Opinion

Our View

Monsanto, Syngenta merger needs close scrutiny

It's a given that anything Monsanto does will produce howls from its numerous critics, so it surprised no one that when the company proposed buying rival Syngenta the chorus quickly found its voice.

While it's too early to be certain what a combined company would look like, the prospects of a merger between two companies that each have such large footprints in the seed, genetics and ag chemical businesses raises legitimate questions for customers and regulators.

Monsanto has offered Syngenta a stock-and-cash deal worth nearly $45 billion and recently upped the offer with a $2 billion reverse break-up fee if the deal is nixed by regulators. Syngenta turned down both deals, describing Monsanto's offer as "paltry."

Rueters reported last week that Syngenta officials are leery of the potential regulatory hurdles any deal would face, and are worried about the negative feelings many hold for its suitor. But for the right price — another $2.5 billion on the breakup fee, Bloomberg says — those concerns could be put aside.

The similarities between the two companies' businesses naturally raise anti-trust concerns. Both are dominate seed companies with significant genetic trait businesses and popular pesticide brands.

Sara Miller, a Monsanto spokesperson, said the proposed combined company would be an even stronger partner to farmers.

"The combination would offer the opportunity to accelerate innovation, putting meaningful technology and additional choice into the hands of farmers faster than what any in the industry are doing today," she said.

There is that. The company would have tremendous assets to leverage into new products. That could be good.

Critics point out that the resource advantage could just as easily be used to control the market.

Farmers are worried that a combined company that controls such a significant share of the popular seed varieties, genetic traits and chemical inputs would pretty much have them at their mercy.

"If there were further concentration, they may dominate the market in a way that's not desirable," Jean-Paul Chavas, an agricultural economist specializing in the biotech industry at the University of Wisconsin, said.

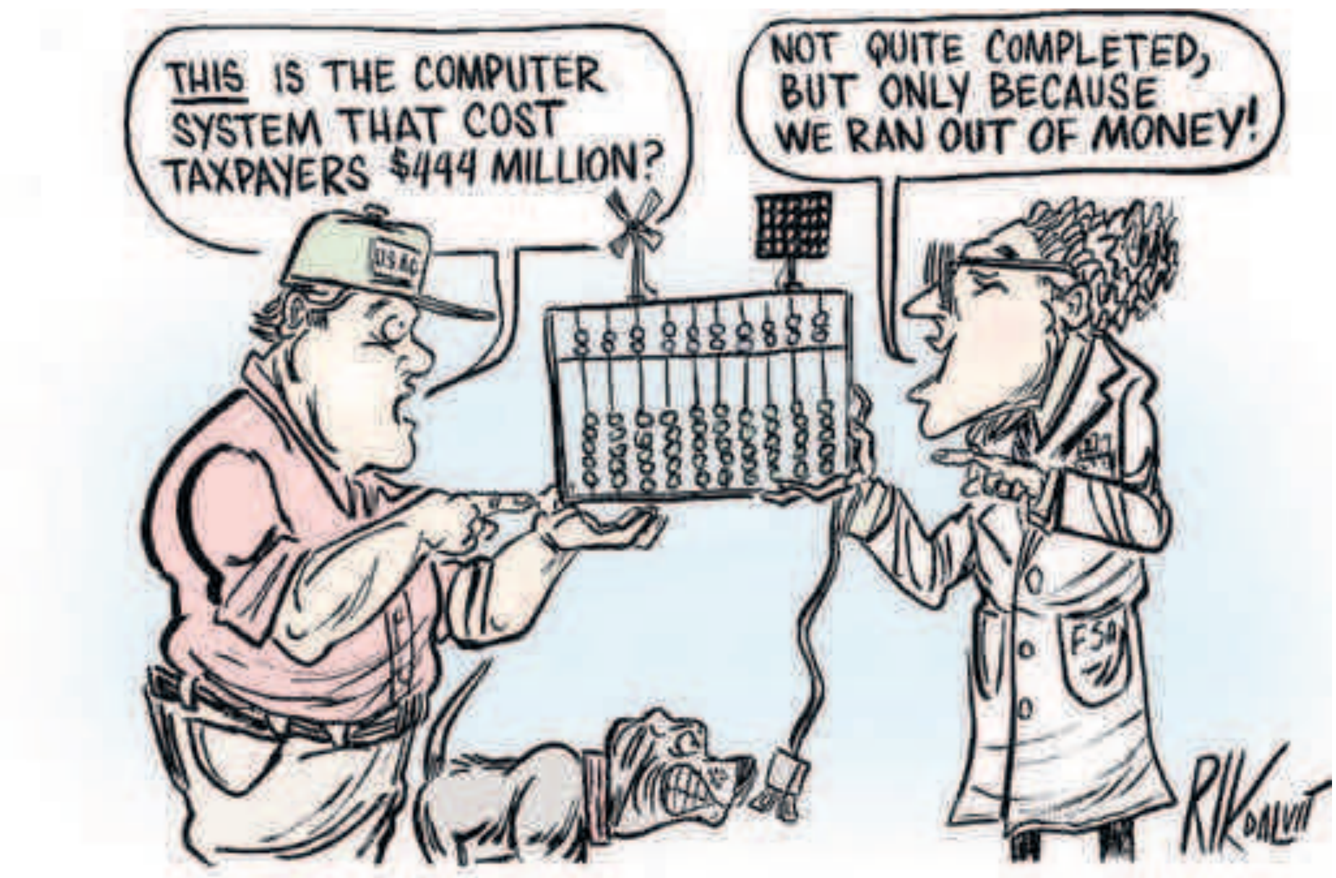
Monsanto said it would sell off Syngenta's seed and genetic traits businesses after the merger, along with any overlapping chemical lines. But the deal would nonetheless eliminate one of the major three biotech companies.

