



Common Sense is Where You Find It

BY RANDY STEVENSON, PRESIDENT



When people engage in debate about the market, there is frequently an almost immediate division based on the left-right political spectrum. This remains true even though we can see many examples of error from both sides. On the other hand, those who engage in detailed conversation about what the markets should look like and what role government should have in the marketplace ultimately find a great deal of agreement. The disagreement, it seems, comes mostly from those who have self-interest in preserving a position of power, and those who are deliberately misinformed by them.

One of the more vocal voices in this country proclaiming the "evils" of the left is Glenn Beck. Beck professes to be essentially libertarian. It is the economic libertarian position that markets should be left to fend for themselves and that no government regulation is necessary nor desirable. However, a closer look at some of the specific details may reveal some surprising agreements we might have with Beck.

"...those who engage in detailed conversation about what the markets should look like and what role government should have in the marketplace ultimately find a great deal of agreement."

Beck has repeatedly lauded a book called *"The 5000 Year Leap"* by W. Cleon Skousen, published in 1981. Part II of the book is divided into 28 chapters, each explaining a principle of America's founding. Principle number 15 is entitled, "The Highest Level of Prosperity Occurs when there is a Free-Market Economy and a Minimum of Government Regulations." In a part of the chapter, Skousen explains several aspects of the free market as viewed by Adam Smith. He points out several fundamentals that he summarizes as Smith's view of economics:

1. Specialized production—let each person or corporation of persons do what they do best.
2. Exchange of goods takes place in a free-market environment without governmental interference in production, prices, or wages.
3. The free market provides the needs of the people on the basis of supply and demand, with no government-imposed monopolies.
4. Prices are regulated by competition of the basis of supply and demand.
5. Profits are looked upon as the means by which production of goods and services is made worthwhile.
6. Competition is looked upon as the means by which quality is improved, quantity is increased, and prices are reduced.

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Beef Checkoff Program:

Promoting beef or funding opposition to producer interests?

BY FRED STOKES, EXECUTIVE DIRECTOR



The Beef Promotion and Research Act of 1985 (commonly referred to as the beef checkoff program) was born through producer initiative and referendum. Initially all voluntary, the checkoff became mandatory with the subsequent Farm Bill. I was among

Thomas Jefferson, said that "To compel a man to furnish funds for the propagation of ideas he disbelieves and abhors is sinful and tyrannical."

those who strongly supported the creation of it and I worked hard to ensure the referendum passed.

Now, however, I believe the program has been hijacked by forces whose interests are not mine or yours.

Since 1985, the checkoff program has raised and spent some \$2 billion of producer money on beef promotion and research. That's a lot of money, but can it be said that you and me, we producers, have benefited from this massive effort?

That's hard for the average producer to say so maybe we should rely on those involved in day-to-day checkoff business to comment. Here's what Robert Fountain, Jr., the secretary/treasurer of the Cattlemen's Beef Board, the checkoff overseer, said in July about the National Cattlemen's Beef Association (NCBA), for checkoff's prime contractor for the last 14 years:

"An independent accounting firm tested charges from NCBA to the beef checkoff in five areas and found many expenses were either improperly charged to the checkoff or in-

sufficiently documented. For example, international and domestic travel expenses for the spouses of staff and volunteer leadership, consulting fees for the purpose of investigating a certified beef program for the policy division, travel performed for the purpose of initiating an NCBA-member insurance program and time spent by employees in meetings related to non-checkoff revenue development were charged in full or in part to the checkoff."

That's not me saying this; that's a checkoff official commenting on what a very cursory audit of recent checkoff spending by NCBA showed. Is this the tip of an iceberg?

To find out, an August 4th letter from the Organization for Competitive Markets and 28 other organizations representing checkoff-paying beef producers was sent to U.S. Department of Agriculture Secretary Vilsack, U.S. Attorney General Eric Holder and USDA Inspector General Phyllis Fong urging them to take decisive action against misuse of checkoff funds by NCBA. The letter asked for the:

- freezing of checkoff funds handled by NCBA;
- suspending NCBA as a program contractor;
- conducting an investigation and audit;
- redressing violations, misuse or fraud and recovery of misappropriated funds and
- separating NCBA from the Federation of State Beef Councils.

