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# CONSOLIDATION AND COMPETITION IN AGRIBUSINESS



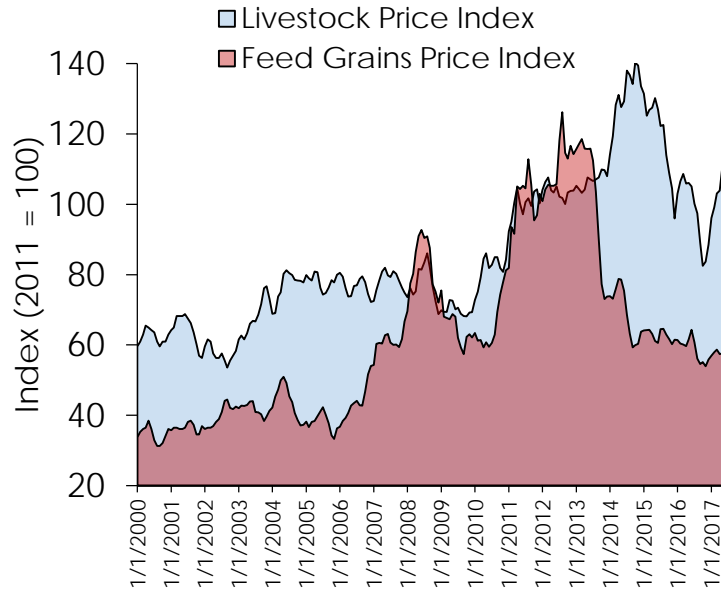
The Unified National Voice of Agriculture

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# CONDITIONS IN THE FARM ECONOMY



