Organization for Competitive Markets

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State Series: Consolidation and the American Family Farm – Ohio

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Issue

Consolidation and globalization in the agriculture sector have serious implications for Ohio's family farmers, ranchers, and rural communities. Concentration of corporate power in agriculture has risen to levels not seen since the Gilded Age, allowing multinational agribusiness interests to exert growing influence over policy and programs. Corporate concentration has left little competition and fewer opportunities for the state's next generation of farmers and ranchers, while extracting wealth from local economies. As the economic backbone of rural communities, family farms need to be front and center for Ohio policy makers.

Concentration of Corporate Power in Agriculture

Consolidation of companies that control agricultural inputs (i.e., seeds, chemicals, data) and the livestock supply chain pose many risks to Ohio farmers and ranchers. Recent research has described how the potential benefits of consolidation have been regularly discussed over the years, including economies of scale and increased productivity. However, the risks have not been as well understood, and according to the Federal Reserve Bank, "current activity may be fundamentally changing the agricultural landscape."[1] The following data show risks for Ohio farmers, including higher input costs, less competitive markets, competition from foreign ownership, and increasing environmental health risks.

Consolidation in Seeds and Agri-Chemicals

To comprehend the full extent of the problem farmers face from extreme levels of consolidation, it is important to understand the two types of consolidation: horizontal and vertical. Horizontal consolidation is the acquisition of a firm during the same stage in the supply chain within an industry, for example, buying a competitor that makes the same kind of products. Vertical

[1] 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.

consolidation refers to acquiring a firm at different stages of the supply chain, for example, a poultry corporation buying hatcheries, feed mills, and processing plants.

One way to measure consolidation is to measure concentration. As outlined by Mary Hendrickson, concentration is measured as a ratio, known as the Concentration Ratio (CR), of the top firms in a particular industry or commodity.[2] For example, CR4 equals the concentration ratio for the top four firms. Table 1 shows the CR4 of both global proprietary seed and agrichemical markets before and after horizontal mergers of Dow-DuPont[3] and Bayer-Monsanto (projected). 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.

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.

Concentration has steadily grown over the past few decades and has been accompanied by some new innovations. Unfortunately, farmers have seen seed prices increase, and recent research has shown a decrease in innovation overall.[4],[5] The Consumer Federation of America concludes that "[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 mergers of Dow-DuPont and Bayer-Monsanto finds that these mergers will increase seed prices 2.3% for corn and 1.9% for soybeans.[6] Furthermore, the Bayer-Monsanto merger is expected to have an impact on corn seed prices up to three times as large as the Dow-DuPont merger.[7] Using corn and soybean farm budgets from The Ohio State University Farm Office, these projected increases in seed prices would take over $15.5 million from rural communities in Ohio and deposit them in the earnings of multinational companies.[8] These impacts are acutely relevant for Ohio agriculture because corn and soybeans made up over 50% of all farm receipts in the state in 2016.[9]

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[2] Hendrickson, M. (2015). Resilience in a concentrated and consolidated food system . *Journal of Environmental Studies and Sciences, 5* (3).
[3] Dow announced the successful merger with DuPont in August 2017, https://www.cnbc.com/2017/09/01/dow-dupont-complete-planned-merger-to-form-dowdupont.html.
[4] 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.
[5] 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/
[6] Bryant, H., Maisashvili, A., Outlaw, J., & Richardson, J. (2016). *Effects 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.
[7] Cooper, M. (2017).
[8] Calculation done by researcher based on the following sources; National Agricultural Statistics Service. (n.d.). 2017 State Agriculture Overview - Ohio. Retrieved April 29, 2018, from United State Department of Agriculture: https://www.nass.usda.gov/Quick_Stats/Ag_Overview/stateOverview.php?state=OHIO; College of Food, Agricultural, and Environmental Sciences - Farm Office. (2018). Farm Budgets. Retrieved April 29, 2017, from Ohio State University: https://farmoffice.osu.edu/farm-management-tools/farm-budgets
[9] USDA Economic Research Service. (2016). Economic Research Service- State Data. Retrieved March 30, 2018, from United States Department of Agriculture: https://data.ers.usda.gov/reports.aspx?StateFIPS=39&StateName=Ohio&ID=17854

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 through research and development (R&D). As shown by the American Antitrust Institute, loss of competition in R&D could change how licensing occurs, given that "competition minimizes incentives to refuse to license or to impose discriminatory restrictions in technology licensing agreements."

