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### Competition Under Free Trade

***Role of Antitrust Remedies.*** Discussion indicated that there are serious questions of whether antitrust in its present form is the best approach for dealing with agricultural issues of concentration, contracting, and pricing. Antitrust/competition policy in general is not designed to deal with structural issues although it can deal with merger issues, but maybe not to the degree desired by the stakeholders. Contracting is sometimes viewed as a problem but there is nothing that antitrust can do unless there is evidence of systematic abuse.

A belief was expressed that there is a substantial monopoly problem at the local level in the agri-food sector. The U.S. Department of Justice investigated this issue as a component of the Continental-Cargill acquisition and required several divestitures where local monopolistic conditions were found. Also, the point was made that this only just touches the tip of the structural iceberg. The point was then made that little can be done about this issue unless there is overt abuse and the existence of a complaint. An alternative then ends up being one of increased cooperative involvement in markets to make them more competitive. (Editors note: discussion came up short of suggesting revisions in antitrust policy to make it more applicable to structural problems in the agri-food industry). At other times in the workshop, the need for more cooperation among the NAFTA partners on issues of competition were identified, particularly in research, information sharing, administration, and policy development.

In agriculture there is a significant tradeoff between economics of scale and monopoly issues that extend to the local level. The issues then becomes one of the tradeoff between cost reductions and price increases, but margins often decline. That is, price does not decline as much as costs decline. The evidence also suggests that consumers get most of the benefits of economies of size.

**Impacts of NAFTA.** One of the main competitive impacts of NAFTA has been reduction in barriers to entry. This is an important antitrust consideration to Mexico. Antidumping laws were identified as barriers to competition. It is interesting to note that the Canada-Chile free trade agreement contains a provision to eliminate antidumping complaints. Canada would be far more concerned about concentration if NAFTA did not exist. For example, NAFTA was indicated to be very pro-competitive in the malting barley market.

## Section 4

### Subsector Analysis

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*This section reviews structure and competition in the hog/pork, cattle/beef, and field crop subsectors*