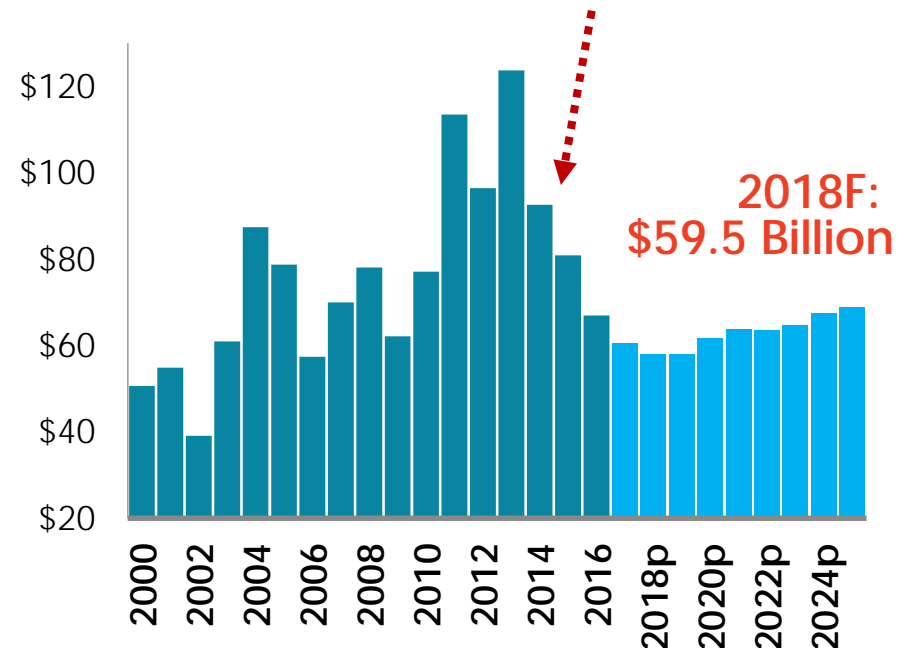
## Lower Commodity Prices

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**

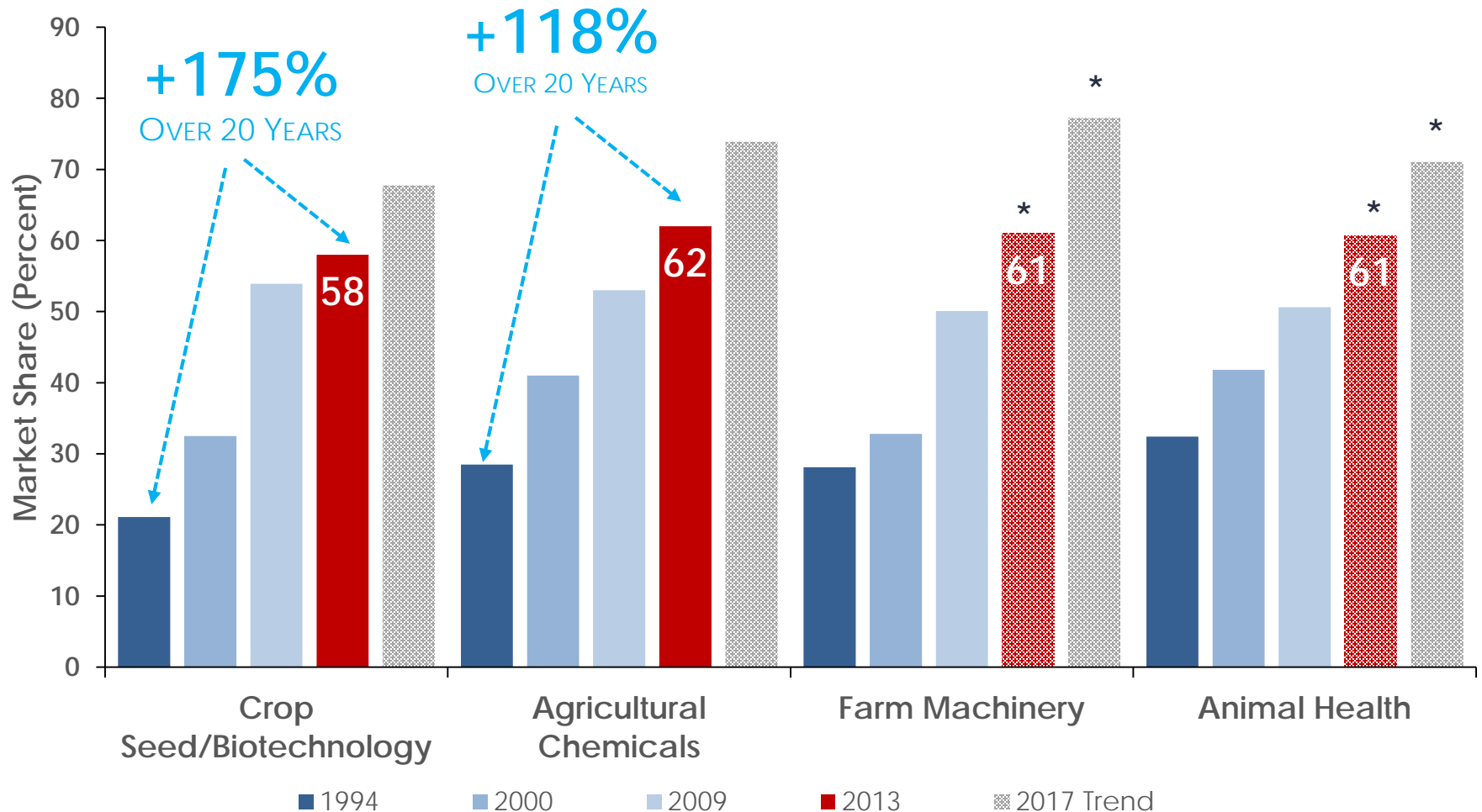
