
Discussion Topic:

AN EXCERPT FROM

A NEW LOOK AT AGRICULTURE



Redefining agriculture's role in our
economy, landscape, environment
& social culture

EXCERPT #18

The Impact of Consolidation

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Prepared by:

Craig Evans, President, Florida Stewardship Foundation, One Park Place, Suite 240, 621 N.W.
53rd Street, Boca Raton, Florida 33487. Email craig@us-farm.com

The Impact of Consolidation



The agricultural industry is undergoing rapid consolidation. Nat Roberts of Callery-Judge Groves in Loxahatchee, Florida, says: “The big companies are getting bigger very fast. Grapefruit and orange growers have taken a pounding and many small ones have thrown in the towel (or had their groves taken by the bank). I know of several well run 1000+ acre groves that will soon go under or be sold for a fraction of their investment (after having let a large amount of their trees die due to lack of reinvested profits). I do not see many of the smaller operators hanging in there very much longer.”

Pat Cockrell, Director of Ag Policy for the Florida Farm Bureau, concurs. “We all feel warm about the family farm, yet public policy causes the opposite effect — closing of family farms and forcing an ‘industrialization’ of farms to meet agency expectations. Nationally ... the industrialized farms are the agricultural producers. Smaller may simply be a rural way of life/culture.”

The massive trend toward industrialization and the consolidation of ownership is examined by Charles C. Geisler, a professor in the Department of Rural Sociology at Cornell University, in a paper entitled, “Working Lands and Working People: Coupling Smart Growth with Smart Ownership.” The paper, presented in the opening plenary session of the Keep America Growing Conference in Philadelphia on June 7, 1999, is available for download at <http://www.farmland.org/kag/pdffiles/papers/002.pdf>

Geisler states:

“Numerous forces contributed to the exodus of farmers. One was a natural aging process ... Another factor has been the price received by farmers for their products ... The old saying rings ever truer: you can make a small fortune in farming if you start with a large fortune ... With the help of formidable technologies, farmer productivity has exploded by 1,300 percent between 1940 and 1989.¹ But abundance hurts. Prices fall, farmers scramble for greater efficiencies, more land, or both. They are urged to get big or get out, and many do the latter.

“A 1997 Civil Rights Unit within USDA cited long-term bias in federal farm policies of many kinds towards minority farmers as a reason for their collapse. A special commission report followed in 1998, entitled ‘A Time to Act.’ It found widespread indifference and discrimination towards not only minority farmers, but small farms in general. Areas of significant neglect included

- *“farm foreclosure policies*
- *“underfunding of assistance programs, and*

- “entrenched large farm bias in
 - ▶ “credit,
 - ▶ “price supports,
 - ▶ “federal tax policy,
 - ▶ “labor laws,
 - ▶ “farmworker subsidies, and
 - ▶ “other less obvious areas.”

The paper continues, saying: *“The commission characterized our remaining 2,000,000 farms by annual gross sales and concluded that 6 percent (or 123,000 farms) receive roughly 60 percent of gross receipts – the consequence of a historically uneven playing field.”*

Other statistics cited in the paper underscore this trend

- *“As a recent USDA publication points out, roughly half of the United States outside of Alaska is agricultural land (or 930,000,000 acres).*
- *“The 1997 Census of Agriculture tells a [revealing] story about the separation of ownership and control. Today, half our agricultural land is owned by persons not farming it ... One out of two agland owners, in other words ... are landlords and not farm operators. Roughly two thirds are 60 years old. Many live away from the farmland they own. In their hands, the prospects of land conversion is more of a business calculation and estate planning endgame than an occupational decision.*
- *“What about farm operators as opposed to farm owners? They, too, are in transition. For the first time in the history of the Agricultural Census, the production of our food and fiber rests in the hands of less than a million full-time farmers. Though there were approximately two million farmers enumerated in 1997, only half of these listed farming as their sole occupation. In other words, one out of two farm operators are ‘footloose’ when it comes to their farming commitment. They have diverse, nonfarm occupational and ownership interests which, depending on tomorrow’s land or commodity markets, will precipitate further vacancies in [our increasingly empty farmland].*
- *“The ownership story doesn’t end there. Whether or not owners are operators and operators are committed to full-time farming, a small fraction of the already depleted number of owners decide the future of the agricultural landscape*
- *“Recall that 930 million acres of agricultural land are at stake.*
- *“Widely dispersed farm ownership still existed in the 1970s ...*
- *“‘A Time to Act’ reports an attrition of 300,000 farmers [in the 16 year period] since 1981, a decline surely reflecting the farm crisis of the 1980s.*
- *“By 1991 USDA researchers were reporting that the largest 4 percent (124,000 owners) held 47 percent of all farmland and 25 percent of all value in farms.² **We have, then, a situation in which a population roughly***

the size of Boise, Idaho, owns nearly half the agricultural land in the United States and controls its fate.” [Emphasis added.]