For decades I was a member of my state cattlemen's organization and the various iterations of the national cattle organization--the ANCA, the NCA, the NCBA. A few years back, I dropped my membership in both state and national organizations because it became very evident that both actively opposed policy

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America needs a real life Mr. Smith to help us climb out the hole we're in.

BY RICHARD OSWALD



A still from the film, "Mr. Smith Goes to Washington" shows Jimmy Stewart during the famous filibuster scene.

They used to make miracles come true.

I walked in the door, home from harvest for the evening, and came face to face with a 76 year old Hollywood miracle. I know, the wonders they create are only dreams, but every time Mr. Smith Goes to Washington on the living room TV set I have to stop and think.

Most of us know the story of Smith, the naïve young leader of a group known as Boy Rangers. To the rich men Smith seems harmless enough to be appointed to fill a vacancy in the US Senate, but suddenly, we realize he has heart.

Smith has a boyhood hero, an idol and friend of the family, the other Senator from his state who turns out to be corrupt, in the pocket of a big business-funded political machine. The choice is made simple for Smith; bow to the will of the high and mighty, leave his principles behind for his own benefit--or fight for the people.

After listening awhile to my favorite movie I turned to my wife and asked, "Are there any great Americans today?"

I once felt the same way Smith did when he first saw the Capitol dome. "Look" we both said, "there it is!" Neither Smith nor I could wait to go there, to visit the vast home of Democracy that is Washington, DC. It took me 70 years more to visit than Smith in 1939.

But today after several more stays, for some reason the Capitol seems smaller.



A still from the film, "Mr. Smith Goes to Washington" shows Jimmy Stewart pointing to the Capital building.

When 'Smith' was made in 1939 America was climbing out of a hole just about as deep as the one we're in now. It's true, dust clouds don't darken the southwestern sky today like they did in the dirty 30's, and bread lines don't form outside soup kitchens. But in these modern times it's as bad it's ever been. I've read the history books. I know that monopolies, crooked bankers, and political bosses were around then just as they are now. And now just as then, America needs real heroes.

A real hero looks adversity in the eye without blinking. A hero has to be willing to run into a burning house to save the baby even if it means he himself burns. Heroes find cures, and invent new ways to do old things, better, without the promise of wealth and power but instead inspired by the good they can do.

Heroes are people who'll give others the benefit of a doubt but not a free pass. Heroes hold doors for those behind them and smile at strangers and grimy kids. Heroes don't measure themselves against others but against a yard stick each one carries deep inside. It's called character.

Heroes aren't only soldiers or firemen or cops, they're kids who choose not to smoke or take drugs or use foul language even though their peers do. Heroes are drivers who stop at crosswalks, not just for people but dogs and squirrels too. Heroes show respect for other people's views even if they aren't their own, and when people take liberty for granted, heroes remind them that all our freedoms in America were purchased with toil's sweat and the blood soaked tears of patriots. When times call for it, real heroes renew our freedoms the same way.

They pay for it, but in a Democratic

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"Are there any Great Americans today?"

OSWALD (continued from page 3)

America, we must earn it every day.

We have a great debate going on in our nation right now. I want to see our leaders put themselves on the line. I don't want canned political rhetoric. I want to see Mr. Smith stand before the Senate to defend right from wrong. I want to see a battle to the finish where pro and con is discussed openly without cunning design or lie. I want my leaders to debate directly on issues, not through sound bites or character assassination.

I want to hear someone tell me how it is that the minimum wage is bad even though both Mom and Dad have to work to support their family. Tell me why it is we blame people for high credit card debt without giving them any alternative to paying bills. Is a lower minimum wage, or no minimum wage at all, an answer to that? I want to have it explained why the same people who supposedly take too much for their single digit hourly employment must work for CEOs who are paid thousands of times more, even though these same CEOs fail to deliver company profits to shareholders that any recent MBA graduate from India probably could.

And after the banking collapse, when people lost billions and the government backed that loss with billions more--at the behest of a Treasury Secretary named Paulsen who made his fortune as one of those overpaid CEOs--I want to know why privatizing Social Security and placing it into the same flush hands that ruined our economy is a great idea.

Make it clear to me why the well-to-do have unlimited access to doctors, hospitals, and treatments while poor men can only choose the way they die.

