ocm
Organization for Competitive Markets

Fighting for Economic Justice for America's Family Farmers and Ranchers

Why is Antitrust Reform a Big Deal?

By John Ikerd

Dr. Ikerd will be the opening keynote speaker at OCM's 21st Annual Food and Agriculture Conference this August.

Several Democratic presidential candidates are promising to reform antitrust policies to restore competition to markets—including agricultural markets. Some Republicans also have expressed concern about the monopoly power of corporations—particularly in social media and financial markets. As a candidate, Donald Trump talked about breaking up the big drug companies. However, political promises to restore competitive markets never seem to gain much traction among the voting public.

Perhaps this is because past candidates have consistently failed to carry through with such promises—at least since the 1980s. Or maybe most people just don't understand why economically competitive markets is a "big deal." Admittedly, the economic concept of competition is a bit abstract and complex, but it's sufficiently important to justify the effort of understanding.

Antitrust policy is a big deal in capitalist economies because capitalism simply cannot serve the economic interest of society without sufficient competition to ensure that markets can't be manipulated. The ability to manipulate markets is sometimes called monopoly power. Monopoly power historically was gained by forming business "trusts," thus the term antitrust. Corporate consolidation is the common means of gaining monopoly power today.

In order for markets to be "economically competitive," they must meet specific conditions. These conditions are necessary to ensure that the pursuit of individual economic self-interests contributes to the economic well-being of society as a whole. Absent of these conditions, Adam Smith's "invisible hand" of free markets cannot transform "individual greed into common good." Contrary to popular belief, "economic" competition is not like a survival-of-the-fittest, or winner-take-all, free-for-all street fight. Instead, economic competition is like a publicly sanctioned contest or sporting event that is carried out within defined bounds and played by rules that ensure outcomes that serve the public interest as well as the individual interests of competitors.

In the days of Adam Smith in the late 1700s, the economic bounds and rules essential for competitive markets were characteristic of the local markets in which people met most of their economic needs. Economic relationships were local and personal, so there was little need for government regulation to insure the integrity of market transactions. By the late 1800s, with growth in industrial corporations and geographically dispersed markets, government intervention had become imperative in maintaining economic competition. The "trust-busting" legislation and antitrust regulations of the early 1900s were logical responses to this necessity.

Four major conditions are essential for economically competitive markets. First, each identifiable market must have a sufficiently large number of sufficiently small economic enterprises or businesses to ensure that no single business has the ability to affect overall market price or conditions of trade. There may be differences in prices associated with differences in quality or services associated with the same basic products, but any business doubling its production or going out of business must not significantly affect overall market prices or terms of trade.

Second, it must be relatively easy for new producers who can offer buyers better

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"... natural consequences of the failure of government to maintain the competitiveness of markets. Enforcement of effective antitrust policy is a "really big deal."

INSIDE

Structural Racism at USDA Nearly Wiped Out Black Farmers

By Abril Castro and Zoe Willingham

Systemic racism has plagued the U.S. Department of Agriculture (USDA) since its very inception in 1862, contributing to the near-elimination of black farmers today. Some might view the decrease in black farming as the result of racist Jim Crow legislation and violence that precipitated the Great Migration. While this terror played a role, the change didn't happen in a vacuum: USDA policy abetted this issue as well.

In 1910, 14 percent of farm operators were black; by 2017, the number of black farmers decreased to 1.52 percent. Jim Crow laws and better opportunities in the north may partially explain this decrease in black farming, but as our new analysis for the Center for American Progress makes clear, racist policies within USDA—and their racist implementation—provide a better picture of farm policy within the last hundred years, one that stabilized white farmers during the Great Depression and through most of the twentieth century while systematically denying black farmers the same resources and opportunities.

Many New Deal programs, like the Agricultural Adjustment Act, bailed out white farmers while providing little to no relief to black sharecroppers and tenant farmers. This program provided rental and benefit payments to farmers who withdrew acreage from cultivation in order to stabilize farm commodity prices. The legislation failed to include protections and ensure that black farmers, who were mostly sharecroppers or tenant farmers under white landowners at the time, received their payments. Indeed, many white farmers pocketed these payments and failed to distribute them to their black sharecroppers or tenants.

