



Put Up or Shut Up: Wanted, Documented Evidence of the Existence of Competition

BY RANDY STEVENSON, PRESIDENT



We have listened for quite a long time to a number of experts expound on the virtues and flaws of the cattle market. We've seen surveys (some masquerading as "studies") that purport to give us a picture of what is happening in the cattle market. But we have a couple of questions we would like to put out to the public to see what kind of response we can get.

The important issue in the cattle market is competition. So therefore, we would like to ask those who actually observe competition taking place in the fat cattle market to step forward and make note of it. We want them not just to stand up and declare that it does, but also to make known the specific instances when they have observed two different packers make differing bids on the same lot of cattle. List those instances. We allege that they hardly ever take place, and when they do, they are for smaller quantities that hardly make a ripple in the market.

On the other hand, we have recorded data that we have been provided with that shows purchases from Consolidated Beef, a co-op seller to packers. Data over the last three years shows a diminishing number of buyers per week in negotiated cash sales of over 4,000 head per packer. In a market with four major packers,

weekly buying activity by packers went from an average of 2.4 packers per week to only 1.67 packers per week in the three year period. There were actually four weeks in 2010 that no packer bought any cattle through negotiated sales. In eighteen more weeks only one packer participated. That makes 42% of the time that there was absolutely no competition at all in negotiated sales.

The data is incomplete and does not indicate whether, when there was more than one buyer, that those multiple buyers were bidding on the same or different lots of cattle as one another. This would be a good opportunity for an academician to do something unique. He could go out into the field and actually observe and measure negotiated sales taking place. The data collected from sellers would be a more reliable measure of competition than data collected from buyers. Armchair economists, take note!

So here we repeat our challenge. Can someone come forward documenting the experience of a significant seller of fat cattle repeatedly receiving multiple bids on fat cattle? Is there competition in the fat cattle market? If so, we would like to see it documented. Some people believe in Santa Claus, but documented sightings are hard to come by in real life.^{RS}



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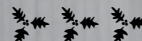
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The opinions of the authors presented in our newsletter are their own and are not intended to imply the organizations position. OCM has membership with diverse viewpoints on all issues. OCM is committed to one and only one principal; competition.

"The Big Lie" - Weapon of Choice for GIPSA Rule Opponents

BY FRED STOKES, EXECUTIVE DIRECTOR



The comment period for the proposed GIPSA Rules has ended and the 80,000 or so comments are in; — **but the bare knuckled, back-alley fight continues.**

Pursuant to *Title XI of the Food Conservation and Energy Act of 2008 (Farm*

One wonders if the courts have even read the plain language of the law.

Bill), the U. S. Department of Agriculture published certain rules on the federal register, June 22nd. The rules have to do with interpreting and enforcing the Packers and Stockyards Act of 1921 (PSA), sometimes known as the producer's protection act. The rules precipitated a spontaneous outcry and a flurry of all sorts of frantic opposition by meat packers, integrators and their minions.

Almost immediately, there was a House Agriculture Subcommittee hearing in which the GIPSA Administrator and other USDA representatives were harshly accosted. The subcommittee members were unduly confrontational and made abundantly clear their disdain for the proposed rule. One wonders if the \$48 million in campaign contributions to subcommittee members by Agribusiness interests was a factor.

So, there is an ongoing, highly charged dispute between those who hold that the present market is work-

ing just fine; don't mess with it and those who say we're getting screwed and need help. The singular point of agreement by the two sides in this conflagration is that the proposed rules will have a powerful effect on the future of the livestock and poultry industry and rural America.

Rule supporters have doubled-down and opponents have pulled out all stops to confuse, delay and ultimately kill them; — by fudging the facts!

The lack of enforcement of PSA over the years; coupled with flawed appellate court rulings, have given meat packers and integrators a license to steal. The present GIPSA Administrator is obviously intent on enforcing PSA, but there is an all-out effort to remove him from office.

It is our view that the appellate courts have been wrong in their reversing the several jury verdicts in cases tried under PSA. One wonders if the courts have even read the plain language of the law. Their ruling that before harm to an individual could be proven, there had to first be demonstrated harm to competition within the industry. This is a difficult, if not impossible obstacle for plaintiffs to overcome. It has also shielded packers and integrators from accountability for their misdeeds for the past seven years. The rules disagree with the courts on this and that is their most disconcerting aspect to opponents.

