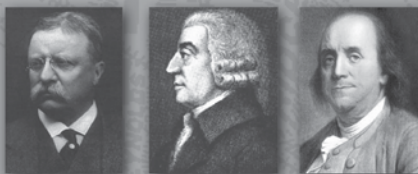


ocm

Organization for
Competitive Markets



Honesty. Prosperity. Economic Liberty.

OCM News
December 2008

A Seed Planted In Last Years Stubble



RANDY STEVENSON
PRESIDENT

The Bible says it is more blessed to give than to receive, but you would think that there are an awful lot of people oblivious to it. They're living with the expectation that they are going to receive a great deal. No, I'm not talking about children looking forward to a visit from Santa Claus. I'm talking about a whole line of businesses and even governments that are looking for a federal sugar daddy.

Whether the bank bailout genuinely averted a disaster or not, it set an uncomfortable precedent. A failing business, especially if it is big enough, can hold its hand out to Uncle Sam and thereby avoid responsibility for its own stupidity or bad decisions.

One of the things that is important for our free economy is that we must have the possibility of success—it is the essence of the American dream. However, when the government precludes the possibility of failure, it also takes away the possibility for success.

When the Depression hit the US economy, many businesses failed. By virtue of their failure, many entrepre-

neurs had room to build a successful business. In totalitarian economies such as existed in the old Soviet Union, no businesses failed in the sense of going out of business, even though they were miserable operators.

Nearly every commodity produced, and nearly every product goes through cycles. The economies of every free nation and of the free world go through cycles. It's boom then bust. It has happened that way for years. The current cycle is just another of the same kind.

When the bust has come in the past, businesses failed. At the same time, others rose to take their places, operating in better ways than the ones before them. Now, the government is trying something different. We would prefer to see the federal government act as a referee in the marketplace, making sure that all entities are equitably competitive in terms of market power. That would certainly require an aggressive stand. But what is happening with some of the bailout money is that the government

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FROM THE BOARD MEMBERS AND STAFF AT THE ORGANIZATION FOR COMPETITIVE MARKETS

STEVENSON (continued
from page 1)

has stepped beyond the referee status and is now picking winners and losers.

Whatever position we take on whether the federal government should engage in stimulating the economy, we have to conclude that picking winners and losers is destructive to our long-term economic well-being.

While many in Congress have decried the dearth of young people entering into agriculture, they have failed to

grasp the realities of a free market they are toying with by bailing out a few selected firms. Young people find their greatest opportunities in the ruins of failed businesses. Given a fair shake and access to a competitive market, some of them will thrive. Our future depends on it.

So, whatever form a stimulus or rescue from Congress may take, it should leave the possibility of failure in place so that others can succeed, especially our young people.^{RS}



See us on the web!



FRED STOKES
EXECUTIVE DIRECTOR

Hope for a Brighter Future

Over the years, I have become known as something of a chicken little. I have decried the inequities in agricultural markets, the disappearing family farm, the off-shoring of our jobs, wealth and productive capacity and our massive debt; foreign and domestic. I guess the current financial crisis might give me an excuse to say, "I tried to tell you folks". Strangely however, I feel somewhat hopeful of late. Maybe it's the season. If one truly believes Christmas is the occasion for celebrating the birth of our savior, it is hard to persist in predicting doom.

One of the more memorable quotes from the presidential primaries this past summer was a line from Congressman Duncan Hunter of California. He said that he believed that God still loved this country and that it could be redeemed. I concur and believe that with a little providential help, we can turn things around. Coming out of denial and oblivion is the first step; and I'm beginning to hear people express their concern and a need for change. They can now see the financial crisis and other aspects of the train wreck that some of us tried to warn about.

There is no doubt that we're in for some pain, but pain can be good therapy. It often takes tough times to shake us out of our preoccupation with ourselves and make us think about our

neighbor, our grandkids and our country.

I am encouraged that after a long and bitter presidential campaign, we seem to be rallying around the incoming administration. With the exception of a few partisan snipers on the fringes, Americans are cutting this new president elect some slack. Most are impressed with the early selections for staff and cabinet. However, at this writing the choices for Secretary of Agriculture and key positions within the agency have not been made. It is essential that GIPSA, AMS and other positions within USDA be filled with good people who are not biased toward big agribusiness and free trade (as opposed to fair trade).