Passed 2014 Farm Bill





# EVOLUTION OF MARKET CONCENTRATION

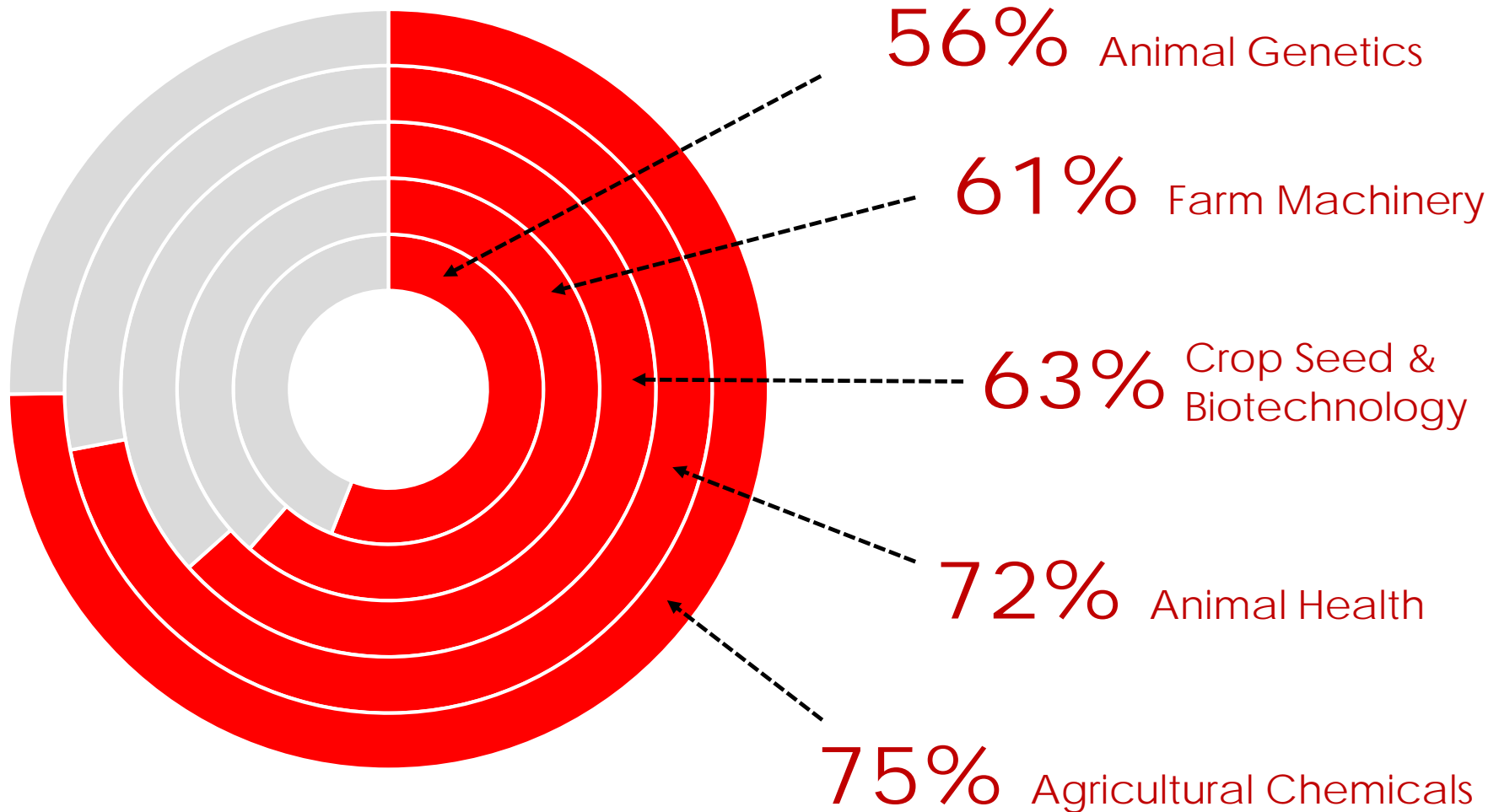
## FOUR FIRM CONCENTRATION RATIO





# SHARE OF GLOBAL SALES BY