Someone tell me please, why is job kill-

ing "FreeTrade" that floods America with imports at a time when we need to reindustrialize our country, more important than Fair Trade that guarantees the safety of US consumers. Fair trade offers quality goods instead of quantity contamination mandating safety laws with their origin in Chinese lead paint, dioxin, and melamine poisons.

I wonder, what would the leader of the Boy Rangers say to that?

After years of ignoring laws passed for good reason, laws like the Packers and Stockyards Act that gave independent family farmers and ranchers access to fair markets for their livestock right here at home, I'd like to hear a Smith wannabe explain why monopolies are now acceptable as food prices creep higher.

I'd also like to hear every candidate explain every political donation they receive above \$100 by line item, and why they think millionaires and corporations would spend that much just to help them.

The wealthy and powerful who would own us are not like us. They're like politicians who evaluate personal risks.

Heroes weigh the costs of inaction that will be borne by us, the people.

Not a single member of Congress can lay claim to perfect innocence. But still, I want to see a real life Smith. I want to hear as he shouts himself hoarse, cries with anger and alarm, lays himself bare to criticism and scorn. I want him to stand for his beliefs explaining each one in great detail 'till he can stand no more. I want to see him collapse exhausted from the effort. I want him to make himself vulnerable to me and American voters who will judge him right or wrong, good or bad, rebel, stooge....or maybe even hero.

And then I want to decide the answer to the question: "Are there any Great Americans today?"^{RO}

One Sick Puppy

Published in The Stevenson Report

BY RANDY STEVENSON

Rumor has it that some vet techs will write the abbreviation A.D.G. as the diagnosis of an animal they have briefly looked at and admitted into their care. Further inquiry enlightens us that A.D.G. simply stands for "Ain't Doing Good." There is scarcely a real cattleman that can't look at a pen full of cattle and pick out the weak and sick ones. In both of these cases, the person doing the looking may not have had the opportunity to do a thorough diagnosis of the problem, but the general appearance and activity of the animal gives away the fact that something is wrong.

This same thing holds true of the cattle market. We can do a cursory diagnosis that there is a problem, without the precision to know specifically what is wrong. There are two particularly notable symptoms of illness in the market. Both of them require a very long-term look.

The first is average return on equity. In most endeavors, the expected return that attracts investment is around 15%. More than that and the risk is higher than average, thus discouraging much investment. Lower than that and the capital goes elsewhere. Cattle producers earn paltry low single digit returns on equity when measured over the long term. It is not difficult to see that this puppy should be labeled A.D.G.

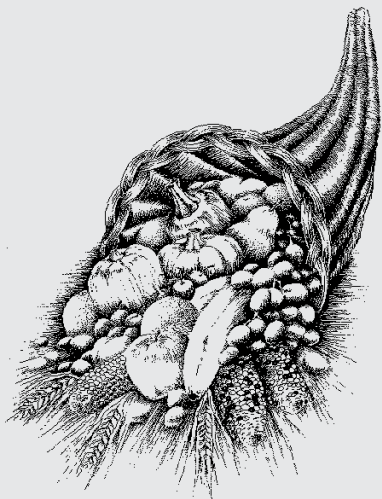
The second is the cattle cycle. The cattle cycle is the pulse of the market. It is the response of the ebb and flow of supply and demand streaming from production and consumption, in an environment of competition. If the cycle

... we need to quit arguing about whether something is wrong and be much more concerned with an exact and correct diagnosis of the cause.

disappears, we know the puppy is sick. The predictability of the rebuilding phase of the cattle cycle has repeatedly been missed. It just isn't happening. Obviously, something is wrong. The cycle has "flatlined" (or worse).

With these two significant long-term problems, we need to quit arguing about whether something is wrong and be much more concerned with an exact and correct diagnosis of the cause.

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STEVENSON (continued from page 1)

Skousen then goes into a short description of what he calls the "Four Laws of Economic Freedom." He says, "Prosperity also depends on a climate of wholesome stimulation protected by law. Reduced to its simplest formula, there are four laws of economic freedom which a nation must maintain if its people are to prosper at the maximum level.