So, my cynicism is giving way to hope. While we still have big problems and the horizon looks stormy, I believe things are fixable. As one of faith, I accept the remedy laid out in the Bible, Second Chronicles; 7:14. Another aspect of the path back from the abyss is for us to reclaim our participatory democracy. We must get involved in a responsible and constructive way. We cannot allow those mercenary interests to continue to write the agenda. Regardless of one's political affiliation or philosophy, this incoming administration and the next congress represent our best chance;

perhaps our last chance, to turn things around.

We must act!

We must reverse the flow of production capacity, jobs and wealth from this nation to Asia and other foreign nations. The obvious fix for our financial crisis is to grow and make things here in America and put our people back to work. To accomplish this, we must seize this fleeting chance to reorder incentives and bring about fairness and the proverbial level playing field to foreign trade and to markets.

OCM will hit the ground running in the New Year. We will lay out our agenda and work closely with other organizations to get things done. We have unfinished business. We don't have the financial resources of those on the other side of the issues but we can collaborate, we can coalesce, we can inform and educate and we can vote. Collectively, we can turn things around and preserve the blessings we have enjoyed for future generations.

As we celebrate Christmas and the New Year, please remember what this glorious season is all about; the birth of Jesus Christ, the object of our faith and a renewed opportunity to set things right.

Please accept my sincere best wishes for a wonderful Christmas and New Year^{FS}



Food is Life

BY RICHARD OSWALD

Suppose we allowed US agriculture to consolidate into 5 large corporations that account for nearly all of the processed food in the United States. And suppose those corporations grew so large that they had tentacles extending into nearly every food related business in the nation and the world. And what if a majority of those 5 major corporations through lack of oversight from their own overseers as well as those of the government, failed catastrophically in such a way that virtually all food production and distribution was threatened?

That's what happened when our financial system nearly crashed and burned this year. Many people lost their investments, their homes, their

jobs, and their retirement.

People are always the first to feel it and the last to heal it.

In order to mend the problem the Federal Reserve basically had to print more money...but the problem still isn't fixed as more and more big businesses fall like a row of dominoes. Right now there seems to be no end in sight.

So far the results for AIG, Merrill Lynch, Washington Mutual, and Citigroup have been mixed at best, but worse for Lehman Brothers, and maybe GM, Ford, and Chrysler too.

And the printing presses at the Fed keep running day and night.

Is bigger really better? In giant corporate America, bigger now seems to refer more to losses than ef-

ficiencies. Yet consumer food costs remain high even though food commodities are well off the peak.

For those promoting the same business model for US food production that is currently causing so much financial and business pain both at home and abroad, my question is this; "How do you print more food?"

Still, it doesn't appear that we've learned a thing, because some are still saying that the answer to cheap abundant food lies with the notion that bigger is better in portions, in trade, and in corporations.

In order for our financial system to thrive, plastic has been a key ingredient.^{RO}





EMPLOYMENT NOTICE

Job Title: Crop Seed Concentration Project Leader-- Full Time

Organization: Organization for Competitive Markets (OCM)

Organization description: OCM is a national nonprofit farm organization focusing upon issues of agricultural antitrust and international trade. It is a membership organization advocating public policy change to benefit America's farmers, ranchers, growers and feeders.

Job description: OCM has launched a campaign to raise awareness of concentration and unfair marketing practices in the crop seed industry, with a special focus on genetically modified crop traits. The primary duties of the Project Leader will be to educate farmers, policy makers and the media; work with OCM members and other coalition organizations; write letters, press releases and online blog posts; mobilize and coordinate citizen action for specific goals; organize and speak at meetings and events; and perform other tasks as needed. In addition, the selected candidate will be expected to perform other general organizational duties, to include membership recruiting and various other assignments.

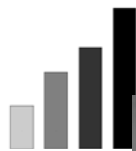
Skills: Applicants must be highly motivated and organized self-starters; have solid previous employment history; good communication and interpersonal skills, including writing and speaking; comfort with deadlines; above average computer skills; good flexibility and willingness to learn.

Location: The person selected will work remotely from home, with substantial travel involved.