SECTOR

EIGHT FIRM CONCENTRATION RATIO, 2009





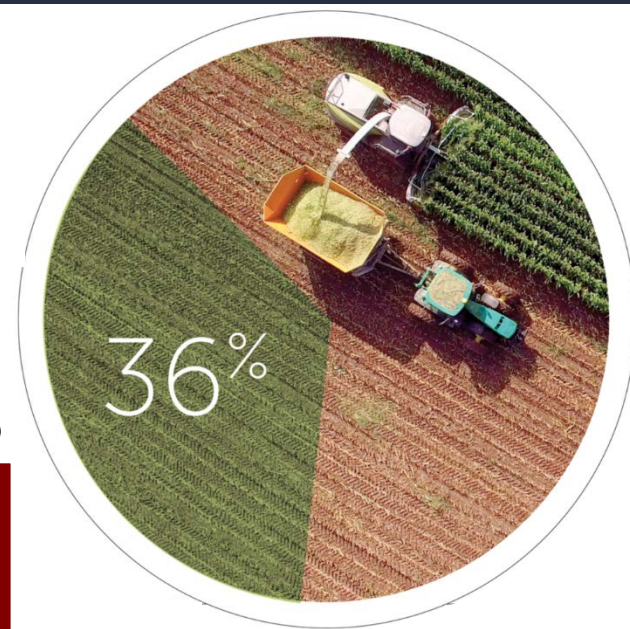
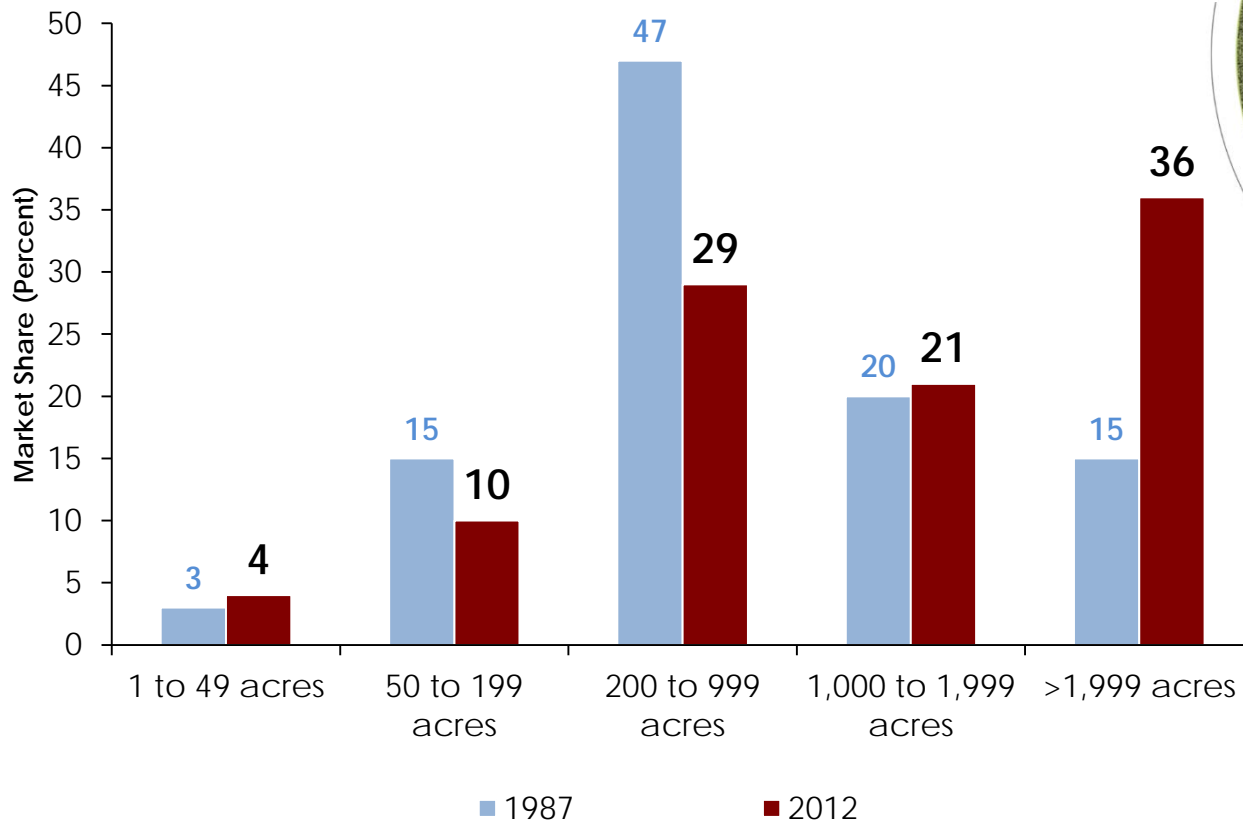
# REASONS FOR MERGERS & ACQUISITIONS

