USDA


**United States Department of Agriculture**

National Commission on Small Farms


# A Time to Act

## *A Report of the USDA National Commission on Small Farms*

*January 1998*

National Commission on Small Farms

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### Recommendation 3.12

The Economic Research Service (ERS) and the USDA Chief Economist should investigate the processing and retailing segments of the dairy industry to determine if excessive profits are being made at the expense of farmers and consumers, by researching the competitive structure of dairy product pricing within retail stores. The study should also examine the profitability of retail dairy pricing in relation to other retail product pricing within a store. Is the dairy case making more profit per square foot relative to other products? The study's findings should be made public.

### Recommendation 3.13

The Secretary of Agriculture should ask the Department of Justice to investigate anti-competitive behavior of the dairy industry within the processing and retail segments.

### Recommendation 3.14

In order to provide some measure of recovery for dairy producers, the Secretary should work with dairy leaders to press Congress for immediate changes in dairy policy to provide a transition for dairy producers commensurate with the crop commodity transition payments authorized by the 1996 FAIR Act, including the floor price resolution, the Dairy Cow Pay-Up program, or other options.

***Whatever we do or do not do in relationship to our structure of food production will illustrate the type of nation we are about to become — a nation that concentrates the wealth and resources in the hands of fewer and fewer people, or whether we are still a nation that believes that many people were intended to share in the great abundance and wealth God blessed this country with.***

*– Gary Lamb, Iowa.*

## Economic concentration

While agricultural markets are becoming increasingly concentrated, the rest of the U.S. economic structure is also concentrating and infringing upon the basic tenets of capitalistic markets. As many producers have only one or two buyers for their commodities in their region, they are also facing growing problems in accessing private credit sources, and with recent mergers in railroads, many farmers cannot move their grain in a timely or efficient manner. Not only is this a concern for producers, but for consumers as well, as they face less choice and higher prices for the food they buy. University of Missouri professor, Dr. William Heffernan says, "The food sector of the economy is second only to the pharmaceutical sector in terms of return on investment. But the economic benefits are not shared equally by all portions of the food sector."[54]

With concentration, not only are increasing price spreads a concern, but overall impacts to the social and community structures are increasingly negative. Heffernan points out, "Environmentalists are concerned about the ecological implications as they watch firms circumvent government regulations in one country by moving parts of their operation out of one country and into another. Consumers are concerned about issues of food quality, food safety and especially about the food security issue, or sustainability as it is sometimes called. There are animal welfare issues, rural development issues, labor issues and ethical issues to be raised."[55]

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[54] Heffernan, William D. Agricultural Profits: Who Gets Them and Who Will in the Future?" Gulf Coast Cattleman. Volume 68, Number 2, April 1997 p. 11

[55] Ibid.

These changes imply a need for greater coordination and attention to the agricultural industry by more agencies than USDA. EPA is responsible for enforcement of environmental protection. The Department of Labor has jurisdiction over employment and worker safety laws, including farmworkers and wage-laborers involved in agricultural industries. The Department of Justice is responsible for upholding anti-trust laws and maintaining market competition in the food industry.

### Recommendation 3.15

The Commission recommends that President Clinton establish a Presidential Commission on Market Concentration. This commission should include members of the relevant Cabinet-level agencies, with the Secretary of Agriculture taking leadership for the commission.The commission should include the Secretaries and Administrators of: Environmental Protection Agency; Departments of Labor, Justice, Interior, Health and Human Services, Housing and Urban Development, Commerce, Transportation; Small Business Administration; and the U.S. Trade Representative. The commission should examine the emerging concentration resulting in monopsonies and oligopsonies in all sectors of the economy and its effect on market competition, the environment, worker protection and safety, rural housing, quality of jobs and wages, transportation, banking, international trade, and socio-political structure. The purpose of the commission will be to assess the ability of the Federal Government to respond to the impacts of concentration. The commission should propose legislative and administrative changes accordingly and deliver a Plan of Action to the President within 1 year of initiation.

## Market Development

At the same time that USDA pursues increased efforts to mitigate market concentration and ensure greater competition, USDA should also pursue the development of new markets to create more marketing options for small farmers and more opportunities to capture greater value for their production. USDA has a wealth of rural development business loan, grant, and technical assistance programs that could be channeled to facilitate "agricultural development."

"Agricultural development" refers to the recognition that farming, where it is a significant aspect of rural communities, is an asset for rural economic development. Rather than consider farming as an unprofitable "liability" that should be diffused through diversification strategies to attract other industries, rural development officials and practitioners should reconsider value-added processing and innovative marketing opportunities to breathe new life – and – profit into their farming sectors as an agricultural development strategy.

United States
Department of
Agriculture

Agricultural
Marketing
Service

# Concentration in Agriculture

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