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CONSOLIDATION AND COMPETITION IN AGRIBUSINESS



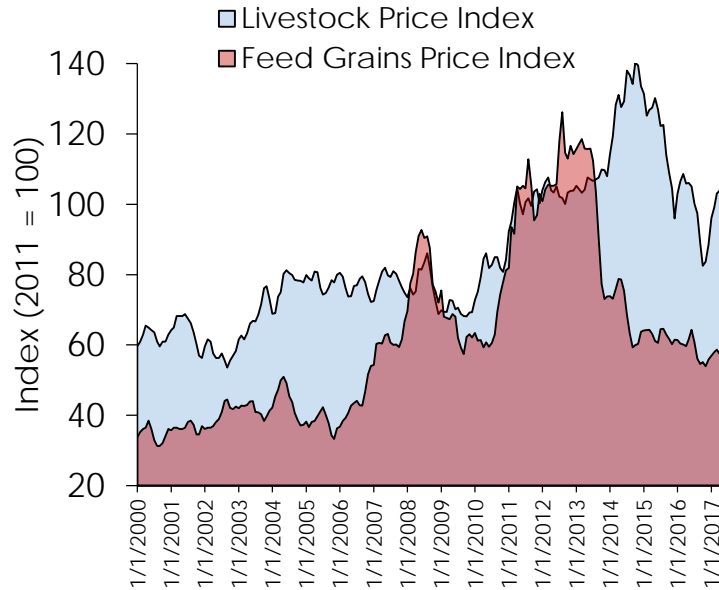
The Unified National Voice of Agriculture

John Newton, Ph.D., Director Market intelligence
202-406-3729 | jnewton@fb.org





CONDITIONS IN THE FARM ECONOMY

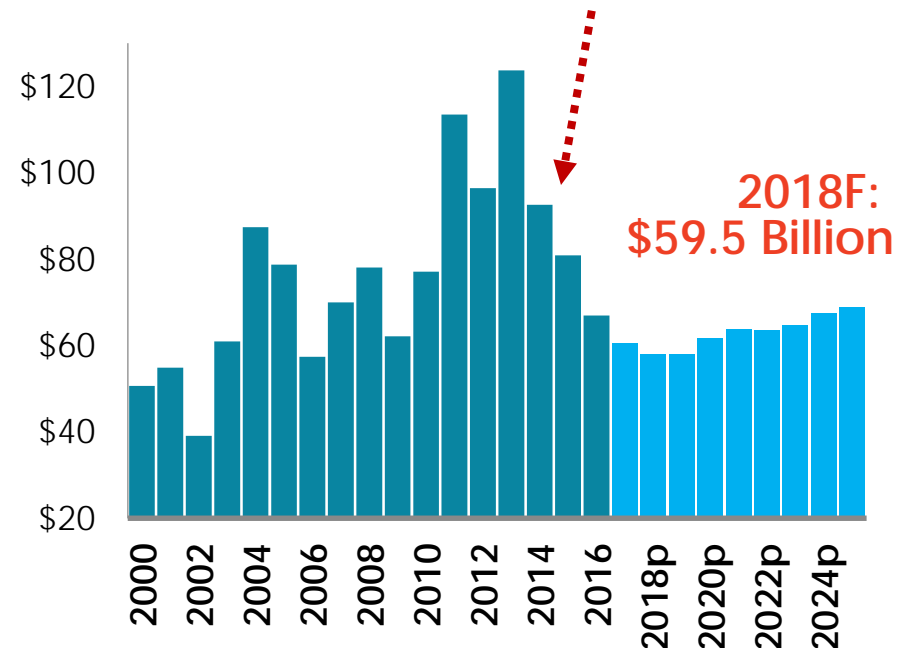


Lower Commodity Prices

The decline in farm revenues and modest declines in cash expenses pressured farm income lower. **Expected to stabilize at lower levels.**

