ocm
Organization for Competitive Markets

OCM News
September 2008

Honesty. Prosperity. Economic Liberty.

# Another Great OCM Conference

Fred Stokes
Executive Director

**What a conference!** On August 21-22 we concluded what I believe to be the best OCM conference in our ten years of existence. It was held again at the Downtown Double Tree Hotel in Omaha, the place where we gathered in the spring of 1998 to lay the foundation for OCM and have since held a number of annual conferences.

The theme for this year's conference was; ***"The ills of undue corporate power over our government, courts and institutions".***

Some say that those who speak against the excesses of big business, flawed trade policy and government actions are protectionists, isolationists or unpatriotic. I contend that those who challenge flawed government policy, bad court decisions and the mercenary folks who put money and their narrow interests before the interests of their neighbor, their country and future generations are the true patriots. I like what Mark Twain said: *"patriotism is always supporting your country; and supporting your government when it deserves it".*

It is our blind luck that we live in this great country at a time which I believe to be the apex of its power and prosperity. I believe we are duty-bound to protect these blessings and preserve them for future generations. I'm okay with being called a protectionist.

At this year's conference, we had an all star lineup of speakers and hard hitting topics that were true to the conference theme.

Things began at 2:00 PM on Thursday the 21st, with a special meeting to discuss the influence on cash prices by massive speculation in the futures markets. The futures markets were formed as a tool for farmers and ranchers to discover price and manage their risks. But many feel (me included) that they have degenerated into something akin to a floating crap game. We were fortunate to have as a presenter, Mike Masters, an investment fund manager who has testified before several congressional committees on this subject.

Also presenting was Fowler West, a former commissioner on the Commodities Futures Trading Commission (CFTC). Fowler vigorously dissented from the deregulation of the futures under the chairmanship Of Windy Gramm in the 80's and paid a price for his courage. Rick Keith of Producers Livestock Marketing Association moderated the discussion and sponsored the

Please see STOKES on page 7


*OCM's 10th Anniversary Annual Meeting, Omaha, NE. From Left to right – Fred Stokes, Keith Mudd and Pat Chaote.*

WHAT'S **INSIDE**



*Market Speculation Meeting – August 21. From Left to right – Fowler West, Mike Masters and Rick Keith*

FROM OCM'S GENERAL COUNSEL

MICHAEL STUMO

## MAJOR GAINS FOR PRODUCERS, CONTINUED CHALLENGES

Oil prices are falling again, as are grain and oilseed prices, and hog prices. But input prices are staying high, including crop seed, fertilizer, chemicals and land rent. And consumer food prices are not declining, because the retailers and food companies want to – and can – keep their profits.

The editorial pages of major newspapers say farmers produce too much when prices are low. Producers lose money because of their own fault. "Agricultural surpluses." Producers ride out the loss years in hopes of making it to profitable years.

The past two years for row crops has been good, and there have been no surpluses. But these are the years row crop farmers have waited for when weathering the lean years. Newspaper editorial pages say that farmers are getting rich and don't need a Farm Bill. And ethanol should not be mandated in the gasoline, those Very. Serious. People. tell us.

Let's look at ethanol. First, it replaced MTBE in gasoline, a chemical that penetrated the soils, infiltrated water supplies, and caused health problems. Second, ethanol has broken the oil monopoly on the gas tank. You can argue that cellulosic ethanol or other energy supplies are better, but they have an easier opportunity now to break through. Third, community or farmer owned ethanol plants have broken ADM's and Cargill's chokehold on the industry. Concentration in the ethanol production industry has declined, and the number of sales outlets for farmers has increased.

Lastly, food prices decline – not increase - because of ethanol. I know that ethanol has been blamed for the increased price of bread and pasta, as well as price hikes in beer. But how much corn is in those products? None. And in corn flakes, the doubling of the corn price would make about one nickel's difference in the final corn flakes box price.

Because ethanol displaces 5% of foreign oil in our gasoline, the marginal price impact on gas prices is high. If ethanol was removed from gasoline, then the increased demand for petroleum would drive fuel prices higher and this would increase costs across the food – and nonfood – economy. In sum, ethanol keeps gasoline costs lower, which keeps all food lower in price than it otherwise would be.

