

'Corporate Clusters' Harm Farmers and Consumers

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A few "corporate clusters" control decision-making throughout all levels of the U.S. food chain, threatening America's system of independent family farms and ranches, according to a report written for the National Farmers Union (NFU).

The study, prepared by Dr. William Heffernan, a rural sociologist at the University of Missouri, documents how linkages in the food system, through alliances, joint ventures, partnerships, mergers and other relationships, have formed a complex network of "clusters" of firms. Each cluster is a vertically integrated "food chain," controlling the system from the gene to the supermarket shelf.

"The study reveals the complex web of relationships among a handful of firms in the food chain," said Farmers Union President Leland Swenson. "The trend toward a privately centralized food system puts our food security in great jeopardy. Food is different than other goods and services, and it would be dangerous to permit a few major firms to control decision making throughout the entire food chain. This study should compel Congress to take action to ensure the industry remains competitive."

The study details the relationships forming the three major clusters, Cargill/Monsanto, ConAgra, and Novartis/ADM, which now dominate the food system. Some of the study's findings include:

- The complexity of the linkages in the system undermines market competition and makes it difficult to measure. The network of relationships is creating a seamless system with little market transparency along the various stages of the food system. Because of the complexity, a firm that does not hold a majority share of a specific market may still have great decision-making power within the food chain.
- Technological advances are accelerating the process of vertical integration. Biotechnology and the terminator gene have put the farmer at the mercy of the food cluster for seed to plant the crop. Global satellite positioning will separate management from production turning the farmer into little more than a hired laborer.
- The new structure threatens independent producers. The clusters influence opportunities all along the food chain—from production inputs to global trade — which severely hampers producers' ability to earn a fair return on their product. It also erodes the independence of producers by shifting major decision-making to a handful of firms.
- The new structure is harming rural communities because corporate returns are reinvested in the firm, rather than in local economies where the goods are produced. The report, *Consolidation in the Food and Agriculture System*, is available from the National Farmers Union, 1-800-347-1961, 11900 East Cornell Ave: Denver, CO 80014; www.nfu.org. To keep up with consolidations subscribe to the *Agribusiness Examiner*; P.O. Box 2201; Everett, WA 98203-0201.

Updates: Since this report came out in February, 1999, Continental bought a majority share of

Premium Standard, one of the country's largest pork producers; two other large pork producers, Smithfield and Carroll, merged. DuPont acquired Pioneer Hybrid Seed to challenge Monsanto's supremacy in genetically engineered seed; IBP acquired H&M Food Systems, a restaurant supply company; and Stroh, the country's fourth largest brewer sold its beer brands, including Henry's and Rainer, to Pabst and Miller.