

Policy Brief | January 2018

# State Series: Consolidation and the American Family Farm – Missouri

By Paul Ramey, with Angela Huffman and Don Stull

---

## Issue

In the late 1970s, Walter Goldschmidt hypothesized that rural communities are undermined by the presence of industrial farm operations, which lead to rural communities that are less likely to have a strong middle class, quality public services, and robust community participation.<sup>1</sup> Increased concentration in agribusiness and farms supports the Goldschmidt Hypothesis, as many rural communities across Missouri struggle to support their local economies. Missouri's rural poverty rate is 30.9% higher than its urban poverty rate.<sup>2</sup> Agribusiness firms that control inputs such as seed and chemicals and meat and poultry processing have seen some of the most extreme consolidation in recent decades, to the point of creating near monopolies. Family farms are the life-blood of rural communities and provide for a strong middle-class base. Facing growing obstacles from corporate consolidation, farmers are either forced off the farm or find the need for off-farm income to survive. Today, Missouri farmers and rural communities need federal and state policy makers to understand the trends facing family farms and possible solutions to make rural communities stronger.

## Concentration of Corporate Power in Agriculture

Global consolidation of companies that control agricultural inputs (i.e., seeds, chemicals, data, etc.) and the livestock supply chain pose many risks to Missouri farmers. As pointed out by research unveiled at the Kansas City Federal Reserve Bank Agriculture Symposium in 2017, the potential benefits of consolidation have been regularly discussed over the years, including economies of

---

<sup>1</sup> Mattos, D. M. (2012). *The Community Loses When It Loses Farmers: Impacts of Changing Local Farmland Market*. Dissertation, University of Illinois at Urbana-Champaign.

<sup>2</sup> Office of Primary Care and Rural Health. (2017). *Health in Rural Missouri Biennial Report 2016-2017*. Missouri Department of Health and Senior Services.

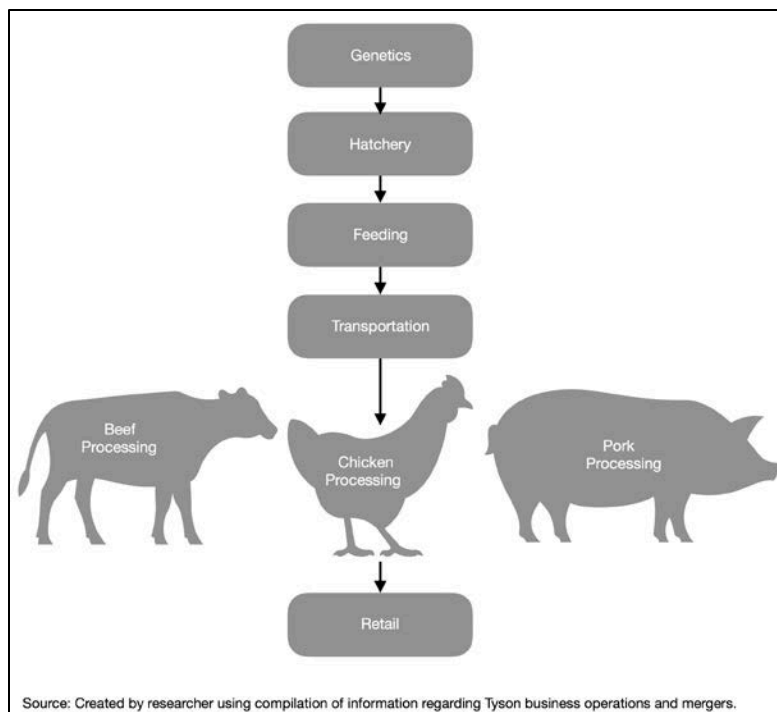
scale and increased productivity. However, the risks are not as well understood, and “current activity may be fundamentally changing the agricultural landscape.”<sup>3</sup> Consolidation has led to risks for Missouri farmers, including higher costs, fewer options, and increasing foreign ownership of Missouri farmland.

In Missouri’s own backyard, the debate around monopolies in the agriculture supply chain is front-and-center with the proposed merger of St. Louis-based Monsanto and the German pharmaceutical giant Bayer. With a market cap of approximately \$52 billion, Monsanto is seeking approval from the U.S. Department of Justice to merge with Bayer and move various seed and chemical markets closer to monopolization. To further understand the full extent of the problem farmers and ranchers face from extreme levels of consolidation, it is important to understand the two types of consolidation: horizontal and vertical.

### Horizontal and Vertical Consolidation

Two types of consolidation can take place in an industry: horizontal and vertical. Horizontal consolidation refers to acquiring a firm during the same stage of the supply chain within an industry, while vertical consolidation is the act of acquiring a firm at different stages of the supply chain. Figure 1 shows the horizontal and vertical integration Tyson Foods has undergone through consolidation.

Figure 1 - Tyson Horizontal & Vertical Integration



<sup>3</sup> Langemeir, M., & Boehlje, M. (2017). Drivers of Consolidation and Structural Change in Production Agriculture . *Agricultural Consolidation: Causes and the Path Forward* . Special Issue 2017. Federal Reserve Bank of Kansas City Economic Review.

