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Agribusiness and the Food Crisis: A new thrust at anti-trust

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The food crisis has a new villain: agribusiness. A recent report by Olivier De Schutter, the UN Special Rapporteur on the Right to Food, on "Agribusiness and the Right to Food" takes a close look at the contribution of commodity buyers, food processors, and retailers to the food insecurity now plaguing over one billion people in the world.

Why agribusiness? Aren't they driving prices down? Well, yes and no, and both are a problem. If they are so big they can exert monopoly control over key markets, they can raise prices for lack of competition, hurting all food consumers. And if they have excessive market power over suppliers – particularly farmers – they can exert monopsony control and force down crop prices. That can benefit food consumers if low prices are passed through to consumers, but monopoly can rear its head again there. In any case, the price squeeze puts smallholder farmers in a precarious position. That contributes to the global food crisis because *the majority of the world's hungry are small-scale farmers*.

Among De Schutter's recommendations: strengthen anti-trust enforcement nationally and globally with a particular emphasis on "excessive buyer power in the agrifood sector," which he considers more worrisome than seller power.

This month, the U.S. Department of Justice (DOJ) launched an unprecedented process to consider doing just that. In Ankeny, Iowa, 800 farmers jammed a community college auditorium March 12 for the first of five public hearings this year on corporate concentration and anti-competitive practices in U.S. agriculture. Convened jointly by the DOJ and the U.S. Department of Agriculture, the session took on Monsanto and the seed conglomerates, which are among the most concentrated sectors in the industry.

Obama's DOJ has already launched an investigation into Monsanto's practices in licensing its genetically modified seeds. Monsanto presents a classic case of monopoly selling power. Seed prices overall have risen an astounding 146% since 1999, and 64% in just the last three years, according to a report by the Farmer to Farmer campaign. Monsanto controls an estimated 93% of the U.S. soybean seed market. An Iowa grain farmer told the crowd that he had no choice but to buy Monsanto's GM traits and that the prices eroded any gains he got from higher yield. Others told of legal threats from Monsanto for planting its seeds without a license.

The hearings may be more significant, though, for their explicit focus on monopsony buyer power. “When agribusiness purchasing power is reduced to a small number of companies, does that create such an unlevel playing field that it compels those in the middle to either get bigger or get out?” asked U.S. Secretary of Agriculture Tom Vilsack, whose presence, along with U.S. Attorney General Eric Holder and his chief anti-trust officer, Christine Varney, lent weight to the proceedings.

U.S. anti-trust law has always recognized buyer power as an anti-competitive practice, but authorities have rarely taken the issue seriously when reviewing the agribusiness mergers that in the last two decades have placed the majority of the world’s food in the hands of a small number of corporations. Ever-larger supermarket chains, from Walmart on down, force down prices from their increasingly concentrated suppliers, which in turn demand rock-bottom prices from their own suppliers. At the bottom of this food chain are farmers. It is a race to the bottom that squeezes the life out of farms, particularly the smallest farms. And it contributes to food insecurity not just from unsustainable farm prices but by forcing down wages, for agricultural laborers, packing workers, and other workers in the industry.

The issue is particularly urgent for independent livestock farmers, who have seen the meat conglomerates gobble each other up, with the DOJ blessing the carnage. DOJ did its standard investigation of pork giant Smithfield’s 2007 takeover of Premium Standard Farms, a merger that consolidated the largest U.S. hog producer and pork packer with the country’s second largest hog producer and sixth largest packer. The concerns about uncompetitive practices and undue buyer power were particularly important in the southeastern part of the country, where the merged company left 2,500 independent hog producers with just one regional buyer for their market-ready animals. Despite USDA studies documenting Smithfield’s buyer power in the region even before the merger, Bush’s DOJ ruled that “the merged firm is not likely to harm competition, consumers or farmers.”

The August DOJ hearing will focus precisely on this kind of buyer power in livestock. Family farmers will be waiting to see if President Obama is all hope and no change when it comes to anti-trust enforcement.