LSP *Myth* Buster #16

An ongoing Land Stewardship Project series on ag myths & ways of deflating them.

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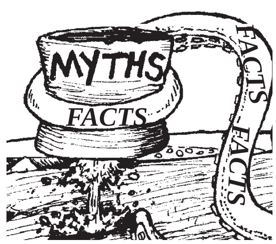
Myth: Large-scale factory livestock farms succeed because of the efficiencies of the free market.

Fact:

Promoters of industrialized livestock production like to argue that their model of agriculture is a natural progression—an example of free market efficiency succeeding. What they don't want the public to know is that factory-scale production of pork, beef and poultry benefits greatly from a silent, but powerful, government subsidy. As some recent analyses have shown, this subsidy may be indirect, but it has had a significantly negative impact on our farmers, our communities and even our landscape.



It has to do with the subsidies crop farmers receive for producing key feedstuffs like corn and soybeans—two of the most heavily subsidized crops in U.S. commodity programs. Corn and soybeans are key ingredients in livestock feed, making up 83 percent to 91 percent of most feedstuffs.

The fact that corn and soybeans are so heavily subsidized produces an oversupply of these commodities on the market. That means low feed prices—prices that are often much lower than what it cost the farmer to produce those crops in the first place. For example, between 1997 and 2005, the market price of corn averaged 23 percent below what it cost farmers to produce that crop, points out Tufts University's Timothy Wise.

That's very good news for large-scale livestock operations. Feed costs account for 60 percent to 64 percent of raising a chicken or producing an egg. About 47 percent to 65 percent of a pork operation's costs are gobbled up by the feed bill. So any force—whether it be rooted in the market or the government—that keeps the price of corn and soybeans low means bigger profits for factory livestock firms like Cargill, ConAgra, Tyson and Smithfield.

How much of a factor are these crop subsidies in the factory farm business? Wise reports that if the broiler industry had paid what corn and soybean meal was really worth between 1997 and 2005, it would have cost it 21 percent more on average to produce those chickens. Because feed costs make up 60 percent of what it costs to raise a broiler, that translates into a 13 percent reduction in production costs. The hog industry enjoys a similar feed price advantage because of commodity subsidies, according to Wise.

"With some diversified family farmers still trying to compete with factory hog farms, the estimated 13 percent reduction in operating costs that factory farms receive from purchased feed is an incentive to industrialization, and gives these operations the appearance of greater economic efficiency than farms that grow their own feed crops," Wise writes.

This factory farm subsidy, discount, gift, whatever you want to call it, comes courtesy of the U.S. taxpayer.

But if you are a farmer-feeder who is raising feedgrains in fields right next to your livestock, how does this affect you? When you feed homegrown grains to your own livestock, you are in effect paying full cost for that feed (the price of raising it), while the specialized factory farm down the road is getting it at below cost. That means they can send animals to the market at a lower cost than the diversified family farmer, creating a perverse situation where raising one's own feed is actually a bad financial strategy.

More Information

◆ To read more about Timothy Wise's research, see www.ase.tufts.edu/gdae/Pubs/wp/05-07RealWinnersUSAg.pdf. or www.ase.tufts.edu/gdae/policy_research/BroilerGains.htm.

◆ The Land Stewardship Project has developed a series of proposals for reforming federal farm policy. For a copy of these proposals, see www.landstewardshipproject.org/pr/06/newsr_060722.htm, or call 612-722-6377.

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This Myth Buster 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.