

06/11/2003 Entry: "The Loss of Farms is Due to Monopolies"

Guest Opinion By Steve Cady, Executive Director Organization for Competitive Markets

Research I have been working on lately provides interesting insight as to the loss of producers from agriculture and the loss of population of our rural communities.

Since 1965 the State of Nebraska has lost 92 percent of its hog farms.

In 1965 Nebraska was home to 37,000 hog farming operations. In 2003, there are only 2,900 left.

Even that number -- 2,900 -- is misleading.

According to Dr. Mike Brumm, University of Nebraska Swine Specialist: "In 2002, of the 2,900 pork producers in Nebraska, only 630 had an inventory at some time during the year of 1,000 pigs or more."

That means there is far less than 1,000 pork producers in Nebraska where pork production is the major revenue source.

In fact, two farms currently own 40 percent of the sows in Nebraska and four farms own more than 50 percent of the sows.

Trends related to the number of cattle producers are similar. The state has lost 64 percent of the farms and ranches that produce cattle since 1965.

In these instances, it is not because of local zoning or environmental rules, as those who espouse "livestock friendly" counties suggest.

Rather, it is because the producers cannot make a profit. Hog farmers have lost an average of \$6.87 per hog during the last five years.

In 2001, Nebraska had 2.9 million hogs on 3,400 farms. In 2002, the state still had 2.9 million hogs, but only on 2,900 hog farms. Brumm predicted that at that rate, the state of Nebraska would be out of hogs by the year 2013.

A regression analysis of the trends, using hog numbers since both 1965 and 1992, show the state would be out of pork producers -- farms that raise hogs -- by the year 2005.

No one seems adequately concerned about finding ways to stop this devastating loss of farms, farmers and rural communities.

The 500 pork producers that called it quits in 2002 listened to the market signals telling them that the industry needed to raise less hogs.

When I ask farmers why they are getting out, they say because they can't make a profit and their facilities are worn out. I ask if they can go to the local banker to refinance and they say, "No."

A pork producer has to go to a packer to get a loan, approved through a global lender

like Rabobank from Europe, and that lender requires a \$50 million credit line that is

linked to a packer. This means a contract with the packer. I have seen such contracts, and they transfer much operational control to the packer, including the selection of the hands-on management at the swine facility.

The numbers can't be argued with. Nebraska's agricultural base is hemorrhaging and it is going to take more than a Band-Aid to dress the wound. The impact on rural communities is, and will be, devastating. I'm a rural Nebraska native and I'm frightened at what I see. We all should be.

WHAT IS THE SOLUTION? COMPETITION

Like every system in which all people are welcome to participate, free enterprise has boundaries and rules with referees.

The rules ensure that farmers have access to markets and a guaranteed opportunity to earn a profit.

Having said this, the issue is to determine if laws and regulations are in place to protect that access and opportunity. If they are in place, are they being enforced correctly? If not enforced, are we trying to persuade the referees – the U.S. Department of Justice and the courts -- to enforce them?

Finally, if the laws and regulations are not in place, are we advocating for new and/or better rules along with clearer boundaries.

The efforts of OCM have been to:

- Educate people about our position and the solutions available.

- Research to find the best possible solutions, using our legal and academic advisors.

-- Advocate for the best solutions.

For more information about OCM, see: www.competitivemarkets.com