- The situation has not improved. A July 17, 1998 article in *The New York Times* reported that farm debt in 1998 reached \$172 billion, the highest since the height of the farm crisis in 1985. Since then, articles in the *New York Times* and other papers have continued to chronicle the economic struggles and losses of land that are devastating farmers across the nation (see Excerpt 9)
- Federal estate tax laws also exacerbate this problem, since they remove land from individuals and families and abet consolidation by corporate and nonfarm entities. See Excerpt 17 - “The Case for Eliminating Estate Taxes.
- As a result: “*Ownership units have grown in acres, assets, and market share at the expense of their neighbors. A starkly bimodal ownership structure is the result. The newly consolidated unit ... typical in many parts of the U.S. today, may rest legally in the hands of an individual, a family corporation, or an institutional owner (insurance company, bank, corporation, religious order, university, or estate)*
- “*At the national level, food manufacturing concentration [also] is nothing less than breathtaking. By the early 1980s, 56 out of 98 food manufacturing industries had four-firm concentration levels of 40 percent or more ... Oligopoly in the national food system has forged ahead, apparently immune to anti-trust legislation ... commodities such as beef, pork, broilers, turkeys, animal feed, flour, corn, soybean and ethanol are exceedingly concentrated.*”
- Consequently: “*... many million farmers been evacuated from their lands, and ... American agriculture has been diluted almost beyond recognition by depressed ratios of people-to-land and by changing ownership realities for those who remain on the land.*
- “*As the farm population has tumbled, farm operator numbers have diminished as have the number of committed, full-time farmers. Their working lands have been consolidated by owners who don’t farm, live elsewhere, and who have significant nonfarm interests.*”
- “*Such a structure,*” Geisler says: “*is a poor shield against farmland conversion and eventual sprawl.*”
- It also puts this nation’s entire farm production system at risk.

Here’s why:

- ❑ **Offshore producers have huge economic advantages.** With the current costs of land, regulations, labor and administration, it is impossible to produce here more cheaply than the offshore competition. Nat Roberts says: “When I was visiting a supermarket company in London several years ago ... I was told Florida was the most expensive production region of 17 in the world.”³

- ❑ **A major consolidation of buyers is underway.** “Walmart is now a huge and growing buyer of product. These buyers do not care about anything except for prices and consistent quality. Made in the US is a marketing slogan.”⁴ As Pat Cockrell points out: A study by “Dr. Pat Byrne,” Institute of Food and Agricultural Sciences (IFAS) at the University of Florida, “shows that imports are more profitable for stores.”

PRIORITY ACTIONS

1. CONSOLIDATION:

Who: South Florida Ecosystem Restoration Working Group (SFERWG), working with Florida Department of Agriculture and Consumer Services (DOACS), Florida Department of Community Affairs (DCA), United States Department of Agriculture (USDA) and the Internal Revenue Service (IRS).

What: **SFERWG, DOACS, DCA, USDA and IRS should identify all the factors that lead to consolidation; investigate the implications represented by consolidation to our economy, landscape, environment and national food security; identify policies under the control of each agency that contribute to consolidation; determine if steps need to be taken to change these policies; and develop a comprehensive, coordinated strategy for addressing consolidation and its impacts.**

How: This effort should include:

- A) *An interagency mission statement, recognizing that:***
 - Consolidation has occurred, not because of a conscious choice, but because of disparate events, policies and crises.
 - There has been very little meaningful discussion about what consolidation means to our economy, landscape, environment and national food security, and what we want to do about it.
 - A lot of our choices already have been made for us.
 - Now is the time for a thorough discourse. We cannot stand back and pretend that everything will work out for the best, since today’s market has been greatly influenced by the policies already in place – and these policies may not be leading us in the direction we wish to go.

- B) *A review of all policies that lead to consolidation and the agencies responsible for these policies.*** Prime areas of investigation should include:
 - Food prices received by producers (and the degree to which governmental policies influence these prices),
 - Availability of capital,

- Availability of new technology,
- Funding of assistance programs,
- Environmental regulations (see Excerpt 7 - “The Problems with Regulations” and Excerpt 12 - “Creating a Conducive Business Climate”)
- Land use regulations, especially those regarding development in rural areas (see Excerpt 7 and Excerpt 15 - “Integrating Agriculture Into the Landscape”),
- Land valuation (see Excerpt 6 - “How Much are Natural Resources Worth?”),
- Farm foreclosure policies, and
- Any entrenched large farm bias in:
 - ▶ credit,
 - ▶ price supports,
 - ▶ federal tax policy, including estate taxes (see Excerpt 17 - “The Case for Eliminating Estate Taxes”),
 - ▶ labor laws (see Excerpt 13 - “Providing Adequate Infrastructure,” Labor),
 - ▶ farm worker subsidies, and
 - ▶ other policy areas.

- B) A review of existing statistics to identify and quantify the impacts of consolidation on our economy, landscape, environment and national food security;***
- C) An interagency memorandum of understanding setting forth a coordinated vision and plan of action to address consolidation;***
- D) A strategy for implementing changes in the policies that contribute to consolidation; and***
- E) Recommendations for policy actions that are needed to address this issue in the 2002 Farm Bill.***

Endnotes

1. C.L. Beale, "Salient Features of the Demography of American Agriculture," pp 108-27 in D.L. Brown, D. Field and J.J. Zuiches (eds.), *The Demography of Rural Life*, NERCRD 64, 1993.
2. G. Wunderlich, "Owning Farmland in the United States" (Washington, DC: USDA, ERS Ag. Info. Bulletin 637), December 1991.
3. Suggestion from Nat Roberts, Callery-Judge Grove, Loxahatchee, Florida. Response to first draft of this document, May 30, 1999.
4. Ibid.