No doubt federal regulators would examine the competitive landscape before approving any deal. That means a buyer or buyers for the cast offs will have to be lined up and ready to go as part of the deal.

We're willing to concede that a combined company could spur new advances that could be beneficial for farmers. It's also possible some spunky up-and-comer could use the cast offs as a basis for innovation.

At the same time, we can't shake the nagging feeling that as good as all this could be for customers, there could also be down sides.

We'll withhold final judgment until there's an actual deal to ponder, and regulators have had time to give it a thorough examination.



Rik Dalvit/For the Capital Press

Our View

FSA computer system shows reverse MIDAS touch

The federal government put a man on the moon, but 46 years later it can't come up with a computer system for the USDA Farm Service Agency.

Such is the plight of the federal government in the 21st century. When it comes to computers, Uncle Sam is — how should we say it — a few bauds short of being online.

The Affordable Health Care Act overwhelmed the federal government's best and brightest, delaying Obamacare's debut and setting into motion a cascade of delays and missed deadlines that embarrassed the president.

Add to that embarrassment the FSA's recent giga-catastrophe. An audit by the USDA Office of Inspector General found that the agency had overspent its original budget by $140 million. The project was halted two years after it was supposed to be completed and never fully implemented. Auditors faulted how the agency managed the project and how contractors handled the workload — in short, nearly everyone.

"These cost and time overruns were caused by ineffective project management and oversight," the auditors wrote.

They found that participants were working at cross purposes and pursuing different strategies for accomplishing the same goals. "Thus, these two teams were working toward a similar goal using two separate and unique solutions, leading to an 'us versus them' mentality among MIDAS and other staff members," according to the auditors.

In the process, they spent $444 million in taxpayer dollars and accomplished only a tiny fraction of the goals.

Ouch.

FSA and USDA managers have now put the project on hold until they figure out whether to try to salvage it or cut their losses and start over.

What makes the FSA project especially ironic is its name — MIDAS, the acronym for Modernize and Innovate the Delivery of Agricultural Systems. Maybe it should be renamed Reverse Midas, since it started with gold and converted it into something else entirely. Something that reminds us of fertilizer.

Which would be funny if it weren't so sad. The federal government — which we all fund through our taxes — doesn't have a penny to spare these days, let alone $444 million. The thought of such a huge and costly failure during these times is unthinkably depressing and defeating.

We can only hope at least some that money can be salvaged through lawsuits or other means.

It is interesting that the federal government has yet to embrace this Age of Computers. Private industry boasts the finest computer scientists and engineers in the world, but the government seems to bungle its way through many of its projects.

Even NASA, which led the way to the moon in the 1960s, is now contracting with private companies such as Space X to transport astronauts between earth and the International Space Station.

Obviously, NASA knew something that FSA didn't.

