

## "Retailitis"

BY FRED STOKES, EXECUTIVE DIRECTOR

In June of 1985 I received a letter from a gentleman by the name of Mel Potter. This was a time when beef cattle producers were having a rough go. The letter claimed that food retailers were getting too much of the beef dollar. Mel, a cattleman and cranberry grower with significant operations in Arizona and Wisconsin had suspected that retail margins on beef were excessive and set out to prove it. He purchased a whole, intact carcass and had it processed into retail cuts (at the time wholesale beef was delivered in carcass form). After determining the total retail value of the resulting cuts and byproducts and then subtracting the delivered wholesale price, he was incensed to find that the retail margin was \$390.43. In his letter, he contend-

ed that the industry was sick with a disease that he dubbed; "*retailitis*".

Apparently, cattlemen had been oblivious to the disproportionate share of the beef dollar being exacted by retailers. Mel's letter received lots of attention. It was the catalyst for a two year effort by a thousand or so cattlemen to establish a producer-owned, ranch-to-consumer production and delivery system. There were some big names and operations involved. This project raised significant funds and retained some very talented people. There was an \$80,000 feasibility study which concluded that the venture was sound. A couple of distinguished marketing executives were hired to steer things.

However, the venture fell apart

when live cattle prices improved a bit in 1987. I was deeply involved in this project and very disappointed that it failed.

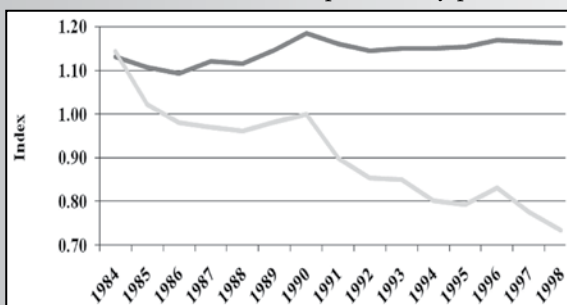
This experience however, was my baptism of fire and prompted me to become immersed in the effort to bring about a marketing system that more fairly distributed the food dollar among the various players. Mel Potter was "mad, mad, mad", knowing that the typical steer was some 18 months old when slaughtered and was owned by four or more people during its life cycle; --- and then to discover that the retailer claimed some 36% of the beef dollar for his services. He understood that the retailer's disproportionate share came out of the hide of the producer.

*Mel, things have only gotten worse!* The retailer's share of the beef dollar has grown steadily while the producer's share has gotten progressively smaller.

Please see STOKES on page 2

### Retail Cost versus Farm Value for a Market Basket of Food\*

The increasing gap between retail food prices and farm prices in the 1990's appears to be due largely to exploitation of market power, and not to extra services provided by processors and retailers



Red: = Retailer  
Green: = Producer  
\*Both indices are corrected for inflation.  
By Dr. Bob Taylor, Auburn University, based on ERS data.

## WHAT'S INSIDE

**ANNUAL CONVENTION** 3

**THE COMSTOCK REPORT**  
by David Kruse 4

**DEEPLY ROOTED REVIEW**  
by Richard Oswald 5

**BIOENERGY POLICY BRIEF**  
by C. Robert Taylor & Rodrigo Rodriguez-Kabana 6



## Back to Basics by Steve Cady

We don't need **Big Government**,  
We don't need **Big Labor**,  
We don't need **Big Business**.

What we do need is a balance, a Teddy Roosevelt that has a **smaller Government that walks softly and carries a BIG STICK**, decentralized labor that represents the worker and decentralized business that allows for perpetual renewable capitalism and free enterprise to thrive and prosper vs. Terminal Capitalism which results in Monopoly, Monopsony and Oligopolies that destroy the very opportunities we strive to protect.

STOKES (continued from page 1)

This, even though the retailer now receives his beef in boxed, sub-primal cuts which require far less processing. A few years back, I did some calculations and determined that the retailer received approximately 50% of the beef dollar for his limited processing and the three to four days of time it stays in his store. No wonder the producer comes up short!