For row crop producers, these have been good profit years. For livestock producers, the high feed costs have been a real problem. Corn is a major input for livestock producers. Northern feedlots have a competitive advantage, however, over southern feedlots because of high quality DDG's (dried distillers grains) coming from the ethanol plants. Hog producers cannot use DDG's.

We face real risks ahead. Monsanto has increased its triple stack corn seed prices from $200 to $300 per bag in some regions. Soybean seed prices have similarly been increased. Fertilizer prices have gone through the roof. I hope I am wrong in saying the prices are unlikely to decline in proportion to the fall in corn and soybean prices. Retail supermarkets are unlikely to give up their price increases.

More antitrust enforcement can help. OCM is addressing concentration in the seed industry with our seed concentration project. We are working hard on the JBS merger as well. Our Farm Bill issue advocacy resulted in laws to make agricultural contracts more fair.

Hopefully, the next administration will be more receptive to making competition work in the agricultural marketplace.[MS]

# Leaving the Station –

## HOW THE MONSANTO PROFITEERING TRAIN ROLES

By Matthew Dillon

On August 12th Monsanto hosted "Whistle Stop Tour III" at their Monmouth, Illinois research facility. Monsanto press releases referred to the event as a "field day" for investors and financial analysts. Those marketing gurus at Monsanto sure love to co-opt language as much as their lawyers like to appropriate farmers' rights and public germplasm. The folksy sound of a "whistle stop tour" and a "field day" are quite suggestive of bygone days.

Field days use to be an opportunity for farmers to visit public research stations (where did those go?) or even a neighboring farm and learn new techniques and share information. That was before farmers feared their neighbors spreading accusations and rumors of their being a seed saver of course. Whistle-stop tours were a way for the populace to interact with candidates and elected officials. The August 12th event was neither for farmers nor the populace, but rather a platform to announce to the wealthiest of investors and traders how Monsanto plans to double gross profit by 2012, and how these numbers will benefit shareholders. Good ole folksy rural fun – celebrating how you can charge the farmers more and daydreaming about that new yacht your stock dividends will keep afloat.

This growth in profitability will be primarily from seed (particularly in corn and vegetable seed) as compared to herbicide and other products. Profits in seed are clearly linked to Monsanto's continued acquisitions of other companies (which extends their market share) and to an increase in licensing payments for proprietary technologies. Additionally, new profits will come from Monsanto's plans to create a new pricing structure, where the farmer who most needs their traits pays the highest price.

The biggest news in acquisitions this summer was Monsanto's agreement to invest in a Chinese corn seed company. Currently producing 67 million acres of corn, China is poised to be a major competitor in the global corn products market. Coincidentally (?), the Chinese government gave approval to biotech corn and soybeans a week after Monsanto announced the new joint venture so the market for Monsanto traits is going to get big real quick.

Monsanto announced at the Whistle Stop Tour that they will increase market penetration and profit in their tripled stack traits. US Farmers planted 28 million acres of Monsanto's triple-stack corn in 2008, and estimate that it will increase to 35 million in 2009, reflecting more than 65 percent penetration. I'd love to see a study of farmers purchasing varieties with triple-stacked traits that questioned if they bought them from need, or because their single and even double-stack traits are no longer available. The truth is: Monsanto doesn't even want competition from its own trait packages. RoundUp Ready resistance is all that you want? Tough luck, they only license that trait to your dealer stacked with above and below ground pest protection as well. They see an opportunity to make more money selling you all the add-ons, and so are making it impossible for a farmer to just buy the single trait.

Monsanto calls their new pricing plan a "value-based pricing model". The model creates seven pricing zones in the United States based on pest pressure. Pricing of the traits is linked to the value the farmer receives from combating pests with the trait. If you really need it, you're going to pay as much as you can afford to pay for it. Value-based pricing models are becoming quite popular. Microsoft used the "value-based" pricing argument when defending itself in anti-trust hearings in 2000. They claimed that, yes, they could have made money charging customers $49 for Windows 98, but that customers received value in the operating system that allowed Microsoft to charge $98 for it. Justice Thomas Jackson referred to Microsoft's maximizing of profits through the value-based model in his verdict (USA vs Microsoft, Section H6), which found them guilty of breaking US competition law. The case also detailed how Microsoft forced consumers to buy upgraded operating systems, much like Monsanto does with forced upgrades to triple-stacked traits.