Some of the points of contention are:

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Christmas Thoughts

Let us keep Christmas, it's meaning never ends
... the time of year to wish happiness and good will
to friends and loved ones, near and far... the time to
share the joys of the past and the hopes of the
future, and to remember all we have to be thankful
for. If we can do this for a day, why not forever?

Let us keep the true spirit of Christmas. Today,
tomorrow and always.



Grain Grab

BY RICHARD OSWALD

City folks tend to see farmers as wealthy landowners who dig in the soil for something nearly as good as gold. Really though, it's the value of yellow grain and growing things that decide whether farmers mine bottomless wealth on their land, or just get the shaft.

For farmers there's no such thing as a cost of living increase. We don't get fringe benefits or health care unless we pay for it. Retirement is funded, fully or not, by the family farm. On-the-job training is the one thing we always get whether we want it or not. Mother Nature and our fellow man never get tired of teaching us new tricks. That's why, when markets offer a profit, we grab it.

Farmers aren't the only ones snatching cash out of today's markets. Lately there's been a little more grain grabbing than usual on the part of non-farmer speculators who've figured out that with world populations growing and currencies aflutter, commodities are in big demand. (10)

My corn crop is now almost as good as ...you know what.

Most people don't realize that a farm depression hit years before the stock market crash of '29, or the Dust Bowl. That's what happened during the First World War when prices for farm goods soared—then soured. The world was a hungry place, and with so much land in Europe being tilled into killing fields, America was a global breadbasket. In terms of inflation-corrected dollars, crops

were worth even more then than they are now. It didn't last for long.

Once the fighting in Europe stopped, things got bad here when we lost much of the outside market for our produce.

As Europe rebuilt after the war their own farmers went back to work under the protection of peace and import tariffs. Angry, broke American farmers couldn't grasp why their markets had collapsed. The only reasonable course of action for farmers seemed to be gathering into mobs to storm the statehouse.

What goes around always seems to come around.

That's why the Governor of Iowa had to keep order in the Hawkeye state with the National Guard and machine gun emplacements on rural roads. (2)

This time it's not war haunting us but the value of our currency coupled with new world demand for food and fuel. What it all boils down to is that our food and the almighty dollar are cheap enough to burn.

As Russian droughts, Argentine floods, weather in Australia, (7) and rising standards of living in parts of the job-rich third world put pressure on local food supplies; it's easy for consumers and Congress to point at non-food uses for agricultural products like biofuel as being bad. We have tariffs, for now, protecting our ethanol industry from cheap South American sugar alcohol. Some people think that needs to stop, along with the tax credits

refiners and Big Oil receive for ethanol and blended gasoline. Could we see a negative impact on farm income just like '21?

Regardless of what Congress may or may not do, for now everyone seems to be bullish. Farmers are bidding new record prices for farmland (3) while others bid equally high on what it will grow. Some people are even starting to worry about fund money speculation on land. Why not? They've worked their sleight of hand in our financial markets. Maybe agricultural funny-money is next.

In the news lately is little known grain trading company Gavilon. (6) Gavilon has been buying up regional grain concerns across the Midwest. (1) In America, big corporate fish eat smaller ones all the time. But what's interesting about Gavilon is that it's been swallowed by a Grouper called George Soros and a few of his partners who are betting that world grain supplies (5) will be tight no matter what. They might be right (especially if they get the upper hand.)

Soros is a world class speculator. Guys like him come and go with every price peak in commodities, currencies, or stock markets. It's happened before with Ferruzzi (8) the Hunt brothers (9), Billie Sol Estes, and countless others (11) who wanted to corner ag markets.

Generally speculators just buy and sell futures paper over computer terminals—they can be long one minute, short the

next. But Gavilon is buying fixed assets like grain elevators and fertilizer facilities. They aren't just buying on paper, and they aren't just buying grain. And they aren't alone. A lot of big grain concerns have been expanding their control of raw commodities for everything from food to bio-fuels. (4)

Even the basic elements we need to get grain crops sprouted and growing aren't safe from opportunists.

