

# MOVING BEYOND CONSOLIDATION: BUILDING A CLIMATE-RESILIENT AGRICULTURAL ECONOMY

## PLATFORM RECOMMENDATIONS AT-A-GLANCE

- Invest in Regional and Local Food Processing, Distribution, and Aggregation
- Support Climate-Resilient Market Development
- Develop Farm-to-Institution Procurement Policies and Programs
- Invest in Agricultural Cooperatives Planning and Development, Review Tax Issues
- Government Action Needed to Restore Competitive Agricultural Markets

### A CLIMATE PLATFORM FOR CALIFORNIA AGRICULTURE

This is one in a series of CalCAN policy briefs that describe approaches to moving California agriculture boldly and quickly toward a carbon-neutral and climate-resilient future. Together, they make up *A Climate Platform for California Agriculture*.

Access the full report at: [calclimateag.org/ca-agriculture-climate-platform](http://calclimateag.org/ca-agriculture-climate-platform)

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## INTRODUCTION

**Industry consolidation and the rise of anti-competitive markets in agriculture, where a very few multinational companies dominate the market landscape, is not new in agriculture. But increasingly, more industry leaders are highlighting the threats of these trends to the climate resilience of agriculture.**

Consolidation in agriculture has skyrocketed in recent years. According to the National Sustainable Agriculture Coalition:

Just four corporations are responsible for 65 percent of sales in the global agrochemicals market, 50 percent of the seed market, and 45 percent of farm equipment sales. In the United States, just four companies represent 73 percent of beef processing, 67 percent of pork processing, 54 percent of chicken processing, and 45 percent of the retail grocery market.<sup>183</sup>

Anti-competitive markets can hurt the ability of farmers to get a fair price for their products and are an important factor in the decline of family-scale farms in the country.<sup>184</sup> California has experienced a steady decline in farms and ranches over the years, especially small and mid-scale producers. From 2007 to 2017, the number of agricultural operations under 179 acres declined by nearly 10,000 operations or 15 percent; those “in the middle,” ranging from 180 acres to 499 acres, declined during this period by 650 operations or 9 percent. At the same time, the number of farms and ranches of 1,000 acres or more in the state remained the same.<sup>185</sup>

To address these issues, since the 1990s, small and mid-sized farmers along with agricultural and food system leaders have created regional and local food markets to increase opportunities to sell farm products directly to consumers, diversify market opportunities for producers, and receive better prices. As a result, there is a strong but still relatively small regional



Photo Credit: USDA

<sup>183</sup> See the NSAC series [The Time is Ripe for Competition and Antitrust Reform in Agriculture](#) on the rise of anti-competitive markets in agriculture.

<sup>184</sup> InProgress. (2019). [A fair deal for farmers.](#)

<sup>185</sup> Data taken from the [California Ag Census](#) statistics from the USDA NASS.



Guido Frosini from True Grass Farms in Sonoma, CA.

food system in California made up of farmers' markets, community supported agriculture farms, and farm-to-institution procurement initiatives. The Economic Research Service of the U.S. Department of Agriculture (USDA) reports that by 2020, direct-to-consumer farms' sales reached \$10.7 billion nationally, up 35 percent from 2019.<sup>186</sup> This bifurcation of agricultural markets has allowed some farmers to continue despite the rise of anti-competitive markets in the sector.

Nonetheless, the dominance of consolidated agricultural markets and related rigid supply chains remain and have shown new vulnerabilities in recent years. In March 2020, in response to the COVID-19 pandemic shutdowns, institutional and restaurant markets closed and export markets faltered.<sup>187</sup> Practically overnight, many California farmers were

forced to leave crops to rot in the fields without markets to sell them, with some producers losing 50 percent of their markets.<sup>188</sup> However, the pandemic also highlighted the resilience of regional and local food markets. Those producers who had direct consumer markets (e.g., community supported agriculture, farmers markets, online sales, etc.) were able to still sell their products, and many experienced increased consumer demand as consumers looked for alternatives to traditional grocery stores.

