

Statement of  
**The Honorable Orrin Hatch.**

United States Senator  
Utah  
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Statement of Chairman Orrin G. Hatch

Before the United States Senate Committee on the Judiciary

Hearing on

"Monopsony Issues in Agriculture:

Buying Power of Processors In Our Nation's Agricultural Markets"

Welcome to today's hearing on "Monopsony Issues in Agriculture."

By far, the most common response to the announcement that the Judiciary Committee would be having a hearing on monopsony issues in agriculture has been: "A hearing on what?" A close second has been: "What is monopsony?" My favorite response, however, has come in the form of several e-mails from helpful individuals who have insisted that there is a typographical error in the hearing title.

As I am sure everyone here today already knows, monopsony is to sellers what monopoly is to buyers. Just as the sole seller in a market - a monopolist - is able to charge more than the competitive price for a product, the sole buyer in a market - a monopsonist - is able to pay a lower price than it would in a fully competitive market. Thus, when discussing monopsony issues, one of the principal concerns is that a buyer with market power may use that power to reduce the quantity that it purchases in order to force down the per-unit price that it pays for a product. This leads to the inefficient allocation of resources and a resulting reduction in economic welfare just as surely as does the abuse of monopoly power.

There is no question that most farmers receive significantly less for their product today than they did 15 years ago. There are not many other Americans who can say their salaries have dropped

over that same period of time. Now, if the price of agricultural products has fallen because of increased efficiency, that is a good thing for consumers. However, if prices are lower because processors have abused their market power to force them below competitive levels, then both farmers and consumers will ultimately be harmed.

Another potential abuse of monopsony power arises in the area of non-price terms. Rather than forcing a lower price, a powerful buyer may instead choose to use its power to insist that a seller accept less favorable contract terms than would be negotiated in a competitive market. This also is a concern in the area of agriculture. For example, many argue that producers are forced to accept binding arbitration clauses that leave them without satisfactory recourse against processors. Again, if such contract terms reflect the abuse of market power by processors rather than market efficiencies, both agricultural producers and consumers will be harmed.

These and other important issues will be discussed by our distinguished witnesses today. In particular, I would like to welcome Assistant Attorney General Pate and Dr. DeeVon Bailey. Mr. Pate hasn't been on the job all that long, but I like what I've seen so far. Mr. Pate had the good sense to hire my former chief counsel, Makan Delrahim, which is a testament to his good judgment. Dr. Bailey is a professor of Agricultural Marketing and Price Analysis and has focused in his academic work on agribusiness concentration. I consider him one of the most knowledgeable academics in this field. He recently won the E.G. Peterson Extension Award, which is probably the most prestigious recognition a professor can receive at Utah State University. I have often relied on his expertise over the years on agricultural policy questions.

I'd like to welcome all of our witnesses, and thank them for coming. I look forward to their testimony.