

Ending Food Monopolization

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The United States has witnessed the rise of corporations engaged in monopolistic practices within food production and sale. This rise has paralleled a trend towards corporatism within government. This letter was drafted and written to Senator Mark Udall to propose ending agricultural subsidization, more rigorous enforcement of anti-trust law, revision of World Trade Organization laws, revision of patent law, as well as tariffs to control global expansion of food corporations.

Food monopolies represent a severe threat to the United States, and many other countries. They damage the lives of consumers, producers, and communities. They eliminate competition through uncompetitive practices, unethical patenting processes, and price-fixing schemes. The infiltration of large food companies (such as Monsanto, Cargill, and McDonald's, among others) into those governing bodies designed to control them has led to the emergence of corporatism as a guiding, though perhaps surreptitious, principle of American economic policy. I will attempt to make apparent in the rest of this letter the problem as it occurs in the United States and India, as it once occurred in China, and how it can, and must be, stopped. The solution relies heavily on the actions of legislators. The problem of monopolization is omnipresent. It is one which must be dealt with swiftly by the government to preserve free markets and basic competition.

United States

Within the United States, the majority of all food production resides in the hands of a select group of food corporations. The independent farmer and the independent rancher both face, now more than ever before in our nation's history, the gradual extinction of their professions. They find themselves increasingly marginalized, unable to compete with multinational corporations; these corporations in turn exploit foreign farmers in developing nations, who work for a fraction of the cost an American farmer would require for subsistence, let alone good living. Indeed, globalization is often championed as an ideal of post-Keynesian economic thought; the outsourcing of food production to poorer nations is often claimed to represent a boon to the economies of those poorer nations. However accurate this may be, those very corporations propping up developing economies extend a monopolistic sphere of control over developing and developed nations alike. Those corporations, already powerful and multinational, are able to

apply immense pressure to the governments of developing nations in order to receive favorable legislation and regulation; this perpetuates the economic clout of food corporations, which they then use to monopolize markets in developed nations.

However, independent farmers and ranchers do not face a threat from underpaid, outsourced corporate food producers alone. They are also threatened by the active collusion of those monopolistic corporations engaged in food production, food distribution, and sale. The price-fixing capabilities of food production corporations operating in foreign markets created an arbitrary deflation of food prices. This in turn appeals to food distribution corporations, who desire artificially price-controlled food in order to undercut competition (Schlosser 137-138). This further exacerbates market control by corporate food producers and distributors, leading to an ever-shrinking market share held by their independent counterparts.

Not only do independent food producers face threats from foreign production, and from coercive arrangements between food production and food distribution corporations, but also from a legislative climate which has been engineered to drive them out of the market. The most well-known instance of this is federal agricultural subsidies. These subsidies were originally designed to keep independent farmers afloat during times of economic hardship. They were first instituted at the beginning of the 20th century, at a time when 50% of the United States' population lived on small farms. Since then, the population of Americans living on farms has dwindled less than 2%, but subsidies have not shrunk proportionally; rather, they have grown immensely ("About Us").

This represents, in a plain, visible manner, the expansion of corporatism over American politics. Agricultural corporations, wishing to maintain a monopoly over agriculture, have found considerable backing from legislators seeking to satisfy those corporations operating in their states. There is no greater single example of the conflation of corporate power with government power than the agricultural subsidies programs. Today, the top 1% of farms (representing corporate farms) receive 20% of all subsidies ("United States Subsidy"). There should be bipartisan support to end these programs. Republicans, fearing government waste and increased government expansion, should be against agricultural subsidy. Democrats, fearing greater inequality of wealth and increased corporate expansion, should be against agricultural subsidy. Yet there is no legislative demand to end subsidies. Rather, in 2008, Congress passed the Food, Conservation, and Energy Act, guaranteeing 288 billion dollars for, among other things, agricultural subsidies. Here again, corporatism rears its ugly head. By essentially offering hand outs to large agricultural corporations, government has made it near-impossible for independent food producers to compete, or even to survive.

