

CORPORATE CONCENTRATION IN AGRICULTURE

REVISITING CRISIS BY DESIGN

CORPORATE CONCENTRATION

IATP's founder Mark Ritchie and Kevin Ristau wrote the original *Crisis by Design* in the midst of the farm crisis in 1987. It was a watershed document and has been a cornerstone of IATP's work for many years, also catalyzing further analysis and action by family farmers and their allies. *Crisis by Design* traced the evolution of farm policy, from the historic pattern of price volatility through the eventual establishment of parity pricing and supply management in the 1930s.

Now, more than 30 years later, we are in the middle of another farm crisis, with the added pressure of an impending climate catastrophe. We take a fresh look at the analysis and predictions made in *Crisis by Design* to understand how the farm situation has changed and what current policies imply for the future, as well as how U.S. agriculture intersects with global markets, the environment and broader disparities.

Read the full *Revisiting Crisis By Design* series at iatp.org/revisiting-crisis-by-design.

- The horizontal concentration in nearly all aspects of agricultural production, processing and distribution that began in the 1980s has become entrenched.
- Vertical integration of supply chains, both within the U.S. and globally, means that decisions and profits become concentrated in the hands of just a few corporations, while farmers and farmworkers take on the risks with very few enforceable rights.
- Despite recent setbacks, tools are available to neutralize and push back on corporate concentration and control of agriculture, and with public attention focused on rural issues, the time is ripe for real reform.

Nearly every aspect of agricultural production has become much more concentrated over the last few decades. This concentration has coincided with a reduced focus on antitrust enforcement, ever-increasing globalization locked in by international trade rules, and the explicit drive in farm policy to “get big or get out” under the notion that larger-scale agriculture could achieve economies of scale and better integrate with global markets. In reality, the policy of discarding smaller scale farmers and promoting industrial-scale agriculture has increased rural poverty, frayed the fabric of rural communities, and devastated local environments and waterways—while contributing to fewer choices for healthy foods for consumers. In “The Curse of Bigness, Antitrust in the New Gilded Age,” Tim Wu explains, “As a business gets larger, it begins to enjoy a different kind of advantage having less to do with efficiencies of operation, and more to do with its ability to wield economic and political power, by itself or in conjunction with others. In other words, a firm may not actually become more efficient as it gets larger but may become better at raising prices or keeping out competitors.” This is as true in agriculture as in other sectors.

The four-firm concentration (C4) ratio measures the degree to which the top four firms control a given industry. In testimony to Congress in 2001, USDA Chief Economist Keith Collins reported, “The four-firm concentration ratio for steer and heifer slaughter rose from 50% in 1985 to 82% in 2000 but has



Written by Sharon Anglin Treat, April 2020

Minneapolis | Washington D.C. | Berlin

iatp.org

remained stable since the mid-1990s. The four largest hog slaughter firms accounted for 56% of total commercial hog slaughter in 2000, up from 40% in 1990 and 34% in 1980.”² The overall trend of increasing consolidation in the meat industry has continued since 2000, evolving into what today is a highly concentrated [global meat complex](#) controlling inputs, production and processing of mass quantities of food animals.³ Reports of the USDA’s Economic Research Service and Grain Inspection, Packers and Stockyards Administration (GIPSA), which was [shut-tered by the Trump administration](#), tracked C4 ratios for livestock slaughter for many years. Compiling reports from 2013 and 2016 (the last year it was produced), we see the consolidation of this corporate power in many sectors.