Salary: Competitive and commensurate with ability and experience.

Response deadline: January 10, 2009

Contact: Send a letter of interest, resume, three references and two writing samples to: Fred Stokes (tfredstokes@hughes.net)



DAVID KRUSE

PRESIDENT, COMMSTOCK INVESTMENTS

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The Grocery Manufacturers of America (GMA) attempted to use higher corn prices, which they blamed on ethanol, as a diversion to give them an excuse to raise food prices. The facts are not on their side. Food only comprises 19% of the food dollar and only a very small portion of that is corn related. Blaming higher food prices on corn and ethanol as the GMA has done to explain food price hikes is like claiming that the tail wags the dog.

Higher energy prices have had significantly more impact on food prices than the cost of the raw food ingredients. Ethanol had more impact lowering the cost of motor fuel than it did raising food costs. When Texas Governor, Rick Perry asked the EPA to roll back the RFS, the subsequent EPA study conducted showed ethanol raised feed prices costing Texas livestock producers \$1.8 billion but saved Texas motorists \$4 billion, for a net savings.

While complaining about higher corn costs, lashing out at ethanol, many food companies reported larger profits. In other words, they raised prices more than food and energy costs went up, profiteering from the rising prices using price hikes blamed on higher costs to gouge consumers, widening margins.

The Iowa Corn Grower's reported, "Citing the (recent) decline in corn prices, Iowa Senator Charles Grassley has asked the Grocery Manufacturers of America (GMA) when its members will reduce food prices and challenged GMA for continuing to make ethanol a scapegoat for high food prices. Congressman Collin Petersen, Chair of the House Agriculture Committee, has also called on GMA members to reduce prices and apologize to farmers for its anti-ethanol smear campaign. A GMA response maintained that ethanol production is the largest factor increasing corn prices."

Ethanol was a factor raising corn prices among many other factors. No one would argue with that. We would argue that the GMA members enjoyed the benefits of below the cost of production corn prices for many years, low prices sustained by government subsidies and like spoiled children losing a privilege, reacted like cry babies when the price of corn became profitable to farmers like that was something unfair.

The price of corn is now back down below the cost of production again, so the GMA can stop shedding those crocodile tears. With the profit they have been making, they can afford silk handkerchiefs. Sen. Chuck Grassley challenged the GMA directly on what he called a smear campaign, distorting the impact of corn prices and ethanol on food prices. In a letter to the GMA, Grassley wrote, "Since the smear campaign was launched last spring, I've been calling for intellectual honesty regarding ethanol and its role in the economy. Recent changes in the market confirm that many factors contributed to higher food prices during the last year. Yet as recently as October 6, 2008, Scott Faber of your

organization was quoted by the Desert News as saying, "The food manufacturers are high-volume, low margin companies that have initially absorbed a lot of the costs of higher commodities prices."

Food companies used higher corn prices as cover to gouge consumers with large price hikes. They now have the luxury of seeing raw food prices fall so they can trail food product prices lower while maintaining fat margins. These guys are very good liars who got where they are at by knowing how to game the system.

Senator Grassley added "In fact, when oil prices and commodity prices rose earlier this year, food processors and grocery stores reflected their higher input costs almost immediately, passing them onto consumer's. However, since commodity prices have declined over the past three months, we have seen retail food prices continue to rise."

While there were other factors than the impact that ethanol had on corn prices and many factors more powerful as to why corn prices went up than ethanol, the GMA focused on ethanol as the cause of food prices rising. That's a gross distortion of facts and so irresponsible the ethanol industry was compelled, like Senator Grassley, to respond.

The ethanol industry and other ag groups formed a coalition called Growth Energy to launch an ad campaign challenging the GMA's claim that ethanol

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David Kruse is president of CommStock Investments, Inc. author and producer of The CommStock Report, an ag commentary and market analysis available daily by radio and by subscription on DTN/FarmDayta and the Internet. CommStock Investments is a registered CTA, as well as an introducing brokerage. (Futures Trading involves risk. Past performance is not indicative of future performance.) CommStock Investments, Inc., 207 Main St., Royal, IA, 712-933-9400, www.thecommstockreport.com, E-mail to: csreport@ncn.net.



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