Agricultural subsidies do not represent the entirety of the legislative assault on independent food producers. Perhaps more distressing than subsidies is current United States patent law, vis-à-vis genetically-modified organisms (GMO). Current law allows corporations (such as Monsanto) to genetically modify crops, and then patent these crops (Habiba 3). They in turn license their patented crops to independent food producers, which leads to a kind of corporate serfdom. Independent farmers are locked into abusive contracts with large corporations, allowing those corporations to dictate exactly how much of a crop can be grown, for how long, and in what manner ("Monsanto vs. U.S. Farmers" 7). Should farmers violate these contracts, they can expect

punitive lawsuits from agricultural corporations. This should appall those who are fiscally conservative, let alone those who are fiscally liberal, as it represents a great failing on the part of government to preserve the freedom of those involved in food production. One of government's essential functions is to "[provide] for the maintenance of law and order to prevent coercion of one individual by another [that is, a monopoly]" (Friedman 27). When a government has failed to do this, it has failed its citizenry.

Independent farmers and ranchers alone do not suffer from monopolistic food corporations. The impact upon average consumers must be evaluated as well. The explosion of obesity in recent decades, especially among children, is a direct result of monopolistic control over food. The average child watches 1500 hours of television a year; of these 1500 hours, 167 hours are composed of food advertisements (Herr). This creates a captive market, wherein food corporations prey upon impressionable children, who are unable to make informed decisions for themselves. They become brand-loyal to a product which is deleterious to health, especially during childhood development.

The explosion in obesity is not confined to children. 67% of all American adults are now overweight or obese ("Obesity and Overweight"). Perhaps more startling is the fact that one in three American adults are now obese ("Obesity and Overweight"). This is a direct result of monopolistic practices on the part of corporations. By engineering high-fat, artificially flavored products, food production companies are, in effect, engineering addiction. Studies have shown these products (in particular, fast food) to activate the same reward mechanisms in the brain as heroin and cocaine activate (Johnson and Kenny). The sheer addictive potential of this food engenders strong brand loyalty. By hooking consumers on their products, large corporations can squeeze out small competition, who have no such addictive link with their customers.

Food monopolies do not contribute to the obesity problem purely through this addictive potential. By floating their prices below what a free, competitive market could sustain, monopolistic corporations can trap lower-income consumers, who have few alternatives to these corporate foodstuffs. By guaranteeing (via price-fixing schemes) that consumers' diets are composed entirely of the unhealthy foods they produce, food monopolies consolidate their market share. These price-fixing schemes, in turn, are generated by growing corporatism, vis-à-vis subsidies, favorable legislation, and weak anti-trust action. This generates something of a feedback loop as food monopolies lower their prices, which drives out small competition, allowing them to expand and lower their prices further, and thus driving out more and more competition.

There is a final entity, beyond consumers and independent producers, that is negatively impacted by the rapid expansion of food monopolies: American culture itself. While this may be a more esoteric notion, American culture is degraded by the growth of the food monopoly. This is often termed "McDonaldization." As food corporations (such as the term's namesake) tighten their grip around the economy, they generate a uniformity of culture. McDonaldization is a pattern, whereby "the values, tastes, and industrial practices of the American fast food industry are being exported to every corner of the globe, helping to create a homogenized international culture" (Schlosser 229). That is, each city slowly loses its identity, and its food begins to take on the

same taste, appearance, presentation, and origin as every other city controlled by food monopolies.

Food corporations extend into any new market an imperialism of culture. They do not rely on local, independent farmers, but rather centralized industrial complexes (Schlosser 136-137). A cultural standard is imposed by this centralized food production; a hamburger in San Francisco will be functionally identical to a hamburger in New York, or a hamburger anywhere else, for that matter. What food monopolies, as well as monopolies in general, strive for is a uniformity of culture. Diversity is antithetical to a monopoly.

As has been demonstrated, food monopolies are damaging to American farmers, ranchers, consumers, and culture. However, they are not a uniquely American phenomenon; or rather, they are not isolated to the United States. As a result of rapid, international expansion, as well as globalization, the same food monopolies that plague the United States plague nations around the world. One such nation is India.

India

India is different from the United States in that, in the United States, food monopolies originated domestically, while all of the food monopolies in India are from foreign food corporations, many of them American in origin. Like the United States, the three main entities impacted negatively in India are independent producers, consumers, and Indian culture. However, they are each feeling the effects of food monopolization in very different ways from their American counterparts.

