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Consolidation and competition in agricultural markets

The impact of increased market concentration in agriculture has been the focus of much research, discussion, and regulation over the past century.

Finding the right balance between markets that are highly concentrated and markets that exhibit healthy competition is an enduring challenge that confronts agricultural policy-makers – and is the topic of the new edition of the Australian Farm Institute's *Farm Policy Journal*, released today.

Articles included in the Summer 2017–18 Journal address not only Australian but also US agricultural markets:

- **'Concentration and Consolidation in the US Food Supply Chain: The Latest Evidence and Implications for Consumers, Farmers and Policy-Makers'**, by Tina L Saitone and Richard J Sexton, Agricultural and Resource Economics Department, University of California, Davis
- **'Consolidation, Concentration and Competition in the Food System'**, by James M MacDonald, Chief of the Structure, Technology and Productivity Branch, USDA Economic Research Service
- **'The Effect of Consolidation in Australian Agriculture on Market Competition'**, by Mick Keogh, Australian Farm Institute

A conclusion available from all three papers is the need to be wary of broad-ranging conclusions about either the benefits or the costs of market consolidation in agriculture.

"Close analysis of each particular market is required to fully understand the potential impacts, and the digital revolution provides opportunities to conduct such analysis in a cost-efficient manner," said Institute Executive Director, Mick Keogh.

"There has been considerable market consolidation in Australia over the past few decades, and in many instances this consolidation has been important in ensuring that Australian agriculture remains competitive in global markets," Mr Keogh said.

"While there has been a tendency to attribute the consolidation to the government-driven deregulation that occurred in Australian agricultural markets over the decade from 1994 to 2004, this is only part of the story.

"Technological developments and the globalisation of markets have had a similar impact in other sectors of the economy and in other national agricultural sectors that have not been subject to specific deregulatory efforts.

"Rather than looking backwards at causes, it appears more productive for participants in the sector to look forward and to consider the potential for developments such as the digital revolution to be utilised to ensure that Australian agricultural markets remain fair and competitive.

"At the same time, recent changes to Australian competition laws also create mechanisms to ensure concentrated agricultural markets remain fair, albeit without the risk to international competitiveness associated with the previous heavy-handed regulatory regime."

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