These behaviors could ultimately lead to a few companies making rules of the market through agreements, whether unspoken or explicit.[10] Ultimately, the potential for the transfer of more income from farmers to multinational companies seems likely, and given recent trends farmers aren't likely to see any return through innovation or competition from consolidation.

Multinational Corporations and Foreign Ownership of Farmland

A major aspect of concentration in the agriculture sector is the growth of multinational corporations and foreign ownership of U.S. farmland. The last 10 years have seen consolidation between some of the largest multinational companies in agribusiness. In 2007, Brazilian-based meat processing company, JBS SA, bought U.S.-based Swift & Co., which created the world's largest beef producer and gave JBS an entry point into the U.S. market.[11] In 2013, WH Group, a Chinese company with government ties, acquired then U.S.-based Smithfield Foods, which at the time was the largest Chinese acquisition of an American company.[12] Chinese-owned Smithfield is the largest pork producer in the U.S., owning one in four hogs. Last year another Chinese company, ChemChina, bought Swiss-based agri-chemicals company Syngenta AG in the largest foreign acquisition to date by a Chinese company.[13] And JBS SA expanded its U.S. meat producer footprint by acquiring Plumrose USA.[14] The merger of German-based Bayer AG with U.S.-based seed company Monsanto will be finalized this year, giving Bayer control of nearly one-third of the seed market.[15] Most recently, Brazilian-based Marfrig Global Foods SA announced plans to buy majority control of National Beef Packing Co., which is based in Kansas City, Missouri. This would make Marfrig the world's second largest beef processor behind Brazil's JBS, putting two of the top four

[10] 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.
[11] Barreto, E. (2007, May 29). Brazil's JBS-Friboi to buy Swift for $225 mln. Retrieved April 21, 2018, from Reuters: https://www.reuters.com/article/us-swift-friboi/brazils-jbs-friboi-to-buy-swift-for-225-mln-idUSN2930167420070529
[12] 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/
[13] Polansek, T. (2018, April 17). U.S. senators seek review of Marfrig's deal to buy National Beef. Retrieved April 21, 2018, from Reuters: https://www.reuters.com/article/us-natl-beef-packin-m-a-marfrig-gl-foods/u-s-senators-seek-review-of-marfrigs-deal-to-buy-national-beef-idUSKBN1HO3HA
[14] Reuters Staff. (2017, March 13). Brazil's JBS acquires Plumrose USA for $230 million: filing. Retrieved April 21, 2018, from Reuters: https://www.reuters.com/article/us-plumrose-m-a-jbs/brazils-jbs-acquires-plumrose-usa-for-230-million-filing-idUSKBN16K2QS
[15] Mooney, P. (2017). Too big to feed: Exploring the impacts of mega-mergers, concentration, concentration of power in the agri-food sector. IPES-Food.

U.S. meatpacking operations under foreign control in an industry where the top four companies already control over four-fifths of all beef processing.[16]

Between 2004 and 2014, foreign ownership of U.S. farmland doubled to over 27 million acres.[17] Land acquired by foreign entities from 2000 to 2014 has a current value of $391.5 billion,[18] including over $1 billion of agriculture land in Ohio, according to data from the Midwest Center for Investigative Reporting. Unlike other midwestern states, Ohio does not restrict corporate foreign ownership of land. However, it does compel nonresident aliens that acquire an interest greater than three acres or property value more than $100,000 to provide specific information to the secretary of state.[19] Ohio statute further dictates that any violation of the nonresident alien real property interest reporting shall carry a fine of "not less than five thousand dollars nor more than an amount equal to twenty-five percent of the market value of the real property." USDA findings from 2015 show Ohio has over 400,000 acres of foreign-held agriculture land, which makes up nearly 2%t of all privately held agriculture land in the state.[20] However, reporting and fines for failure to report may not be enough, given how creative business relationships have become and USDA's toothless monitoring and enforcement.[21]

Ohio is seeing the consequences of multinational corporations and foreign ownership, both from the results of merging companies outlined above and foreign control of U.S. agriculture companies. For example, while WH Group's acquisition of U.S.-based Smithfield Foods in 2013 did not include the transfer of Ohio farmland, as it did in Missouri, it did result in Smithfield's purchase of two Ohio grain elevators in 2016. This allows Smithfield to "ship grain directly from Ohio to feed the pigs that Smithfield slaughters at its" North Carolina packing plant.[22] Without more transparent disclosure on foreign interests purchasing Ohio farmland, or any reporting around the purchase of grain elevators, it is hard to understand how much wealth may be extracted from Ohio or how Ohio land prices may be impacted.

