

Steven T. Mnuchin
U.S. Treasury Secretary
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Secretary Mnuchin,,

The COVID-19 pandemic is upending our food system, threatening the livelihoods of our nation's farmers who have already endured six years of depressed prices and farm income.¹ Previous bailouts lined the pockets of agribusiness giants that wield extreme market control, including Brazilian-owned JBS.² We are concerned that the \$500 billion authorized under Title IV of the CARES Act "to provide liquidity to eligible businesses, States, and municipalities" and the combined \$23.5 Billion allocated to USDA for direct disaster relief will likewise be funneled to large agribusinesses, enabling them to buy out struggling competitors and further consolidate their market power.

We urge you to block any loans to and investments in major corporate players in the food system, including the largest meat and poultry processors, seed and fertilizer suppliers, and supermarkets. Instead, we urge you to use these funds to help family farms and smaller, independent meat processors and input providers survive these economic challenges, as well as farmers markets, farm stands, independent grocery stores, and other regional food infrastructure that is playing a pivotal role in meeting local food needs during this pandemic.

Extreme consolidation created the current farm crisis

Over the past few decades, our food system has become increasingly consolidated along every aspect of the food chain, from seed developers to meat and poultry processors to grain markets. Farmers are now both buying inputs from and selling products into highly consolidated markets.

Thanks to horizontal mergers, a handful of firms wield a staggeringly high amount of market power. In meat and poultry processing, the four largest firms (four-firm concentration ratio, or CR4) slaughter 85 percent of beef cattle, 66 percent of hogs, and more than half of broiler chickens.³ The concentration levels can be much higher at the local level where farmers deliver their livestock. Seed and agrochemical markets face similar consolidation, raising the cost of inputs without raising the price farmers receive for their goods.

¹ Farm Aid. "Understanding the Economic Crisis Family Farms are Facing." October 8, 2019. Accessed April 2020. Available at <https://www.farmaid.org/blog/fact-sheet/understanding-economic-crisis-family-farms-are-facing/>.

² Kindy, Kimberly. "This foreign meat company got U.S. tax money. Now it wants to conquer America." *Washington Post*. November 7, 2019.

³ Kelloway, Claire and Sarah Miller. "Food and Power: Addressing Monopolization in America's Food System." Open Markets Institute. March 2019 at 3 to 4.

These firms exercise their market power through various means, including abusive production contracts and alternative marketing agreements that circumvent price discovery, driving down farm income. Agribusiness have further amassed power through vertical integration, with farmers relying on the same corporation from genetics to the grocery store.⁴ Vertical integration has given rise to one-sided contracts that require farmers to take on huge amounts of debt, and can result in unfair and abusive practices.⁵

Unchecked market power created the farm crisis we are currently experiencing. The projected medium farm income for 2020 is negative \$1,840, a prediction made before the COVID-19 outbreak wreaked further economic hardship.⁶ Rural communities experience spillover effects from declining farm wages and fewer dollars spent locally, leading to the closure of essential services such as grocery stores and medical facilities. Consolidation has also gutted working conditions in meat and poultry plants, resulting in reduced union representation, wage cuts, and unsafe working conditions.⁷

Nevertheless, our federal agencies have allowed mega-mergers to proceed. The Federal Trade Commission (FTC) and the U.S. Department of Justice (DOJ) even resumed early termination of HSR reviews,⁸ opening up the door for the acceleration of additional mega-mergers while the public is distracted by the pandemic.

Without targeting relief funds to our nation's family farmers and independent retailers, we will see more farm closures, more independent seed and feed shops shutter, fewer local groceries and farm stands, and further consolidation of market power by a few giant firms.

In order to prevent further concentration in the face of this crisis, we urge the Treasury Department to direct Title IV funds towards helping small and mid-sized family farmers stay on their land.

Agriculture is the lifeblood of communities and it must be sustained during the pandemic. Loans and investments should be geared to the survival of farms where farming is the primary occupation of the owner. Payments must prioritize these producers to avoid further concentration and prevent the economic decay of our rural communities.

⁴ Barkema, Lan, Mark Drabenstott and Nancy Novack. Federal Reserve Bank of Kansas City. "The new U.S. meat industry." *Economic Review*. Second Quarter 2001 at 36.

⁵ Food & Water Watch analysis of United States Department of Agriculture (USDA) National Agricultural Statistics Service (NASS) data. Accessed August 2019; Key, Nigel and James M. MacDonald. USDA. "Local Monopsony Power in the Market for Broilers? Evidence From a Farm Survey." Selected Paper at the Annual Meeting of the AAEA. Orlando, Florida. July 27-29, 2008 at 3 to 4 and 7; Moodie, Alison. "Fowl play: The chicken farmers being bullied by big poultry." *Guardian*. April 22, 2017.

⁶ USDA. "Highlights From the February 2020 Farm Income Forecast." Updated February 25, 2020.

⁷ MacDonald, James et al. "Consolidation in U.S. Meatpacking." *AER-785*. March 1999 at 14 to 15.

⁸ U.S. Federal Trade Commission. "Resuming early termination of HSR reviews." March 27, 2020.

Farmers and rural communities have faced devastating market concentration and unfair practices from the largest agribusinesses for decades, and this crisis is only exacerbating the impacts. The Treasury Department must take steps to ensure that disaster relief does not fall in the footsteps of past relief.

Sincerely,

Friends of the Earth

Food and Water Watch