Since 2013, **Net Farm Income** has declined by **52%**
\$64,000,000,000

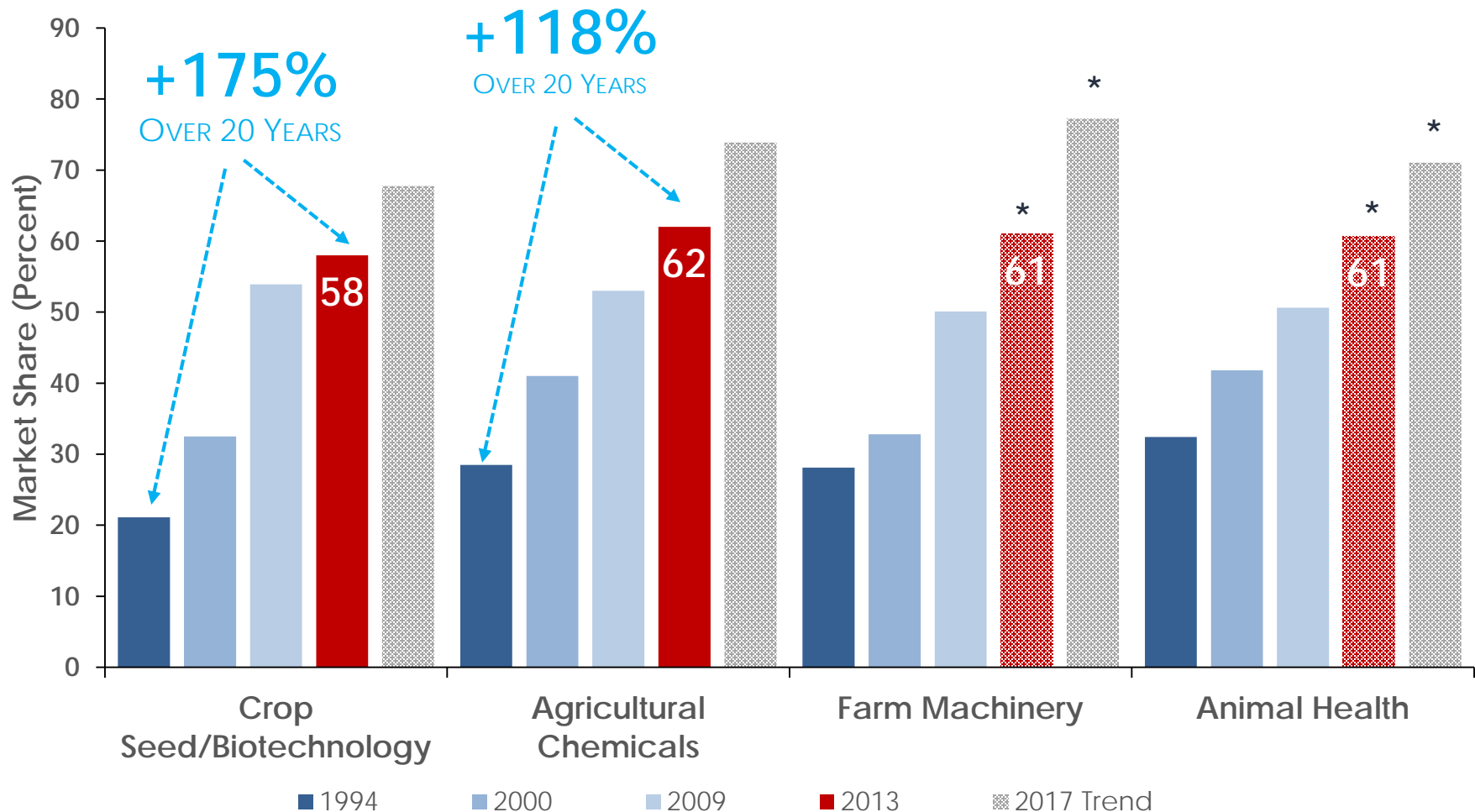
Passed 2014 Farm Bill





EVOLUTION OF MARKET CONCENTRATION

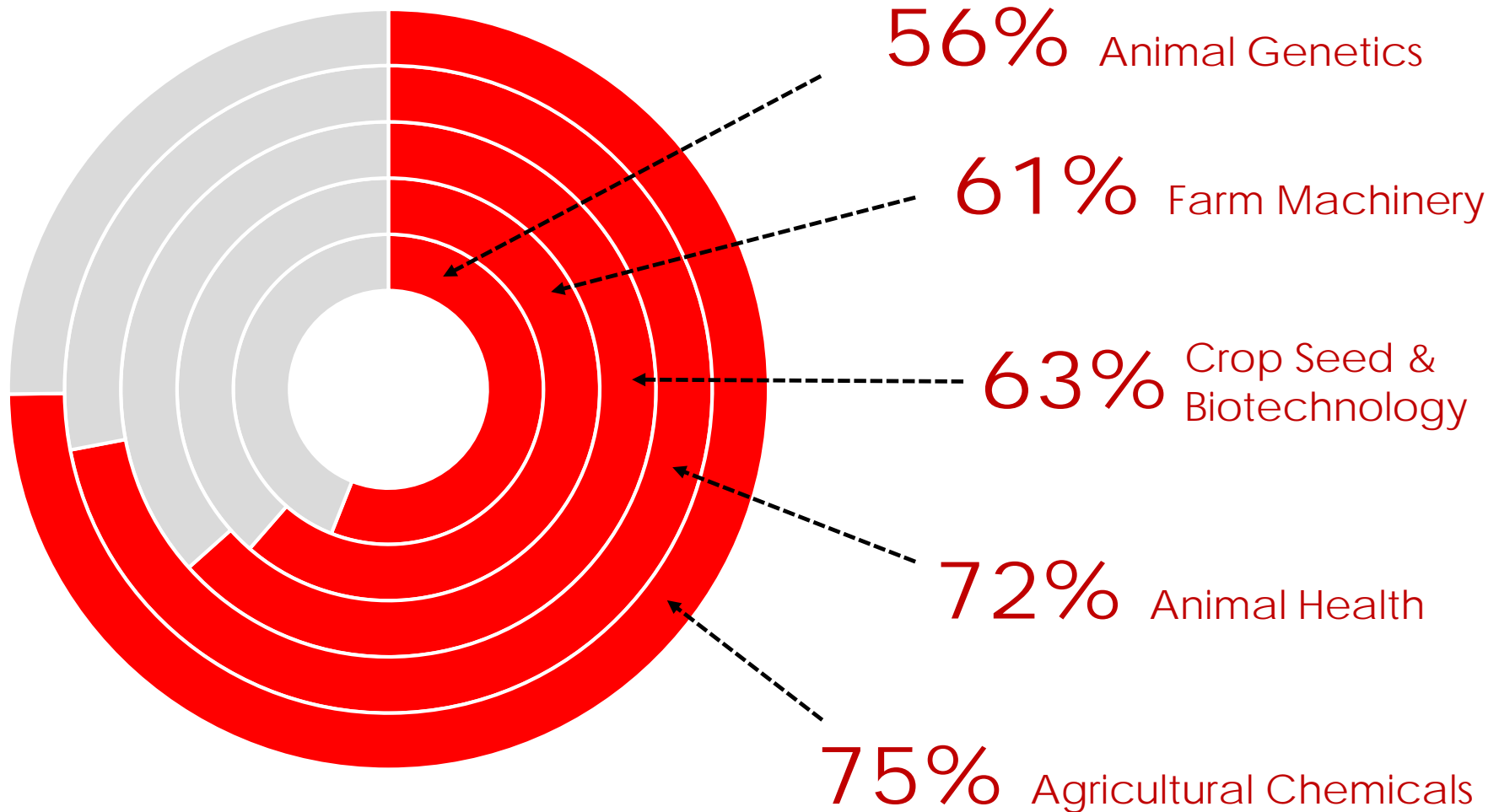
FOUR FIRM CONCENTRATION RATIO





SHARE OF GLOBAL SALES BY SECTOR

EIGHT FIRM CONCENTRATION RATIO, 2009