Independent food producers in India face increasing marginalization in many aspects of their craft. In a desire to open India to foreign investment and trade, the Indian government has introduced a number of pieces of legislation designed to liberalize the economy. Among these moves, the Indian government has appropriated land belonging to small farmers for use by large, foreign corporations (Shiva 716). In essence, Indian farmers hold no sovereign right to their land; it is freely the property of whichever corporation will pay the largest sum of money for it.

Similarly, recent reform in India has encouraged the establishment of deregulated water markets (Shiva 717). These markets are then monopolized by a select few companies (among them Suez, Vivendi, and Bechtel), and sold at the highest market prices possible (Shiva 717). Only foreign agricultural corporations can afford these prices and not risk insolvency. The average Indian farmer, already living at bare subsistence levels, has no ability to pay for this expensive water, and is driven out of business. This in turn enhances the market share of large agricultural corporations, leading to a centralization and monopolization of agricultural production (Shiva 717).

Like the United States, legislation in India allows for the patenting of GMOs (Shiva 719). This forces independent Indian farmers into licensure agreements with monopolistic corporations that can patent these GMOs. Any farmer who saves seeds, or attempts to exchange them with other farmers, has committed an act of piracy under the law (Shiva 719). In effect, Indian farmers are required to do business exclusively with large corporations, and they have few alternative

sources of seed. They are locked into agreements with these corporations and are not allowed to leave them. Independent farmers are essentially turned into corporate serfs via this legislation.

The Indian government, attempting to attract foreign investors, has also dismantled most of the mechanisms guaranteeing a minimum support price (MSP) for farmers (Shiva 722). The MSP functions as a sort of minimum wage for farmers, guaranteeing a sustainable minimum price for agricultural goods. In effect, the MSP allows a farmer to charge a certain minimum subsistence price for his goods. By removing the mechanisms controlling the MSP, the Indian government hopes it can attract large agricultural corporations, who can produce and sell their goods for far below the MSP. This strikes at the very heart of independent farmers, who require the MSP in order to survive. The removal of the MSP represents no less than the movement by large corporations to destroy independent farmers.

The effect of liberalizing land arrangements, water rights, patenting schemes, and MSP regulations on the independent Indian farmer has been horrible. There is evidence to suggest that, in regions dominated by foreign food monopolies, farmers face increased destitution and debt. This in turn has massively increased the suicide rate of farmers, as well as the sale of organs (Shiva 726). Unable to provide for themselves or their families, many farmers in India turn to these horrific acts as a means of escape, or as a last resort for combating debt.

There is a direct correlation between the plight of Indian farmers and the plight of Indian consumers. There has been a shift in focus in the Indian economy, gearing it more towards export than import (Shiva 725). A large portion of the food produced in India is sent out of the country, rather than remaining in the country. In turn, while more food is produced in India than before, the average consumption of food has decreased (Shiva 727). This effect is greater for the poor, whose food intake, already quite small, has declined over the years (Shiva 727). By shifting the Indian economy towards export, poverty and hunger have both increased.

This trend towards poverty and hunger has been exacerbated by price gouging. Since liberalization, average food prices have increased 60%, with some commodities' (such as pulses) prices increasing by up to 200% (Shiva 727). The Indian economy has grown, but this has not led to a decrease in poverty. Rather, trade liberalization has marked the rise of a greater inequality of wealth in Indian society than before.