- **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

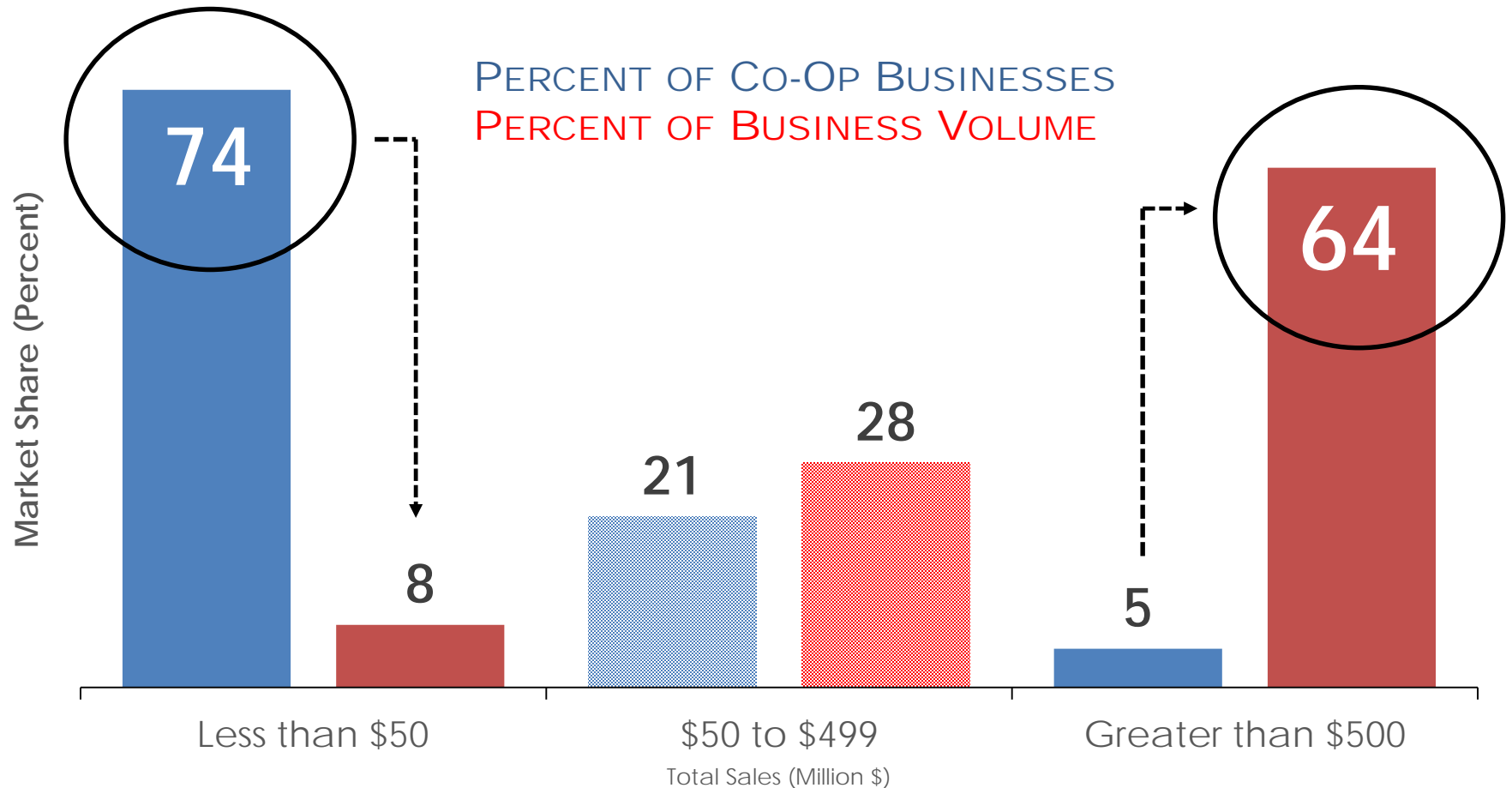


Led by improvements in **planting and harvesting efficiency**, i.e. number of rows per hour