Certainly, beef is not unique in the share of the dollar exacted by the retailer. The retailer simply takes too much of the food dollar and leaves too little for all of the other players to be profitable. Someone must take a beating so that another can make a profit. That someone is usually the producer. On Page 1 is a somewhat dated chart which makes the case. All indications are that the divergence in share of the food dollar continues.

At the upcoming OCM Annual conference at the Westin Hotel in St.

Louis, on August 7th, we will have a distinguished panel of experts to examine and discuss food retailing. This is just one of the several issues of high interest to farmers and consumers planned for what is shaping up to be the best OCM conference ever.

We anticipate having officials from USDA, DOJ and FTC in attendance. We will try to convince them that concentrated market power is squeezing farmers and ranchers out of business and endangering our national food security. There are now folks in these agencies that are friendlier to our point of view. However, for OCM to be taken seriously, we need good attendance and audience participation at this conference. We are reducing the conference fees and advertising to help improve attendance. We will publish the conference agenda in the June newsletter.

So please plan on being with us for our 2009 Conference in St. Louis and bring along a neighbor or friend.<sup>FS</sup>

## OCM BOARD MEMBERS & STAFF

### BOARD MEMBERS:

- Randy Stevenson**, President  
Wheatland, WY 307-331-1980  
double\_s\_livestock@lycos.com
- Mike Callicrate**, Vice President  
St. Francis, KS 785-332-8218  
mike@nobull.net
- Brother David Andrews**, Secretary  
Chicago, IL
- Dan Hodges**, Treasurer  
Julian, NE
- Steve Cady**  
Eskridge, KS
- Cap Dierks**  
Ewing, NE
- Jim Foster**  
Montgomery City, MO
- Harlan Hentges**  
Oklahoma City, OK
- Keith Mudd**, Past President  
Monroe City, MO
- Paul Muegge**  
Tonkawa, OK
- Richard Oswald**  
Langdon, Missouri
- Fred Stokes**, Past President  
Porterville, MS

### STAFF:

- Fred Stokes**, Executive Director  
Porterville, MS • 601-527-2459  
tfredstokes@hughes.net
- Pat Craycraft**, Office Manager  
Lincoln, NE • 402-817-4443  
ocm@competitivemarkets.com
- Jody Holland**, Project Assistant  
Starkville, MS
- Eric Lister**, Project Assistant  
Brentwood, TN



**MARK YOUR CALENDARS****ocm****ORGANIZATION FOR COMPETITIVE MARKETS****ANNUAL CONVENTION****August 6-7, 2009****Membership Meeting - August 8, 2009**

The Westin Hotel  
St. Louis, Missouri

**Call for Reservations TODAY**

OCM Block Room Rate: \$109.00 until 7/16/09

For RESERVATIONS Call – 1-800-937-8461 or 314-552-5806

Join us for the Convention and take a little Vacation in St. Louis.

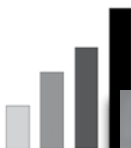
*Some of the attractions in St. Louis include:*

Gateway Arch,  
Forest Park (Jefferson Memorial, Missouri History Museum,  
St. Louis Art Museum and St. Louis Zoo),  
Anheuser-Busch Brewery,  
Grant's Farm (Ulysses S. Grant National Historic site, Jefferson Barracks Historic Park,  
Magic House-Children's Museum),  
Missouri Botanical Garden,  
MLB's Cardinals, NFL's Rams and NHL's Blues,  
Six Flags, and a cruise on the Mississippi River.

**SO MANY PLACES TO VISIT while in St. Louis.**

***MAKE your plans today and join us for the greatest Convention ever!***

More Convention information to come.

**DAVID KRUSE**

PRESIDENT, COMSTOCK INVESTMENTS

Copyright 2009@ CommStock Investments, Inc., David Kruse

The public has adopted a mob mentality. To say that they are angry toward financial leaders, big business and institutions is an understatement. Politicians and talk show hosts are feasting on the animosity. In the case of politicians, they are attempting to direct the mob against bankers and CEOs so that they can slip out the back door appearing blameless.