These are:

1. The Freedom to try.
2. The Freedom to buy.
3. The Freedom to sell.
4. The Freedom to fail.

Finally, he devotes a short section to the role of government in economics. After listing a number of unwise roles government has historically played in economics, he says, "Nevertheless, there are four areas of legitimate responsibility which properly belong to government. These involve the policing responsibilities of government to prevent:

1. ILLEGAL FORCE in the market place to compel purchase or sale of products.
2. FRAUD in misrepresenting the quality, location, or ownership of the item being sold or bought.
3. MONOPOLY which eliminates competition and results in restraint of trade.
4. DEBAUCHERY of the cultural standards and moral fiber of society by commercial exploitation of vice—pornography, obscenity, drugs, liquor, prostitution, or commercial gambling."

It is interesting to see that when we get down to the level of specific detail, That we can find that even Glenn Beck, who is considered by some a right wing extremist, and by others a national hero, promotes free-market principles very much like OCM.

The bottom line here is that this provides evidence that OCM does not need to place itself somewhere on the political spectrum. Such a placement does not apply. We are not standing for a particular ideology, but for common sense. And sometimes common sense appears in the most unexpected places.

RS

STOKES (continued from page 2)

and market protections that favored you and me, the producers.

For example, NCBA vigorously opposed—and still opposes--Country of Origin Labeling (COOL) even though cattle producers overwhelmingly support it. How can an organization that fights against the belief of all cattlemen, COOL, be those same cattlemen's \$50 million a year contractor of the checkoff?

Also, NCBA's shrill voice now leads the meatpacker chorus in opposition to the proposed GIPSA Rule which I see as an essential first step in reviving the Packers and Stockyards Act. By any fair measure, this rule is critical if independent farmers, ranchers and cattle feeders are to have a competitive marketplace in decades to come.

Does the checkoff's main contractor, NCBA, support the future of these hundreds of thousands of producers or does it, as it takes every producer's checkoff money, support the meatpackers hatred of the proposal?

Again I ask: How can the NCBA, whose membership represents fewer than one producer out of every 33, speak for four giant, multinational meatpackers while working against the future of 700,000 cattle producers paying tens of millions of dollars in checkoff that NCBA benefits from?

One of our nation's most revered Founding Fathers, Thomas Jefferson, said that "To compel a man to furnish funds for the propagation of ideas he disbelieves and abhors is sinful and tyrannical." I believe that's so with NCBA and the checkoff: together they are working against cattlemen and our future.

OCM and its alliance of organizations and individuals again appeal to the Secretary of Agriculture and USDA's Inspector General to take action on our earlier requests. Cattlemen everywhere deserve to know whether NCBA is working for itself and meatpackers or the people—you and me—who pay the checkoff without recourse or refund.^{FS}

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DAVID KRUSE

PRESIDENT, COMMSTOCK INVESTMENTS

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Whenever corn prices rise, we need to hand another dry crying towel to the NPPC, NCBA and AMI as their tears will flow freely as they decry the injustices of ethanol, portrayed as the source of all livestock industry ills. Actually, they will claim to support ethanol, just not ethanol subsidies.

If ethanol was not subsidized, they claim their opposition would relent. That means that the focus of their disgruntlement was with government subsidy's alleged distortion of corn demand.

They are ideologically opposed to subsidies. That's their spin. The truth is, they don't like anything that raises corn prices. They want cheap feed. The subsidies are irrelevant because they did not oppose farm subsidies that kept farmers growing corn that sold for market prices that were below the cost of production. You never heard a peep out of livestock organizations when the government was directly subsidizing corn production, indirectly benefiting livestock producers with cheap feed.

Livestock producer ideology only surfaced when the government subsidies to ethanol production indirectly boosted the price of corn and subsequently, feed costs. To me, that means livestock producers complaining about ethanol subsidies are just hypocrites who believe they somehow have a right to cheap feed.

China has been buying corn and subsidizes its domestic corn prices trading there

above \$8.50/bushel, so that U.S. corn imports are economically possible. Livestock producers should be railing about Chinese subsidies, but you haven't heard a word from them on the subject. Chinese subsidies raising corn prices are okay, but ethanol subsidies reducing our dependence on foreign oil are not?

Livestock groups promote the myth that ethanol is subsidized, while oil production is not. A DTN investigation produced a months long study that concluded that while exclusive ethanol subsidies total \$7.1 billion annually, the oil industry gets \$17.9 billion. That doesn't include the share of military spending to protect the Persian Gulf that a University of California Davis study estimated to range from \$6.9 bln-\$28.8 billion annually as an indirect subsidy to the oil industry.