Table 01: Four-firm concentration in Livestock Slaughter, 2002-2015

	Total value Purchases (%)	Steers and heifers	Cows and bulls	Sheep and lambs	Hogs
2002	64	79	39	65	55
2003	69	80	44	65	64
2004	67	79	43	65	64
2005	67	80	48	70	64
2006	66	81	54	68	61
2007	66	80	55	70	65
2008	68	79	55	70	65
2009	71	81	54	70	63
2010	67	85	53	65	65
2011	67	84	53	59	64
2012	68	85	56	62	64
2013	67	85	60	59	64
2014	67	83	57	58	62
2015	68	85	57	57	66

Compilation of 2013 and 2016 GIPSA reports

The story is similar for other aspects of crop and animal production, as well as inputs. For example, by 2018 just four firms (DowDupont, Chemchina, Bayer and BASF) controlled over 60% of global [proprietary seed sales](#), consolidated through mergers and acquisitions from the six major agrochemical/seed firms that existed in 2013.⁴ In 1975, the four largest corn seed firms controlled 59% of the market; by 2015, they controlled 85%.⁵ By 2015, two of those corporations—DowDupont and Bayer—controlled fully 78% of the corn seed market.⁶

Table 02: Concentration in the U.S. Protein Sector

Commodity & CR4 [^]	Firm Rankings
Broilers (51% CR4)*	1. Tyson Foods ** 2. Pilgrim’s (owned by JBS) 3. Sanderson Farms Inc. 4. Perdue
*Note that JBS and Tyson each have more than double the market share of Sanderson Farms or Perdue.	
Turkeys (57% CR4)*	1. Butterball** 2. Jennie-O 3. Cargill 4. Farbest Foods
Steer & Heifer Slaughter (85% CR4)*	1. Tyson** 2. JBS 3. Cargill 4. National Beef
*Note that the top three firms have three-fourth of the market.	
Pork Slaughter (66% CR4)*	Smithfield/WH Group*** JBS Tyson Hormel

[^]CR4 refers to the percent of the market controlled by the top four firms.

*Source: USDA GIPSA 2016

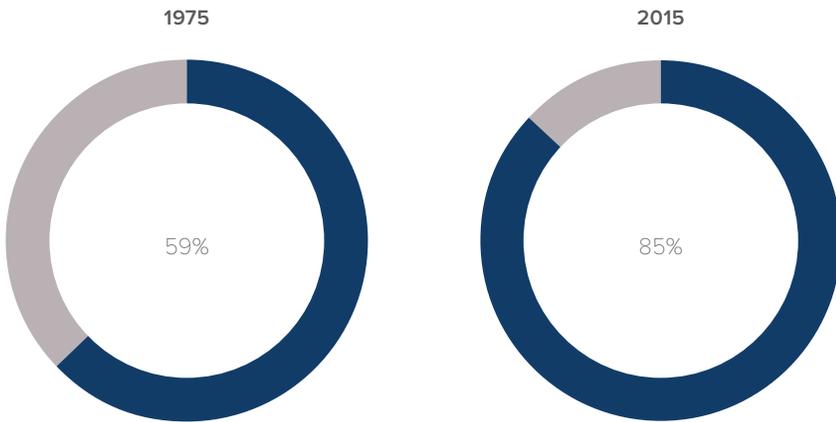
**Sources: Watts poultry USA March 2017; Tyson Facebook

Chart Source: Hendrickson, Howard & Douglas.

American farming underwent a massive structural transformation in the ’80s and ’90s as the U.S. prepared for entry into the World Trade Organization (WTO) and the implementation of the Agreement on Agriculture that the U.S. helped craft.⁷ Subsequent global trade rules both under WTO and country-specific trade and investment agreements, including the North American Free Trade Agreement (NAFTA), have promoted and entrenched this corporatization of farming and the rise of these agro-chemical corporations as global actors without allegiance to a particular country and sourcing their supply chains from across the globe.