Loan programs meant to help low-income farmers mostly went to white farmers, even though black farmers had on average lower income and levels of wealth. In 1939, blacks in the South received 23 percent of the allocated standard rehabilitation loans but made up 37 percent of all low-income farmers in the region. Other Farm Security Administration programs were no different in their treatment of black farmers. In 1940, blacks made up 35 percent of tenant farmers in the South but only received 21 percent of tenant-purchase loans. On average, whites received emergency grant assistance that was 20 percent larger than assistance given to blacks.

Disparities in USDA loans persisted throughout the 1980s and 1990s. When black farmers successfully received USDA loans, their average processing time was 220 days – compared to just 60 days for whites. These delays impact the ability of black farmers to operate their farms, and thus build wealth and stability for their family. President Reagan closed the Office of Civil Rights within USDA in 1983, just one year after a U.S. Commission on Civil Rights report found that racism still ran rampant throughout USDA. During this time black farmers continued to submit complaints of discrimination, but USDA employees allegedly threw these complaints into the trash. In 1996, President Bill Clinton reopened the office, but the damage had been done: By 1997, blacks made

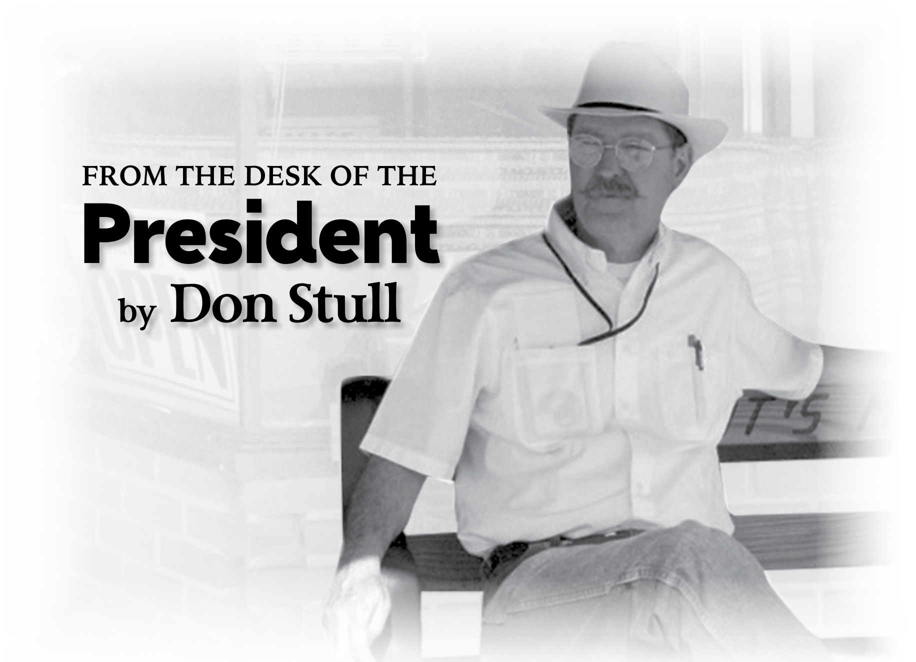
Please see CASTRO|WILLINGHAM on page 7

In 1910, 14 percent of farm operators were black; by 2017, the number of black farmers decreased to 1.52 percent.

FROM THE DESK OF THE

President

by **Don Stull**



Today's farmers all too often are bound by one-sided contracts in "the vertically integrated, capital and energy intensive, industrialized, corporate-owned" (xiii) system that dominates agriculture in the United States and much of the rest of the world.