We'll continue to work with farmers and other partners in the OCM seed concentration project to draw attention to these types of practices. We can only hope that state Attorney Generals and the US Department of Justice will begin to see the patterns in how a single dominant player uses market penetration to force customers to pay unfair market prices for products, as well as pay for extra bells and whistles. Got to keep the investor profit train rolling. All aboard?

## OCM PRESIDENT REPORT

### BY RANDY STEVENSON

How did I get here? I loaded up my wife Charlie, my son Oakley in our F-350 dually and headed for our first meeting with OCM. It was a "price crisis" meeting in Omaha, and we had to travel on I-80 from all the way from Cheyenne to Omaha. We felt every single expansion crack along the way. If we had put a quart of cream on the floorboards, it would have turned to butter long before we arrived. Despite the unpleasantness of the trip, it was well worth it. That was the beginning of a long journey.

I came away from that meeting thinking that the competition issues in the cattle market could be solved. I heard Michael Stumo, David Domina, and Bob Taylor present the problem in the market in such a way that I understood them. With that understanding, I could see that there were ways that the problems could be addressed.

At that time, I joined OCM. I felt like I could do more good for my own operation by helping work on cattle market issues that I could by beating my head against the wall trying to negotiate with packers. Along the way, I have learned a lot of lessons. One of those lessons is that you can't put all your eggs in one basket.

Please see STEVENSON on page 7

**David Kruse**
President, ComStock Investments


## *** Speculative Convergence ***

Congress would love to legislate lower commodity prices by restricting commodity investment. The CFTC hasn't cooperated to date, failing to find any excessive speculation outside the boundaries as set today. Commodity funds, however, do not like the notoriety and favor low profiles. They are uncomfortable with Congress looking at them, so the threat of heightened regulation alone by Congress, has been enough to trigger rounds of speculative liquidation as funds reduce their exposure in commodity markets. Underlying fundamentals really haven't changed nearly so much as prices so this general divestiture will create a new investment opportunity when it has run its course. While the CFTC has failed to find any smoking gun relative to speculation, there are things needing their attention where markets are not functioning as they should.

The issue is convergence. Cash and spot futures contracts are supposed to align with one another at expiration. Different methodology is used to govern convergence. Futures contracts are either cash settled against indexes or deliveries of the physical commodities are made to police alignment. Futures market participants, particularly hedgers, rely on convergence and basis alignment as without it, futures would be too unreliable to be of value as a pricing tool. The livestock industry used to use physical deliveries to force convergence at contract expiration. Live cattle futures still do.

Feeder cattle and lean hogs futures markets have gone to cash settlement against indexes. Cash settlement is the surest guarantee of convergence. Contracts are not settled at expiration against where futures expire but against the final cash index quote. That index represents real cash trade transactions. That way, the cash markets are the big dog and futures, while having freedom to deviate, wagging the tail, can not go off on their own. There is no getting around convergence with cash settlement. With physical deliveries there is more potential for large players with the ability to influence the delivery process to take advantage of the system.

In the case of grain markets which continue to rely on physical delivery, convergence has not been working. The NCGA testified to Congress, "First, to address the current lack of convergence in between cash and futures markets" Simply to fix convergence in the market, we must fix delivery. The problem, there are no easy solutions to this task. Here are a few recommendations we put forward to the CME Group: 1.) Investigate the development of a method to allow farmers or small elevators that have taken a short position to actually deliver against that futures contract.

2.) Investigate implementing a forced Load Out plan whereby some set percentage of contracts has to go to delivery.

3.) Investigate increasing the number of shipping stations.

4.) Consider lowering Regularity.

5.) Consider increasing storage rates.

6.) Investigate the establishment of basis contracts.