In Rancho Santa Fe, the drought is for others

Officials in Sacramento have touted how Californians have come together to reduce water consumption in the face of the fourth year of drought.

In April, the state's residents reduced water consumption by 13.5 percent. But then there's Rancho Santa Fe, a well-heeled enclave in San Diego County. Water consumption there actually jumped 9 percent.

Ranch Santa Fe uses five times the water per capita as the rest of the state, according to the Washington Post. The Post found no shortage of residents on the ranch — as the town is known by residents — who are on record that the drought is for the little people who can't afford the water.

Steve Yuhas says no one should be forced to live with brown lawns, or golf on brown courses.

"We pay significant property taxes based on where we live," he said. "And, no, we're not all equal when it comes to water."

Apparently not. Farmers are expected to let their crops turn brown and leave their fields fallow. But, they don't like that any more than Yuhas enjoys dry fairways.

Gay Butler, an interior designer, told the Post that all the "drought shaming" of Rancho Santa Fe is unfair.

"It angers me because people aren't looking at the overall picture," Butler said. "What are we supposed to do, just have dirt around our house on four acres?"

The drought will cost the farm economy $2.7 billion and almost 19,000 jobs. Livelihoods are being lost, but in Rancho Santa Fe it's about brown yards and golf courses.

Who isn't looking at the overall picture?

Farmers in the Northwest need access to affordable crop insurance

By KENT WRIGHT
For the Capital Press

Guest comment
Kent Wright

When the 2014 Farm Bill became law, it marked a pivotal moment in the history of U.S. farm policy. The new Farm Bill eliminated direct payments and reduced some of the price support policies of the past in favor of expanding crop insurance,which allows farmers to purchase varying levels of protection for their crops.

Gone are the days when farmers got a check every year regardless of weather or market conditions. Gone are the days when large-scale natural disasters would trigger wildly expensive disaster bills aimed at helping farmers get back on their feet. From here forward, farmers who want risk protection will receive a bill, not a check, when they sign on the dotted line every year.

This is a good thing for several reasons. First, crop insurance ensures farmers have a risk management plan in mind early in the year. In addition to that plan, they must put their money towards purchasing a crop insurance policy. This is no small amount of money for many farmers, who in 2014 spent roughly $3.8 billion on crop insurance premiums.

All told, those policies protected 295 million acres of farmland valued at $129 billion. Today, 90 percent of planted cropland is protected by federal crop insurance, which protects 128 different varieties of crops in all 50 states.

The evolution to crop insurance has effectively moved risk management away from the public sector, funded exclusively by taxpayer dollars, and toward the private sector, where farmers and crop insurance companies help shoulder part of the cost of natural disasters. This is good for taxpayers because it takes them off the hook for the entire bill when disaster strikes, good for farmers who must always keep their risk management plan in mind, and good for rural America because farmers are the engines that generate economic activity.

Crop insurance has been around since 1938, but it wasn't until Congress decided to make it affordable and ubiquitous that farmers really began to sign up. And when disaster struck — as it does nearly every year somewhere here in the Northwest — farmers turned to their crop insurance policy and their agent, not their member of Congress, for help.

The demographics of farming can be rather scary, with the age of the average age of the nation's farm operators at 58 years old. For young and beginning farmers, access to affordable and reliable crop insurance is honestly a make-or-break issue. For those just entering farming, the costs are high and their ability to sustain a loss is very limited. For them, purchasing a crop insurance policy not only protects their crops, but their careers paths as well.

Crop insurance is very popular here in the Northwest, with farmers and ranchers in Washington, Oregon and Idaho spending more than $96 million out of their own pockets last year to purchase the peace of mind offered by crop insurance. Those policies protect the region's apples, potatoes, sugar beets and a long list of other crops from the ravages of Mother Nature and volatile market swings.

In the old days, farmers largely relied on disaster assistance from the federal government in times of crisis. According to the Congressional Research Service, some 42 ad hoc disaster assistance bills cost taxpayers $70 billion since 1989.

With access to affordable, available and viable crop insurance policies, farmers have the backstop they need to bounce back when our rapidly changing climate throws them a curve ball. That's good for farmers, good for consumers who eat their produce, and good for the rural economy, which is largely supported by local farmers and ranchers.

Kent Wright is president of Northwest Farmers Union.

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