**Table 1 - Pre- & Post-Merger CR4 Percentages**  
(Dow-Dupont & Bayer Monsanto)

Global Input Markets	Pre-Merger	Post-Merger
Global Seed	54%	61%
Global Agri-Chemical	62%	82%

Source: Adapted from Hendrickson, Howard, Constance 2017.

One way to measure consolidation is to measure concentration. As outlined by Hendrickson, concentration is measured as a ratio, known as the Concentration Ratio (CR), of the top firms in a particular industry or commodity.<sup>4</sup> For example, CR4 equals the concentration ratio for the top 4 firms. Table 1 shows the CR4 of both global proprietary seed and agrichemical markets before and after

(projected) mergers of Dow-DuPont<sup>5</sup> and Bayer-Monsanto. A CR4 ratio over 40% indicates a highly concentrated market where abuses are likely; both pre- and post-merger, global input markets are highly concentrated.

This level of concentration has serious impacts on Missouri farmers. Concentration has steadily grown over the past few decades and has been accompanied by some new innovations, but the downside is farmers have seen seed prices increase and recent research has shown a decrease in innovation.<sup>6,7</sup> As Cooper states, “[t]here is increasingly strong evidence that, if the benefits of integration ever did outweigh the costs, they no longer do.” For instance, analysis of the recent Dow-DuPont merger and the possible merger of Bayer-Monsanto finds that these mergers will increase seed prices: “2.3% for corn, 1.9% for soybeans, and 18.2% for cotton.”<sup>8</sup> Furthermore, the Bayer-Monsanto merger currently under consideration by the Department of Justice is expected to have an impact on corn seed prices up to three times as large as the Dow-DuPont merger.<sup>9</sup> This could have a huge impact on Missouri's corn growers, which generated 18.4% of Missouri farm receipts in 2016.<sup>10</sup>

Beyond higher prices for farmers, concentration also results in less choice. Consolidation of biotechnology innovators is beginning to show a decline in the quantity and quality of innovation. As laid out by the American Antitrust Institute, competition minimizes incentives to refuse to license and avoids an environment where a few players agree not to compete in certain ways.<sup>11</sup> Less competition realigns the behavioral incentives among large seed and chemical companies,

<sup>4</sup> Hendrickson, M. (2015). Resilience in a concentrated and consolidated food system . *Journal of Environmental Studies and Sciences*, 5 (3).  
<sup>5</sup> Dow announced the successful merger with DuPont in August 2017, <https://www.cnn.com/2017/09/01/dow-dupont-complete-planned-merger-to-form-dowdupont.html>.  
<sup>6</sup> Cooper, M. (2017). *Mega-Mergers in the U.S. Seed and Agrochemical Sector the Political Economy of a Tight Oligopoly on Steroids and the Squeeze on Farmers and Consumers*. Consumer Federation of America.  
<sup>7</sup> MacDonald, J. (2017, April 3). *Mergers and Competition in Seed and Agricultural Chemical Markets*. Retrieved November 5, 2017, from United States Department of Agriculture Economic Research Service: <https://www.ers.usda.gov/amber-waves/2017/april/mergers-and-competition-in-seed-and-agricultural-chemical-markets/>  
<sup>8</sup> Bryant, H., Maisashvili, A., Outlaw, J., & Richardson, J. (2016). *E ffects of Proposed Mergers and Acquisitions Among Biotechnology Firms on Seed Prices*. Working Paper, Texas A&M University , Department of Agricultural Economics, Agricultural & Food Policy Center.  
<sup>9</sup> Cooper, 2017  
<sup>10</sup> USDA Economic Research Service. (2016). *Economic Research Service- State Data*. Retrieved November 23, 2017, from United States Department of Agriculture: <https://data.ers.usda.gov/reports.aspx?StateFIPS=29&StateName=Missouri&ID=17854>  
<sup>11</sup> American Antitrust Institute, Food & Water Watch, and National Farmers Union. (2017). *AAI, FWW, and NFU Say Monsanto- Bayer Merger Puts Competition, Farmers, and Consumers at Risk* . Press Release.

which takes away any upside and further exacerbates the downside through less choice and higher prices for farmers.

## Foreign Ownership of Missouri Farmland

Another aspect of global consolidation in the agribusiness sector is foreign ownership of U.S. farmland, which doubled nationwide from 13.7 to 27.3 million acres between 2004 and 2014.<sup>12</sup> As measured by the World Economic Forum, the prevalence of foreign ownership in the U.S. is above average<sup>13</sup> globally.<sup>14</sup> Missouri keenly felt the impacts of growing foreign ownership when the WH Group, a Chinese company with government ties, acquired then U.S.-based Smithfield Foods, which included up to 50,000 acres of Missouri farmland in the transaction.<sup>15</sup>