The American Farm Bureau also testified offering this advice to the CFTC, to 1.) "Establish additional delivery points for futures contracts, 2.) Ending the certificate of delivery system and returning to the original notice process and 3.) Examining the use of cash-settled contracts."

We would note that when these markets fail to converge, that the failure typically benefits the buyers at the expense of the sellers. The system is tilted against farmers and hedgers. I do not see position limits as a problem related to convergence. I also do not see higher prices and wider basis as a valid reason for lack of convergence. Most of the complaining has been regarding Chicago wheat when basis levels were $2 under July futures, something farmers describe as criminal.

The cotton industry is also alarmed by lack of convergence so the problem is beyond one single futures exchange. University of IL economists presented a study purporting to show a sharp decline in the reliability or predictability of the basis for corn/soybeans and wheat since 2006. "Convergence in soybeans was poor beginning with the March 2007 contract, was especially poor for the September 2007 contract, improved to almost acceptable in November 2007, but returned to very poor performance in January and March 2008. Convergence performance was weakest for corn in September 2007 and March 2008." Market participants are not in consensus that rampant speculation exists that needs more restrictive regulation. There is agreement however, that lack of convergence is a real problem that needs to be fixed. It would seem to me that you work on what there is a consensus for solving. We think less physical delivery and more cash settlement of contracts is the answer. When you can't predict the basis, the futures market is no longer a reliable tool to set the value of the underlying commodity. Without reliable convergence and basis, the futures markets don't work for price discovery.DK

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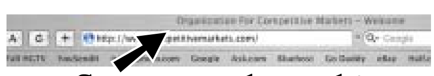


**See us on the web!**

# It Was Mine by Richard Oswald

When I was a boy growing up here outside of Langdon, everything on the farm belonged to my family.

At about the age of ten, Dad taught me how to raise hogs. The sows we grew from Hampshire gilts were ours. So was the alfalfa field where we grew hay and hog pasture. Planted to Vernal (a public variety), it was where piglets played and slept in the warm summer sun. The wheat field we harvested later that summer was planted to Gage, another public variety. We harvested that wheat in July, then sold some for seed and some for grain. Dad saved seed for next years crop, and Mother cooked a little into breakfast cereal and even ground some flour. After the wheat harvest we mowed the stubble and baled the straw. The same pigs that grazed the alfalfa were farrowed and later bedded in our wheat straw as the days grew cooler, and Dad fed the shoats our own corn.

When we fed the hogs Dad told me about how he used to go to the corn crib and select ears of open pollinated seed corn from the thousands he had there. He told me how he'd sort through them and choose only the very best of what he'd grown. And then he told me about how single cross seed corn had replaced open pollinated varieties that he had planted since he was a boy on his father's farm, where everything they grew belonged to them.

The open pollinated ears of corn from Dad's crib were never worth more than about a penny apiece.

The cloth sacks that the first single cross seeds he planted were in, still rest in the attic of my home. Most of the seed company imprints on the sacks would be unrecognizable to young farmers today, but they tell a story that is very up to date. It is a story of progress, a story of consolidation, and a story of control.

Even as privatized seed came into being, competition made it difficult for one seed company to dominate another. Seed sales depended simply on appearance, the hybrids ability to withstand stress, its harvestability, marketing, and most of all…yield. Those were the basic parameters of operating a successful hybrid seed company. Farmers might spend a little more for the very best hybrid, but the bottom line was always about profit on the farm. For a hybrid to be good, it had to be profitable because after all, the profits belonged to the farmers who grew the crops.

Things are different on the farm today. We've stopped raising the hogs I learned about so long ago. Due to consolidated markets and careless government enforcement of the law, the profit from those hogs no longer belonged to us. About the time we quit the hogs we stopped raising wheat. We didn't need the straw for bedding, and the profit we gleaned from 6 or 7 acres became negligible. We continued to grow alfalfa hay for the cattle as the cost of privatized commercial seed rose from $30 to $60 to $120 to $250 to $300. I haven't planted a new alfalfa field in five years. We still grow single cross corn on the farm. Projected costs of at least some corn seeds are predicted to rise above $300 per 80,000 kernel unit, this year. That price would make each of the four-hundred-thousand ears Dad had in his corn crib worth about $3 apiece. (This summer, ears of corn from my fields rose to a price near $0.05.)