To me, having Washington politicians degrade anyone else's failure is the height of all hypocrisy, as Washington has not solved any major problem confronting this country going on well past a decade now. They also fail to show the strong desire necessary needed to overcome partisanship, preventing their ability to reach consensus on solutions to major problems.

Crowds or mobs lose the ability to rationalize information in any balanced intellectual capacity as a visceral emotion response short-circuits their ability to reason. There is a snowballing stupidity that dominates crowd mentality. In my life, I have learned from experience that anger makes you stupid. Some of the things that I regret the most, I've done or said when I was angry. When I see angry mobs and demagoging politicians, most don't have their facts straight. They are not in a mindset to listen either.

The Great Recession of 2009 is, so far, being handled better than the Great Depression, but it's not over yet. Some see the

risk as being greater now because the scope of the global economy today versus back then, can magnify the effect of bad things just as much as it can share benefits.

Boom and bust business cycles and K wave depressions are part of capitalism. While there are downs, the net benefits of capitalism far, far outweigh the bad. Capitalism created the situation that we are dealing with today, but it will also produce the structure and means that will bring the next wave of human economic benefit to the planet.

In the 1930's, the banks failed so they wrote regulations and empowered a Federal Reserve system. It is human nature to leverage to the greatest degree allowed, testing limits. Regulation is a roadblock to this desire and effect. The river of human nature is so strong that it will eventually cut a new streambed around regulation. This time, the FDIC banking system held sound. The problems occurred where regulation wasn't focused. The market excess went where it did to OTC trade through investment banks to escape the regulation following the 1930's. We will now set down new regulations after this financial crisis, regulating to prevent the excesses that precipitated this financial crisis, but in 60-70 years and another couple generations, the Wall Street capitalists will find their way around these regulations too, resulting in the next financial crisis.

I would recommend that the crowd needs to cool off and new regulation go slowly. Actually, former Fed chairman, Paul Volker advised similarly. We need to re-evaluate, allowing for future growth, not only for past mistakes. If we dam the river up entirely, we would drown in the lake. De-regulation is now seen as a villain, but it is the extremes that should be avoided so that we do not over compensate with such regulation that growth is straight jacketed. Only a few politicians will provide any

value in this process. Most of them aren't smart enough to get it and others love to wave a pitchfork to incite mobs rather than use one to stack hay. The sooner they stop shouting and screaming, the sooner we can make hay again.

I love tea and were my government to oppressively tax its purchase, I possibly would be motivated to protest. I haven't been to a tea party since my daughter was six but I understand that they have become very popular lately. They organized a tea party as a populist protest here locally and 275 people showed up on the courthouse lawn.

Republicans usually scoff at populist movements but are attempting to jump in front of this parade in an attempt to lead it. While the mob at these tea parties is not intellectually refined, they do express a common sense that any idiot can see that 'spend and borrow' or 'tax and spend' policies of Republicans and Democrats eventually lead to financial destruction.

Republicans profess to have the license on fiscal conservatism yet never practiced it when in office. These tea parties are protesting spending as much or more than taxes. It's hard to argue that we are oppressively taxed today but if they keep spending like they have, it's hard to envision how higher taxes won't be inevitable.

While teas parties are mostly organized by Republicans, they are disgruntled Republicans who understand that George W, with their party in control, doubled the national debt with 'spend and borrow', leveraging the country to the Chinese. These Republicans are almost as mad at Republicans as they are fearful of Obama compounding the fiscally leveraged legacy left by the last Administration with another wave of socialism.