In response to the supply chain challenges of the pandemic, USDA announced in June 2022 a framework for supporting more resilient food supply chains with nearly \$3 billion in investment from the American Rescue Plan.<sup>189</sup> Under its framework, USDA outlined investments in production, processing, supply chain aggregation/distribution, and markets. The framework offers an important roadmap to climate-resilient markets. This effort follows President Biden's 2021 Executive Order on Promoting Competition in the American Economy. Significantly, the order highlights the impacts of anti-competitive markets on farmers:

Consolidation in the agricultural industry is making it too hard for small family farms to survive. Farmers are squeezed between concentrated market power in the agricultural input industries—seed, fertilizer, feed, and equipment suppliers—and concentrated market power in the channels for selling agricultural products. As a result, farmers' share of the value of their agricultural products has decreased, and poultry farmers, hog farmers, cattle ranchers, and other agricultural workers struggle to retain autonomy and to make sustainable returns.<sup>190</sup>

<sup>186</sup> USDA Agricultural Research Service. (2022). [Direct-to-consumer farm sales reach \\$10.7 billion in 2020](#).

<sup>187</sup> Ibid.

<sup>188</sup> Ross, K. (2020, April 3). [#FarmersFeedtheNeed – a coordinated effort to provide food to needy Californians](#). Cdfa.

<sup>189</sup> Data taken from the [California Ag Census](#) statistics from the USDA NASS.

<sup>190</sup> The White House. (2021, July 9). [Executive Order on promoting competition in the American economy](#).



Following the executive order, USDA, tasked with advancing the administration's efforts to address industry competition issues in agriculture, has issued reports detailing the detrimental market environment farmers and ranchers are facing.<sup>191</sup> The agency has also issued draft rules under the Packers and Stockyards Act, but they have so far failed to issue final rules and begin enforcement, delaying economic relief for the country's farmers and ranchers. A recent report card by agency watchdogs gave USDA a "C" for its work on market competition issues.<sup>192</sup>

Here we dive into market consolidation issues and share our interview findings. We interviewed California agricultural industry leaders whose work is focused on developing regional and local agricultural markets and farmer associations as well as improving farmer access to land and capital in California. Overwhelmingly, we heard strong support for assisting the transition to climate-resilient agriculture but we also heard about marketplace challenges to scaling this effort. Below we offer policy recommendations.

## FINDINGS

### The Food System Is Broken

We heard that even for those producers who have transitioned to climate-resilient agriculture, including organic and sustainable farming methods, accessing markets, receiving a fair price, and continuing to be economically viable are challenges, especially for independent, small, mid-scale, and underserved producers. One financial consultant to underserved producers said: "We have a bifurcated system that's tilted toward export markets. We need more localized, regional food systems that are more diversified. We need to develop regional marketing efforts. Create food hubs, for example. We have a broken system. Farmers are usually price takers in the wholesale market. Loyalty is low and there's a real pressure to keep prices down."

### The Future Is Resilient Agriculture, but Data, Markets, and Infrastructure Needed

All of our interviewees want to scale up climate-resilient agriculture and develop related markets. Some interviewees are focused on developing the data for buyers so they can identify those producers who are meeting their climate-related standards. For other interviewees, the focus is on growing local and regional markets for organic and pasture-raised products; however, the "consolidation of processing" presented challenges. To adequately grow the market, they argue that investment is needed in regional markets, related infrastructure (processing, food hubs, distribution), and market development.

### Cooperatives Give Farmers Power in the Marketplace

We interviewed technical assistance providers working with producers, many of whom are underserved, to develop cooperatives to improve farm economic viability. The benefits of cooperatives to farmers, they argue, are many, including accessing markets, bringing down the costs of inputs and other equipment, and learning best practices from fellow producers. One interviewee stated that "co-ops are resilient business models; they are more resilient to market failures." One interviewee stated that co-ops can offer services, including bilingual services to its members and grant application assistance. Co-ops, they stated, give farmer members power in the marketplace that they otherwise lack as individual producers. Staff with the California Center for Cooperative Development have worked in recent years to support new agricultural cooperatives in the state, some of which are interested in advancing climate-resilient agriculture.

We also heard that there are challenges with cooperatives. Both technical assistance providers and academics working on these issues pointed out that the cooperative tax law should be reviewed to level the playing field with corporate law and improve the chances of cooperatives to thrive.

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<sup>191</sup> See two reports from USDA: [Agricultural Competition: A Plan in Support of Fair and Competitive Markets](#) and [More and Better Choices for Farmers: Promoting Fair Competition and Innovation in Seeds and Other Agricultural Inputs](#).

<sup>192</sup> Open Markets and Farm Action. [A 2023 review of the Biden Administration's commitment to food system competition](#).