Dad's corn crop would have made him a millionaire if only he'd had the right to sell it for that. As it was, the year he taught me how to raise hogs on $1 corn, he and Mother earned about $7000.

About the time I stopped growing hogs and wheat I started growing soybeans. The first soybeans I planted were a public variety called Clark 63. Clarks were as lush and green as any soybeans we grow today, but the yield rarely exceeded 40 bushels per acre. I soon replaced them with Williams, another public variety that dried faster and yielded about the same. Some of my neighbors saved and sold seed from high quality crops of public varieties. Saving seed netted seed costs that were $1 per acre less.

The first private soybean variety I planted in the field where pigs used to sun themselves belonged to a seed company called Asgrow. It was a copyrighted variety that dried and yielded better than Williams. I had the right to save seed from my crop of Asgrow 3127, just as I had the right to save from Williams or Clark 63, but I didn't have the right to sell them labeled as seed. That was OK with me, because the cost of cleaning and bagging represented seed cleaner's profits but little in savings. At about $1 per bag of $5 per bushel soybeans, the seed mans margin was little more than 20%.

As with corn, alfalfa, and wheat, the seed mans share of my soybean seed cost has grown. Asgrow soybean seed for next year is projected to be as high as $60 per unit. In Dad's day, a seed unit sold by as a bushel. But up to now for me, a unit of commercial seed has been 83% of a 60 pound bushel, or 50 pounds. Tomorrow's seed unit will be counted as seeds, not pounds. A unit of seed may well be only 75% of a bushel…or less.

This year, at least one seed mans mark-up from cleaning and bagging corporate seeds will become more than 600%.

The seed company where I bought my first private soybean variety seed was purchased lock, stock, and barrel, by Monsanto. Monsanto was the first commercial seed company to patent, and first to aggressively enforce its rights as a patent holder of living things. Monsanto has actively sued many farmers for seed patent infringement. Given the power of billion dollar earnings, Monsanto never loses a case. Right or wrong, they can afford to maintain lawsuits in the courts for years. Eventually farmers who may or may not have done what they were accused of are forced to capitulate or spend the farm to defend themselves.

Thanks to higher land costs, petroleum, machinery, chemicals, fertilizer, and seed, the cost to grow an acre of soybeans now approaches $500 per acre.

The 2008 national average soybean yield is predicted to be 40.5 bushels per acre, or about the same yield I got from the public varieties I planted nearly 40 years ago.

At today's price of about $12 per bushel, an average acre of soybeans is worth $486.

As a commercial grower who produces soybeans for what seems like the incredible price of $12 per bushel, I haven't simply lost the right to plant my own seed.

I may also have lost the right to earn a profit.

# Hubbard Newsletter

By Kristina Hubbard

By now you've heard that some seed corn will cost $300 per bag this fall (a $100 increase in some regions). As farmers contend with higher fuel and fertilizer costs, and food prices increase around the world, Monsanto thinks it's entitled to a bigger piece of the pie by dramatically increasing prices of its traits. While some may disregard the higher seed prices by asserting that farmers have less expensive options, the reality is that farmers have less seed options than ever before.

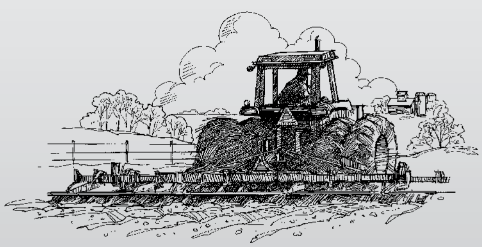
For example, Monsanto is aggressively pursuing greater market penetration of its expensive triple-stack corn traits and plans to increase acreage of triple-stack varieties by millions of acres in 2009. Farmers already tell us that it's difficult to find good modern corn and soybean varieties that have a single Monsanto trait, that are less expensive and not stacked with other expensive traits that they do not want and do not need. Monsanto's dominance and anticompetitive conduct in the marketplace ensures that competitors' products aren't easily accessible to farmers. So, locating alternatives to $300 seed corn will only become more difficult if Monsanto's market power goes unchallenged.