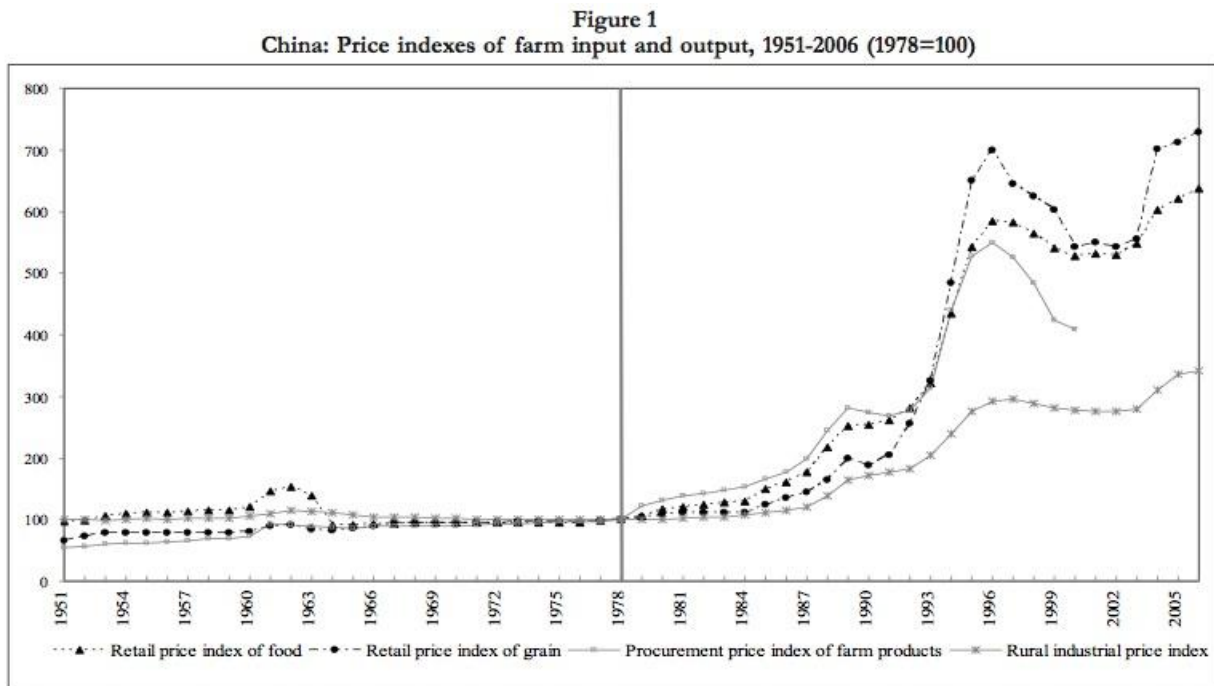
Like the United States, India has seen the growth of corporate colonialism. The encouragement of monocultures (Shiva 719) in India has had the effect of decreasing the diversity of crops grown in India. Furthermore, the centralization of food production has seen individual areas become more closely aligned in terms of diet. This threatens to wipe out unique cultures within India, and encourages a similar trend of McDonaldization, as seen in the United States.

The Indian trend towards economic liberalization created a rich atmosphere for food monopolies. Once these monopolies were established, they damaged the wellbeing of farmers, consumers, and culture within India. This echoes a similar trend in the United States. It is important to analyze not only the rise of food monopolies, but also their decline. The most prominent example of such a decline can be found within China.

China

Within China, the government held a monopoly over all food production until 1978. This period saw stifled production, widespread hunger, and subsistence living for most Chinese citizens. The state rigidly controlled the price of goods, keeping them well below what a free market could maintain. Any firm attempting to compete with the state would find itself making a product that no one would buy. Furthermore, as the price was artificially controlled, farmers were under no pressure to produce a better product (Yang and Li 14). Price controls, whether they occur under private or state-run monopolies, lead to a worse product being produced less efficiently. Competition, in a truly free market, will produce the best product at the best price (Yang and Li 15). This is no less evident in China, where a lack of competition directly contributed to hunger and lack of growth.

Figure 1 below shows the effect of de-monopolization on agricultural prices within China. As can be seen, prices began to immediately rise (1978 being the year of new liberal economic policies). While it may seem that this would be bad for the average Chinese farmer, it allowed them to demand a reasonable price for their goods. In turn, they had a drive to perform, increasing their productivity.