As a result of these changes, decisions and profits have become more concentrated in the hands of just a few corporations. Meanwhile farmers and farmworkers take on even more risks and debt, exacerbating the financial impacts of [structural racism](#) and entrenched discrimination against black and minority farmers [within the USDA](#). In this industrialized model, much of the equipment, buildings and even feeder animals in factory-style operations don’t come from the local community but are supplied [under contract](#) by giant meat processors such as JBS and Tyson. Significantly, nearly all U.S. pork and poultry production

Figure 01: Change in market share of the largest four U.S. corn seed firms



Source: Kelloway & Miller

is now conducted under this system, where the companies own the animals while the farmers take on the risk and cost of production. Unfair contracts are exemplified by the tournament system under which farmers are paid based on a nontransparent ranking system that compares each farmer’s performance against his neighbors’. The winners are rewarded while the losers are paid so little that many go out of business.⁸

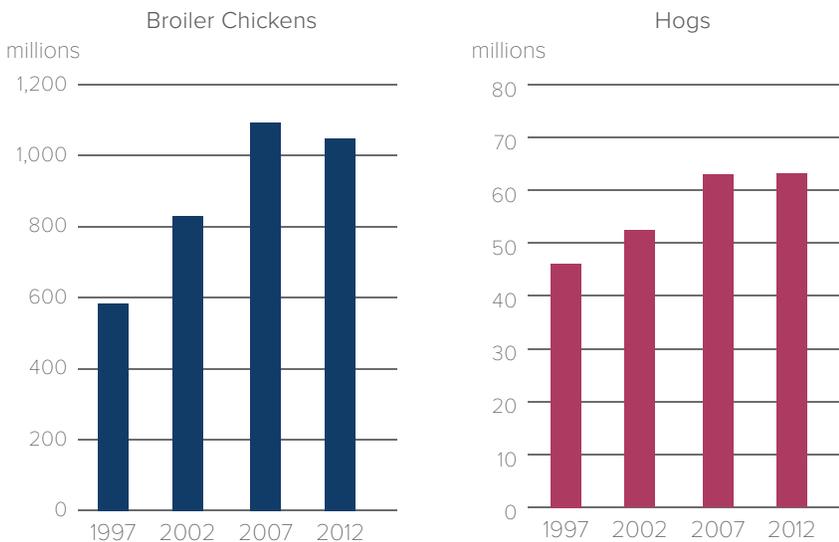
Large-scale industrial feedlots that fatten beef cattle prior to slaughter now dominate the U.S. industry. Feedlots used to be smaller, family-owned operations but are now increasingly owned and operated by meatpacking companies such as Cargill and JBS and can hold more than 18,000

head of cattle at a time.⁹ The same trends hold true for pork and poultry production. For example, in 1992 the average number of laying hens per site was 399,467; by 2012 the number jumped to 695,743.¹⁰

Even the purchase, use and repair of farm equipment is affected by corporate concentration. Two companies manufacture nearly half of essential farm machinery including tractors, and these companies have used copyright laws to forbid farmers from editing tractor software. As the [Open Markets Institute](#) reports, “In many cases, farmers can’t change engine settings, can’t retrofit old equipment with new features, and can’t modify their tractors to meet new environmental standards without going

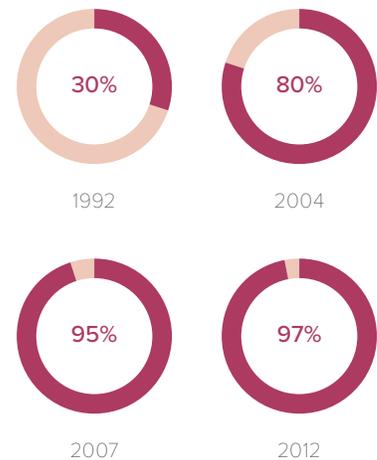
through the manufacturer.”¹¹ Without public and regulatory pushback, this corporate capture is likely to accelerate as [Big Data and agribusiness promote “smart agriculture”](#) including drones, sensors, robots and other high-tech, proprietary systems as the [new frontier](#) in so-called “precision agriculture” techniques.¹² Corporate control over data and other technological innovations further weakens farmers’ access to information on markets, production choices and the likely impacts of climate change, and has already contributed to a [loss of biodiversity](#) and decreased [climate resilience](#).¹³