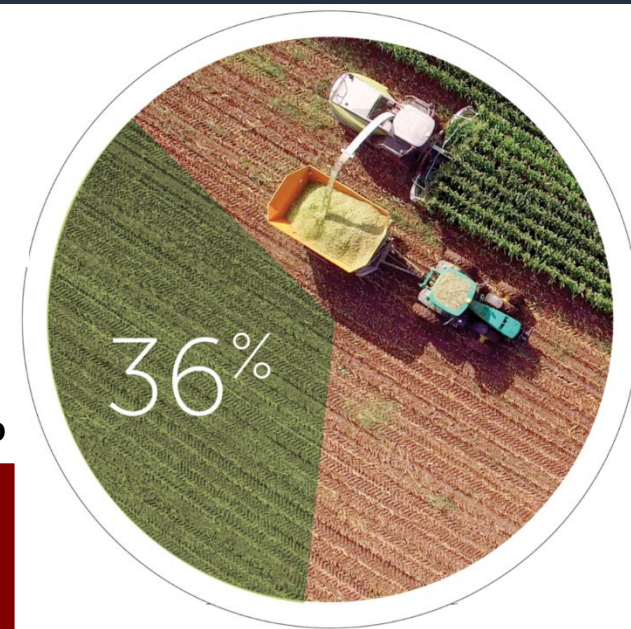
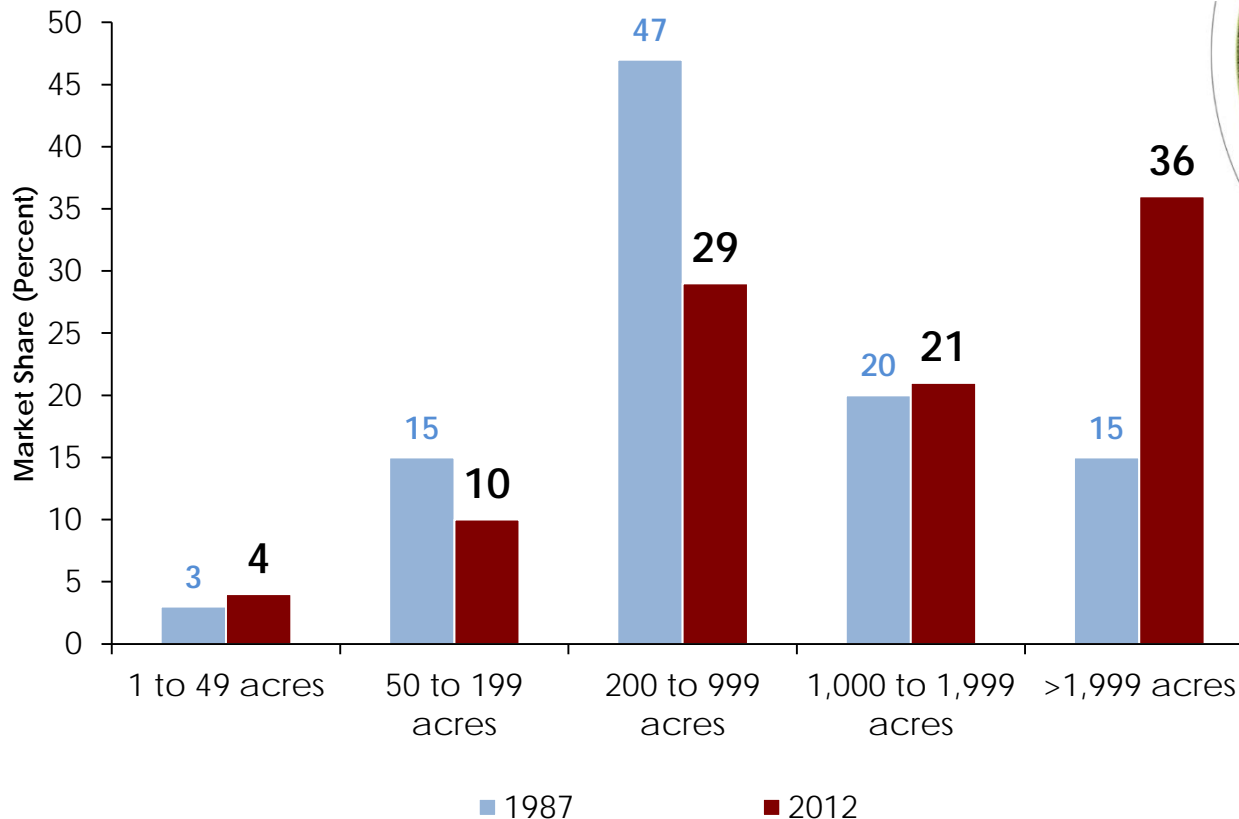
REASONS FOR MERGERS & ACQUISITIONS

- **SEED:** ACQUIRE TECHNOLOGICAL CAPACITIES AND SHARE REGULATORY FIXED COSTS IN BIOTECHNOLOGY
- **LIVESTOCK:** ANIMAL BREEDING CAPACITY AS PART OF THE INTEGRATED SUPPLY CHAIN
- **MACHINERY:** LOW FARM INCOME AND POOR BUYING POWER OF FARMERS ERODED PROFITABILITY OF FIRMS
- **CHEMICALS:** STRICT REGULATORY ENVIRONMENT AND RULES OF HEALTH, SAFETY AND ENVIRONMENT INCREASED TRANSACTION COSTS
- **ANIMAL HEALTH:** M&A IN PHARMACEUTICALS



CROPLAND CONSOLIDATION

Large crop farms (2,000 acres or more) accounted for **36% of U.S. cropland in 2012**, only 15% in 1987

