NATIONAL FAMILY FARM COALITION

Washington, D.C. January 28, 2022

Lina M. Khan
Federal Trade Commission Chair
600 Pennsylvania Avenue, NW
Washington, DC 20580

NFFC Comments on the Impact of Supply Chain Disruptions on Competition in Consumer Goods and Retail. Dock FTC-2021-0068-0002

Dear Dr. Khan,

The National Family Farm Coalition is pleased to comment on the Impact of Supply Chain Disruptions on Competition in Consumer Goods and Retail. While the current situation is distressing, members of our coalition have sounded the alarm for years about problems in the agriculture sector's supply chain and how they affect competition, prices, and quality of consumer goods.

The National Family Farm Coalition (NFFC) is an alliance of grassroots farmer- and advocate-led groups across 42 states, representing the rights and interests of independent family farmers, ranchers, and fisherfolk in Washington, DC. NFFC's 32 state, national, and regional farm and rural organizations are bound by a common belief that communities have the right to determine how their food is grown and harvested; that everyone in the food system should receive fair prices or wages; that all producers have equitable access to credit, land, seeds, water, markets, and other resources; and, that our food and agriculture policies must support sustainable farming, ranching, and fishing practices.

Consolidation has reduced competition in farm markets and lowered prices paid to family farmers, ranchers, and fisheries. Farmers used to have multiple buyers to market their goods, allowing them to negotiate the best possible price. In many regions today, farmers have only one or two buyers, making it impossible to negotiate and forcing them to accept whatever the buyer offers.

Making matters worse, seed, chemical, machinery, and other farm input companies have also consolidated. At one time, farmers could shop around for the best price for their farm supplies, but now there is often just one source which might be an hour's drive away. One strategy that currently hurts farmers is that these companies look for cheap labor and markets to increase their profits, further weakening growers' resilience within the system.

Nitrogen is a good example of this problem. Nitrogen is a critical fertilizer for crop production. While prices depend on several factors, including local demand, product type, retailer markups, transportation costs, and the economics of fertilizer production, the market dominance is intrinsic to the current supply chain disruption.

> "The U.S. nitrogen fertilizer production sector has undergone substantial changes over the past 40–50 years, influenced by a combination of agricultural market conditions, farm and bioenergy policies, and technological innovations for extracting natural gas—the primary input into the production of nitrogen fertilizer. Between the 1980s and mid-2000s, the combination of lower fertilizer demand and higher fertilizer production input costs caused the sector to contract from 59 to 22 production facilities. During the same period, the industry also underwent considerable consolidation, with the number of firms declining from 46 to 13." (Bekkerman et al. 2014) And despite the increase in demand due to the use of ethanol corn and the lower production consolidation due to fracturing technologies consolidation continues to currently have only 4 companies in the sector by 2019. (FFAA, 2021).

Distributors, supermarkets, and other sectors of the market had similar consolidation trends that hurt small farmers and farm workers alike. The Coalition of Immokalee Workers "After a decade of gridlock struggle with Florida growers throughout the 90s, the CIW identified that the root of their exploitation actually lay in the increasing degree of consolidation in the retail food industry: Multi-billion dollar brands were leveraging their unparalleled purchasing power to demand ever-lower prices from growers, which in turn created a downward pressure that perpetuated farmworkers' poverty and abusive conditions." (AFF, 2022)

The growing consolidation of the food supply is severe at every step of the food chain, from farm to fork. And it impacts not only farmers and food manufacturers, but also consumers in the form of reduced consumer choices and higher grocery prices. Nationally, the growing size and market power of the top grocery retailers has had tremendous ripple effects across the food chain. (FWW, 2013) For some economists, the impact on farmers' decreased net return on their production corresponds to shifting consumer choices (Dewey, 2021). But the increased consumption of processed foods, does explain by itself the corporate control in the food market.

Corporate consolidation drives farmer income down, in some cases to 15 cents on the retail dollar, gives farmers less autonomy, and limits choices for consumers. Besides there simply being fewer markets for farmers to sell and buy from, agribusiness wields its power over farmers in several other ways. NFFC has previously identified negative trends and made practical recommendations.

Vertical integration

Many agribusiness companies have grown by buying up all parts of the supply chain. For example, a network of independent hog farmers, feed mills, veterinarians, and the like used to contribute to the operations of a meatpacking plant, which spread wealth around the community which further supported the company. Today, a company like Smithfield has integrated feed, breeding, slaughter, and nearly every other aspect of livestock production with its own umbrella (often buying up smaller companies in the process). This kind of vertical integration allows the company to have total control over quality and price, and this means that all profits come back to itself, rather than being distributed throughout the community. Vertical integration increases vulnerability as well: human-made and natural-made disasters highlight this problem (Saitone and Sexton, 20.