The Smithfield purchase of Ohio grain elevators demonstrates a level of vertical consolidation that now gives a foreign company like WH Group an incentive to more fully vertically integrate by buying Ohio farmland. This will only further extract wealth from rural communities as the land

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[16] Carty, K. (2018, April 26). Ranchers Oppose Marfrig Acquisition that would Spell More Foreign Control Over US Beef. Retrieved April 26, 2018, from Open Markets Institute: Food & Power: http://www.foodandpower.net/2018/04/26/ranchers-oppose-marfrig-acquisition-that-would-spell-more-foreign-control-of-us-beef/

[17] 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/

[18] 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://investigatemidwest.org/2017/06/22/foreign-investment-into-u-s-farmland-on-the-rise/

[19] ORC §5301.254. (n.d.). 5301.254 Filing information with secretary of state by nonresident alien acquiring interest in real property. Retrieved March 30, 2018, from LAW Writer Ohio Laws and Rules: http://codes.ohio.gov/orc/5301.254v1

[20] USDA. (2015). Foreign Holdings of U.S. Agricultural Land through December 31, 2015. United States Department of Agriculture , Farm Service Agency.

[21] 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/

[22] Hirtzer, M. (2016, December 30). Pork giant Smithfield skips middlemen in grain supply chain. Retrieved March 30, 2018, from Reuters: https://www.reuters.com/article/us-smithfield-foods-grains-analysis/pork-giant-smithfield-skips-middlemen-in-grain-supply-chain-idUSKBN14J0FA

and means of production and processing bypass local opportunity for wealth creation. Because Ohio, unlike many agricultural states, does not ban foreign ownership of farmland, the state has left itself open to this threat. Based on what has happened in France, this seems very likely.

International Spotlight: Encroaching Chinese Agriculture Interests in France

The influence of the Chinese government and corporations in the global food supply chain has been growing through the acquisition of multinational agribusiness companies and direct purchase of farmland around the world. In France, this has reached a tipping point, and French President Macron has vowed to stop foreign investors from buying French farmland.

A loophole in French law exempts holding companies from seeking approval from the state agency responsible for regulating these transactions. This has allowed China and other countries to gain ownership over French farmland. According to *The Economist*, China has increasing influence in the French food supply--China now owns 2% of the Bordeaux wine region. In 2017 a Chinese billionaire acquired over 2,500 acres of French grain production land, which has led farmers to sound the alarm about the risks of increasing Chinese control of the agriculture supply chain.

A 2016 article by *Marketplace* showcased French farming families and the consequences of Chinese involvement in French agriculture. It detailed how a company called Hongyang purchases land at over twice the market price. Its interest is in sourcing food for its growing demands in China, so the farm is vacant except during one or two months when labor is hired. French farmers lament the lack of life in the community that would keep schools and businesses thriving.

Local attorneys who have helped close these agriculture transactions have said that the Chinese plan to buy enough acres (50,000) to fill a freight train with grain to ship back to China. This interest along with China's deep capital can have serious consequences for a country's agriculture. French farmers fear that Chinese money will drive up farmland prices and push young farmers out.

Sources:
Laurenson, John (2016, September 19). *Chinese investors are buying up French farmland.* Retrieved April 22, 2018, from Marketplace: https://www.marketplace.org/2016/09/19/world/chinese-investors-are-buying-french-farmland
M.F. (2018, March 17). *Why France's farmers worry about China.* Retrieved April 22, 2018, from The Economist: https://www.economist.com/blogs/economist-explains/2018/03/economist-explains-21
Mulholland, Rory (2018, February 22). *Emmanuel Macron promises to stop foreign investors buying up French farms after China land grab.* Retrieved April 22, 2018, from The Telegraph: https://www.telegraph.co.uk/news/2018/02/22/emmanuel-macron-promises-stop-foreign-investors-buying-french/

Intertwined Government and Corporate Interests in Beef Industry

Beef Checkoff Program

In February 2018, the Organization for Competitive Markets (OCM) and Ohio Farmers Union (OFU) released a joint briefing paper exposing abuses and ineffectiveness in Ohio's Beef Checkoff

