



May 1, 2023

The Honorable Debbie Stabenow
Chairwoman
U.S. Senate Committee on Agriculture
328A Russell Senate Office Building
Washington, DC 20510

The Honorable John Boozman
Ranking Member
U.S. Senate Committee on Agriculture
328A Russell Senate Office Building
Washington, DC 20510

Dear Chairwoman Stabenow and Ranking Member Boozman:

As you continue your important work crafting the 2023 Farm Bill, we strongly urge you to reject proposals to increase effective reference prices for covered commodities under the Price Loss Coverage (PLC) program.

As American farmers face record input costs and a shifting economic environment, we believe reference price increases are a misguided solution. The input industries responsible for high input costs are the very same ones who stand to benefit from this change. Our research shows these industries tie their input prices to commodity prices received by farmers with a disregard to basic supply and demand pricing fundamentals. Accordingly, any increase in reference prices will only funnel more taxpayer dollars into the profit margins of these corporations.

For all major input industries, just a handful of corporations currently control most of the market share due to rampant consolidation in recent decades.¹ This high level of concentration allows large corporations to closely align input price hikes with rising prices farmers receive for their grain harvests. In fact, in 2018, Yara, a top nitrogen supplier in the United States, wrote “[v]ariations in grain prices (corn or wheat) explain approximately 50% of the variations in the urea price, making grain prices one of the most important factors driving fertilizer prices.”²

In June 2022, Farm Action submitted comments to the U.S. Department of Agriculture’s Agricultural Marketing Service demonstrating that the fertilizer industry is highly consolidated and fertilizer corporations have used their market dominance to price-gouge farmers by tying fertilizer prices to commodity prices, instead of to natural market pressures.³

¹ Hendrickson, Mary K., et. al. 2020. “The Food System: Concentration and Its Impacts.” Available at: <https://farmaction.us/concentrationreport/>

² Yara International. 2018. “Yara Fertilizer Industry Handbook.” Available at: <https://www.yara.com/siteassets/investors/057-reports-and-presentations/other/2018/fertilizer-industry-handbook-2018-with-notes.pdf>

³ See <https://farmaction.us/wp-content/uploads/2022/06/Farm-Action-Fertilizer-Competition-Comments-6.10.22.pdf>

When the price of all major nutrients used in crop production — nitrogen, phosphorus, and potassium — hit record highs in 2021, fertilizer corporations attributed those increases to an array of factors including the war in Ukraine, global shortages, and rising costs of production. Yet, these fertilizer companies’ own financial statements indicate otherwise and we note fertilizer prices were rising at alarming rates far before Russia invaded Ukraine.

Instead, we observe how grain prices have become the industry’s standard way to signal pricing and avoid the appearance of collusion. In 2021, corn prices rose more than 24% and wheat prices rose around 15%.^{4,5} In effect, these corporations tie the price of their products to the farmer’s ability to pay, rather than to supply and demand factors — which equates to an abuse of the market. Such abuses allow concentrated corporations to extract maximum profit out of the pockets of farmers, including increases in government payments.

While we support the Committee’s efforts to improve and strengthen farm bill safety net programs for all farmers, we cannot support increases in PLC reference prices that will ultimately be captured by just a few large corporations. In this tight budgetary environment, we believe such available resources can, and must, be better targeted to best meet the needs of American agriculture, our farmers, and our consumers.

Sincerely,

Farm Action
Ohio Ecological Food and Farm Association
Oklahoma Black Historical Research Project, Inc.
Rural Coalition

cc: The Honorable Glenn “GT” Thompson, Chairman, House Committee on Agriculture; The Honorable David Scott, Ranking Member, House Committee on Agriculture

⁴ “Corn Prices - 59 Year Historical Chart.” Macrotrends. Available at: <https://www.macrotrends.net/2532/corn-prices-historical-chart-data>

⁵ “Wheat Prices - 40 Year Historical Chart.” Macrotrends. Available at: <https://www.macrotrends.net/2534/wheat-prices-historical-chart-data>