Figure 02: Number of Broiler Chickens and Hogs on Factory Farms in the U.S



Source: Food & Water Watch

Figure 03: Share of Hogs on Operations Larger than 2,000 Head



Source: Food & Water Watch

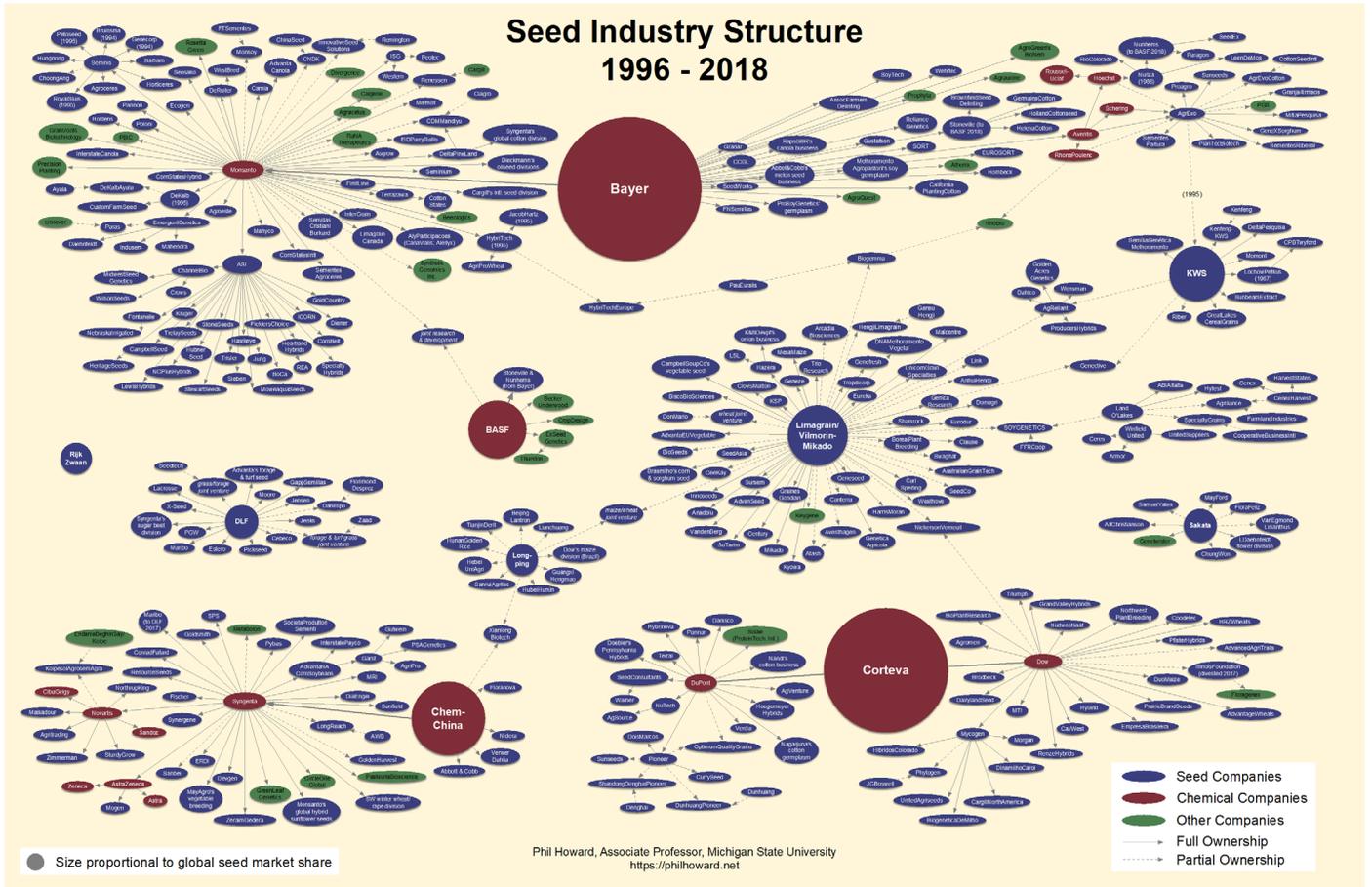


Chart source: Philip Howard

Despite these setbacks, tools are available to neutralize and push back on corporate concentration and control of agriculture. U.S. federal agencies have [significant authority](#) to address many of the destructive practices and anticompetitive conditions that have become normalized over the past decades. The Federal Trade Commission and the courts have previously tackled anticompetitive practices such as restrictions on consumers' right to repair.¹⁴ Farmers pushing back against anti-competitive practices spurred the Department of Justice and USDA to conduct [hearings](#) in 2010, and USDA to propose rules under GIPSA mandating fairer contracts and other protections.¹⁵ While these rules were subsequently [watered down](#) and then [dumped by the Trump administration](#), for the first time in decades, [presidential candidates are focusing on excessive corporate power](#) and specifically its pernicious impacts on farms, farmers and rural communities. Proposals to reform U.S. antitrust laws and address market concentration are being promoted by both mainstream [conservative](#)

[think-tanks](#) and [progressive policy organizations](#). The time is ripe for action and meaningful reform.

ENDNOTES

1. The Curse of Bigness: Antitrust in the New Gilded Age, Tim Wu 2018. Columbia Global Reports, New York, p. 71.
2. <https://www.usda.gov/oce/newsroom/archives/testimony/2005-1997files/051701co.html>
3. Hendrickson, Mary & Howard, Philip & Constance, Douglas. (2017). Power, Food and Agriculture: Implications for Farmers, Consumers and Communities.