Program, which is managed by the Ohio Beef Council, an agency of the Ohio Department of Agriculture. Established in 1985, the Beef Checkoff Program is a farmer-funded government assessment designed to "enable cattle producers to establish, finance, and carry out a coordinated program of research, producer and consumer information, and promotion to improve, maintain, and develop markets for cattle, beef, and beef products."[23] Ohio cattle producers are taxed $2.00 per head of cattle sold ($1.00 by the state program and $1.00 by the federal program). While both the federal and state assessments are mandatory, the Ohio state-level program "is refundable if a cattle producer meets certain criteria and submits the proper paperwork, which is not available online," thus making it more difficult to choose not to participate.[24]

The Ohio Beef Council and the Ohio Cattleman's Association, which is a trade association that influences policy and makes political contributions, seem to be one in the same. The two entities share the same address, the same staff, and have intertwined interests in the Ohio Cattlemen's Association Political Action Committee (PAC). For instance, in February 2018 the Ohio Beef Council distributed invitations to a fundraiser for a gubernatorial candidate on behalf of the Ohio Cattlemen's Association PAC. Public funds are being awarded to a government agency that is operating on behalf of an industry lobbying group. According to the Ohio Farmers Union, instead of being used for beef promotion and research, the checkoff program has "often used dollars from farmers and ranchers to advocate for policies that hurt domestic producers."[25]

The largest four meatpacking corporations now control 82% of the beef market. As a result, the interests of family farmers take a back seat to those of meatpackers, multinational corporations, and other large corporations whose executives who serve on checkoff boards and influence trade association groups like the National Cattlemen's Beef Association, the largest federal checkoff program contractor.

In Ohio, the Beef Checkoff Program has failed to improve, maintain, and develop markets for cattle, beef, and beef products.[26] According to the Buckeye Quality Beef Association, there were 17 federally inspected slaughter plants in Columbus, Ohio, in the 1950s and 1960s. Today, there are no slaughter plants in the state of Ohio that can process a semi-truck load of cattle (about 40 head). For Ohio, this means fewer cattle are fed and farmers face higher transportation costs to ship fat cattle, leading to lost value on grain and cattle prices, job loss, and wage suppression.

[23] 7 U.S.C. 2901-2911. (1985). Beef Research and Information Act. Retrieved April 22, 2018, from Cattlemen's Beef Board: https://www.beefboard.org/library/Beef%20Act.pdf
[24] Maxwell, J., & Huffman, A. (2018). Analysis of the Ohio Beef Checkoff Program: Serious Abuses Show a Need for Reform. Briefing Paper. Organization for Competitive Markets; Ohio Farmers Union.
[25] OCM Staff. (2018, April 17). Farm Tax Dollars Used Illegally to Influence Ohio's Governor Race. Retrieved April 22, 2018, from Organization for Competitive Markets: http://competitivemarkets.com/farm-tax-dollars-used-illegally-to-influence-ohios-governor-race/
[26] 7 U.S.C. 2901-2911. (1985). Beef Research and Information Act. Retrieved April 22, 2018, from Cattlemen's Beef Board: https://www.beefboard.org/library/Beef%20Act.pdf

Country of Origin Labeling

The 2015 repeal of the mandatory Country of Origin Labeling (COOL) requirements for beef and pork has hurt U.S. cattle and hog producers. Multinational and foreign corporations that sell meat in the U.S. are no longer required to identify the origin of their product. Even worse, they are able to falsely label imported meat as a "Product of U.S.A." The COOL law was repealed at the behest of the Canadian and Mexican governments, the largest multinational meatpacking organizations in the world, and U.S. taxpayer checkoff-funded lobbying groups, including the National Cattlemen's Beef Association.

