlled 83.5% of the beef packing industry in 2004. All four companies are based in the Global North. Consolidation that happens in this manner is called **horizontal consolidation** and gives these few firms a lot of power. Horizontal consolidation allows these few firms to influence the prices that they pay agricultural producers and the prices that are charged to consumers. It also provides them with increased political power that they use to influence politicians around food and agricultural policy decisions.

In addition to seeing fewer firms control more of a given market, there has also been a trend towards firms controlling more of the process, from “field to table,” in given markets. This form of consolidation is called **vertical integration**. Firms are starting to not only control one aspect of the food chain between the field and your table, they are starting control the whole process. Agribusiness firms will sell the seeds, fertilizers, and pesticides for given crops, then buy those crops from farmers, process them in their own factories, and then sell them to retailers. Vertical integration again gives more power to a limited number of agribusiness firms to set prices for both farmers and consumers.

## What problems are caused by increased agribusiness consolidation?

Among the problems with consolidation in the agribusiness industry are: agricultural dumping, the loss of family farms, an increased corporate influence over public policy, and environmental erosion.

- The process whereby an agricultural company in one country exports its product to another country at a

## Agribusiness Consolidation Ratios

A useful way to identify highly consolidated industries is to examine how much of a given industry is controlled by the top four firms. This measure is called a **concentration ratio**. Although not an exact process, if the top four firms control over 40% of a given industry, that industry can be seen as highly consolidated. In 2004, the concentration ratios for the top four firms in agribusiness markets were:

- The top four firms in **Beef Packing** controlled **83%** of the market.
  1. Tyson Foods
  2. Cargill
  3. Swift and Co. (46% owned by ConAgra)
  4. National Beef Packing Co.
- The top four firms in **Pork Packing** controlled **64%** of the market.
  1. Smithfield Foods
  2. Tyson Foods
  3. Swift and Co. (46% owned by ConAgra)
  4. Hormel Foods
- The top four firms in **Flour Milling** controlled **63%** of the market.
  1. Cargill/CHS (Horizon Milling)
  2. Archer Daniels Midland
  3. ConAgra
  4. Cereal Food Processors
- The top three firms in **Soybean Crushing** controlled **71%** of the market.
  1. Archer Daniels Midland
  2. Bunge
  3. Cargill
- The top five firms in **Food Retailing** controlled **46%** of the market.
  1. Wal-Mart Stores
  2. Kroger Co.
  3. Albertsons, Inc.
  4. Safeway, Inc.
  5. Ahold USA, Inc.

Source: Mary Hendrickson and William Heffernan, “Concentration of Agricultural Markets,” September 2004.

price that is lower than what it actually cost to produce the product is known as **agricultural “dumping.”** A high level of agribusiness consolidation is one contributing factor to “dumping.” When few agribusiness firms buy goods from thousands of farmers they are able to drive down the prices they pay to producers. Since the agribusiness firm then controls the processing of the good, it is able to sell the product abroad very cheaply because of the low price it paid to the farmer.

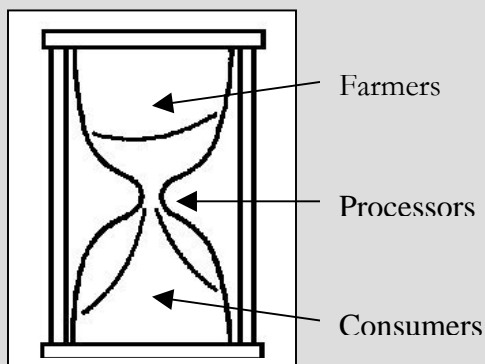
- High levels of agribusiness consolidation also **hurt family farmers** in the U.S. Family farmers get hurt in two ways:
  1. First, the seed industry is highly consolidated, which means that **seed prices are often very high.** Also, because of intellectual property restrictions, farmers are now forced to buy new seeds every year. Until recently, most small farmers saved their seeds from one year to the next to cut down on their costs.
  2. There are thousands of farmers who produce a given crop or animal product, but there are only a few agribusiness firms who buy those crops and

animal products. This gives agribusiness firms incredible power in **setting the prices** they will pay to farmers. This means that farmers are often paid extremely low prices for their goods.

Farmers are getting squeezed from both sides: paying high prices for their inputs, such as seeds and fertilizers, and receiving low prices for the goods that they produce.

- An increased level of agribusiness consolidation also means that agribusiness corporations have incredible **influence over agricultural policy decisions.** Through donations and lobbying, agribusiness firms make sure that governmental policies will not restrain their ability to make profits. In the 2004 election cycle alone, the agribusiness industry contributed over \$52 million to political campaigns (Center for Responsive Politics, [www.crp.org](http://www.crp.org)).
- There are also serious **environmental impacts** of agribusiness consolidation. Consolidation contributes to soil and water contamination due to increased dependence on pesticides and other chemicals, soil erosion from producing only one crop, as well as a loss of biodiversity. For those who care about environmental sustainability, consolidation is a serious issue.

## The Food System is like an Hour Glass



“We liken the food system to an hour glass in which farm commodities produced by thousands of farmers must pass through the narrow part of the glass that is analogous to the few firms that control the processing of commodities before the food is distributed to millions of people in this and other countries.”

-Dr. William Heffernan

Source: William Heffernan, “Consolidation in the Food and Agriculture System,” Report to the National Farmers Union, 1999.

## Conclusions

Heightened levels of consolidation within the agribusiness industry have negative impacts on small farmers in the Global South, family farmers in the Global North, and consumers worldwide. Consolidation also increases the influence of a small number of profit-driven corporations in the policy-making process. A decentralization of power within the agricultural system is an important step in ensuring the livelihoods of small farmers worldwide and promoting an agricultural system where everyone has a right to food.

### Sources:

- Agribusiness Accountability Initiative ([www.agribusinessaccountability.org](http://www.agribusinessaccountability.org)).
- Dr. William Heffernan, “Consolidation in the Food and Agriculture System,” Report to the National Farmers Union, 5 February 1999.
- Hendrickson and Heffernan, “Concentration of Agricultural Markets,” September 2004.
- National Campaign for Sustainable Agriculture, “Competition and Concentration Committee,” ([www.sustainableagriculture.net](http://www.sustainableagriculture.net)).
- Center for Responsive Politics ([www.crp.org](http://www.crp.org)).