DTN wrote, "In the eternal mudslinging between supporters and opponents of biofuels, subsidies are one of the opponents' biggest and most painful mud balls. If ethanol is such a good idea, why does it need government help? Supporters retort that the oil industry is subsidized too, but that argument often doesn't seem to win much respect. It should. The oil industry receives substantial amounts of taxpayer support - by some definitions significantly more than ethanol."

Another CIA study shows that 4 cents of every dollar that is spent on Mideast oil goes to the bad guys that want to kill us. No F-16's are needed to protect cornbelt ethanol plants. They are even safe from Gulf hurricanes. The livestock industries are doing everything they can to kill the ethanol blender's credit and tariff to disrupt the ethanol industry and do as much damage as they can to domestic motor bio-fuel production. Their objective is reducing the cost of their feed...cheap feed at all costs.

Ethanol critics also decry the EPA increasing the blend limit to E-15. Their op-

position to this is the height of hypocrisy. They claim to want to allow the market to decide what fuel is consumed and by raising the blending cap, it takes the government's hand off the market. E-15 is voluntary, not mandatory. Corn based ethanol only requires E-12 to reach its RFS mandated 15 billion gallon limit.

E-15 is to allow access to the market for cellulosic ethanol which should have no impact on livestock feed costs. The NPPC and NCBA must not want to compete for corn stover for bedding with the cellulosic ethanol industry either. There are plenty of corn stalks to go around. U.S. corn producers will raise enough corn to supply all users; they just might not do it at a price below the cost of production that plains state livestock producers, spoiled by farm subsidies, got used to paying. Livestock industry opposition to higher blending rates is disingenuous.

Ethanol critics call ethanol proponents, apologists. I support ethanol and apologize for nothing. It's been a huge boon to the Midwest economy. I am also a cattleman and believe that the ethanol industry is the best thing that ever happened to cornbelt cattle production. That's why Midwest cattle on feed numbers are increasing. While the livestock organizations decry a third of corn going to make fuel, a third of that third comes back as distiller's grain, a fantastic low cost feedstock ideally suited for cattle rations.

The NCBA represents southern plains feedlots where they have no long term future feeding cattle as they pump the Ogala Aquifer dry raising corn, wasting energy - while the cattle should be fed where we grow corn with rain and feed wet distiller's grain. They liked it much better when cornbelt farmers grew too much corn for the government subsidies, selling the surplus to them below the cost of production

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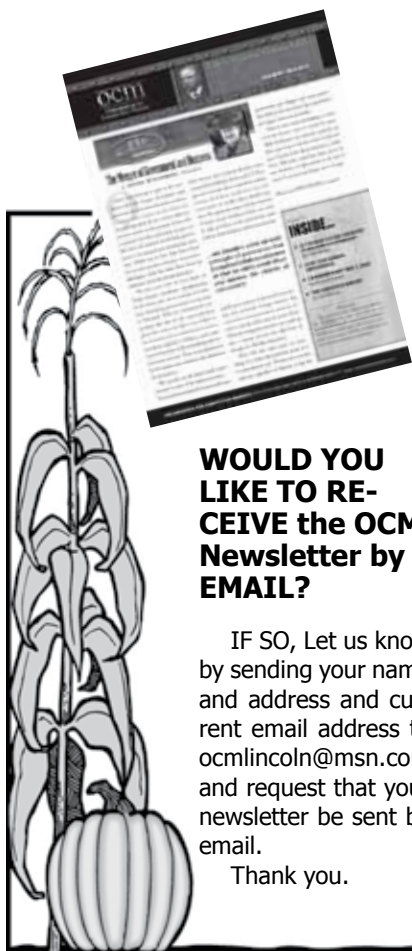
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so that they could make money feeding it to cattle.

The system we have today subsidizes the ethanol industry with far fewer dollars than we do the oil industry, virtually ending farm subsidies related to corn, boosting U.S. corn production, growing net farm income, producing meat more efficiently nearer the source of low cost feed. That is a lot better system than that portrayed as desirable by the NCBA, NPPC and AMI. The country benefits from lower transportation fuel costs, more domestic supply, reduced trade deficit, and less cash going to terrorists by producing and consuming domestic biofuel.

Ethanol opposition has invested a lot into public relations to sully the reputation and benefits of ethanol and it's time the truth was told.

DK



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