Missouri statute restricts foreign ownership of agricultural land to 1% of total state agriculture land. This may seem reasonable.<sup>16</sup> However, as the Missouri Farm Bureau has stated, “[o]ne percent might not seem like much, but it is significant given the current worldwide interest in snatching up productive land.”<sup>17</sup> In the last five years, Missouri legislators enacted laws to loosen oversight of farmland purchased by foreign entities, thereby opening the door for the 1% threshold to be exceeded.<sup>18</sup> Findings by the United States Department of Agriculture (USDA) already show Missouri above average in terms of foreign land holdings in comparison of other states. Figure 2 shows a heat map of the home countries of foreign entities that purchased 195,248 acres of Missouri farmland between 2000 and 2013.<sup>19</sup>

**Figure 2 - Heat Map of Foreign Entities with Missouri Agriculture Land Holdings**



**Source:** Created by researcher through Tableau Public using data from Midwest Center for Investigative Reporting.

<sup>12</sup> Hettinger, J., & Holly, R. (2017, June 22). *Foreign investment in U.S. farmland on the rise*. Retrieved November 4, 2017, from Midwest Center for Investigative Reporting: <http://investigatamidwest.org/2017/06/22/foreign-investment-into-u-s-farmland-on-the-rise/>

<sup>13</sup> On a 7-point scale the worldwide average is 4.65, and the U.S. is 5.1.

<sup>14</sup> World Economic Forum, Global Competitiveness Report. (n.d.). *Prevalence of Foreign Ownership*. Retrieved November 18, 2017, from Google Public Data:

[https://www.google.com/publicdata/explore?ds=z6409butolt8la\\_&ctype=l&met\\_y=gci\\_6.08#!ctype=l&strail=false&bcs=d&nسلم=h&met\\_y=gci\\_6.11&scale\\_y=lin&ind\\_y=false&rdim=world&idim=world:WLD&idim=country:USA:ARG:BRA:DEU:ITA:FRA:CHN&ifdim=world&hl=en\\_US&dl=en\\_US&ind=false](https://www.google.com/publicdata/explore?ds=z6409butolt8la_&ctype=l&met_y=gci_6.08#!ctype=l&strail=false&bcs=d&nسلم=h&met_y=gci_6.11&scale_y=lin&ind_y=false&rdim=world&idim=world:WLD&idim=country:USA:ARG:BRA:DEU:ITA:FRA:CHN&ifdim=world&hl=en_US&dl=en_US&ind=false)

<sup>15</sup> Huffman, A., Maxwell, J., & Salerno, A. (2017). *Consolidation, Globalization, and the American Family Farm*. Policy Brief.

<sup>16</sup> Mo. Rev. Stat. §442.571. (n.d.). *Title XXIX Ownership and Conveyance of Property*. Retrieved November 19, 2017, from Revisor of Statutes: <http://revisor.mo.gov/main/OneSection.aspx?section=442.571&bid=24477&hl=>

<sup>17</sup> Holloway, L. (n.d.). *Prohibiting the Foreign Ownership of Missouri Farmland*. Retrieved November 4, 2017, from Missouri Farm Bureau: <https://www.mofb.org/NewsMedia/CuttotheChase.aspx?articleID=470>

<sup>18</sup> McDermott, K. (2015, May 24). *Is Missouri's agricultural law being rewritten in Hong Kong?* Retrieved November 24, 2017, from St. Louis Post-Dispatch: [http://www.stltoday.com/business/local/is-missouri-s-agricultural-law-being-rewritten-in-hong-kong/article\\_f5979f58-b49d-5553-bce5-48e114ac241e.html](http://www.stltoday.com/business/local/is-missouri-s-agricultural-law-being-rewritten-in-hong-kong/article_f5979f58-b49d-5553-bce5-48e114ac241e.html)

<sup>19</sup> Bryant, H., et. al., 2016

Between 2000-2013, foreign entities acquired U.S. land that has a current value of \$391.5 billion, according to data from the Midwest Center for Investigative Reporting. Of the 195,248 acres purchased, just over two-thirds of that was crop or pasture land.<sup>20</sup> Foreign ownership of Missouri farmland is a growing problem and even the current data available may not provide the full picture, given that determining the identity of investors can be difficult. For instance, foreign entities can structure local U.S. LLC's or even become majority shareholders in U.S. companies.<sup>21</sup> Greater consolidation and globalization are even more concerning when compared with the decline in Missouri total cropland, which has dropped by about 20,000 farms between 1997 and 2012.<sup>22</sup>

### **Corporate Influence and Lack of Transparency in Meatpacking**

In addition to consolidation, large multinational agribusinesses use largeness to their advantage by exerting influence over industry groups, rules, and programs intended to help all farmers and consumers. The evolution of federal and state beef checkoff programs and changes in the Country of Origin Labeling (COOL) requirements are two recent examples where corporate operators have benefited over family farmers.