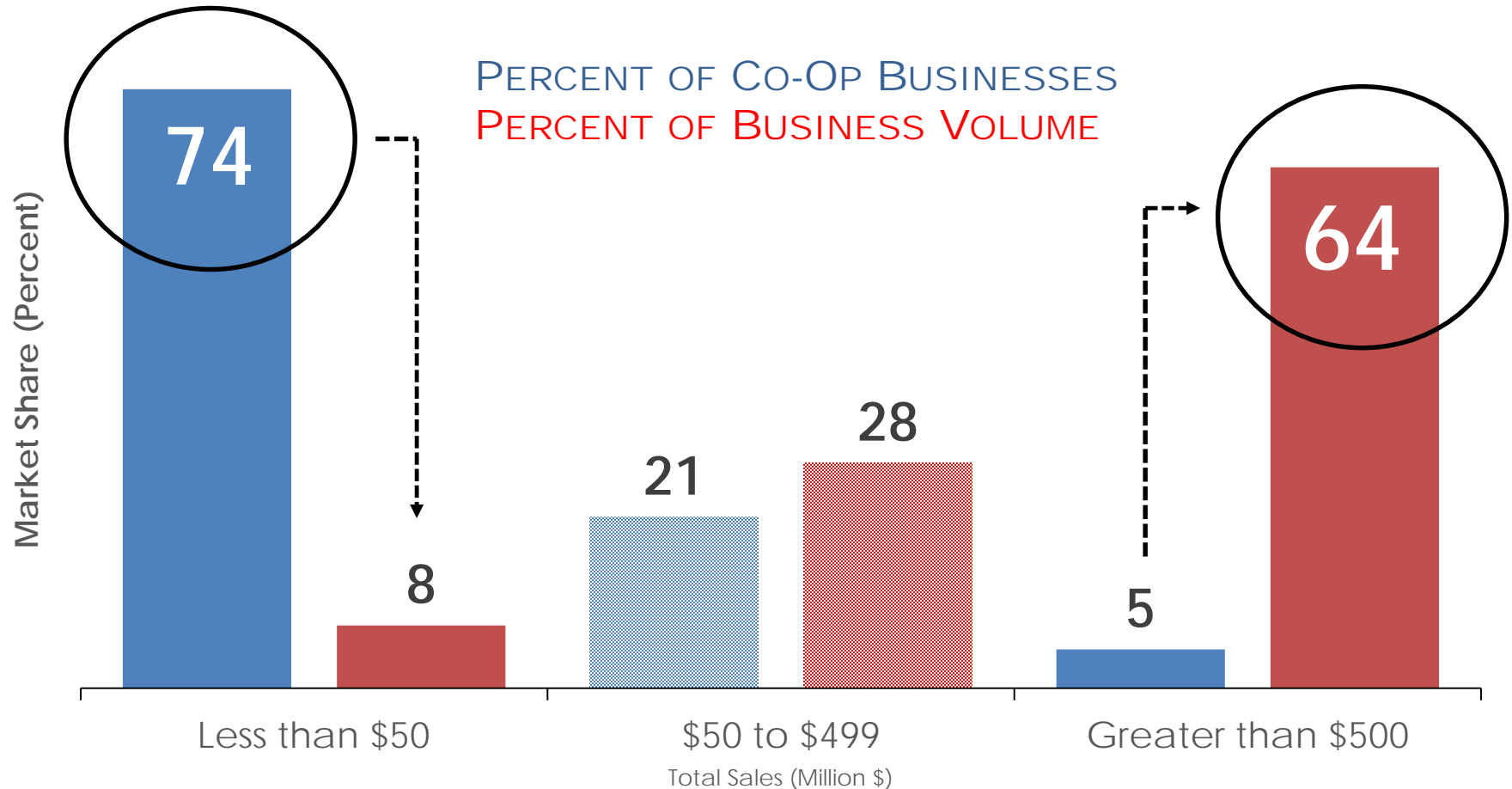


Led by improvements in **planting and harvesting efficiency**, i.e. number of rows per hour