In Defense of Farmers: The Future of Agriculture in the Shadow of Corporate Power could well serve as the Organization for Competitive Markets new slogan. It is, however, the title of a new book edited by anthropologists Jane Gibson (University of Kansas) and Sara Alexander (Baylor University), with a foreword by former OCM Board member and Nebraska Farmers Union President John Hansen. Hansen sets the tone for *In Defense of Farmers* with a penetrating review of how farming has been radically transformed from the beginning of the 20th century, when his great-grandparents farmed 320 acres in northeast Nebraska and sold the products of their labor "into functioning markets that were accessible, competitive, transparent, and fair" (xiii). Today's farmers all too often are bound by one-sided contracts in "the vertically integrated, capital and energy intensive, industrialized, corporate-owned" (xiii) system that dominates agriculture in the United States and much of the rest of the world.

This collection of 10 essays and case studies explores in depth the challenges facing farmers in the United States, Canada, Bolivia, and Brazil. Among the anthropologists, sociologists, economists who contributed to this volume are several members and friends of OCM: Mary Hendrickson, Philip Howard, Douglas Constance, Jane Gibson, and John Ikerd, 2018 recipient of the Helmuth Award. I also wrote one of the chapters.

Readers of this newsletter will be especially interested in the opening chapter: "Power, Food, and Agriculture: Implications for Farmers, Consumers, and Communities." Hendrickson, Howard, and Constance present in graphic detail the structure of the agrifood system and how every link in the supply chain—equipment, fertilizer, agrichemicals, plant and animal genetics, processors, manufacturers, and retailers–is highly concentrated. If you are looking for a primer on the devastating effects of horizontal and vertical integration in the agriculture and food sectors, this is it.

The value of this book also lies in its in-depth case studies, which focus on "the farmers whose labors, decision-making, and risk-taking can teach us about the implications and limitations of our global industrial food system for the future" (p.4). Two chapters examine the poultry industry, which has been the drum major in American agriculture's march toward food manufacturing. Industrial chicken production came to my home in western Kentucky 20 years ago and it is now expanding to Nebraska, as Costco is about to open a massive complex in Fremont to produce and process rotisserie chickens for its stores west of the Mississippi. Big Chicken has also landed in Bolivia, where vertically integrated poultry production is supplanting small- and medium-scale producers, much as it did in the United States.

Models of production are not the only aspects of American agriculture that are moving to the global South, so too are American farmers. US farmers have migrated to Brazil in response to the 1980s farm crisis and more recently to the increase in the cost of farmland, taking the industrial production model with them. Rural depopulation has long been a problem, but how do those who remain deal with the collapse of their communities. Jane Gibson and Benjamin Gray interviewed farmers in western Kansas, who talked openly about their concerns, as friends and relatives move away and businesses, schools, and hospitals close. Accompanying the hollowing out of farm country is the onset of what has been called "the fourth industrial revolution in which farmers adopt digital technologies whose corporate developers envision automated farming systems . . . . [that] rely increasingly on off-farm experts as production moves toward 'smart farms' without farmers" (7).

Industrialization, concentration, and roboticization are not the only challenges facing farmers and ranchers, who pride themselves on being stewards of the land. The ecosystems within which we all must live are fragile and increasingly threatened by natural and human forces. This book analyzes two examples: the conflict between agribusiness, municipalities, and residents of California's Central Coast as vineyards deplete groundwater during prolonged drought. While West Texas wheat farmers must make production adjustments if they are to survive amidst the varying weather patterns they may or may not attribute to climate change.

USDA and land grant universities are

Please see **STULL** on page 6

21ST ANNUAL

FOOD and AGRICULTURE

Conference and Membership Meeting

AUGUST 8-10, 2019
Kansas City, MO

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Organization for Competitive Markets

Arming the Movement for Independent Family Agriculture

Marriott Kansas City Airport
775 Brasilia Avenue - Kansas City, Missouri 64153

Reservations may be made under the group name Organization for Competitive Markets at a rate of $102/per night. Book your room by calling (816) 464-2200. Rooms are available at the discounted rate until 7/19/19.

Join us for the only national conference focused on breaking up corporate consolidation and abusive monopoly power in agriculture.

This year our focus is "Arming the Movement for Independent Family Agriculture." We will apply an innovative, evidence-based conference format designed to build cross-sectoral understanding and spark creativity with the goal of planning new, powerful ways to arm ourselves for the efforts ahead.