4. Global Seed Industry Changes Since 2013, Philip H. Howard, <https://philhoward.net/2018/12/31/global-seed-industry-changes-since-2013/>
5. Kelloway & Miller, Food and Power: Addressing Monopolization in America's Food System, Open Markets Institute (MARCH 2019), p. 6: https://openmarketsinstitute.org/wp-content/uploads/2019/05/190322_MonopolyFoodReport-v7.pdf
6. Open Markets: <https://concentrationcrisis.openmarketsinstitute.org/industry/corn-seed/>
7. Halverson, Marlene. "The Price We Pay for Corporate Hogs", Institute for Agriculture and Trade Policy, 2000. <http://iatp.org/documents/the-price-we-pay-for-corporate-hogs> (accessed January 18, 2016)
8. Selling Off the Farm: Corporate Meat's Takeover Through TTIP, By Sharon Treat and Shefali Sharma, Institute for Agriculture and Trade Policy (IATP) Published July 2016 at p. 21; "Lives on the Line: The Human Cost of Chicken". Oxfam America, October 2015. <http://www.oxfamamerica.org/explore/research-publications/lives-on-the-line/>
9. "Factory Farm Nation 2015 Edition". Food and Water Watch. May 2015, p. 9-10.
10. Food and Water Watch, Factory Farming Map, <https://www.factoryfarmmap.org/#animal:all;location:US;year:2012>
11. Kelloway & Miller, Food and Power: Addressing Monopolization in America's Food System at p. 8
12. <https://www.iatp.org/blog/ag-tech-takeback-arc2020-iatp>
13. ETC Group, Plate Tech-Tonics: Mapping Corporate Power in Big Food, November 2019, <https://etcgroup.org/content/plate-tech-tonics>
14. Unleash the Existing Anti-Monopoly Arsenal, American Prospect, BY SANDEEP VAHEESAN (SEPTEMBER 24, 2019): <https://prospect.org/day-one-agenda/unleash-anti-monopoly-arsenal/>
15. US Department of Justice, COMPETITION AND AGRICULTURE: Voices from the Workshops on Agriculture and Antitrust Enforcement in our 21st Century Economy and Thoughts on the Way Forward (2012), <https://www.justice.gov/sites/default/files/atr/legacy/2012/05/16/283291.pdf>