



Fact Sheet

Confined Animal Feeding Operations

The Inevitability Myth

Background



The forces of market consolidation and globalization have merged with technological advances in production, processing and distribution, to make confined animal feeding operations (CAFOs) possible.

Conversely, CAFOs are dependant upon an on-going network of global market supports, including production and export subsidies, as well as a low-cost transportation systems to assure their continued primacy.

Because they have been designed to externalize costs, CAFOs are nominally highly profitable. The allure of consistent revenue streams has attracted prominent individuals and powerful corporations as representatives of this mode of production.

The net result is that CAFO models now supply a major portion of domestic livestock production.

The Myth

These influential leaders have championed the idea that large industrial facilities are the inevitable “wave of the future” due to their capacity to supply a consistent product to any market at a nominally low cost.

They have sent a clear, consistent message to moderate sized producers: “Get Big or Get Out.”

The Reality

In reality, massive subsidies are required to give massive centralized operations their preferential position in the marketplace.¹ In addition, there are indirect subsidies or costs such as the externalized costs of antibiotic

resistance,² environmental degradation, or clean up. These are all too often associated with the concentration of such massive quantities of animals and their manure.

The OEC’s Proposal

A system of more modestly scaled, broadly distributed farms could utilize the identical modern engineering and technology equally as effectively or use other highly efficient “alternative models” –avoiding excessive transportation costs and minimizing energy requirements while also avoiding the excessive

concentration of nutrients with their associated environmental liabilities.

Such a decentralized system would provide opportunities for thousands of additional families and increase the quality of life in rural communities.³

¹ Starmer and Wise, 2007, Tufts University

² Smith et al., 2007

³ Linda Lobo, Industrial Farming/Community Well Being, 2000, OSU

Economies of Scale: The Unfulfilled Promise

The Myth

Proponents of CAFOs have long advocated that they were sources of the world's most affordable foods. They argued that the "efficiencies of scale" would allow them to produce food more cheaply than other farming models. But a funny thing happened on the way to Cheap Food.

The Reality



Unfortunately for consumers, the same marketing linkages that allow industrial livestock production to be distributed nationally and even globally also displace the normal market competition – allowing powerful trans-national corporations to squelch local competitors while retaining market share and maintaining economic margins.

"Captive Supply Contracts" and "Alternative Marketing Agreements" distort normal market competitiveness in various, unexpected ways.⁴

The livestock industry is characterized by many large, proprietary contracts which can be systematically used to depress the prices of that portion of commodities they procure in the open market. The industry lacks the transparency necessary to definitively assess the effect of these contracts on the marketplace as a whole, but clearly, proprietary marketing contracts are used to the benefit of the industry and functionally negate the principles of market competition.⁵

The OEC's Proposal

- » Transparency and a resurgence of market competition are the best medicine.
- » Against rigorous industry resistance, modest reporting requirements were included in the 2002 and 2008 Farm Bills. Much more is needed. Consistent with the Governor's Food Policy Advisory Council recommendations, the re-establishment of local processing infrastructure could bring resiliency to local communities and eventually reintroduce market competition as the primary guiding economic principle in the marketplace in lieu of market power.
- » Direct food infrastructure investment (supporting local entrepreneurs' efforts to establish a local food processing and marketing infrastructure), coupled with strict antitrust enforcement will be necessary to bring balance back into the food system.

⁴ C. Robert Taylor, Auburn U. 2007. Market Structure of the Livestock Industry

⁵ Testimony to House Ag Committee /Livestock, Dairy and Poultry Sub Committee, C. Robert Taylor, Auburn U., 2007, appendix A

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