Prior to the conference, participants will receive an exclusive packet containing the latest research and thinking from our nation's farm, food and antitrust experts on corporate power, consolidation, market barriers and the hurdles to overcome to forge a path forward for policy victories for family farm agriculture and a fair and just food system.

During the conference, speakers including farmers, ranchers, policymakers, researchers and organizers will share their expertise, experiences and hopes for the fight for independent family agriculture, which will prepare attendees for participatory design and planning workshops that will lay out concrete strategies to win the battle for a better farm and food future.

Draft Agenda

THURSDAY, AUGUST 8, 2019

12:00 - 1:00 PM Registration

Session One

1:00 – 1:15 PM Welcome
Speaker: **Don Stull**
Organization For Competitive Markets

1:15 - 2:00 PM **Opening Keynote**
Speaker: **John Ikerd**
University of Missouri

2:00 - 4:30 PM **Presentations:**
- **Why the Movement for Independent Family Agriculture?**
- **Finding a Shared Voice**
- **Making an Impact in 2019**

5:30 - 6:30 PM **Networking Reception with a Cash Bar**

6:30 - 8:00 PM **Dinner**
Speaker: **Sarah Lloyd**
Wisconsin Farmers Union

FRIDAY, AUGUST 9, 2019

Session Two

9:00 - 12:30 PM **Campaign Workshops:**
- **Checkoff Program Reform**
- **Food and Agriculture Merger Moratorium and Antitrust Review**
- **Messaging Corporate Power**

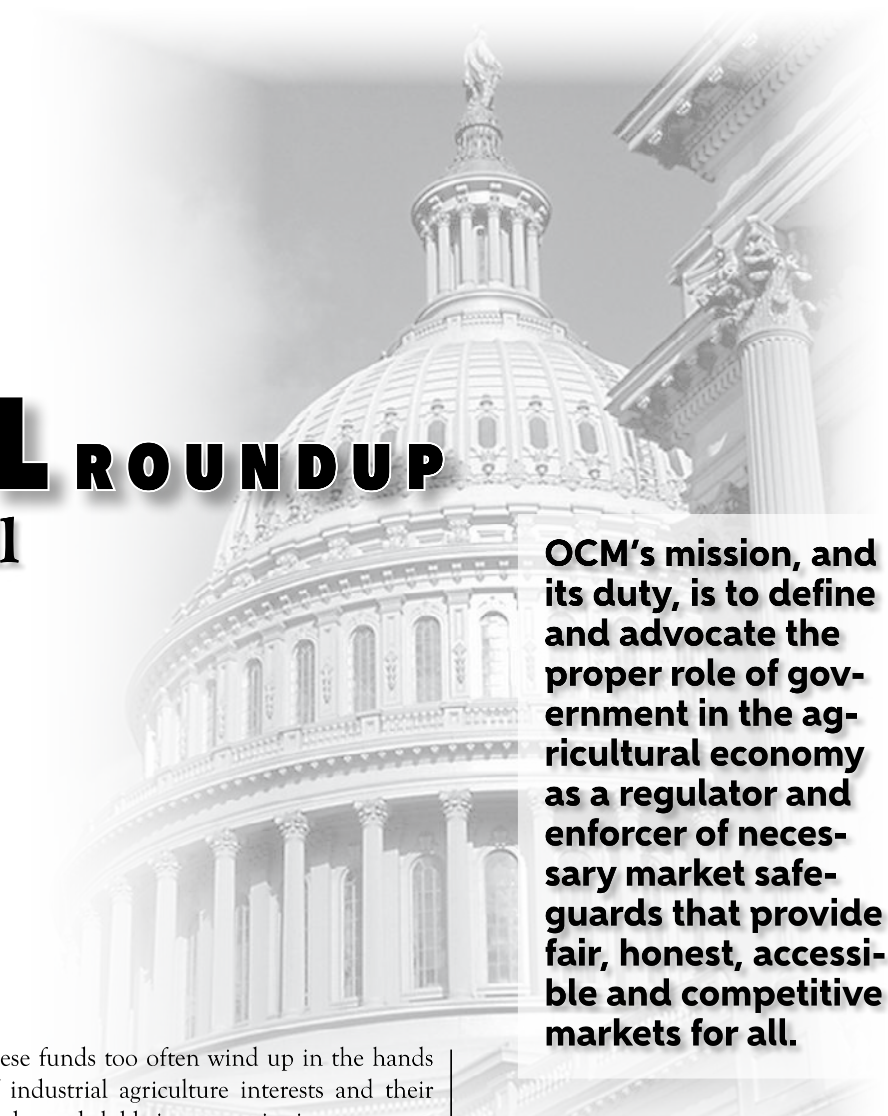
12:30 - 1:45 PM **Lunch and Presentation of New OCM Research**
Opening Remarks: **Rohit Chopra**
Federal Trade Commission