The COOL label informed Americans about the country where the animal was born, raised, and harvested, and it was supported by 93% of consumers.[27] Most importantly, COOL gave U.S. cattle ranchers a marketing advantage that could lead to increased cattle prices, given that Americans show a purchasing preference for U.S. beef. In this time of decreasing farm income, COOL would help ranchers and rural communities.[28]

Environmental Impact and Externalizing of Costs

Another troubling trend is the rise of corporate farming and industrial animal production facilities (IAPFs), otherwise known as concentrated animal feeding operations (CAFOs).[29] As MacDonald has stated, where livestock industry consolidation has occurred it has done so dramatically and in a short time.[30] Nationally, corporate farms increased 6% between 1997 and 2012.[31] Due to their degradation of public health, well-being of animals, the environment, and rural communities, CAFOs have received negative attention over the last decade. The Pew Charitable Trusts' seminal study and subsequent commission exposed how "family farms have been replaced by an industry that dictates how the animals will be raised."[32]

Northwest Ohio has seen an increase in CAFOs, referred to as concentrated animal feeding facilities (CAFFs) in some Ohio-specific reports. According to a 2015 report, three-fifths of the violations came from the Ohio's 5th Congressional District, which contains the western Lake Erie

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[27] 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/

[28] R-CALF United Stockgrowers of America. (2017, May 2). Why and How Mandatory COOL Should be Reinstated Through the NAFTA Renegotiations. Retrieved March 3, 2018, from R-CALF USA : https://www.r-calfusa.com/mandatory-cool-reinstated-nafta-renegotiations/

[29] CAFOs can range from small, medium, and large and federally inspected CAFO's are categorized based on volume of farm animals as laid our by the U.S. Environmental Protection Agency. https://www3.epa.gov/npdes/pubs/sector_table.pdf

[30] 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.

[31] Measured as a farm by legal status according to the National Agricultural Statistics Service; National Agricultural Statistics Service. (n.d.). *2012 Census of Agriculture - State Data.* (see above for retrival information)

[32] The Pew Charitable Trusts. (n.d.). *Reforming Industrial Animal Agriculture*. Retrieved February 25, 2018, from http://www.pewtrusts.org/en/archived-projects/reforming-industrial-animal-agriculture

watershed (WLEW).[33] In large part due to manure and phosphorus runoff in this watershed area along the Maumee River, toxic algae blooms have formed on western Lake Erie.[34] Approximately 88% of the phosphorus contributing to the algae bloom problem comes from hundreds of farms, and this environmental impact has had serious negative consequences. Half a million Lake Erie area residents lost their drinking water in 2014, and Ohio taxpayer dollars had to be used to clean up the mess.[35] Since 2011 the state of Ohio has spent more than $3 billion to combat Lake Erie algae blooms, yet in 2018 the Ohio Environmental Protection Agency released a report that declared western Lake Erie still "impaired."[36] According to a 2017 Ohio Environmental Council report, there are 231 total CAFFs in Ohio. The majority are in western and northwestern Ohio, and over a fourth (64) are located in the WLEW area. The 64 CAFFs in the WLEW produced "24% of all solid manure and 42% of all liquid manure in the state of Ohio."[37] Ohio taxpayers pay for the cleanup of the environmental impacts of these operations, allowing them to externalize those costs. This hurts family farmers in three ways. First, as Ohio taxpayers they see their tax dollars being used because of someone else's neglect. Second, this business model artificially lowers the true cost of meat production, forcing the family farmer to have to compete in an unfair marketplace. Finally, limited state tax dollars must be used for cleanup rather than investment to sustain the family farm and rural communities.

Economic Impact on Ohio Farmers and Rural Communities

All these trends, nationally and in Ohio, have economic consequences. Net cash farm income fell 33% between 2012 and 2016--the biggest multiyear decline since the 1970s. USDA projects that when adjusting for inflation in 2018 (real) dollars, net farm income is set to decline by over 8% from 2017.[38] In the 1950s, farmers received close to 50% of the food dollar.[39] Today, farmers receive 14.8% of the food dollar–the lowest "farm share" since USDA began reporting the figures in 1993.

There has been a significant shift toward greater concentration of the economic winners in farming. Nationally, large farms have seen their share of production increase: the number of large

[33] Sierra Club. (2015, November 17). Follow the Manure: Factory Farms and the Lake Erie Algal Crisis. Retrieved May 4, 2018, from https://www.sierraclub.org/michigan/follow-manure-factory-farms-and-lake-erie-algal-crisis

[34] Matheny, K. (2018, April 26). Plan to protect Lake Erie from algae blooms isn't working, study shows. Retrieved April 28, 2018, from Detroit Free Press: https://www.freep.com/story/news/local/michigan/2018/04/26/fertilizer-runoff-lake-erie-algae/551010002/?utm_campaign=b9ac9c1433-EMAIL_CAMPAIGN_2018_04_27&utm_medium=email&utm_source=Ag+Insider+Subscribers&utm_term=0_b0e8c666dd-b9ac9c1433-55781269