# 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





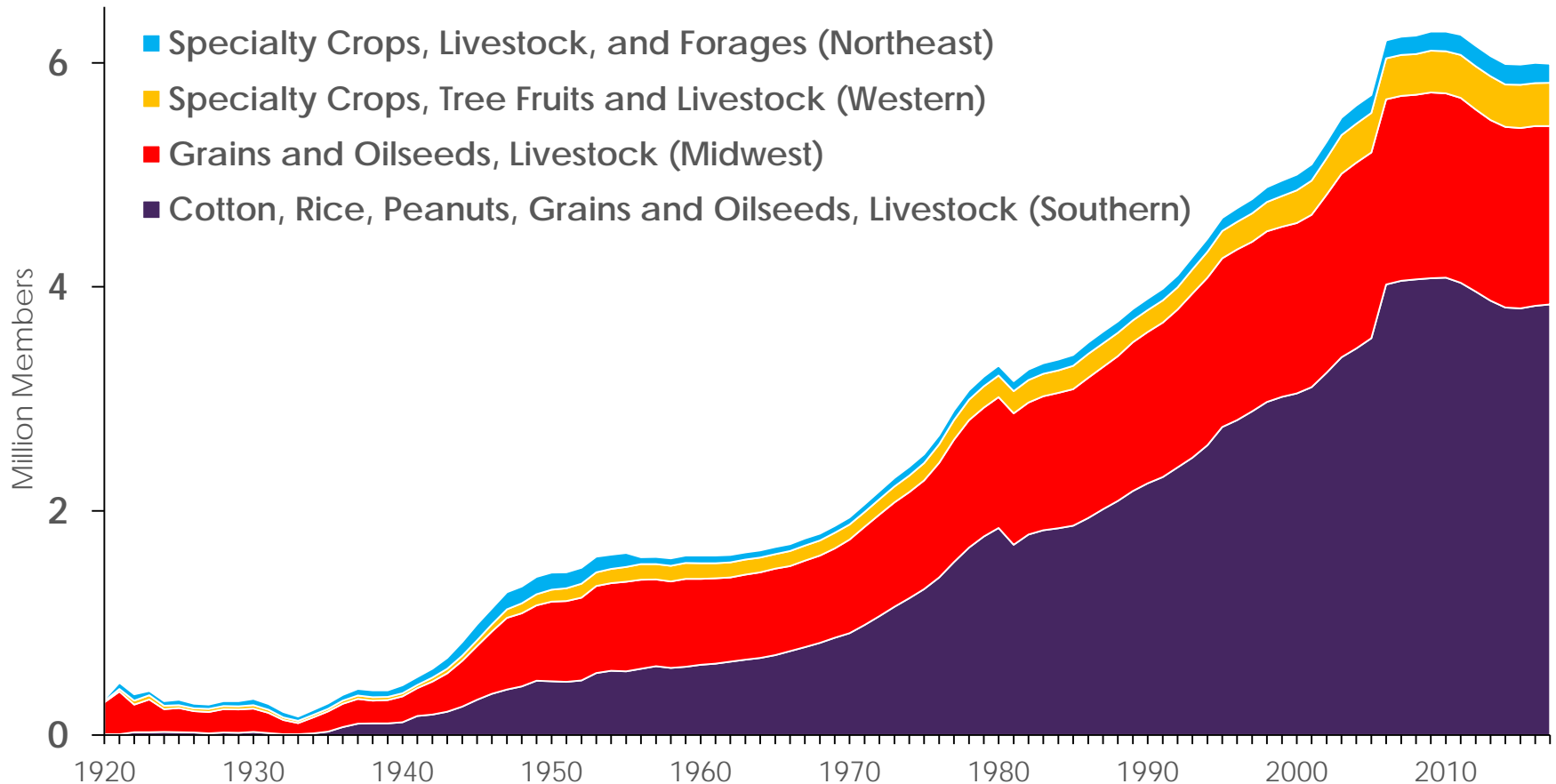


# WHY FARM BUREAU CARES

**6** MILLION MEMBERS

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