Both parties spend with Republicans borrowing to cover the bad checks and Democrats taxing somebody to pay for it and borrow the rest. Being a Democrat or Republican appears to me to be nothing different than being either a termite or arsonist. Either way the building comes down eventually. Tea parties reflect public frustration but little else.<sup>DK</sup>

*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. Mr. Kruse is also president of AgriVantage Crop Insurance and Brazil Iowa Farms, an investor owned farming operation in Bahia, Brazil. (Futures Trading involves risk. Past performance is not indicative of future performance.) For information on subscribing to the daily CommStock Report, contact: CommStock Investments, Inc., 207 Main St., Royal, IA, 712-933-9400, [www.commstock.com](http://www.commstock.com). E-mail to: [info@commstock.com](mailto:info@commstock.com)*





# Deeply Rooted Review

BY RICHARD OSWALD

*Deeply Rooted; Unconventional Farmers in the Age of Agribusiness*, is Lisa Hamilton's book that explores three unconventional farms struggling daily against corporate agribusiness and a national farm policy that for too long has denied their importance.

Lisa Hamilton has been writing about farmers for more than 10 years and is still taken aback by some of what she sees. That's not too surprising, because in the nearly ageless pursuit of farming, 10 years is just a drop in the bucket.

For a farmer like Harry Lewis, it's all about drops in a bucket, lots of them. Harry is a dairy farmer. Like most small dairy farmers Harry is fighting an uphill battle. But Harry is unconventionally different from the stereotypical Wisconsin dairy farmer of northern European descent, because Harry is an African American dairy farmer from Sulphur Springs, Texas.

Lisa visited Harry and saw first hand what most farmers accept as normal. Idealized livestock farms American food consumers assume are slightly different from that. For one thing cows make more than milk and meat, they make manure; Lots of it.

Even a more conventional farmer like me, who's put the drops in the bucket by hand one squeeze at a time, sees the "toxic waste" view of manure as slightly unrealistic. Cow (and horse, and pig) manure I've dealt with is the same natural by-product that Harry's cow's put out. It's just processed green grass,

grain, water, digestive enzymes, and naturally occurring bacteria that make fields a little greener when applied to them. In Harry's mind, the difference between his farm and conventional confinement dairies milking hundreds, if not thousands of cows is a single two syllable word; Pas-ture.

To Harry, the words pasture and God are inseparable. And manure really doesn't seem so bad if the cows are eating grass.

After getting to know Harry and sampling fresh cold milk in his manure stained milking parlor, Lisa begins to separate real agriculture from the corporate conceived image.

It's just a short leap of the mind and a hop of a few hundred miles from Sulphur Springs to Abiquiu, New Mexico where Lisa meets Virgil Trujillo. Virgil longs to be a rancher, but since he only rents his pasture he calls himself a "stockman". Originally granted land under the Mexican and Spanish land grant system, Virgil's family lost their claim when the United States government set it and hundreds of others aside. Virgil rents land he feels he owns, from the US Forest Service. The government tells him that having his cattle there is a privilege, to which Virgil swears uncharacteristically, "Bullshit".

Because he lives with it daily Virgil knows that the government manure can be much more toxic than anything he sees from his cows.

Virgil laments that rural com-

munities in much of northern New Mexico have been stuck in a single stage of grief. That started when they lost their land grants following the Treaty of Guadalupe Hidalgo.

Most rangeland leaseholders like Virgil need other sources of income besides their cattle. To supplement his income Virgil took a job as rangeland manager at Ghost Ranch. That's the name of a tract of grant land the Forest Service now controls. Virgil hasn't endeared himself to all his neighbors because he makes them apply Holistic Resource Management (HRM) to their rangeland. HRM is meant to prevent damage from over grazing by making the herds of beef cows follow bison-like grazing patterns. Virgil didn't begin the practice but he is a willing enforcer.

Lisa notes that the number of people who still practice agriculture in the area around Abiquiu is less each year. People just started leaving after their ties to the land were broken. Those who remain are finding it harder to balance a 40 hour work week against the need to look after crops and livestock.

Still, not everyone quits.

She recounts a story from Virgil about giving a tour of Ghost Ranch to two environmental activists whose goal was to end all grazing on public lands. One of them told Virgil that he should just sell out, take the money and give himself a vacation from the land.