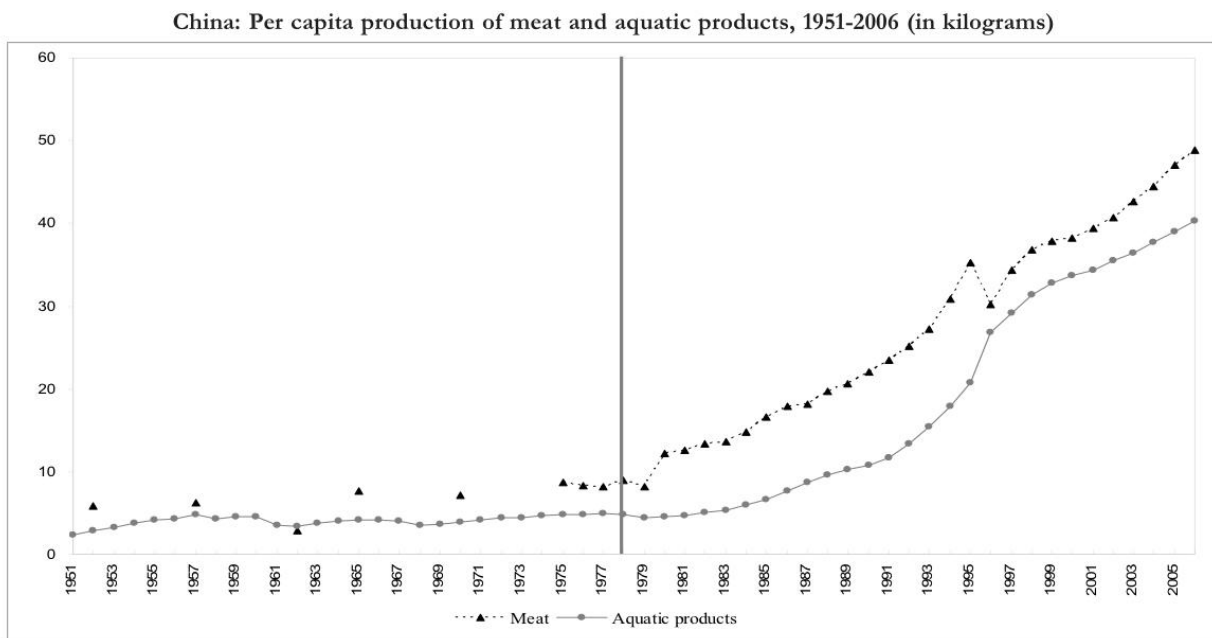


Sources: Procurement price index of farm products and rural industrial price index for the period 1951-1987 are based on NBS (1988); for the period 1988-2000 are based on NBS (2001). Rural industrial prices for the period 2001-2005 are based on author's calculations using information on farm producer goods (NBS, 2006). Retail price of food and retail price of grain for the period 1951-1987 are from MDT (1988, 1989); for the period 1988-1993 are from USEST (1994); for the period 1994-2005 are from USEST (2006); and for 2006 are from USEST (2007).

Figure 1: Courtesy of Yang and Li, 2008.

Growth did not occur purely in matters of pricing. Chinese food producers found that, once able to demand realistic prices for their products, increased food production would actually allow them to increase their income. Under a monopolistic system, increased production represented increased labor without increased income. Figure 2 below demonstrates the boon to production

that demonopolization (occurring in 1978) achieved. It also meant a large decrease in hunger and starvation for the average Chinese citizen as a result of increased production (Yang and Li 14).



Sources: Per capita numbers are calculated based on population figures and output data from DCS (2006) and NBS (2006, 2007).

Figure 2: Courtesy of Yang and Li, 2008.

China shows simultaneously the danger that food monopolies represent and the benefit demonopolization represents. The United States and India are both on the path towards an economy where competition does not exist, where large corporations control all aspects of food, from its production to its distribution to its sale. The economies of these two countries could become similar in matters of production and pricing to China before its demonopolization. Something must be done to prevent this from happening, and to reverse the damage that has already happened.

Proposal

Many actions must be undertaken in order to fight food monopolies, both in the United States and around the world. These actions rely heavily on the involvement of governments, and in particular legislatures within those governments. It is only through the intervention of governments into free markets that the freedom of those markets may be preserved.

Agricultural subsidies must either be stopped or reformed. It is nonsensical to use subsidies, originally intended to keep independent farmers alive during an economic depression, as a bargaining chip to keep large agricultural corporations satisfied. They face no great threat of going under, no serious competition, and do not require a handout from the government. Subsidies for large corporations inherently increase stratification of wealth via a redistribution of taxes collected from the majority of citizens and given to a small, wealthy minority. Instead of completely eliminating these subsidies, they would perhaps be better applied to those low-

income independent farmers who would use these funds to survive, rather than merely increase their bottom line. This would return agricultural subsidies to their original purpose of helping small farmers during economic hard times, and additionally decrease the impact of corporations upon the government.