Curious as to how much money this price hike can drain from rural America? Here's one example: if a farmer in Iowa who farms 1,000 acres plants one of these expensive corn varieties next year, the cost per acre will increase from $82 to $123, or a gross increase of more than $40,000. We've crunched the numbers for you and created a data table that reflects the cumulative drain on farms by state (see below).

It's pretty clear that Monsanto has quashed competition to the extent that it can raise prices unencumbered. It seems farmers have never had more forces against them, which is all the more reason for state attorneys general to ramp up their investigation into Monsanto's anticompetitive conduct in the seed industry. We're no longer talking about the future marketplace; we're talking about unfair prices and practices happening today. We're talking about $300 seed corn

| | Acres | Percent Planted to Monsanto Traits | Gross Monsanto Revenue Increase Per State |
|---|---|---|---|
| Arkansas | 560,000 | 70% | $16,170,000 |
| California | 670,000 | 70% | $19,346,250 |
| Illinois | 13,200,000 | 70% | $381,150,000 |
| Indiana | 6,600,000 | 70% | $190,575,000 |
| Iowa | 14,300,000 | 70% | $412,912,500 |
| Kansas | 3,700,000 | 70% | $106,837,500 |
| Louisiana | 750,000 | 70% | $21,656,250 |
| Maryland | 540,000 | 70% | $15,592,500 |
| Michigan | 2,500,000 | 70% | $72,187,500 |
| Minnesota | 8,200,000 | 70% | $236,775,000 |
| Mississippi | 980,000 | 70% | $28,297,500 |
| Missouri | 3,500,000 | 70% | $101,062,500 |
| Montana | 70,000 | 70% | $2,021,250 |
| Nebraska | 9,100,000 | 70% | $262,762,500 |
| New York | 1,060,000 | 70% | $30,607,500 |
| North Carolina | 1,100,000 | 70% | $31,762,500 |
| Ohio | 4,000,000 | 70% | $115,500,000 |
| Pennsylvania | 1,450,000 | 70% | $41,868,750 |
| South Dakota | 5,000,000 | 70% | $144,375,000 |
| Tennessee | 840,000 | 70% | $24,255,000 |
| Texas | 2,100,000 | 70% | $60,637,500 |
| Virginia | 530,000 | 70% | $15,303,750 |
| Wisconsin | 4,050,000 | 70% | $116,943,750 |

*This chart assumes plant population of 33,000 plants per acre. A bag of corn seed has 80,000 seeds. Each acre is planted with .4125 bags. The final calculation is (total state corn acres in 2007) x (percentage planted with Monsanto traits as per Monsanto claimed national average) x (.4125 bags/acre) x ($100 price increase).*



STOKES (continued from page 1)

meeting. This is a hot issue in which you can expect further OCM activity.

Our main conference program began on Friday the 22nd with a discussion on the recent farm bill by National Farmers Union President, Tom Buis. Tom was deeply involved in the farm bill battle and we are grateful for his leadership.

David Balto, a DC attorney, formerly with the U. S. Trade Commission, discussed the JBS/Swift attempt to acquire the beef interests of Smithfield, National Beef Packers and Five Rivers Feeders. If this merger becomes a reality it will further concentrate an already highly concentrated industry and make this Brazilian company king of the mountain. We must go all out to block this merger! David has rendered valuable help to OCM in the past and was awarded the Helmuth Award at this year's banquet in appreciation for his service.

Pat Choate, economist and former Vice Presidential running mate with Ross Perot, had some intriguing words for us on the perils of globalization and discussed his new book. This book, "Dangerous Business; The Risks of Globalization for America" lays bare the threats our trade policy and globalization pose to our national interests. I highly recommend it.

Nebraska State Senator Tom White was our luncheon speaker and shared with us some disturbing information concerning big business influence over our government and the courts. He also spoke of the market manipulation via the futures markets.

Robert Cassidy, the former U. S. Assistant Trade Negotiator for Asia and the principal negotiator for the landmark market access agreement that led to China's accession to the World Trade Organization (WTO), laid out his current misgivings regarding our trade policy, especially concerning China.