## RECOMMENDATIONS

### Invest in Regional and Local Food Processing, Distribution, and Aggregation

The regionalization of food systems requires access to food processing, distribution, and aggregation infrastructure to support farmers in bringing their products to local and regional markets. As USDA outlined in its resilient food supply chain and systems initiative, investment in this kind of infrastructure can improve the resilience of food supply chains and make possible farmer access to new markets. Moreover, connecting those new markets with climate-resilient agricultural products can provide additional incentives for producers to make the transition. Given the needs for regional market infrastructure, the state should also advance these efforts through investment. By connecting these investments with lifting up climate-resilient agriculture, a strong case can be made to include these investments in any forthcoming climate bond measure.

### Support Climate-Resilient Market Development

Connecting infrastructure development with new local and regional market development—which seeks to increase community access to healthy, culturally appropriate foods—is a crucial part of the resilient food supply chain effort. Investing in community-based market development, focused on key principles of resilience, health, and sustainability, will support strategic regional market investments and development. USDA’s new Organic Transition Initiative has a strong focus on organic market development that California could look to as a model in an effort to improve markets for climate-resilient agricultural products.<sup>193</sup>

### Develop Farm-to-Institution Procurement Policies and Programs

Since 2020, California has invested nearly \$850 million in Farm-to-School procurement projects, school kitchen equipment, and workforce development to support the procurement of locally sourced foods for school meals.<sup>194</sup> This kind of commitment to market development supports farmers in accessing new markets that otherwise were largely only accessible to corporate food buyers. Other state institutions can follow suit through the development of procurement policies and programs that prioritize local and regionally produced food, with a focus on procuring sustainable and organically produced food that advances the state’s climate goals. We recommend a target of 20 percent for the state’s procurement of organic food by 2045.<sup>195</sup>

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<sup>193</sup> USDA Agricultural Marketing Service. (2022, October 24) [USDA announces regional networks for new Transition to Organic Partnership Program](#) [Press release].

<sup>194</sup> Marshall, Chalmers, A. (2022, August 15). [Farm to school efforts just got a big influx of cash. Will it help more schools get on board?](#) *Civil Eats*.

<sup>195</sup> This target was included in recommendations made by CalCAN and a coalition of advocates to the California Natural Resources Agency in response to its call for public comment on target setting as required by AB 1757. See this [CalCAN blog](#) for more details.



## Invest in Agricultural Cooperatives Planning and Development, Review Tax Issues

Farmers can gain access to markets and strengthen their position in the marketplace through the development of agricultural cooperatives. Cooperatives give farmers greater bargaining power in the marketplace, allowing them to go from “customers to markets,” as one interviewee described the benefits of co-ops. And in times of market disruptions, like the COVID-19 pandemic or during extreme weather, cooperatives can help buffer their farmer members through access to pooled resources. State investment in cooperative planning and development could bring together otherwise underserved producers to more effectively position themselves in the marketplace. We also support a review of state cooperative tax law to better understand how current policies may limit the effectiveness of cooperatives as an alternative model for producers.

## Government Action Needed to Restore Competitive Agricultural Markets

As we heard in our interviews, the agricultural economic system is broken. To fix it, we must address market consolidation and the rise of anti-competitive markets, where a few corporate players—in seeds and other inputs to processing, distribution, and procurement—dominate. This requires federal and state governments to use anti-trust powers to break up oligopolistic markets and restore competition. For some commodities, like dairy, it may mean a return to supply management to restore fair pricing to producers. In 2019, the Center for American Progress released *A Fair Deal for Farmers*, a report which outlined how governments can restore competitive agricultural markets. California’s Attorney General can also bring to bear the state’s anti-competitive laws to address consolidation and anti-competitive markets in the agriculture sector.<sup>196</sup> Ultimately, we need the Biden Administration to issue final rules governing market competition issues in agriculture. We likely also need engagement by the Federal Trade Commission (FTC) in agriculture-adjacent markets, like food retailers. We must go beyond draft rules and executive orders toward enforcement if we are to end the squeeze on small family farmers.



Photo Credit: USDA

<sup>196</sup> One example of the California Attorney General’s efforts to address anti-competitive markets is the state’s lawsuit against Amazon as reported in Politico, September 14, 2022. [California sues Amazon over third-party contracting.](#)