Virgil replied that he loved a good fight more than any vacation.

Fighting to stay on the land is nothing new... for dairymen, for ranchers, or for farmers like the

Please see OSWALD on page 7



# BIOENERGY POLICY BRIEF

Auburn University - January 2009

## PHOSPHORUS

### A Strategic Barrier to the National Biofuels Action Plan for Energy Independence

C. ROBERT TAYLOR & RODRIGO RODRIGUEZ-KABANA

The National Biofuels Action Plan, drawing on mandates and funding in the Energy Independence and Security Act (EISA) of 2007, the Food, Conservation, and Energy Act (FCEA) of 2008, and other Federal legislation, lays out an ambitious plan for replacing imported oil with biofuels derived from plant matter. Biofuel production from first-generation technology, primarily ethanol from corn and biodiesel from vegetable oils, has increased dramatically in the last few years, now accounting for about 10 billion gallons annually. Federal programs are also aggressively seeking technical and economic innovation for use of crop and forest residues and dedicated energy crops such as switchgrass for cellulosic conversion to ethanol or bio-oil or for direct burning for power generation.

The purpose of this brief is to draw attention to a strategic barrier to energy independence posed by future availability of an essential plant nutrient – phosphorus. Phosphorus is essential for life. Phosphorus removed from fields in plant material must eventually be replaced to avoid plant biomass yield decreases.

World sources of phosphorus

are being progressively depleted and production costs are increasing. Most commercially viable reserves are found in only two locations, Morocco/Western Sahara and China. Predictions are that commercially viable reserves of phosphate rock in the United States will be depleted in only 25-30 years at present use rates, and cheap reserves depleted in only about 10-15 years. Depletion of U.S. supplies could occur much sooner with substantial use of plant material for biofuel production.

Dwindling U.S. reserves and political instability in countries where most phosphate rock reserves are held suggest that the U.S. biofuels action plan may be replacing energy dependence with phosphorus dependence. Potential severity of the phosphorus problem led Swedish researchers to proclaim that the global economy could flip from oil- to phosphorus-based in only 10-20 years.

Political instability in countries with large phosphate rock reserves is potentially exacerbated by market control in the U.S. A transnational corporation, Mosaic, Inc., sells 59% of phosphorus fertilizer consumed in the U.S. and 15% worldwide.

Cargill, Inc., owns 64% of Mosaic. This level of domestic market share along with control of reserves is sufficiently high to warrant considerable concern about monopoly control over phosphorus fertilizer and, since it is an essential nutrient, to warrant concern about indirect market power effects in domestic food and bioenergy markets.

We maintain that four components need to be added to the national biofuel action plan to insure success in achieving true energy independence. These components are: (a) policy encouraging better distribution of phosphorus in animal, poultry and human waste, (b) expanded research on technology for recycling phosphorus in plant material going into biofuel and food production, (c) expanded research on technical and economic aspects of poly-culture of plants to enhance phosphorus acquisition by plants through mycorrhizal and rhizobial symbiosis, and (d) monitoring and correction, if necessary, of market power imbalances.<sup>CRT - RRR</sup>

<sup>1</sup> The U.S. increasingly relies on imports of nitrogen and potash, the other two major plant nutrients, but potential domestic availability of them is not as significant a strategic issue as phosphorus.





OSWALD (continued from page 5)

Podoll family in LaMoure, North Dakota. From the beginning of her visit with them Lisa saw the effect of commodity crops and farm uniformity on farms in the northern prairies. The fewer the decisions farmers have to make about choosing crops, she says, the fewer farmers there are to make them. Since 1950 the farms around LaMoure have doubled in size, and the population has been cut in half. That has a familiar ring to it, because the same is true in my home of rural Northwest Missouri.

David Podoll told Lisa that as farms have grown bigger, farmers no longer have to touch the soil they farm. With today's modern equipment and satellite technology, they don't even have to guide their machines through the fields. David thinks the biggest mistake of our time is taking control of agriculture away from hoe wielding women and giving it to diesel engine powered men. David just wants to grow food. "Deep in my heart" he says, "I guess I'm just a gardener".