The Beef Checkoff Program is a mandatory, farmer-funded government program designed to raise revenues for research and promotion of beef. However, the checkoff dollars are awarded to a top trade industry group that lobbies on behalf of the meatpacking industry and other large corporate interests. The program that seemed good for all beef cattle producers in theory actually plays against "small family farmers who are compelled to pay assessments into a program to fund advertising" that can be influenced by larger competitors rather than under the exclusive control of the government."<sup>23</sup> In April 2016, eligible Missouri voters, meaning anyone with a shared interest in cattle sales, overwhelmingly voted down a proposed new \$1 state-level beef checkoff. This Missouri beef checkoff would have increased costs for all cattle producers without ensuring accountability for state industry trade groups, making marketing and advertising favorable to large corporate interests.

Similarly, repeal of the mandatory COOL requirements for beef and pork has been to the detriment of U.S. family farms since multinational and foreign corporations selling meat in the U.S. are no longer required to identify the origin of their product. Originally, the COOL label informed consumers about the country where the animal was born, raised and harvested, and it was

---

<sup>20</sup> Bryant, H., et. al., 2016; Additional calculations by researcher.

<sup>21</sup> Hettinger, J. (2017, September 27). *USDA fails to monitor foreign owners of farmland*. Retrieved November 4, 2017, from New Food Economy: <https://newfoodeconomy.org/usda-foreign-farmland-monitoring/>

<sup>22</sup> National Agricultural Statistics Service. (n.d.). *2012 Census of Agriculture - State Data*. Retrieved November 5, 2017, from United States Department of Agriculture:

[https://www.agcensus.usda.gov/Publications/2012/Full\\_Report/Volume\\_1,\\_Chapter\\_1\\_State\\_Level/Missouri/st29\\_1\\_001\\_001.pdf](https://www.agcensus.usda.gov/Publications/2012/Full_Report/Volume_1,_Chapter_1_State_Level/Missouri/st29_1_001_001.pdf)

<sup>23</sup> OCM Staff. (2017, August 9). *Courts' Findings That Checkoff Activities and Speech Are Those of the Federal Government*. Retrieved December 26, 2017, from Organization for Competitive Markets: <http://competitivemarkets.com/courts-findings-that-checkoff-activities-and-speech-are-those-of-the-federal-government/>

supported by 93% of consumers.<sup>24</sup> However, in a 2015 Omnibus Budget bill, the U.S. Congress repealed the COOL requirements, leaving in place a voluntary labeling option. The COOL issue was complicated by a World Trade Organization (WTO) legal dispute, but as outlined in a stakeholder letter to Congress “the WTO explicitly ruled that the COOL label on ground meat was WTO-legal, and the dispute never addressed chicken or other covered commodities.”<sup>25</sup> Yet Congress moved forward with an expansive repeal of COOL requirements that could have given a marketing advantage to U.S. cattle producers to appeal to consumers who want to buy local. Leaving COOL as a voluntary act only further advantages multinational agribusinesses.

## Decline in Missouri Family Farms

As noted in the OCM August 2017 policy brief, *Consolidation, Globalization, and the American Family Farm*, the number of large farms in the United States has tripled, and very large farms have increased sevenfold. While Missouri has not seen the same staggering increases in large farms, other indicators show Missouri family farms are on the decline. In 1960, the average farm size was 193 acres; by 2014 it was nearing 300 acres.<sup>26</sup> USDA census data for Missouri show that only 44% of principal-operator farmers consider farming their primary occupation and of those primary occupation farmers the average age has risen 4 years since 1997 to 58 years of age. As Hendrickson shows, “three-fifths of U.S. farms are residential farms where the operator does not consider farming as their primary occupation.”<sup>27</sup> This is in addition to a 6% national increase in corporate farms between 1997 and 2012.<sup>28,29</sup>

Due in part to the pressures mentioned above, “more farmers, especially operators of small farms, are relying more on off-farm sources of income” to get by.<sup>30</sup> Nationally the share of young-farmer principal operators has gradually declined--from approximately two-fifths in 1978 to under a tenth in 2012.<sup>31</sup> This trend will likely continue, which does not help the next generation of young farmers, under age 25 and 25-34, who make up only 6% of current principal farm operators in Missouri.<sup>32</sup>

---

<sup>24</sup> ConsumersUnion. (2010). *ConsumersUnion: Policy & Action From Consumer Reports*. Retrieved January 7, 2018, from <http://consumersunion.org/news/poll-finds-93-of-consumers-want-labeling-on-meat/>

<sup>25</sup> Coalition Letter Opposing COOL Repeal and Voluntary COOL. (2015, July 28). *Country of Origin Labeling*. Retrieved December 26, 2017, from R-CALF United Stockgrowers of America: <https://www.r-calfusa.com/wp-content/uploads/2013/05/150728-coalition-letter-opposing-COOL-repeal-and-voluntary-COOL.pdf>

<sup>26</sup> Missouri Economic Research and Information Center. (2016). *Missouri Economic Research Brief: Economic Contribution of Agribusiness*. Retrieved November 5, 2017, from Missouri Department of Economic Development: [https://www.missourieconomy.org/pdfs/agribusiness\\_economic\\_contribution.pdf](https://www.missourieconomy.org/pdfs/agribusiness_economic_contribution.pdf)

<sup>27</sup> Hendrickson, M. K., Howard, P. H., & Constance, D. H. (2017). *Power, Food and Agriculture: Implications for Farmers, Consumers and Communities*. University of Missouri, Division of Applied Social Sciences. Columbia: College of Agriculture, Food & Natural Resources.

