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Farm Bill Debate Distracts from Hidden Corporate Subsidies

By R. Dennis Olson

As the Senate Agriculture Committee considers a new Farm Bill, agricultural subsidies to farmers continue to dominate the debate. Unfortunately, this oversimplified discussion ignores the biggest recipients of hidden subsidies: multinational meatpacking companies like Tyson-IBP, ConAgra, Cargill and Smithfield. It has also distracted from livestock market reform, which could reverse the alarming trend towards growing corporate consolidation, control and manipulation of agricultural markets by these same companies.

A recent Tufts University study estimates that the low prices caused by our current farm policy provided industrial hog and poultry factories with $20 billion in indirect subsidies between 1997 and 2005. Deregulation lowered market prices for feed crops to 21-26 percent below the actual cost of production, and feed represents the single biggest cost of production for poultry (60 percent); and pork (47 percent).

Consecutive farm bills have established this cheap feed subsidy as a primary driver of increasing corporate consolidation in agricultural markets. Cheap feed provides an unfair market advantage to industrial animal factories over independent, diversified livestock producers who pay the actual cost of production to grow their own feed. Unable to compete, many diversified farmers have sold their livestock and planted more corn and soybeans, which has depressed prices even further.

This disturbing trend has turned acres of diversified crop rotations into monoculture, and increased farmer dependence on government subsidies that only partially compensate for low market prices. These vertically integrated companies control more value in the food supply chain by ensuring this cheap feed subsidy for their industrial meat production. Livestock and meat now represent roughly as much U.S. agricultural production value as all other crop production combined. Farmers take the heat over subsidies, while these companies laugh all the way to the bank.

Tools to eliminate this indirect subsidy—such as establishing a price floor at the cost of production through a nonrecourse loan and strategic reserves—existed up until the 1996 Farm Bill, which deregulated agricultural markets. Reinstating these mechanisms in the 2007 Farm Bill could stabilize market prices at the cost of production, eliminating this $20 billion cheap feed subsidy. This would give independent, diversified livestock producers a fighting chance to compete with unsustainable industrial animal factories, and save billions in subsidies when funding for other important priorities is hard to find. Increasing market volatility caused by the growing ethanol boom makes reinstatement of strategic reserves,

and the stability they could bring to commodity markets, more compelling by the day.

Another way to help farmers get a fair price from the market is through antitrust enforcement. A bipartisan Senate proposal supported by over 200 groups nationwide would:

* bolster enforcement of existing antitrust laws;
* set minimum standards of fairness for contract growers;
* ensure competitive bidding for livestock contracts;
* ban packer-ownership of livestock; and
* require country of origin labeling on meat, poultry and produce in supermarkets.

A recent analysis by the Organization for Competitive Markets found that meat packer market control cost livestock producers over $5.7 billion in 2006. A January 2006 report by the USDA's own Office of Inspector General found the USDA has failed to enforce antitrust laws, and actually blocked investigations from moving forward for at least five years. In 2004, a jury awarded cattle producers $1.28 billion in economic damages when it found IBP-Tyson—one of the country's 'Big Three' meatpacking companies—guilty of violating antitrust laws, only to have the courts set aside the verdict.

The livestock market reforms being considered by the Senate would level the playing field between producers and packers by reestablishing price discovery, reducing opportunities for market manipulation, and strengthening enforcement of antitrust laws already on the books. They would also begin to reverse the hemorrhaging of billions of dollars from our depressed rural economy by providing farmers with a fairer share of the consumer food dollar.

In 1921, Congress responded effectively to growing corporate control of livestock markets by passing landmark antitrust legislation known as the Packers and Stockyards Act (PSA). Today, we face even greater market power exercised by even fewer and bigger companies in the meatpacking industry. Our democratic institutions have so far failed to live up to the performance turned in by their predecessors during the Progressive Era. This devastating failure of our government to enforce our antitrust laws leaves the Senate as the last best hope for America's livestock and poultry growers to achieve fairness and justice in the market place, as well as to restore our faith in our democracy.

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