[35] *Ibid.*

[36] Bucher, P. (2018, March 29). Ohio EPA Declares the Open Waters of the Western Lake Erie Basin 'Impaired'. Retrieved April 28, 2018, from Ohio Environmental Council: https://theoec.org/blog/ohio-epa-declares-open-waters-western-lake-erie-basin-impaired/

[37] Rissien, A. (2017). Ohio's Concentrated Animal Feeding Facilities: A Review of Statewide Manure Management and Phosphorus Application in the Western Lake Erie Watershed. Ohio Environmental Council.

[38] USDA Economic Research Service. (2018, February). Highlights From the February 2018 Farm Income Forecast. Retrieved February 28, 2018, from United States Department of Agriculture: https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/highlights-from-the-farm-income-forecast/

[39] Harper, et. al. (2009).

farms increased by over 100% and small farms fell by over 20% from 1992 to 2012.[40] A recent report by the USDA Economic Research Service shows that commodity program payments for farm operations with a gross cash farm income (GCFI) under $350,000 dropped over 30% from 1991 to 2015, whereas farm operations with a GCFI over $1 million received 20% more in program payments over the same period.[41] 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.[42]

In Ohio, value added to the economy by the agricultural sector in 2018 (real) dollars dropped from approximately $3.2 billion in 2013 to just over $1.2 billion in 2017, reaching a low of $425 million in 2016.[43] Rural per-capita income in Ohio lags behind the average for Ohio by almost $6,500.[44]

Average farm size in Ohio has remained relatively stable over recent reporting periods, but there are other trends that negatively impact Ohio family farms. Between 2002-2012, USDA data for Ohio show a more than 10 percent decline in the share of farmers who consider farming their primary occupation, leaving only about two-fifths of farm operators with farming as their principal occupation.[45] The current economic situation is tough for family farms in general, but the outlook is grim for Ohio's female and minority farmers. As of the 2012 USDA Census, only 11.5% of Ohio's principal farm operators were women, and they are at a much greater economic disadvantage than the average Ohio farmer.[46] The average product sold per farm in 2012 among all Ohio farmers was $133,366--for women farmers it was $26,452, and average per farm government payments received is nearly $3,000 less for women farmers than for all Ohio farmers.[47] Furthermore, black operators account for less than 1% of all farms, and average product sold per farm and government payments are both less than they are for women.[48] Farmers face tough decisions, whether minority, female, or the next generation, and policies that promote a more inclusive farming workforce can aid rural communities.

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[40] 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 Reserch Service.
[41] 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.
[42] 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).
[43] USDA Economic Research Service. (n.d.). Data Products: Value Added Years by State. Retrieved March 31, 2018, from United States Department of Agriculture, Economic Research Service: https://data.ers.usda.gov/reports.aspx?ID=17830#Pd1d99db31e9d4952906710a877151fe6_3_109iT0R0x35
[44] Rural Health Information Hub. (2017, July 31). Ohio. Retrieved April 29, 2018, from RHIhub: https://www.ruralhealthinfo.org/states/ohio
[45] USDA Economic Research Service. (2016). Economic Research Service- State Data. Retrieved March 30, 2018, from United States Department of Agriculture: https://data.ers.usda.gov/reports.aspx?StateFIPS=39&StateName=Ohio&ID=17854
[46] National Agricultural Statistics Service. (2017). 2017 State Agriculture Overview: Ohio. Retrieved March 30, 2018, from United State Department of Agriculture: https://www.nass.usda.gov/Quick_Stats/Ag_Overview/stateOverview.php?state=OHIO
[47] USDA Census of Agriculture. (n.d.). 2012 Census Publications: Race, Ethnicity and Gender Profiles. Retrieved March 30, 2018, from United States Department of Agriculture: https://www.agcensus.usda.gov/Publications/2012/Online_Resources/Race,_Ethnicity_and_Gender_Profiles/Ohio/cpd39000.pdf
[48] *Ibid*

As the Ohio Ecological Food and Farm Association (OEFFA) points out, nationally "the agricultural industry is facing serious challenges: the average age of farmers has crept toward 60, the number of beginning farmers (those farming for 10 years or less) decreased 20 percent in the last agricultural census, and almost 100 million acres of farmland is expected to change hands in the next five years in the U.S."[49] These economic realities show why finding new ways to create more competition and market opportunity for family farms is one of the most important economic policy issues facing policy makers in Ohio.