<sup>28</sup> Measured as a farm by legal status according to the National Agricultural Statistics Service.

<sup>29</sup> National Agricultural Statistics Service. (n.d.). *2012 Census of Agriculture - State Data*. (see above for retrieval information)

<sup>30</sup> Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook*, Farmers, Ranchers, and Other Agricultural Managers, on the Internet at <https://www.bls.gov/ooh/management/farmers-ranchers-and-other-agricultural-managers.htm> (visited November 11, 2017).

<sup>31</sup> *Beginning Farmers and Age Distribution of Farmers*. (n.d.). Retrieved November 19, 2016, from United States Department of Agriculture Economic Research Service: <https://www.ers.usda.gov/topics/farm-economy/beginning-disadvantaged-farmers/beginning-farmers-and-age-distribution-of-farmers/>

<sup>32</sup> Decision Innovation Solutions. (2016). *Economic Contributions of Missouri Agriculture and Forestry*. Economic Report.

The picture for black farmers in Missouri is even bleaker. A review of USDA data by Webster Davis of the Missouri Chapter of the NAACP showed that in 1900 Missouri had the most black farmers, nearly 5,000, outside the south, but as of the 2012 USDA Agriculture Census Missouri only had 239 black farmers left.<sup>33</sup> Furthermore, 2012 Census data show that those 239 black farmers are at a much greater economic disadvantage than the average Missouri farmer. The average product sold per farm in 2012 among all Missouri farmers was \$92,000 while for black farmers it was \$54,000, and average per farm government payments received is \$2,000 less for black farmers than for all Missouri farmers.<sup>34</sup> Farmers face tough decisions, whether they are minority, female, or young farmers, policies that promote a more inclusive farming workforce can aid rural communities.

Livestock agriculture has not been immune to the effects of consolidation. In fact, as described by MacDonald, where livestock industry consolidation has occurred it has done so dramatically and in a short time period.<sup>35</sup> This is certainly true of Missouri hog producers. Nationally, median hog farm production has increased from an average of 1,200 hogs per farm in 1967 to 40,000 in 2012.<sup>36</sup> In Missouri, the number of hog farms fell by 62% from 1997 to 2012.<sup>37</sup> This decline in smaller independent producers has been the result of larger companies buying up hog production, not to mention the entry of foreign entities. The sale of Smithfield Foods to the Chinese multinational WH Group in 2013 has resulted in one in four pigs raised in the U.S. is now owned by a Chinese company.<sup>38</sup>

## **Economic Impact on Missouri Farmers and Rural Communities**

Consolidation has led to Missouri farmland being owned by foreign companies and agribusinesses that do not have the incentive to compete, which leads to less innovation and higher production costs for farmers and fewer independent producers, who are vital to strong rural communities. Nationwide, large farms made up two-thirds of all farms sales in 2012, up from less than 50% in 2002.<sup>39</sup> This is a significant shift toward greater concentration of the economic winners in farming. Missouri has seen these trends as well, and there have been significant economic consequences. Whether it is farm income or land prices, the race toward bigger operations and greater agriculture concentration throughout the supply chain has seriously impacted Missouri farmers.

---

<sup>33</sup> USDA Census of Agriculture. (n.d.). *2012 Census Publications: Congressional District Profiles*. Retrieved January 10, 2018, from United States Department of Agriculture:

[https://www.agcensus.usda.gov/Publications/2012/Online\\_Resources/Congressional\\_District\\_Profiles/index.php#](https://www.agcensus.usda.gov/Publications/2012/Online_Resources/Congressional_District_Profiles/index.php#)

<sup>34</sup> USDA Census of Agriculture. (n.d.). *2012 Census Publications: Race, Ethnicity and Gender Profiles*. Retrieved January 10, 2018, from United States Department of Agriculture:

[https://www.agcensus.usda.gov/Publications/2012/Online\\_Resources/Race,\\_Ethnicity\\_and\\_Gender\\_Profiles/Missouri/](https://www.agcensus.usda.gov/Publications/2012/Online_Resources/Race,_Ethnicity_and_Gender_Profiles/Missouri/)

<sup>35</sup> MacDonald, J. M. (2017). Consolidation, Concentration, and Competition in the Food System. *Agricultural Consolidation: Causes and the Path Forward. Special Issue*. Federal Reserve Bank of Kansas City: Economic Review.

<sup>36</sup> MacDonald, J. M. (2016). Concentration, Contracting, and Competition Policy in U.S. Agribusiness. *Concurrents Competition Law Review*, 1.

