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**Subject:** Comments for Hearing at Ankeny, Iowa on March 12, 2010

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## **STATEMENT BY BOB KRAUSE** **Democratic Candidate, United States Senate**

*The following is a statement prepared by Bob Krause concerning Monopoly Practices in Agriculture that he has prepared for submission to the Joint DOJ/USDA Workshop to be held March 12 in Ankeny, Iowa:*

Thank you for this opportunity to make a statement concerning the topics of "seed technology, vertical integration, market transparency and buyer power" before this workshop.

My direct concern for this workshop is that something be done to curtail monopoly practices that have build up in the agricultural seed business. As I will demonstrate, these practices have the potential for a great detrimental effect on Iowa farmers, as well as on the Iowa economy. Between seed corn and seed beans, I estimate that possibly as much as \$380 million may be extracted from Iowa farmers due to excessive market power.

In this statement, I will present my case as to why the Department of Justice needs to:

A Take aggressive measures as authorized by existing anti-trust laws to curb the practices of Monsanto as they relate to pricing of seed corn and seed beans in Iowa and the nation.

B. Seek a cease and desist order barring predatory practices that are decimating the national ability to produce seed stock that is not Monsanto connected.

It has been documented in a number of places that Monsanto genetic patents govern in the range of 80 percent of seed corn sold in Iowa and 90% of seed soybeans. Monsanto seed corn is priced at between \$150 and \$300 per 50 pound bag,

depending on traits, with seed corn prices going up over 25% in 2008 and successive 'value' increases since, according to Monsanto literature.

For seed corn in Iowa, I estimate that the market distortion may be as high as \$250 million dollars. Last year, Iowa grew 13.3 million acres of corn. Each 50 pound bag of corn has around 80,000 seeds in it, which farmers will plant at the rate of 28 to 40 thousand seeds per acre. The average is about 2.4 acres per bushel or 5.6 million bags of seed corn for Iowa. An 80% market share would be 4.4 million bags. If just the single year increase of over 25 percent was created through market power, which appears likely, 25 percent of an average price of \$225 per bag = 56.25. In the end, this equates to 250 million dollars of potentially excessive Monsanto profits as taken from Iowa corn farmers alone.

Seed soybeans have a similar story. There were about 9,750,000 acres planted to soybeans last year in Iowa. Seed soybeans are sold by weight, and have 100,000 to 160,000 seeds per bag (average 130), and about 130,000 to 180,000 seeds are planted for each acre (mid range 155). Thus, for Iowa, it can be estimated that around 11,625,000 bags of seed beans are required to plant Iowa's soybean crop. Seed beans sell for between \$40 and \$60 per bag (average \$50). If 90% of Iowa's seed beans are covered by Monsanto genetic patents, and there is an assumption of 25% market power, possibly as much as \$131,000,000 in profits from Iowa could be exacted above market forces.

The second point that I ask, that the Department of Justice pursue a 'cease and desist order,' relates to alleged predatory practices by Monsanto that may possibly be reducing the pool of available non-Monsanto seed producers. According to the documentary "Food, Incorporated," Monsanto employs team of undercover agents that aggressively seek out contaminated non-Monsanto seed. While a patent holder does have certain rights, the deep-pockets ability of Monsanto to use the threat of lawsuit and financial ruin against non-Monsanto affiliated producers must be bridled. There are credible anecdotal reports about Monsanto suing or threatening lawsuit for what would appear to be accidents of agriculture and nature. While beans do not generally cross-pollinate from field to field, corn is especially susceptible to cross-pollination - given a good wind from the right direction. And even soybeans are susceptible to agricultural accident when grain handling equipment malfunctions or leaves residue beans available for inadvertent co-mingling.

These accidents of fate and nature can place a small producer in an unintended and

undeserved legal trap. Through no fault of their own, they can find themselves facing a barrage from a skilled corps of Monsanto lawyers that gives the small producer no benefit of the doubt and no quarter.

The overwhelming majority of these cases are settled out of court because the farmers are unable to bear the expense of litigation against a corporation with overwhelming resources. Invariably, a gag order is placed on the parties so there is no visible history of settlement patterns. Even so, this lack of hard information as to downside risks simply adds to the intimidation factor and the remains very real. To avoid the dangerous pitfall, a small seed producer may well decide that it is easier to 'join-em than fight-em." This in turn leads to more industry price consolidation as yet more seed producers sign agreements with Monsanto to get on the Monsanto pricing bandwagon.

I ask that the US Department of Justice and the US Department of Agriculture review these circumstances and create remedies that will break the unhealthy monopoly environment that now appears to exist.