Critical to US crop production, phosphate is an essential element for all life on earth. Most of the world supply is held in 3 nations, China, Morocco, and the US. Estimates are that mines containing our domestic supplies of rock phosphate will be depleted in 30 years. While China places tariffs on exports of their own phosphate, apparently speculating that values will rise, they are importing as much as possible from our mines in Florida.

Could they be trying to corner the market?

The cheaper the dollar, the cheaper all our assets look to international buyers. The bad news is that foreign customers are gobbling it up with the money they earned from the exported jobs of our unemployed 9.8%.

Today's farm gate prices aren't all about speculation.

The good news is we have demand for the things we grow—and profits! Of course, it didn't offer much help for keeping food prices low when investment bankers placed their bets and

took a sledge hammer to the piggy bank, smashing the US dollar in the bargain.

Farmers are no different than anyone else. Most of us only want a good life and decent living. But that's the trouble with war, and speculators.

They just want to make a killing.
RO

(1) <http://sl.farmonline.com.au/news/nationalrural/grains-and-cropping/general/who-is-gavilon/1797640.aspx>

(2) <http://www.desmoinesregister.com/article/20101128/NEWS/311290010/-1/LIFE04/Iowa-s-hardest-years-Stories-from-the-farms-during-the-Great-Depressionhttp://www.omaha.com/article/20100927/MONEY/709279962>

(3) <http://www.desmoinesregister.com/article/20101205/BUSINESS01/12050343/1001/>

(4) <http://www.prnewswire.com/news-releases/first-argus-indexed-biomass-deal-concluded-105355258.html>

(5) <http://www.agrimoney.com/news/awb-snares-soros-backed-gavilon-for-grains-deal-1526.html>

(6) http://www.meatradenewsdaily.co.uk/news/071010/usa___expnding_farm_trading_company_.aspx

(7) http://www.weeklytimesnow.com.au/article/2010/10/25/247561_grain-and-hay.html

(8) <http://www.time.com/time/magazine/article/0,9171,958190,00.html>

(9) <http://www.time.com/time/magazine/article/0,9171,947924,00.html>

(10) <http://www.bloomberg.com/news/2010-10-31/food-inflation-rising-as-cooking-oil-poised-to-catch-up-with-grain-gains.htm>

(11) <http://www.time.com/time/magazine/article/0,9171,898315,00.html>

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Opponents say; the rules are a radical departure from existing law, will cause major market disruption and kill value based marketing.

Supporters say; the rules are totally consistent with any reasonable interpretation of PSA (they reinvigorate, not reinvent) and provide for any differentiated pricing that has a business justification.

Opponents say; the rules go beyond the mandate of the Farm Bill, are contrary to the expressed will of Congress and are beyond the authority of the Secretary of USDA to issue.

Supporters say; the Secretary of USDA is within his authority (pursuant to section 407 of PSA) to issue the rules and does not need authorization from the Farm Bill or approval from congress.

Opponents say; the rules are a circumvention of well-established case law requiring an adverse impact on competition for a violation of PSA and will cause a flood of law suits.

Supporters say; the Secretary of USDA in his capacity as administrator of PSA is the act's official Interpreter and is due deference from the courts in his interpretation (*Chevron U.S.A. Inc. v. Natural Res. Def. Council*). The rules take exception to the recent appellate court rulings and both USDA and DOJ have long held that no showing of harm to competition is required. The courts have erred! All that is required to avoid the prophesied flood of law suits is for packers and integrators to obey the law.

Opponents say; J. Dudley Butler, in his speech at the OCM St. Louis Convention in August of 2009 said that the rules were a trial lawyer's dream.

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DAVID KRUSE

PRESIDENT, COMMSTOCK INVESTMENTS

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The Farm Credit System works and works well, which really annoys anti-government ideologues. They offer customer friendly terms at competitive interest rates and as they operate as a cooperative, the customers benefit from patronage as the system makes money. The private sector has its farm Banks and they play a critical role in financing agriculture too. We don't want to get rid of either one. There is a good balance between the Farm Credit System and Ag Banks. The Farm Credit System has primarily provided farm mortgages but has widened its mandate, annoying private banks.

I recently re-financed a home and condo with the Farm Credit System.