<sup>37</sup> National Agricultural Statistics Service. (n.d.). *2012 Census of Agriculture - State Data*. (see above for retrieval information)

<sup>38</sup> Halverson, N. (n.d.). *How China purchased a prime cut of America's pork industry*. Retrieved November 19, 2017, from Revealnews.org : <https://www.revealnews.org/article/how-china-purchased-a-prime-cut-of-americas-pork-industry/>

<sup>39</sup> Koba, M. (2014, May 6). *Meet the '4%': Small number of farms dominates US*. Retrieved November 11, 2017, from CNBC: <https://www.cnbc.com/2014/05/06/state-of-american-farming-big-producers-dominate-food-production.html>

As MacDonald explains, over the last 25 years farms have seen a shift “away from farms with 100–999 acres of cropland, whose aggregate acreage share fell from 57 to 36 percent, and toward farms with at least 2,000 acres, whose acreage share grew from 15 percent to 36 percent.” Nationally, large farms have not only seen their share of production increase, but the number of large farms increased by over 100%, while small farms fell by over 20% from 1992 to 2012.<sup>40</sup> This kind of consolidation gives more buying power to larger operations and increases the value of cropland. For instance, over the last ten years Missouri farmers have seen a statewide average cropland price increase of \$1,722 per acre to a 2017 per acre average of \$3,856.

Agribusiness consolidation impacts farmers due to the correlation with prices can drive up input costs for farmers.<sup>41</sup> Since peaking in 2013 gross farm income has fallen nationally to a level not seen since around 2002, falling below the \$100 billion threshold in 2016.<sup>42</sup> In fact, recently revised net farm income numbers from the three years following 2013 saw a 50% drop, as measured in nominal dollars.<sup>43</sup> According to the Missouri Department of Economic Development, demand for soybeans and corn, which collectively make up 42% of Missouri farm receipts, has flattened, contributing to lower farm income.<sup>44</sup><sup>45</sup> Yet, the most worrisome facts for Missouri farmers come when you scratch below the surface: net farm income, when measured in 2017 realized dollars,<sup>46</sup> dropped 55% from the peak in 2013 to 2016. That exceeds the national drop of 52%.<sup>47</sup> Furthermore, a recent report by the USDA Economic Research Service offers further evidence of small family farms getting squeezed. Small farm operations with a gross cash farm income (GCFI) under \$350,000 saw their commodity program payments drop over 30% from 1991 to 2015, whereas farm operations with a GCFI over \$1 million received 20% more in program payments over the same time period.<sup>48</sup>

## Who’s Making the Money

While Missouri farmers have suffered through decreasing income, flat commodity prices, more expensive land, and increased production expenses, agribusiness has been doing just fine. For

---

<sup>40</sup> Burns, C., & Kuhns, R. (2016). *The Changing Organization and Well-Being of Midsize U.S. Farms, 1992-2014*. Economic Report, United States Department of Agriculture, Economic Research Service.

<sup>41</sup> MacDonald, J. M. (2017). Consolidation, Concentration, and Competition in the Food System.

<sup>42</sup> USDA Economic Research Service. (2017). *Ag and Food Statistics Charting the Essentials, October 2017*. Administrative Publication, United States Department of Agriculture, Economic Research Service.

<sup>43</sup> Farm Policy Facts. (2017, October). *FPF Analysis: New USDA Net Farm Income Figures Not Exactly What They Seem*. Retrieved November 20, 2017, from Farm Policy Facts: <https://www.farmpolicyfacts.org/2017/10/fpf-analysis-new-usda-net-farm-income-figures-not-exactly-seem-1018/>

<sup>44</sup> USDA Economic Research Service. (2016). *Economic Research Service- State Data*.

<sup>45</sup> Missouri Economic Research and Information Center. (2016).

<sup>46</sup> Farm Policy Facts recently issued a report regarding the updated USDA net farm income figures for 2016 and pointed out an important analysis point when looking at net farm income (NFI) data stating, “NFI is often analyzed in nominal dollars ... However, another way to look at historical NFI is in “real dollars,” allowing for an “apples to apples” comparison.

<sup>47</sup> USDA Economic Research Service. (n.d.). *Data Products: Value Added Years by State*. Retrieved November 20, 2017, from United States Department of Agriculture, Economic Research Service: [https://data.ers.usda.gov/reports.aspx?ID=17830#P0ad7b445ae80432297532705a31fb318\\_3\\_110iT0R0x25](https://data.ers.usda.gov/reports.aspx?ID=17830#P0ad7b445ae80432297532705a31fb318_3_110iT0R0x25)

<sup>48</sup> McFadden, J. R., & Hoppe, R. A. (November 2017). *Evolving Distribution of Payments From Commodity, Conservation, and Federal Crop Insurance Programs*. U.S. Department of Agriculture, Economic Research Service.



example, Monsanto reported \$7.93 billion in gross profit for FY17, which is a \$920 million increase from FY16.<sup>49</sup> In the U.S. protein sector concentration has given farmers fewer processing options, specifically, in beef and pork slaughter in which each have a CR4 of 85% and 66%, respectively.<sup>50</sup> In 2016, the *National Hog Farmer* reported that Smithfield Foods enhanced profits in pork due to low procurement prices, while hog farmers saw a 14-year low in hog prices.<sup>51</sup> As of the 2012 USDA census, corporate hog producer operations accounted for 8% of farms and 34% of farm sales, while family hog farms made up 83% of farms and 41% of farm sales.<sup>52</sup> Tyson Foods also has significant operations, both processing and contract producers, in Missouri, and like Monsanto, Tyson stock hit a record high share price of \$75.46 in August of 2016<sup>53</sup>, followed by recent reports that Tyson has again beat earnings expectations.<sup>54</sup>