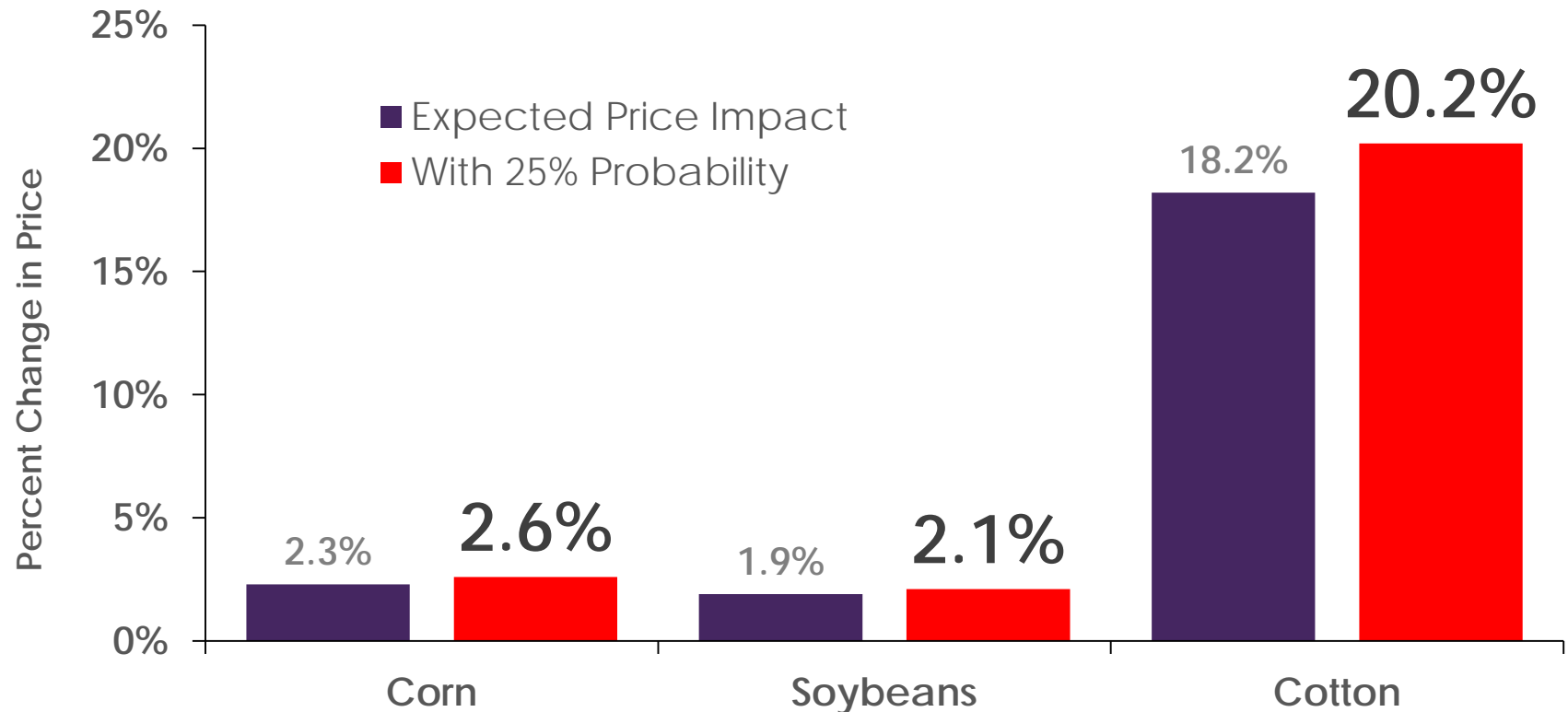
FARMERS ARE PRICE TAKERS





# AFPC (TAMU) STUDY ON M&A

## PROPOSED MERGERS COULD POTENTIALLY LEAD TO HIGHER SEED PRICES\*