Session Three

2:00 - 3:00 PM **Campaign Workshops Debriefing**
3:00 - 3:15 PM **Break**
3:15 - 4:00 PM **Closing Keynote**
4:00 - 4:30 PM **Final Thoughts and Call to Action**

SATURDAY, AUGUST 10, 2019

9:00 AM **OCM Membership Meeting**



CAPITOL ROUNDUP

by Joe Maxwell

OCM's mission, and its duty, is to define and advocate the proper role of government in the agricultural economy as a regulator and enforcer of necessary market safeguards that provide fair, honest, accessible and competitive markets for all.

Why government policy decisions matter:

Unbridled capitalism has resulted in a handful of transnational corporations controlling and dictating market conditions, price, and choice in the food and agriculture markets. This is harmful to farmers, ranchers, rural communities, and to all eaters. OCM's mission, and its duty, is to define and advocate the proper role of government in the agricultural economy as a regulator and enforcer of necessary market safeguards that provide fair, honest, accessible and competitive markets for all.

FEDERAL POLICY REFORM MEASURES

CHECKOFF PROGRAM REFORM: While OCM is a strong supporter of commodity research and promotion programs (checkoffs), OCM opposes USDA's and the various checkoff boards' administration of these programs. These programs are mandatory federal tax assessments that all producers must pay into. The total federal assessments collected equal over $850,000,000 per year. If government is going to engage in the market, as these government programs are designed to do, government must provide fair, transparent and balanced administration of the expenditure of these funds. Because these funds too often wind up in the hands of industrial agriculture interests and their trade and lobbying organizations, government has granted industrial agriculture an $850,000,000 market and political advantage over independent family agriculture. This is simply not fair. For over 5 years OCM has been locked into litigation attempting to require USDA and National Cattlemen's Beef Association, the beef checkoff's primary contractor, to disclose audit documents and financial expenditure records. Where is the transparency? In March, U.S. Senators Lee (R-UT), Paul (R-KY), Booker (D-NJ) and Warren (D-MA) filed the Opportunities for Fairness in Farming (OFF) Act, S. 935. The Off Act would put an end to the most egregious abuses committed by the boards and contractors of the federally mandated commodity checkoff programs.

MORATORIUM ON MERGERS AND ACQUISITIONS: In just the past two years, chemical and seed company acquisitions and mergers have allowed three companies to control two thirds of the crop seed and nearly 70% of the agricultural chemical markets. The four largest transnational corporations have gained control of 71% of the pork market, 85% of the beef market and 90% of the grain market.

Economists agree that more than 40% consolidation by the top four corporations in a sector shows a highly concentrated market where abuses are likely. From collusion and price fixing to hiking up prices for consumers to predatory and retaliatory practices against producers, we know that corporate abuses are not only likely, they are rampant.

Our government's inaction is allowing our food system to be controlled by foreign interests. Two out of the four largest beef producers are Brazilian corporations, JBS and Marfrig. The U.S.'s largest pork producer is China's Smithfield. These facts should be setting off national security alarm bells for all of us.

