Land Stewardship Project Fact Sheet #2

Updated: April 2008

Factory Farming's False Promise

Industrialized ag extracts the wealth of rural communities, leaving behind empty farmsteads and shuttered main streets.

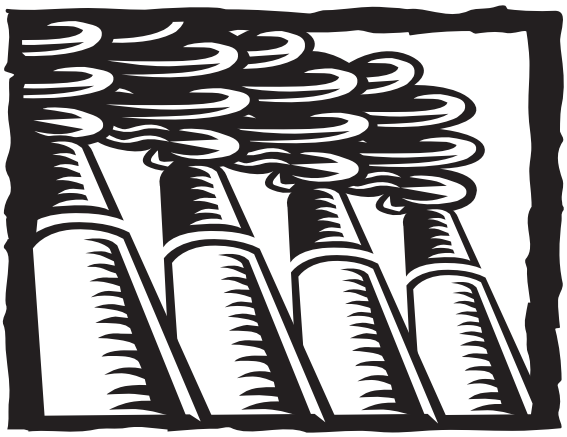
Losing independent family farmers and dirtying the environment are the costs of economic development that creates wage-earning jobs, argue factory farm boosters. For example, a 1992 University of Missouri study found that for every $5 million in new investment in contract swine production, between 40 and 45 new jobs would be created throughout that state's economy.[1]

However a follow-up analysis by University of Missouri agricultural economist John Ikerd found that the creation of those new jobs would come at the cost of three times that number of independent farmers. This is just one example of what happens when the other side of the "factory farming is economic development" argument is examined.

Nightmares on Main Street

◆ During the 1940s, sociologist Walter Goldschmidt compared two rural California communities and found the one supported by diverse, family-sized farms was significantly better off socially and economically, while the town surrounded by large corporate operations had a much lower quality of life.[2]

◆ Studies in Illinois, Iowa, Michigan and Wisconsin have shown decreased tax receipts and declining local purchases with larger operations.



"These findings consistently show that the social and economic well-being of local rural communities benefits from increasing the number of farmers, not simply increasing the volume of commodity produced," concluded a 2007 analysis published in *Environmental Health Perspectives*.[3]

◆ For one study done on 1,106 Illinois towns, detailed annual sales tax data covering the period between 1981 and 1997 was obtained by researchers at Illinois State University.[4] The researchers were then able to track trends in retail spending in these towns, a good sign of the economic vitality of a community.

During the study period, towns of "moderate" hog concentration experienced real per capita spending increases of 1.93 percent annually. Communities experiencing "rapid" concentration in hog production had a real per capita spending increase of 1.2 percent annually ("rapid concentration" communities are those in which the percentage of hogs sold annually by farms with sales of 3,000 or more animals increased by 30 percent or more during the study period). The difference in economic growth was particularly striking in the 1990s, a time when average swine farm size increased dramatically.

The researchers then went one step further to address the concern that factors other than changing structure in swine production might explain the differences. They developed a statistical model to measure the effect of increasing hog concentration while holding other determinants of a town's economic growth constant. But it made no difference: the preliminary results of this research confirm that the larger the swine farm, the lower the economic growth.

"The results reject the hypothesis that large swine farming contributes to the vitality of local economies," wrote one of the researchers, agricultural economist Miguel Gómez. "On the contrary, the several models developed here consistently indicate a negative relationship between large swine farms and economic growth in rural communities."

◆ A University of Minnesota examination of the spending patterns of 30 farmers selected from the membership of the Southwest Minnesota Farm Business Management Association revealed that for livestock intensive operations, the percentage spent locally (defined as within a 20-mile radius of the farm) declined dramatically with an increase in the size of the operation.[5]

◆ A University of Minnesota study conducted in 1995

Continued on reverse page…

used economic statistics, census figures and interviews with residents of the Green Isle, Minn., area to examine the impact of dairy farming on a local community.[6] The study showed that between the 1970s and 1990s, the number of farmers serving the local creamery dropped from 1,400 to 960. The larger dairy farms (more than 300 cows) that started dominating the area bypassed local suppliers, reducing the need for Main Street businesses.