COOPERATIVE CONCENTRATION

92% OF CO-OP SALES BY 26% OF CO-OPS





CO-OP MARKET SHARE

Percent of Milk Handled by
Cooperatives, 2015



Percent of Grains, Oilseeds,
Fruits and Vegetables Handled
by Cooperatives, 2015





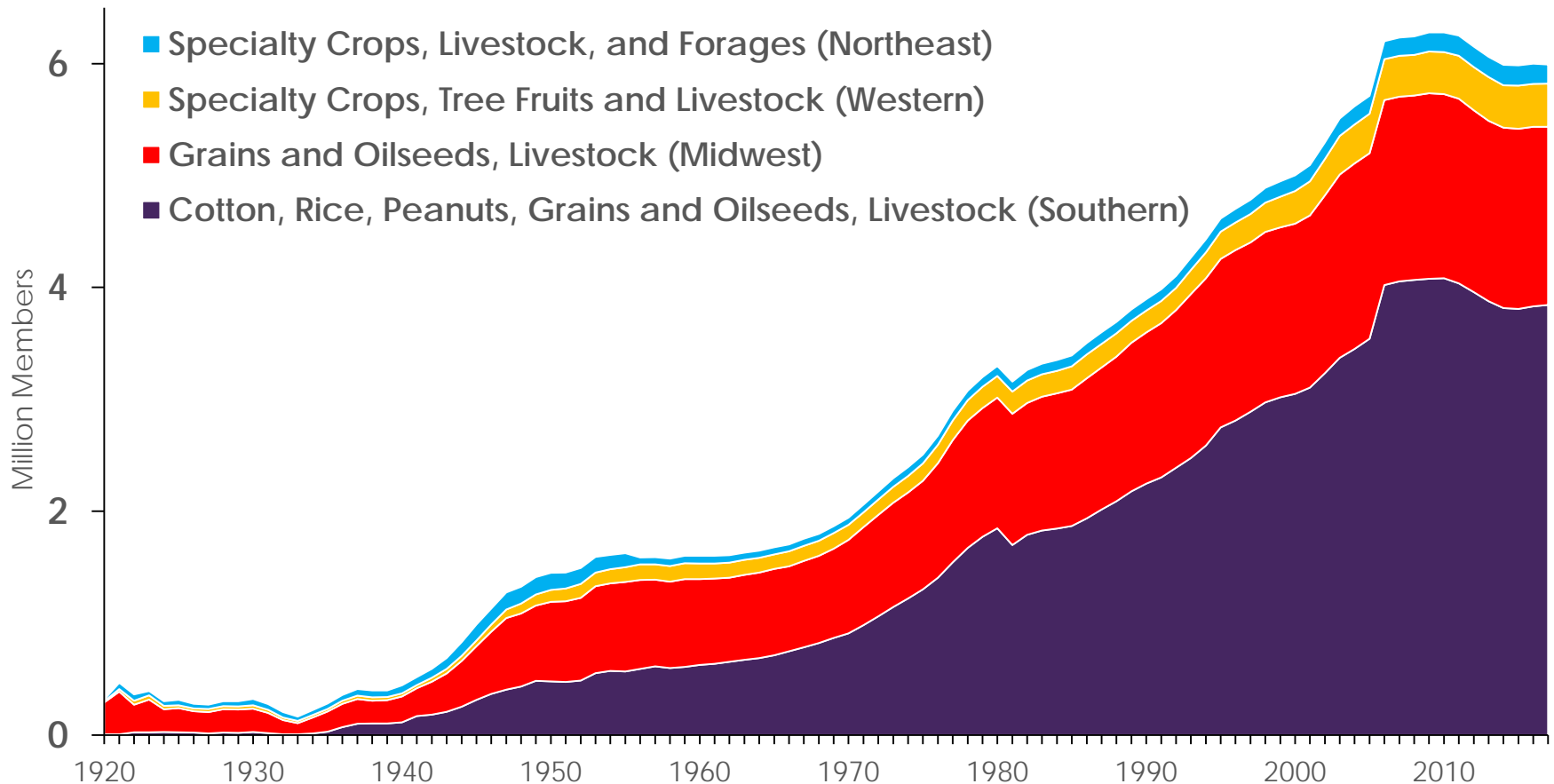


WHY FARM BUREAU CARES

6 MILLION MEMBERS

Our farmer-members purchase inputs from these agricultural suppliers & sell through co-ops