Local and Regional Food Systems

One bright spot in Ohio is the growth of an alternative food system, which supports good stewardship of the environment, respects the consumer, and ensures profitability for independent family famers. 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 with producing, processing, distributing and marketing foods" anchored in a particular place.[50] These systems consist of farmers' markets, farm-to-school, and direct-to-consumer sales, to name a few, and have an important role to play in the renewal of rural economies and family farms.

A 2015 USDA report to Congress "found empirical support for the notion that local economic benefits may accrue from greater local retention of the spent food dollar, from spillovers to nearby businesses, and from increased entrepreneurship."[51] Then in 2017, the St. Louis Federal Reserve Bank issued a report focusing on regional food system investment and stated that "the emergence of demand for local food comes at a critical time for America's rural economy."[52] Furthermore, the St. Louis Federal Reserve reports that "if only 5 percent of the billions of food dollars spent in Ohio were to shift to supporting locally produced food, 32,000 farming jobs could be created."[53] Additional research has shown 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."[54] Nationally, smaller farms with less than a $75,000 in GCFI make up an overwhelming majority of all local food farms.[55] Another important advantage is the

[49] Ohio Ecological Food and Farm Association. (2018). Farm Policy Matters. Retrieved March 30, 2018, from http://policy.oeffa.org/home
[50] 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
[51] USDA Economic Research Service. (2015). Trends in U.S. Local and Regional Food Systems: Report to Congress . Administrative Publication Number 068, United States Department of Agriculture.
[52] Tropp, D., & Moraghan, M. R. (2017). Local Food Demand in the U.S.: Evolution of the Marketplace and Future Potential. In Federal Reserve Bank of St. Louis, Harvesting Opportunity: The Power of Regional Food System Investments to Transform Communities (p. 306). Board of Governors of the Federal Reserve System.
[53] Feldstein, S., Lo, J., & Spach, C. (2017). The Importance of Inclusion in Local and Regional Food System Efforts. In Federal Reserve Bank of St. Louis, Harvesting Opportunity: The Power of Regional Food System Investments to Transform Communities (p. 306). Board of Governors of the Federal Reserve System.
[54] 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/
[55] USDA Economic Research Service. (2015).

environmental benefits of purchasing local foods, which include reduced transportation and processing costs, as well as direct-to-consumer farm sales that use less chemicals and fertilizer.[56]

Former Secretary of Agriculture Vilsack identified Four Pillars of Agriculture and Rural Economic Development, one of which was local and regional food systems. Such food systems would focus federal efforts on creating local markets, grow regional business, increase food system resources, and expand markets like farm-to-school.[57] In Ohio, one survey showed that 98% of Ohioans thought the government should be engaged in the development of local food systems.[58] Survey research has also shown that "half of the Ohio respondents indicated a willingness to pay 10 percent more for locally grown foods."[59] Ohio has nearly 320 farmers' markets and in 2015 spent nearly $32 million on food. In a 2009 report, only 1% of Ohio's food dollars went to buy Ohio-grown products. If that percentage were to jump to 10% "it would add an extra $7 billion a year to the Ohio economy."[60]

Food system advocates in Ohio, such as the Ohio Food Policy Network, have been driving action in Ohio with 24 local food councils as of fall 2017. Food policy councils are groups that address food issues relevant to their local or regional community and may exist in conjunction with or independently from government. These councils can bring diverse stakeholders together for a comprehensive look at solutions to broader community food policy issues, and can play a critical role in establishing policy and regulatory structures that allow local and regional food systems to thrive. At a local level, the City of Columbus and Franklin County created a local food action plan designed to support economic development in the food system. It connects producers to the supply chain that ends with consumers receiving local healthy food and supports local businesses and jobs.[61] These types of initiatives are important to urban and suburban areas, as well as rural communities that are the foundation of the food system these initiatives rely on. As the St. Louis Federal Reserve states, "preliminary results provide evidence that local and regional food markets may offer opportunities for young, beginning and small farms and ranches (young and beginning farms are often small), which could facilitate the next generation of agriculture."[62]

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[56] 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.