In addition to the reform of subsidies, something must be done about current patent law in the United States. As it stands, the patenting of life forms allowed under United States patent law has completely changed the relationship between farmers and seed producers. Whereas in the past, farmers bought seeds, and were allowed to do with them what they pleased, now large agricultural seed producers are allowed to exploit their patents to control independent farmers. Independent farmers are not allowed to exchange seeds, or even to save them. Doing so represents an act of piracy. In order to coerce independent farmers into subservience, large agricultural corporations have fostered an air of litigation; any farmer knows quite well that they will be financially ruined if they transgress against the large corporations' intellectual property. What must be done is rather simple; life forms should no longer be patentable. This could be brought about with the passage of a simple law altering our patent law as it stands. The opportunity remains for corporate patents to be grandfathered in under this change, however, this will end the spread of corporate control over independent farmers and over seed rights. This solution will not entirely eliminate the corporate monopoly over the issue of seeds and GMOs; it serves merely to eliminate the increase of that corporate monopoly.

In order to combat outsourcing and import of foreign products by food corporations, Congress should consider placing a tariff upon these goods. This would generate a disincentive for corporations looking to exploit cheap, foreign agricultural workers, and restore food production in the United States. Admittedly, trade relations with these foreign nations would also be affected negatively, but this could be remedied via changes in World Trade Organization (WTO) rules, to be discussed later. Returning production of food to the United States itself would give independent food producers a level playing field, in terms of cost of operation, with large corporations. No longer able to exploit foreign food producers, food corporations would have less opportunity to fix prices at an uncompetitive level.

The single most important and drastic action the government can take against food monopolies is the rigorous application of anti-trust law. Food corporations (such as Cargill, Monsanto, and McDonald's) have grown far too large, allowing them to engage in wholesale anti-competitive practices designed to prevent entry by independent businesses into their markets. These corporations should be split into smaller entities, as was done with Standard Oil in 1911 (Standard Oil Co.). This would create a more fertile, more competitive market, filled with smaller businesses. As a result, collusion, price-fixing, and anti-competitive practices would decrease. Such a split should occur at every level of the food industry, from those corporations that produce food, to those that distribute food, to those that control end-sale of food. This step, actively encouraged by members of government, would lead to the utter collapse of food monopolies as they stand now.

However, legislators and policymakers in the United States must also attempt to change WTO policy. In particular, legislators must pressure for reform recognizing the sovereignty of nations in terms of their food production (Shiva 729); current WTO rules place pressure on developing

nations to accept foreign investment, and foreign corporate entry into their markets, especially in terms of food. This could take the place of tightening the ‘safety valves’, those mechanisms guaranteed by WTO policy to allow governments to restrict and regulate their markets (Shiva 729).

Furthermore, legislators and policymakers must push for reduced commoditization of food (Shiva 730). WTO rules as they stand place pressure on governments such as India to adopt policies that place an emphasis on international trade, before domestic trade, and before domestic welfare. The WTO should not emphasize international trade to the point that it discriminates against intranational trade or intranational welfare. This could be done by allowing nations to place tariffs on imports and exports, diminishing the impact international trade has on an economy (Shiva 730).

The issue of subsidization also occurs at an international level; it should be the responsibility of legislators in the United States to end agricultural subsidies for large corporations. This trend must then be encouraged in any nation that subsidizes large agricultural corporations, and to put increased pressure on the WTO to likewise call for the end of large subsidization (Shiva 730). This will allow developing nations to better compete with these developed organizations, increasing competition, to the benefit of the consumer. As it stands, developed nations work actively to give handouts to organizations that are already successful, rather than using these handouts to boost those organizations that are small and newly formed. This pattern must be stopped.

It is my belief that if a single congressman, such as yourself, were to take a rigorous stand against food monopolies, others would follow. Ending the threat posed by food monopolization is one which requires the active participation of all involved, whether they be consumers, producers, or legislators. It must be mentioned that my proposal is not an overnight fix. Rather, it represents an uphill battle against, at first, individual parties and corporations. Then my proposal targets those mechanisms within the economy that allow monopolies to flourish. Finally, it targets an entire system of politics which exacerbates corporate and monopolistic influence over government.

You are presented with a unique opportunity to change the relationship between government and business. If you carry out my proposal, the changes in legislation that would result would guarantee the exclusion of corporate control over politics; it would re-emphasize the role of the people in the democratic process. Furthermore, by changing this relationship in the United States, lasting repercussions would be felt around the world. As most corporations involved in food monopolization are United States companies, any decrease in their power here would decrease their power worldwide. The sovereignty of foreign nations to manage food as they wish would be preserved. The opportunity to end food monopolization now must be seized. I call on you to invest yourself in the solution to this problem.

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