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Is the Produce Industry Really Consolidating?

J. E. Epperson

Recent literature, largely from the U.S. Department of Agriculture Economic Research Service indicates that substantial changes have occurred in the produce industry in recent years. With the rise of retail mass merchandisers and increased concentration in the retail food industry, the procurement power of these large firms reportedly has also increased. The procurement power manifests through oligopsony, perhaps involving vertical integration via contracts or volume deals directly with grower-shippers.

Because large retail chains order huge volumes of produce, grower-shippers reportedly have been forced to consolidate, becoming fewer and larger. With direct buying and contracting, market inter-

mediaries such as brokers and wholesalers allegedly are being bypassed. As a result, these market intermediaries ostensibly are also consolidating, becoming fewer and larger, with increased emphasis on servicing the food-service industry.

If produce-market intermediaries are adversely impacted by the increasing oligopsony power of retail supermarkets, the evidence should manifest in financial time-series data representative of the impacted firms. Thus a definitive test of the adverse economic impact of oligopsony on upstream, firms in the produce industry is possible through an analysis of the financial data representative of the impacted firms over the relevant period.