Kristina Hubbard and Matthew Dillon, our latest OCM employees, spoke on the new OCM Seed Concentration Project that Michael Stumo put together. They revealed how concentration and the near monopoly by Monsanto are limiting farmers' access to, and choice of, modern seed varieties at competitive prices. Kristina and Matthew are very capable staff for the project. They have just completed a very successful meeting in Missouri and have another planned for Spencer Iowa on September 11th.

Richard Oswald, OCM Board Member, writer and Missouri farmer gave an informative talk on this year's weather and its affect on agriculture in the mid-West.

The banquet that evening featured Charles Blum of the DC based International Advisory Services as the keynote speaker. Charlie's talk; "Reinventing the National Interest", detailed how the interests of the transnational corporations and our foreign trade partners conflict with those of this country. The banquet meal featured very special steaks from Mike Callicrate's Ranch Foods Direct.

Entertainment was provided by the very talented Stumo family. Did you know that Michael Stumo sings?

Our crowd this year was a bit shy, but I suspect the cost of gasoline and the economic downturn were factors. We took a video of most of the program and are working on being able to post this on our web site so that it can be viewed and downloaded.

I thank all those who were part of this conference and those who attended. For those who didn't make it this year, you missed a good one.[FS]

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STEVENSON (continued from page 3)

We have three branches of government, and our efforts should not be confined to any one branch. Supporting lawsuits in the judicial branch, crafting and pushing legislation, and educating and working with the executive branch are all necessary.

Another lesson is that we need to learn how to communicate our message. I think we have come a long way in this direction. The solutions to the problems of the market are not specific to a political ideology, but our communication needs to be tailored to the hearer. The message is the same but the "political dialect" needs to be different.

I have also learned that this is a long haul project. While the solutions are fairly simple, the inertia of the status quo is enormous. Educating the public is a necessary part of the whole process. OCM can do a lot as an organization by itself, but without the public supporting our cause, we will have more difficulty getting our job done.

I look forward to working with OCM in my new role. We have come a long ways. But we still have a lot more to accomplish.[RS]

# JBS MERGER UPDATE

By Michael Stumo

You have not heard much about it in the news, but federal and state antitrust authorities are still scrutinizing the JBS/Swift attempt to buy National Beef and Smithfield Beef. OCM has been gathering evidence and presenting it to the U.S. Department of Justice (DOJ). We have held many meetings and facilitated many industry interviews.

Attorney David Balto of Washington, DC works with me and OCM to spearhead this effort. To recap.

1. In March of this year, JBS/Swift announced its intention to acquire National Beef and Smithfield Beef.
2. The resulting company would be the biggest U.S. meatpacker.
3. Three buyers would set the price of cattle in the U.S.
4. Smithfield's Five Rivers Cattle Feeding Company produces nearly 2 million head per year, which would take more than 1.5 packing plants out of the market.
5. OCM fears that pressure to import more cattle and beef from Brazil, Australia and other countries could increase with a multinational Brazilian company becoming dominant here.
6. The cattle packing industry is marginally competitive now, and the merger will substantially lessen competition.

The investigators are doing a good faith investigation. I have been critical of DOJ in the past, and will likely be critical in the future. But the investigation and legal staff have been earnestly working on this matter. Whether the political overlords give the go ahead to intervene in the merger is an open question.

OCM's efforts have been crucial. I believe the merger would have been approved by now without our efforts, and that our work has substantially increased the likelihood that the result will be better than it otherwise would have been. Whether that means divestitures of plants in the Great Plains or of the Five Rivers feedlots (the biggest feedlot company in the U.S.), or some other result, I cannot say. But I do have some hope right now.

OCM has established a dedicated fund for feeders to contribute one day of yardage for their current cattle inventory. This fund has enabled our efforts so far. We thank the feeders who have helped.

**BECOME A MEMBER TODAY!**

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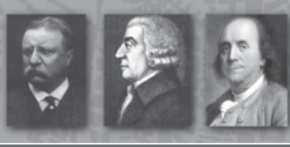

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