- We proposed market diversification and decentralization as a way to increase competition and benefit producers and consumers alike.
- We suggest that some of these corporations need to be broken down into smaller and more resilient enterprises.
- Re-establish supply management policies for agricultural products.

Contract farming

Nearly all chickens raised in the US are under production contracts between poultry processors and farmers. The contracts dictate everything about raising the birds, from feed to housing to medical care. The farmer must pay to build the barns and other infrastructure, according to the processor's specifications. Once committed, they often find that the contracts are deeply unfair: while they are now on the hook for millions of dollars of debt, the processor can stop delivering chicks at any time, effectively cutting off their income. Poultry processors have been known to punish farmers by stopping deliveries, leaving them to face bankruptcy or loss of the farm.

- It is necessary to reinstate and strengthen government authority over meatpackers, including rules to ban meatpackers from owning livestock; stop ranked payment systems, require transparency in contracts, and make it easier for farmers to sue meatpackers.

Corporate cooperatives

Since the early 1800s, dairy farmers have formed cooperatives to get a better price for their milk from dairy processors. Unlike corporations, whose goal is shareholder profit, cooperatives are supposed to work for the good of their members and return any profits to those members – in this case, the dairy farmers whose cows produce the milk. Today, however, the largest dairy coops have become vertically integrated and often act more like corporations. By owning processing facilities, they act as both buyer and seller, and often focus more on their own profit than the interests of their farmer members. In 2014, NFFC members were part of a lawsuit in which Dairy Farmers of America, the largest dairy coop in the US, paid $50 million to settle allegations that it had conspired to monopolize the Northeast milk market. Corporate cooperative management has led to the closure of thousands of dairy farms throughout the US; as recently as August 2021, Danone N.A. announced that Horizon Organics would eliminate milk pickup for 89 organic farmers in the Northeast.

- It is necessary to impose safeguards that ensure that agricultural cooperatives represent the interests of their farmer members.

Checkoff

Farmers of most commodities, including beef, milk, pork, and many others, must pay a tax, called a checkoff, on the goods they produce and sell. The funds are supposed to go to research and promotion of their products; “Pork: The other white meat” and “Got Milk?” were developed with checkoff funds. Instead, the money is used by trade groups that represent corporate agribusinesses that use it to lobby for policies that benefit themselves – big meatpackers, corporate dairy coops, and others – not the independent small producer.

- We strongly suggest stopping state-level tax breaks and other policy and regulatory giveaways for factory farms.
- In general, it is necessary to reform commodity checkoff programs.

Lack of Local Control

Decades of pro-business farm policy have given us a corporate-run food and farm system. To return control to all of us – farmers, ranchers, fishers, workers, and consumers – we must both work to rebuild the alternative farm and food system that we want to see in our own communities, and to organize for changes in federal and state policy.

- Producers and consumers need strong measures at the state, county, and town levels to guarantee local control and sales of locally-produced food.

Lack of Transparency

Revenue for the Fish and Seafood Markets industry has been favorable for the industry with per capita disposable income increasing an annualized 3.0% over the five years to 2021. (IBISWorld, 2022). The problem in the fishing industry is that 90% of seafood consumed in the United States is imported, implying only 10% is of domestic origin. (Ghepart, et al. 2019).

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Like what happens with American beef, which is commonly mislabeled as US produced, there is little transparency in how seafood gets from the ocean to the consumer. We're more disconnected than ever to what we're feeding ourselves and our families. While overfishing no longer threatens U.S. fisheries, other pressing sustainability issues, such as finfish aquaculture and consolidation, top the list of concerns among fishers and fisheries experts. A major concern for fisheries advocates in the U.S. is the catch share system that limits how much fish an individual or group can harvest. Yet the buying and selling of shares has resulted in the consolidation of control over some fisheries. "None of the fisherman we work with are against putting limits on how much fish you catch," said Niaz Dorry, coordinating director of the North Atlantic Marine Alliance. "It's the fact that since those limits have been put into place, the limits have become profit-making tools. They have commodified the right to fish." (Douglas,

- The federal government must oversee and regulate foreign and corporate investments in US grazing allotments, fishing quotas, and farmland.

- It is necessary to establish a strong Country of Origin Labeling (COOL).

We understand that some of our proposals are beyond the Federal Trade Commission statutory reach, but certain others are among the FTC's mission to protect consumers and promote fair and transparent competition. The NFFC's food sovereignty commitment is at peril because as producers, transformers, and consumers our dependency to a food system controlled by corporations hurts our economy, our health, and our freedom.

If you have any questions about this comment, please feel free to contact Antonio Tovar (antonio@nffc.net) and thank you for the opportunity to comment and for your consideration of our views.

Sincerely

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