Eighty-eight percent of American farms are considered small family farms, but they account for less than half (48%) of all farmland and only one-fifth (20%) of sales.<sup>55</sup> As pointed out by FiveThirtyEight, there is some reason to believe that the antiquated way “farm” is defined by the USDA during the agriculture census overestimates the number of small family farms. The overestimation is due to a \$1,000 agriculture product threshold set in the 1970s that has never been adjusted for inflation, and the application of the monetary threshold including land that “normally would have been sold” in the definition of “farm.”<sup>56</sup> Even USDA economist James McDonald, who specializes in agriculture structure and productivity research, agrees “the current definition of ‘farm’ creates misleading statistics.”<sup>57</sup> Regardless of these methodological concerns, concentration across the agricultural sector is already clear, and if policymakers do not understand these trends and implement standards that ensure any consolidation that takes place benefits the family farm and ultimately the consumer then these trends will continue.

## Supporting Missouri Rural Communities and Family Farms

Local and regional food systems have an important role to play in the renewal of rural economies and family farms. Local and regional food systems can be defined in different ways – by geographical proximity or face-to-face marketing – but they generally refer to “activities associated

---

<sup>49</sup> Monsanto. (2017, October 4). *Fiscal Year 2017 Results And Outlook*. Retrieved November 7, 2017, from Monsanto: [https://monsanto.com/app/uploads/2017/10/MonsantoCo\\_Q4F17\\_Earnings\\_Presentation\\_2017.10.04.pdf](https://monsanto.com/app/uploads/2017/10/MonsantoCo_Q4F17_Earnings_Presentation_2017.10.04.pdf)

<sup>50</sup> Hendrickson, M. K., Howard, P. H., & Constance, D. H. (2017).

<sup>51</sup> Smith, D. (2016, October 31). *Who is watching out for the independent producer?* Retrieved November 22, 2017, from National Hog Farmer: <http://www.nationalhogfarmer.com/marketing/who-watching-out-independent-producer>

<sup>52</sup> USDA Census of Agriculture. (2012). *2012 Census Highlights - Hog and Pig Farming*. Retrieved November 21, 2017, from United States Department of Agriculture: [https://www.agcensus.usda.gov/Publications/2012/Online\\_Resources/Highlights/Hog\\_and\\_Pig\\_Farming/](https://www.agcensus.usda.gov/Publications/2012/Online_Resources/Highlights/Hog_and_Pig_Farming/)

<sup>53</sup> Polansek, T. (2016, August 8). *Tyson Foods projects record profits, shares hit high*. Retrieved November 22, 2017, from Reuters: <https://www.reuters.com/article/us-tyson-foods-results/tyson-foods-projects-record-profits-shares-hit-high-idUSKCN10J17U>

<sup>54</sup> Polansek, T., & Waters, T. (2017, November 13). *Tyson shares top one-year high as low feed costs boost margins*. Retrieved November 22, 2017, from Reuters: <https://www.reuters.com/article/us-tyson-foods-results/tyson-shares-top-one-year-high-as-low-feed-costs-boost-margins-idUSKBN1DD1I2>

<sup>55</sup> United States Department of Agriculture. (2016). *2012 Census of Agriculture Highlights - Small Farms*.

<sup>56</sup> Koerth-Baker, M. (2016, November 17). *Big Farms Are Getting Bigger And Most Small Farms Aren't Really Farms At All*. Retrieved November 7, 2017, from FiveThirtyEight: <https://fivethirtyeight.com/features/big-farms-are-getting-bigger-and-most-small-farms-arent-really-farms-at-all/>

<sup>57</sup> *Ibid.*

with producing, processing, distribution and marketing foods" anchored in a particular place."<sup>58</sup> Former Secretary of Agriculture Vilsack laid out Four Pillars of Agriculture and Rural Economic Development, one of which was local and regional food systems that would focus federal efforts on creating local markets, grow regional business, increase food system resources, and expand markets like farm-to-school.<sup>59</sup> The Local Food Linkages Project, a collaboration between the University of Missouri and University of Nebraska, found that local food systems generated more sales, employment, and gross domestic product (GDP) than conventional food sales. Furthermore, research showed that rural communities enjoyed more value added to their GDP due to the "direct and indirect employment and the indirect sales generated by local food systems."<sup>60</sup>

Another important advantage is the environmental benefits of purchasing local foods, which include reduced transportation and processing, as well as direct to consumer farm sales that use less chemicals and fertilizer.<sup>61</sup> Beyond local and regional food systems, other local considerations that would strengthen family farms and in turn rural communities in Missouri include public participation on boards and commissions. For instance, in 2016 the Missouri legislature overrode former Governor Nixon's veto of legislation that handed control of the Clean Water Commission over to corporate farming interests and reduced the number of public seats available on the commission.<sup>62</sup>

Support for local and regional food systems can meet growing consumer needs from the freshness of food to the social aspect of supporting local economies. According to the Center for Rural Affairs, "a single-family farm contributes \$720,000 to the local economy, or the equivalent of eight \$40,000 'town jobs'."<sup>63</sup> Given the potential the food system has to aid the renewal of rural development and greater public involvement of family farmers, state policy-making plays an important role in both aspects of Missouri agriculture policy.

