

Wanted: More Competition For Agriculture

But Both Opponents And Supporters Say The Devil Is In The Details



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WASHINGTON, D.C.

Imagine a day when there are more than two dozen buyers for your products and just as many choices whenever you purchase inputs. That's the world of agriculture that many envision could be possible if the federal government cracked down harder, stopping industry consolidation and enforcing existing regulations. Yet, others say it's more of a fairy tale, unlikely to happen in an economy where major companies have consolidated to increase their efficiencies and global competitiveness.

Regardless of who is right, you can expect to hear a lot of different views over the next year

present state of the laws that relate to cooperatives. There are a number of problems out there that need to be addressed. I'm one of those that is very skeptical about the need for the Capper Volstead Act and it's really time to reconsider how we regulate and think about cooperatives, large and small."

Wide variety of comments

Not surprisingly, comments solicited ahead of the initial workshop present dueling views from seed companies DuPont/Pioneer Hi-Bred International and Monsanto Co. The former, which embraces a study from the American Antitrust Institute critical of Monsanto practices, cites what it calls "the inescapable fact that Monsanto has an overwhelming monopoly in the soybean and corn trait markets . . . combined with the anticompetitive practices designed to protect and extend that power." Monsanto responds that DuPont/Pioneer, the AAI and other critics overstates Monsanto's share in seed market share and biotechnology patents by "double or more than what the data show," and that critics make "no factual predicate" that there is an "intractable" problem with competition that must be remedied by rewriting the intellectual property laws [or] through antitrust enforcement.

The International Center for Law and Economics, a think tank that focuses on regulatory issues to "ensure the protection of property rights from inefficient interference by government agencies and private parties," weighs in by calling the dust-up between Monsanto and DuPont "a business dispute, not an antitrust issue."

The American Soybean Association says competition within and among domestic industries must be safeguarded, and that while the ASA "support[s] innovation, including protecting patent rights, following patent expiration, growers should see a reduction in prices through generic competition." The ASA says foreign competitors should be subject to the same requirements and costs for accessing intellectual property as those that apply in the U.S.

The Iowa Farmers Union says that only a few companies control the market and genetic material in the seed industry, creating a lack of diversity in crop seeds available that causes farmers "to be more susceptible to changing conditions, including the environment and disease, leading to lack of a safe and stable food supply." The IFU also complains that "control allows companies to give themselves a raise every year through significant price increases, while farmers work on very tight margins."

Delegates to the board of directors of the National Pork Producers Council (NPPC) recently adopted policy supporting competitive markets. The policy resolution opposed any new legislation or regulations that would restrict marketing opportunities for pork producers unless such action addresses "a clear and unequivocal instance" of abuse of market power or a market failure, that to be determined by the NPPC board of directors. The resolution supported pricing mechanisms that give producers "flexible marketing and pricing opportunities."

What will be accomplished when this year of holding workshops and soliciting comments is over?

"My hopes are first that decision makers and policy makers in both the Justice Department and the Department of Agriculture are better educated about the competitive issues," says Carstensen. "These are complex issues and they need to be understood in their complexity and similarly there needs to be a real focus on remedy. That is, how can you change things that won't make matters worse?"

SARA WYANT: *Publisher weekly e-newsletter, Agri Pulse.*

Future DOJ/USDA Workshops

May 21, 2010 – Poultry Industry – Normal, Ala.

Specific areas of focus may include production contracts in the poultry industry, concentration and buyer power.

Alabama A&M University

Auditorium, James I. Dawson Cooperative Extension Building

4900 Meridian St.

Normal, Ala.

June 7, 2010 – Dairy Industry – Madison, Wisc.

Specific areas of focus may include concentration, marketplace transparency and vertical integration in the dairy industry.

University of Wisconsin

Great Hall, Memorial Union

800 Langdon St.

Madison, Wisc.

Aug. 26, 2010 – Livestock Industry – Fort Collins, Colo.

Specific areas of focus will address beef, hog and other animal sectors and may include enforcement of the Packers and Stockyards Act and concentration.

Colorado State University

Fort Collins, Colo.

Dec. 8, 2010 – Margins – Washington, D.C.

This workshop will look at the discrepancies between the prices received by farmers and the prices paid by consumers. As a concluding event, discussions from previous workshops will be incorporated into the analysis of agriculture markets nationally.

U.S. Department of Agriculture

Jefferson Auditorium

1400 Independence Ave., S.W.

Washington, D.C.

as the U.S. Department of Justice and the Department of Agriculture hold a series of workshops on competition issues in agriculture. The first one kicked off March 12 in Ankeny, Iowa. More than 15,000 public comments have already been submitted.

Why are these workshops necessary? Peter Carstensen, a University of Wisconsin professor who specializes in competition and antitrust law, says there are major issues related to the operations of agricultural markets both on the input side and on the output side that have been of concern for quite awhile. Questions continued to surface during the presidential campaign and President Barack Obama pledged to investigate when he was elected.

"There's a real need for decision-makers in Washington to have a better understanding of what the economic market issues are and that's where these workshops are coming from," Carstensen adds.

Livestock first

"It seemed to me that there were issues starting on the output side first with dairy. The pricing of milk is subject to enormous amounts of manipulation as is the milk marketing order system. Those really need to be addressed and similar problems exist in the pork, beef and poultry markets where the Department of Agriculture has authority over the Packers and Stockyards Act to ensure reasonable and efficient access to the market, fair and open competition and has failed to address a number of those issues," explains Carstensen.

"In the broader area of agricultural crops of various kinds, there are both serious problems of buyer power in corn and grain and what look to me to be abuses of the agricultural marketing agreement system creating anti-competitive orders in various fruits and vegetables and that needs to be examined. Then, another concern on the input side is in seed markets, where we're seeing increased concentration across the board," he adds. I'm also concerned generally about downstream mergers that create buyer power. And finally, I'm concerned about the

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