This year U.S. Senators Booker (D-NJ) and Tester (D-MT) have re-introduced the Food and Agribusiness Merger Moratorium and Antitrust Review Act in the U.S. Senate and Representatives Pocan (D-WI) and Pingree (D-ME) reintroduced the legislation in the U.S. House of Representatives.JM

IKERD (continued from page 1)

products or better conditions of trade to gain access to existing markets. The large start-up capital requirements needed to compete in markets dominated by large corporations are obvious impediments to new entrants and thus to economic competition. Businesses such as Apple, Facebook, and Starbucks are examples of successful startups in corporate consolidated markets. However, these companies essentially created "new markets" by developing fundamentally different products or approaches to marketing. Once such firms gain positions of dominance in their new markets, it becomes difficult for new entrants to survive. In addition to ease of entry, those with inferior products who cannot compete with new entrants must be able to go out of business without disrupting the overall market. If any corporation becomes "too big to fail," it obviously is too big to accommodate an economically competitive market.

The third and fourth conditions are accurate information and consumer sovereignty, which are closely related. Consumer sovereignty means that buyers of products are "free to choose" among an assortment of alternative goods and services offered by sellers. Consumers are truly free to choose only if they have accurate information regarding relative prices and the ability of alternatives to meet their needs or preferences. Whenever consumers are intentionally misled into choosing goods or services that do not meet their expectations, their sovereignty is violate. Whenever consumers are manipulated through persuasive advertising, social media, or peer pressures to spend money for things they don't need or want, or aren't good for them, the "invisible hand" of competitive markets simply isn't working for the good of the individual or society.

All four of the essential market conditions could be met by maintaining a large number of small enterprises that do business primarily, but not necessarily exclusively, within their local communities. With small enterprises, barriers to entry and exit would be minimal. Positive personal relationships, which would be essential for economic success, would also ensure accurate information and consumer sovereignty.

However, an inherent conflict exists between the potential for economic efficiencies of large-scale production and the economic competitiveness of markets. In some instances, large corporations can produce comparable products with a lower costs of production than costs incurred by smaller businesses. Large businesses need to rely on markets beyond their local areas in order to achieve these "economies of scale." In other cases, geographic specialization linked to climate or natural resources allows significant economic efficiencies, again requiring expansion beyond local markets.

The potential for lower consumer prices and wider varieties of products resulting from economies of scale and geographic specialization cannot be ignored. But neither can the potential costs of failing to maintain competitive markets. If corporate consolidation allows large corporations to manipulate market prices, they can retain profits in excess of those possible with competitive markets. This not only allows corporations to deprive consumers of the potential benefits of lower prices but also to prevent suppliers of raw materials and corporate workers from receiving the full market value for contribution to the production process. The latter is called "monopsony," rather than monopoly, and is common in agricultural markets.

The resulting distortions in prices paid by consumers and payments received by workers and suppliers divert the allocation of natural and human resources from uses that would best meet the economic needs of society as a whole to instead maximize profits for corporate investors. The "invisible hand" is manipulated to serve "corporate greed rather than the common good."

In a previous post, I wrote about the abandonment of antitrust policy in the U.S. during the early years of the Reagan administration. The rationalization then was that antitrust policies were restricting the ability of corporations to achieve maximum economies of scale. The basic contention was that consumers would benefit from lower prices, product innovations, and continuing economic growth made possible by larger corporations. Little if any apparent consideration was given to the collective economic cost to society of abandonment of the economic competitiveness essential for efficient capitalist economies. The pursuit of economies of scale soon degenerate into a quest for economic and political power. Even if we were getting "more cheap stuff," there was nothing to ensure that we were getting "the right stuff" to meet our needs or our actual preferences.

Perhaps most important, the pervasiveness and effectiveness of advertising and product promotion, coupled with planned obsolescence and superficial technological innovation, is driving a seemingly insatiable consumer demand for continuing economic growth. Market economies are fundamentally incapable of ensuring, or even considering, the purely social and ethical needs of society; this is a responsibility of government. In the absence of appropriate and necessary government restraints, economic growth is being achieved through relentless extraction and exploitation of natural and human resources, resulting in ecological degradation and growing economic inequity. A fundamental responsibility of government is to ensure the basic rights of people, which includes protection from economic exploitation. Any government that fails to maintain the economic competitiveness of its markets eventually will lose its ability to carry out its social and ethical responsibilities to ensure the rights of people—including those of future generations.