[57] 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

[58] Ohio Food Policy Network. (n.d.). Ohio's Food System. Retrieved April 1, 2018, from http://ohiofpn.org/ohios-food-system/

[59] Energizing Entrepreneurs. (2005). Entrepreneurial Farming in Ohio. Retrieved April 7, 2018, from https://www.energizingentrepreneurs.org/file_download/inline/50893647-105c-4065-a3a8-e3900dc478c3

[60] Harper, et. al. (2009).

[61] City of Coumbus & Franklin County. (2016, November). The Local Food Action Plan. Retrieved March 30, 2018, from The City of Columbus: https://www.columbus.gov/publichealth/programs/Local-Food-Plan/The-City-of-Columbus---Franklin-County-Local-Food-Action-Plan/

[62] Janblonski, B., Hendrickson, M., Vogel, S., & Schmit, T. (2017). Local and Regional Food Systems Driving Rural Economic Development. In Federal Reserve Bank of St. Louis, Harvesting Opportunity: The Power of Regional Food System Investments to Transform Communities (p. 306). Board of Governors of the Federal Reserve System.

Ohio Policy Proposals

Foreign Investment and Ownership of Agricultural Land

1. Ban future purchase of agricultural land by foreign entities (including any venture with at least 50% ownership by a foreign entity) and foreign nonresident aliens.
2. Require Ohio secretary of state to publicly report all foreign ownership of more than 20% interest by a foreign entity or nonresident alien, including all violations.

Support for Local and Regional Food Systems

1. Direct the Ohio Department of Agriculture to prioritize the development of local and regional food systems to ensure Ohio farmers can access the demand of Ohioans.
2. Support current local food council infrastructure with state resources, and direct educational extensions to assist in statewide coordination.
3. Increase state spending to support regional meat-processing infrastructure, which has severely restricted the growth of local food systems.
4. Prioritize government and institutional purchases of locally produced food, including schools, hospitals, universities, and government agencies.
5. Invest in aggregation businesses that allow multiple family farmers to consolidate their individual production of a product into larger units of the product, strengthening their position to deliver a consistent supply to local and regional processors.

Increase Rural Community Market Access and Economic Development

1. Invest in rural Ohio opportunities by ensuring that basic infrastructure such as roads, hospitals, and schools can sustain economic growth.
2. Direct the Ohio Department of Economic Development to prioritize 25% of investments toward independent family farmers and rural communities.

Country of Origin Labeling

1. Enact legislation to mandate country of origin signage for all meat products and strengthen the inspection process for the transportation of livestock from Canada.

Beef Checkoff Oversight

1. Ensure federal and state checkoff funds are paid directly to the appropriate federal or state treasury and are then audited by the corresponding federal or state agency.
2. The Ohio Department of Agriculture should immediately segregate all activity between the Ohio Beef Council and the Ohio Cattlemen's Association. Policy should be established that clearly outlines:
    a. No state employee should report to a lobbying entity office for work.
    b. No state or federal funds should be used directly or indirectly to offset a lobbying entity's overhead costs, to include office rent, equipment costs, salaries, or any incidental costs incurred by the lobbying entity.

c. All government funds should be expended pursuant to state standard contracting processes.

Protect Ohio's Natural Resources

1. Establish a moratorium on the development of CAFOs larger than 1,000 animal units, particularly in the Lake Erie Watershed.
2. Support public input processes and government safeguards that protect local communities against the environmental and economic impacts of large-scale contract confinement operations in Ohio. Acknowledge neighbors to the CAFO site have property rights as well as those seeking to build the CAFO.
3. Invest in technical support and market development to encourage farmers to implement sustainable agriculture practices in natural resource-vulnerable areas such as the Lake Erie Watershed.

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:

1. Restore the Packers and Stockyards Act.
2. Pass the Food and Agribusiness Merger Moratorium and Antitrust Review Act of 2018, S. 3404.
3. Pass the Local Food and Regional Market Supply Act, S. 1947 and H.R. 3941.
4. Pass the Tribal Food and Housing Security Act, S. 2489.
5. Adopt the Food Security is National Security Act of 2017, S. 616.
6. Strengthen the Agricultural Foreign Investment Disclosure Act of 1978 by requiring mandatory reporting and penalties for failure to report.
7. 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.
8. Ensure the Farm Bill fully funds Rural Development programs that provide farmers and ranchers access to new and alternative markets, protect state's rights and prioritize anti-monopoly safeguards.