"Meanwhile, economic and social activity in Green Isle declined, retail sales dropped by 81 percent between 1979 and 1989, the public dance hall closed, and the grade school adjourned permanently. Today, a collection of main street stores, feed mills, and a manufacturing plant remain idle," reported the study's author.

Hogs on the dole

The Nov. 30, 1998, issue of *Time* magazine featured an in-depth look at how one pork giant used corporate welfare to milk tax money out of governments on the city, state and federal level.[7] The "economic development" Seaboard Corporation promised to Albert Lea, Minn., and Guymon, Okla., turned out to be a financial, environmental and social justice nightmare, reports the magazine.

And taxpayers footed much of the bill, deflating the myth that large factory meat companies are free marketeers. Meanwhile, the share value of Seaboard's stock skyrocketed from $116 to $387 in seven years.

But it helps small farmers, too

One economic development argument made by factory farm boosters is that large corporate operations are needed to keep processing companies in the region. However, the reality is that meat and milk processors are discriminating against small independent producers in favor of larger, corporate operations.

◆ Large dairy producers are provided with volume premiums and even have their milk picked up for free by processing plants.

◆ In *Killing Competition with Captive Supplies*, a special report on how the packing industry uses exclusive, size-based contracts to procure its hogs, LSP documented example after example of family-sized farms being locked out of the market because they didn't have large numbers of hogs to sell.[8]

What you can do

◆ When you read or hear about a study that says "factory farming creates economic development," ask this question: Is it economic development that benefits a few individuals at the expense of the entire community's future?

Sources

[1] Ikerd, John. "Economic Impacts of Contract Hog Production in Missouri: An Alternative Viewpoint,'' *Issues in Sustainable Agriculture*, Sustainable Agriculture Systems Program, University of Missouri, March-April 1994

[2] Goldschmidt, Walter Rochs. *As You Sow*: *three studies on the social consequences of agribusiness*, Allanheld, Osmun, Montclair, N.J., 1978 (part of this study was first published in 1947)

[3] Donham, Kelly J., et al. *Environmental Health Perspectives*. 2007 February; 115(2): 317–320. www.pubmedcentral.nih.gov/articlerender.fcgi?artid=1817697#b23-ehp0115-000317

[4] Gomez, M.I. and L. Zhang. "Impacts of Concentration in Hog Production on Economic Growth in Rural Illinois: An Economic Analysis.'' Presented at the American Agricultural Economics meeting, July 31-Aug. 2, 2000. http://agecon.lib.umn.edu/cgi-bin/pdf_view.pl?paperid=2077&ftype=.pdf

[5] Chism, John W.; Levins, Richard A. "Farm Spending and Local Selling: How Do They Match Up?" *Minnesota Agricultural Economist*, No. 676, 1994

[6] Love, Patricia Weir. *The Impact of Changes in Dairy Farming on a Local Economy: A Case Study*, master's degree thesis, University of Minnesota Department of Applied Economics, 1995

[7] Bartlett, Donald L. & James B. Steele. "The Empire of the Pigs: A Little-Known Company is a Master at Milking Governments for Welfare,'' *Time*, Nov. 30, 1998, pages 52-64; www.time.com (call 1-800-982-0041 to order reprints for $1.50 each)

[8] Land Stewardship Project. *Killing Competition With Captive Supplies*: *A special report on how meat packers are forcing independent family hog farmers out of the market through exclusive contracts*, April 1999. www.landstewardshipproject.org/pr/newsr_042399.html

• • •

This fact sheet is brought to you by the members and staff of the Land Stewardship Project, a private, nonprofit organization devoted to fostering an ethic of stewardship for farmland and to seeing more successful farmers on the land raising crops and livestock. For more information, call 651-653-0618 or visit www.landstewardshipproject.org.