Most nations have mixed economies, with characteristics of capitalism and socialism. Unrestrained market economies eventually will take control of democratic, socialist, or even authoritarian governments. None of these negative consequences are inevitable consequences of markets. They are, however, natural consequences of the failure of government to maintain the competitiveness of markets. Enforcement of effective antitrust policy is a "really big deal."JI

This article was first published at www.johnikerd.com.

STULL (continued from page 3)

supposed to provide farmers with the latest and most accurate scientific knowledge. But do they? Katherine Strand explored agricultural funding in the Canadian Prairie Provinces and concluded that agricultural corporations now control the research agenda with their dollars. Although not examined in this work, many would argue that the same is true in the United States.

John Ikerd concludes *In Defense of Farmers* with "An Alternative Future for Food and Farming." He calls for fundamental systemic change and points the way to a sustainable agricultural system that is "fundamentally different from industrial agriculture. Sustainable farms are diverse, rather than specialized; individualistic, rather than standardized; and interdependently operated, rather than hierarchically controlled" (377). His is a vision that many share and are working toward.

In Defense of Farmers is published by the University of Nebraska Press (nebraskapress.unl.edu) and will be available in July. DS

CASTRO|WILLINGHAM (continued from page 2)

up less than one percent of all farmers, down from 1.5 percent in 1982.

Fixing systemic racism within USDA involves a long-term commitment to ensuring all farmers have equal access to government programs meant to stabilize farmers. Given the well documented discrimination that continues to impact black farmers today, policymakers face a moral imperative to ensure black farmers have the tools they need to build wealth.

One such tool is the creation of a public land trust. 70 percent of farmland will be sold or transferred within the next 20 years. The federal government should create a public land trust that buys land from retiring farmers and reserves it for beginning farmers of color to purchase the land at a subsidized rate. Since black farmers face additional hurdles in transferring land—as 40 percent of land owned by African American is heirs property—Congress should direct the USDA to create a task force that is dedicated to helping older black farmers organize their estate to ensure a smooth transfer of property.

Congress should also include mandatory funding for outreach and assistance programs for black farmers specifically. To measure its progress, the USDA should also subject itself to regular audits by GAO to make sure it is upholding its mission to provide economic opportunity through innovation.

Indeed, recent high-profile cases of discrimination remind us that structural racism within USDA, farming, and the U.S. are still alive and negatively impacting opportunity for black farmers today. AC|ZW

Abril Castro is a research assistant for Race and Ethnicity Policy at the Center for American Progress.

Zoe Willingham is a research assistant for Economic Policy at the Center.

CAP's latest report on structural racism at USDA can be found here: https://www.americanprogress.org/issues/economy/reports/2019/04/03/467892/progressive-governance-can-turn-tide-black-farmers/

CAP's latest report on concentration and competition in agriculture can be found here: https://www.americanprogress.org/issues/economy/reports/2019/05/07/469385/fair-deal-farmers/

An issue brief on GIPSA can be found here: https://www.americanprogress.org/issues/economy/news/2018/05/16/450990/big-business-rules-american-agriculture-congress-doesnt-seem-care/

21ST ANNUAL

FOOD and AGRICULTURE

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AUGUST 8-10, 2019

Kansas City, MO

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Arming the Movement for Independent Family Agriculture

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Thursday, August 8, registration begins 12PM, conference begins 1PM and all-day Friday, August 9

_______ Number attending reception and banquet @ $50.00 = $__________
Thursday, August 8, reception 5:30 PM, banquet 6:30PM

_______ Number attending lunch @ $28.00 = $__________
Friday, August 9, 12:30PM

Total Registration and Meals = $__________

_______ **Attending OCM membership meeting, Saturday August 10, 9AM**

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