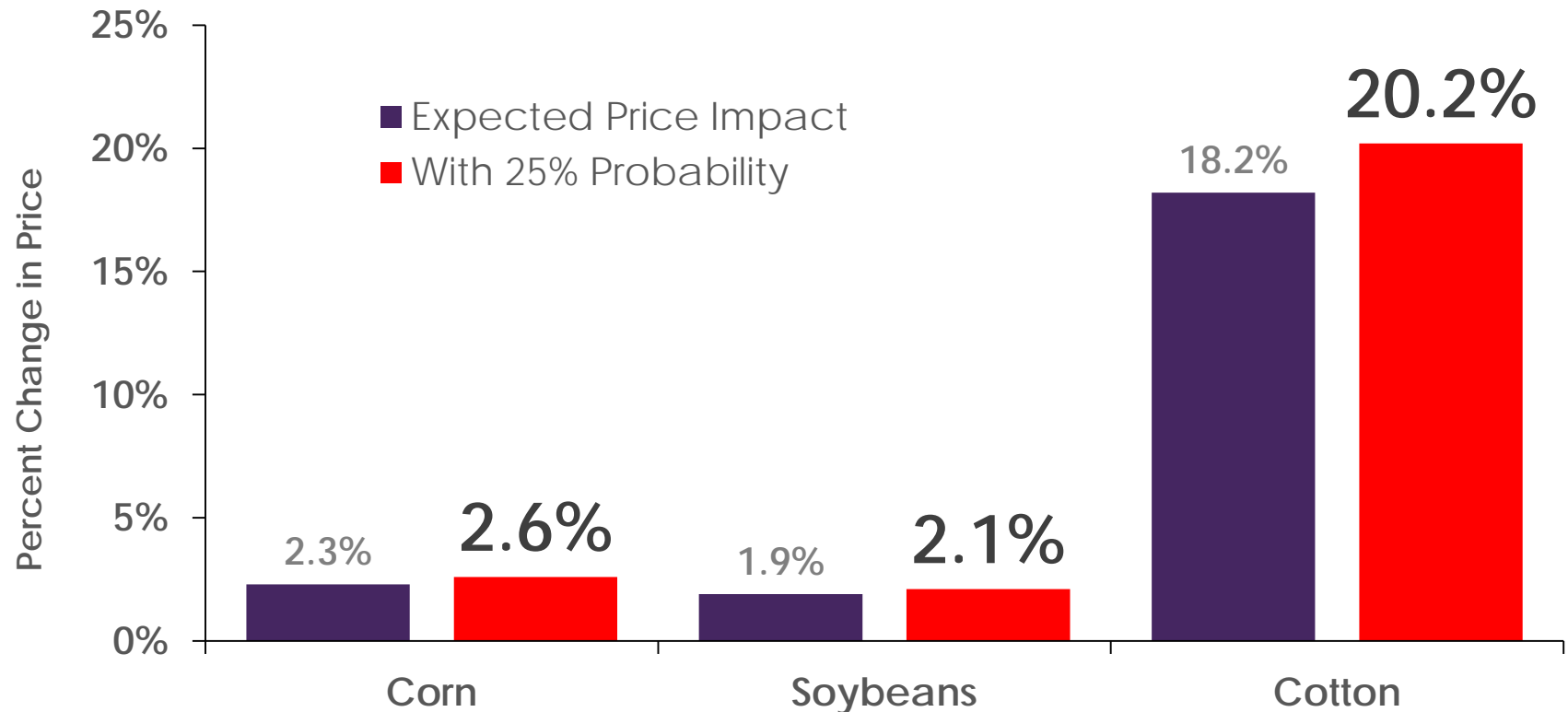
FARMERS ARE PRICE TAKERS





AFPC (TAMU) STUDY ON M&A

PROPOSED MERGERS COULD POTENTIALLY LEAD TO HIGHER SEED PRICES*



*DOES NOT INCLUDE IMPACT OF DIVESTURE REMEDIES

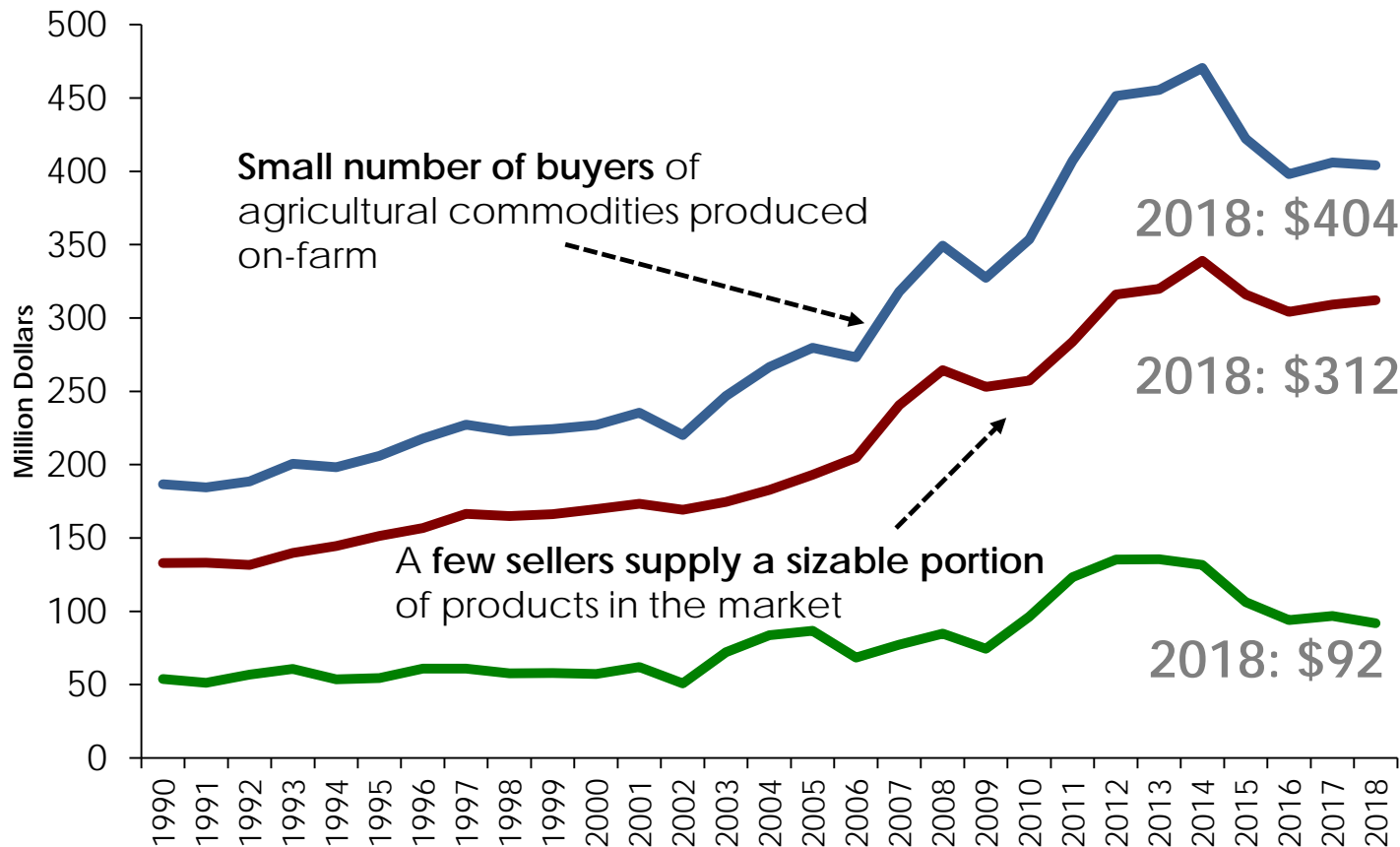


IMPERFECT COMPETITION IN AG FOOD

FEW BUYERS OF OUTPUTS & FEW SELLERS OF INPUTS

WHAT WILL BE THE POTENTIAL IMPACT ON FARMERS AND RANCHERS?

Since 2014



-14%
Gross Cash
Income

-8%
Cash
Expenses

-30%
Net Cash
Income



PRODUCTIVITY BENEFITS INCLUDE



EFFICIENCY IN RESEARCH: ANECDOTAL EVIDENCE SUGGESTS FIRMS ARE INVESTING **MILLION OF DOLLARS PER DAY** IN AGRICULTURAL-RELATED RESEARCH
-AMPLIFIES RESEARCH IN KEY AREAS



DEDICATION TO AGRICULTURE: FOCUS OF BUSINESS TO SERVICE AGRICULTURE, MULTIPLE TECHNOLOGIES UNDER ONE ROOF



STREAMLINE FLOW: PROCUREMENT, MEMBERSHIPS, SPONSORSHIPS IN LARGER SUPPLY CHAIN



CONCERNS FROM WITHIN INDUSTRY



DOMINANT MARKET POSITION: IMPORTANT TO MAINTAIN COMPETITION, E.G. PRICE & INVESTMENT IN RESEARCH, WITH LARGER MARKET SHARE FIRMS



COMPANIES LOSE LOW IMPACT BUSINESS: THROUGH ANTI-TRUST DIVESTURE REMEDIES COMPANIES MAY LOSE LOW RISK BUSINESSES



CREATES GENERIC AND REGIONAL OPPORTUNITIES FOR MORE NIMBLE FIRMS



BARRIERS TO ENTRY: NIMBLE FIRMS HAVE LARGE CAPITAL AND LABOR COSTS TO PENETRATE MARKET



FOREIGN ACQUISITIONS: POTENTIAL TO DRAIN THE U.S. OF TECHNOLOGY LEADERSHIP AND IP ASSETS



FARM BUREAU'S POSITION

SEP. 2016:

"Farmers and ranchers, in particular, **are interested in how these deals will impact research and development budgets** [...].

We depend on access to **enhanced technology**, and would **hate to see agricultural innovation suffer** at the cost of business decisions."