The FCSA refinanced the whole works taking them from the private mortgage companies, who in my opinion, deserved losing the business. They had maintained restrictions to re-financing which were self-serving ways to keep their customers paying high rates. Mortgage companies hate the Farm Credit System and lobby Congress to clamp down on the farm lending cooperative every opportunity they get in Washington because they don't like what they consider to be unfair competition. They would like to move congressional oversight of the FCS from Agriculture to the Banking committee where the private banks believe they have more political clout.

As a Government-Sponsored Enterprise (GSE), the FCS gets access to funds at low interest rates but I haven't found rates to be the decisive factor as to where to source lending. Private

farm mortgage lenders don't want small loans less than \$400-500K. The Farm Credit System acts more like a public entity that is there to serve the needs of borrowers.

With the poor way that much of the private home mortgage sector often works with borrowers, without the FCS to compete with the private sector, frankly, helping to keep them honest as much as they do by providing another lending option, it's hard to imagine how screwed that we could be.

Actually it's not hard to imagine at all . . . just look at our health care system. It's a great example as to what happens without competition in the private sector. The anti-government ideologues decry the thought of a Government sponsored health insurance provider to compete with the private sector. I haven't been able to understand what exactly it is that they like about the status quo in health care. . . is it the annual insurance rate hikes several times the rate of overall inflation, or the arbitrary control that the insurers exert over the entire system including doctors and treatments.

I think that the private health insurance industry makes private mortgage lending companies look competent and benevolent by comparison. The Farm Credit System did not take over ag lending any more than a similar health insurance entity would take over health care.

To suggest that a government sponsored health insurance entity like the Farm Credit System would be worse than what we have now is an irrationally biased conclusion. President Obama and the Democrats screwed up health system reform by opting for another entitlement plan instead. What they did will have no positive impact on cost management. They produced their positive budget results with the same smoke and mirrors using Medicare "savings" that they previously criticized the Republicans for in their budget balancing maneuvers.

We need competition in the health

care industry. That is the critical component lacking that is in need of reform. The health insurance companies supported Obamacare and they would not support real reform so it had to be flawed. Businesses find funding health care benefits progressively oppressive reducing U.S. global competitiveness. Competition in the health care industry virtually does not exist but has denigrated into a system of regional monopolies.

The Des Moines Register reported that Wellmark raised rates 13.1% in 2006, 4.3% in 2007, 9.3% in 2008 and again in 2009, 18% in 2010 and 11% planned for 2011. Nothing is comparable to that. The overall inflation rate is nearly flat, yet health care system inflation is running at double digits. Every day they go to work at health insurance companies to find ways to deny coverage because that is where the incentive is. There is nothing that health care subscribers can do because there are no real insurance alternatives.

When private home mortgage lenders tried to screw me, the FCS was the alternative. In the health care field there is no one. The market can't work without alternatives and competition. The market can't work if consumers are not making the choices. Obamacare just feeds the pigs, it doesn't create competition. Unless controlled, it will consume us all.

The problem is ... the problem is ... the problem is - no competition. The status quo is intolerable. The health care cost price spiral will eat us alive. Fixed ideology won't solve it. Ideology may well worsen the crisis.

First of all, we have to protect the Farm Credit System from the ideologues who would like to kill it and eliminate competition from Ag lending. Next, we need an FCS-like entity to bring some competition to the health care industry.

To me this is how government is supposed to be used. The private Ag lending sector is not threatened by the FCS. It is improved by it. The same concept is transferable to the Health care system.

DK

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STOKES (continued from page 5)

Supporters say; this is a calculated, malicious and demonstrable lie! A very BIG lie.

The meat packers and integrators and their apologists and front organizations have repeatedly been invited to debate their opposition to the GIPSA Rules. They have consistently refused! What does this refusal suggest?

OCM again invites any representative of the opponents of these rules to join us in an open debate at the National Press Club in Washington. We will work out the details to insure that the event is fair and balanced.

Obviously, someone is being less than truthful here. Folks need to be able to see through the fog of spin and deception by profession perception manipulators and know the facts. The final disposition of the GIPSA Rules will profoundly affect the future of America's agriculture; we need to get it right! **Let's have a debate!**^{FS}



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