So that's what he does.

The Podolls are nearly unique in that they not only grow and save their own seeds, they even develop new ones, new food crops. That's unusual in this time of patented seeds and corporations like Monsanto. The Podolls believe in a version of the farm system based on moral currency and food is not commonly shared by many of their neighbors who have grown their farms to produce commodity crops.

It isolates them from some, but earns the respect of others.

In order to have stronger plants the Podoll brothers, David and Dan, grow seed tomatoes in the remains of last years crop. Their logic is that plants that survive in the presence of last years crop diseases will be stronger and produce better seed.

Dan and David grow their uncon-

ventional farming operation in much the same way, amid competition from bigger conventional farms. They emerge each year in the spring, a little stronger, just like the crops they grow.

Today's unconventional farmers are resourceful. They rely heavily on family. At times, they may seem like activists. They may band together with marketing co-ops and offer encouragement to one another.

Sometimes they just have to go it alone in their search for competitive markets.

In her book *Deeply Rooted* Lisa

*'Wrangler' or 'Armani'? Cowboy or attorney?  
Who shall he be today? What matters anyway?  
One loves to ride and dream; one needs to write and scheme,  
Rider works during light; writer rhymes best at night.  
Dreamer floats to the gate; the schemer plans his fate.  
Sinners without Futures? Cowboys can be losers!  
Any Saints without Pasts?, the lawyer smugly asks.  
What makes the old hand cry? Nine-One-One, that is why.  
What makes the lawyer try? Emergency, same why.  
Cowboy rides to the bell, even with his angel.  
Attorney speeds ahead, well in front until dead.  
When and where will it end? That should he be 'til then?  
Denim, silk as his dress, for comfort or success?  
In the Mirror of Life -- only a soul in strife;  
As he had expected, clothing not reflected.  
What waits in the Abyss? Cattle, Flowers, Justice!  
But Heaven demands Grace, before seeing God's Face.  
Lawyer for now, Oh, Well... He still wants to be great.  
Cowboy for now  
Oh, Hell... He's just looking for eight.*

Hamilton tells a story that matches my own experience. This farm savvy reader may have told some parts differently, but Lisa does her job truthfully. In the end it's about food, not just what food is, but where it should come from. Everyone eats, but most people today don't know what it is to break a fresh egg, still warm from the hen, into a skillet. They don't know the savory flavor of a sun ripened heirloom tomato, or the creamy richness of fresh whole milk.

But Lisa does.<sup>RO</sup>

**BECOME A MEMBER TODAY!**  
Email: [ocm@competitive-markets.com](mailto:ocm@competitive-markets.com)  
Web: [www.competitivemarkets.com](http://www.competitivemarkets.com)

May 2009

ADDRESS SERVICE REQUESTED

ORGANIZATION FOR COMPETITIVE MARKETS  
Tel: (402) 817-4443 • Fax: (360) 237-8784  
P.O. Box 6486  
Lincoln, NE 68506

**OCM**

NON-PROFIT ORG  
U.S. POSTAGE  
PAID  
Lincoln, NE  
PERMIT #1734  
68506

**ocm**



OCM - MAY 2009

**JOIN OCM TODAY!**

8

☒ Yes, I would like to become a member!

Type of Membership: \_\_\_\_\_ Renewal \_\_\_\_\_ New

\_\_\_ Gold Member (\$1,000 and over) \_\_\_ Regular Member (\$200)

\_\_\_ Friend Of OCM (Non-Voting Member) (\$50) \_\_\_ Donation \$ \_\_\_\_\_

Name \_\_\_\_\_

Occupation \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Telephone - Fax \_\_\_\_\_ Email Address \_\_\_\_\_

**Make checks payable to: OCM, PO Box 6486, Lincoln, NE 68506**

*Reclaiming the  
Agricultural  
Marketplace For  
Independent Farmers,  
Ranchers and  
Rural Communities!*