\*DOES NOT INCLUDE IMPACT OF DIVESTURE REMEDIES

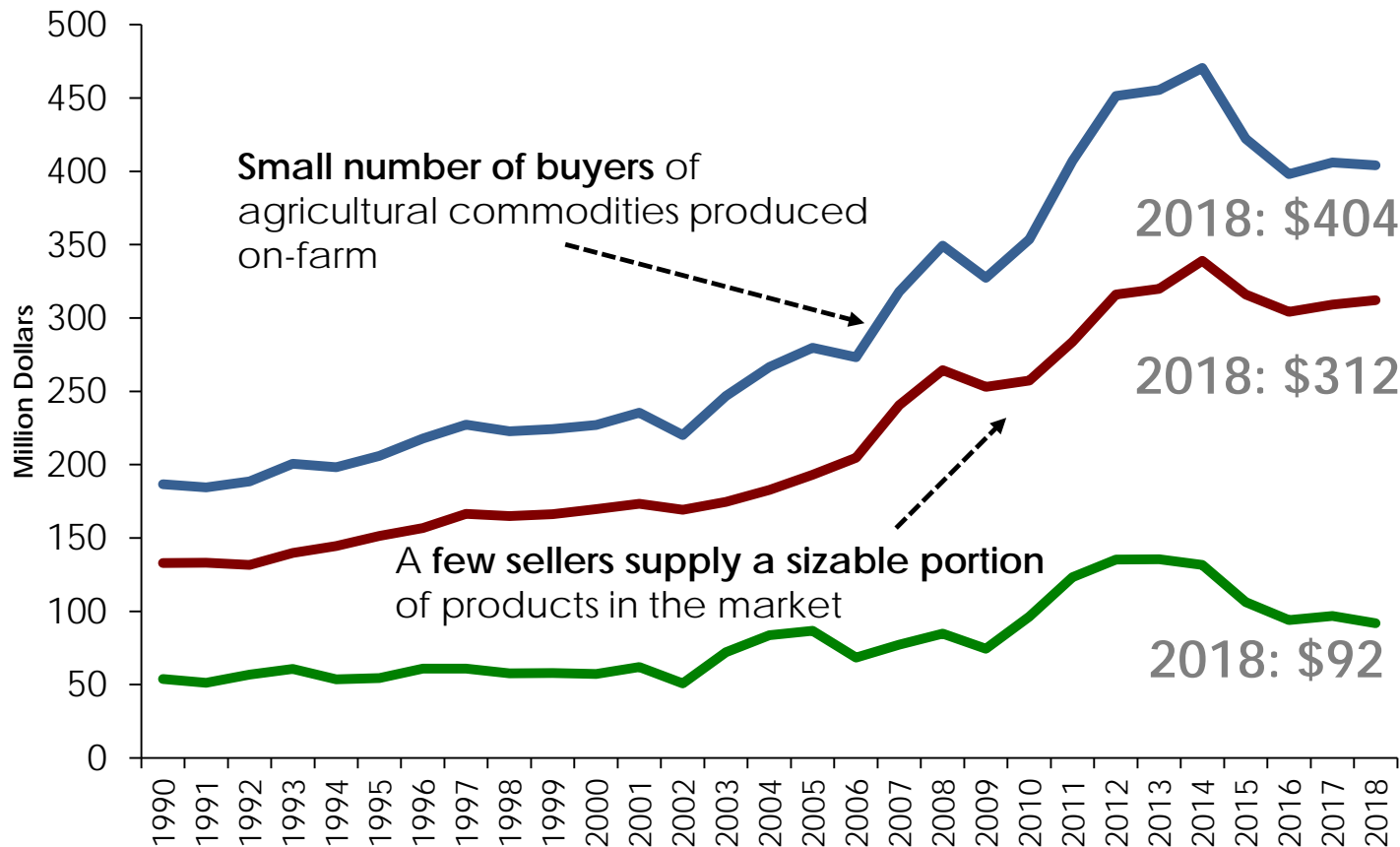


# IMPERFECT COMPETITION IN AG FOOD

## 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."