---

<sup>58</sup> United States Department of Agriculture. (2012, February). *Know Your Farmer Know Your Food*. Retrieved December 23, 2017, from United States Department of Agriculture: <https://www.usda.gov/sites/default/files/documents/KYFCompass.pdf>

<sup>59</sup> United States Department of Agriculture. (2015, May 20). *Press Release Archives*. Retrieved December 25 2017, 2017, from On May 20, 2015, Secretary Vilsack spoke with delegations from 34 countries as part of the 10th Organization for Economic Cooperation and Development Conference, held in Memphis, Tenn.: <https://www.usda.gov/media/press-releases/2015/05/20/may-20-2015-secretary-vilsack-spoke-delegations-34-countries-part>

<sup>60</sup> Hendrickson , M., Johnson, T., Cantrell , R., & Scott, J. (2014). *Economic Impact Analysis*. Retrieved January 16, 2018, from Local Food Linkages Project: <https://localfoodlinkages.wordpress.com/economic-impact-analysis/>

<sup>61</sup> Low, S. A., Adalja, A., Beaulieu, E., Key, N., Martinez, S., Melton, A., et al. (January 2015). *Trends in U.S. Local and Regional Food Systems*. United States Department of Agriculture, Economic Research Service.

<sup>62</sup> Erickson, K. (2017, December 6). *Greitens stacks clean water commission with farm-friendly allies*. Retrieved December 23, 2017, from St. Louis Post-Dispatch: [http://www.stltoday.com/news/local/govt-and-politics/greitens-stacks-clean-water-commission-with-farm-friendly-allies/article\\_b29f7487-bcc0-5e5a-a06f-a51d1713d773.html](http://www.stltoday.com/news/local/govt-and-politics/greitens-stacks-clean-water-commission-with-farm-friendly-allies/article_b29f7487-bcc0-5e5a-a06f-a51d1713d773.html)

<sup>63</sup> Center for Rural Affairs. (n.d.). *Community Development*. Retrieved December 23, 2017, from Center for Rural Affairs: <http://www.cfra.org/community-development>

# Policy Proposals

## Missouri Policy Proposals

### Foreign Ownership of Agricultural Land and Investment

1. Re-establish 1970s ban on the future sale of any farmland to a foreign-held entity.
2. Require any entity that has over 20% foreign ownership to report all foreign entity names and percentage of ownership to the Missouri Secretary of State.

### Increase Transparency and Contractor Protections

1. Require all Missouri retailers of meat to display the country of origin of beef and pork.
2. Require all livestock integrators to submit public copies of grower contracts and require the Secretary of State to establish an online database accessible to growers.
3. Establish a minimum 6-month notice period before grower contracts can be changed or terminated.

### Beef Checkoff Oversight

1. Compel the state auditor to conduct a full audit of all federal checkoff programs Missouri family farmers pay into and require new audits be conducted every three years.

### Increase Rural Community Market Access and Economic Development

1. Put together a task force to evaluate the state of the family farm, focusing on how to expand and support local and regional food systems, the value of a state food policy council, and positive environmental practices.
2. Ensure that rural citizens voices are present on all permit review boards, such as the Clean Water Commission.
3. Defend the community right to protect its citizens from negative health and environmental effects of mega-farms.

### Support for Rural Local Food Systems

1. Implement a radical shift in Agriculture Extension spending to prioritize local and regional food systems, disadvantaged farmers, and market opportunities that revitalize rural communities.

## Federal Policy Proposals

Please refer to the OCM August 2017 policy brief, *Consolidation, Globalization, and the American Family Farm*, which lists federal policy priorities critical to family farmers nationwide. Key priorities include:

- Restore Packers and Stockyards Act.
- Increase antitrust enforcement.
- Adopt the Food Security is National Security Act of 2017.<sup>64</sup>
- Strengthen the Agricultural Foreign Investment Disclosure Act of 1978 by requiring mandatory reporting and penalties for failure to report.
- Limit the lock industrial agriculture has on federal funds being used to build its influence in our capitols by passing The Opportunities for Fairness in Farming (OFF) Act S. 741 & H.R. 1753 and the Voluntary Checkoff Act, S. 740 & H.R. 1752.

---

<sup>64</sup> U.S. Congress. S.616 - Food Security is National Security Act of 2017. Available at <https://www.congress.gov/bill/115th-congress/senate-bill/616>. Accessed August 2017.