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THE Stevenson REPORT

US Farmers and Rancher Alliance (USFRA): The Veeder Pool of Public Policy

BY RANDY STEVENSON, PRESIDENT

The value of history is the lessons learned from it. In looking at the activities of beef industry today, one of the best history lesson comes from certain events around the turn of the last century. The Sherman Antitrust Act had been passed in 1890. In the following decade it was mostly ignored by the Executive Branch of the federal government. In about 1885, prior to the passage of the Sherman Act, a pool had been established in which various meatpackers agreed upon the division of the dressed meat market into which they sold their products. This provided a reduction of competition and allowed them to control the supply of meat in their own areas and thereby strongly influence the price to their own benefit.

Through the time that followed the establishment of the pool, changes in membership and practice came about and by 1893, the pool was known as the Veeder Pool. It was named for attorney Henry Veeder, a lawyer for Swift and Company, in whose office the group met weekly. At first, the group continued the practice of dividing up the dressed meat market, but between 1902 and 1905 discontinued the practice due to an injunction filed against them by the Department of Justice and ultimately upheld by the Supreme Court.

Sometime in that period between 1902 and 1905, the makeup of the members of the Veeder Pool changed and it also changed its nature and became a pool dividing the livestock market instead of the dressed meat market. It took well over a decade for much of the information to come to light, as regulators looked back on their success of bringing the dressed meat pool to an end, and failed to recognize that it had just morphed into another form having the same effect on the market.

By 1919, Henry Veeder himself had testified to the existence of the pool and it was a well-known fact. Veeder willingly testified because the statute of limitations had run out on his involvement. The division of the market continued, though, and the

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What's

INSIDE...

U.S. FARMERS AND RANCHERS ALLIANCE;

THOMAS F. "FRED" STOKES
Executive Director

Seeking to help U. S. farmers and ranchers or bent on selling the industrial model to a skeptical public?

When I first saw the list of the founding members of the new U. S. Farmers and Ranchers Alliance, all sorts of alarm bells went off. The list includes such groups as; *American Farm Bureau Federation (AFBF), American Soybean Association (ASA), Cattlemen's Beef Board(CBB), Federation of State Beef Councils (FSBC), National Cattlemen's Beef Association (NCBA), National Pork Producers Council (NPPC) and United Soybean Board (USB).*

These folks are not "farmers and ranchers" These are the people who put family farmers and ranchers out of business! This is an alliance only of the sorts of groups that preach *"get-big-or-get-out"* and *"efficiency through scale and vertical-integration."*

This group's stated mission is to *"strengthen the image of agriculture and enhance public trust in today's best production practices".* We have long known why they want to do this – consumers distrust the big agribusiness firms. Now at last we know *how* they plan to do it – by *pretending* to be the exact opposite of what they really are.

This isn't smart branding. It is Orwellian doublespeak.

Membership in this confederation goes for $5,000. It costs $50,000 for a seat on the board. Current board includes members from the Beef Checkoff, Beef Federation, National Milk, National Pork Producers, Poultry & Egg, Neb. Soybean Assoc., Iowa Soybean Board, IL Soybean Assoc, and MN Soybean Council. Executive members of the board include: Bob Stallman of AFBF; Phil Bradshaw of Soybean Checkoff; Bart Schott of NCGA; Dale Norton of Pork Checkoff; Gene Gregory of United Egg; and Forrest Roberts of NCBA.

This cabal does not epitomize farmers and ranchers. All this cabal has done is shamelessly appropriate the image of the farmer and rancher.

The group has retained Drake and Company as their contractor and the Ketchum PR firm as its communications agency. The strategic plan calls for; "driving the USFRA mission to strengthen the image of agriculture and enhance public trust in today's best production practices".

If you swap out the words "best production practices" and substitute the words "most predatory political practices" then you will begin to get an idea of what's really going on here.

And this assault on the American family farm is coming on fast and hard. The project launch date is reported to be mid-July. And the group reportedly already has $10,000,000 in the bank, and has announced a first year funding goal of $20,000,000, while $30,000,000 budgets are considered possible in future years.

Right now, Farm Credit and The Fertilizer Institute are the only two big business ($500,000) members. But others are expected to be announced in coming weeks. The goal is to recruit companies such as ADM,

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These folks are not "farmers and ranchers". These are the people who put family farmers and ranchers out of business!

Finite

BY RICHARD OSWALD

Futures traders say "Rain makes grain" but it takes a whole lot more than rain to build the heads, pods and cobs of everything we grow.

Growing a crop is much the same as building a factory. Both require energy and materiel.

Factories, any factory, will wear out if not kept up. It all requires maintenance. In order to pay that cost farms and ranches need to earn a fair return on investment and labor.

That can't happen without fair competitive markets.

It's popular to criticize farmers (6) for collecting subsidies and growing grain for ethanol. (5)

Critics say we're burning food too valuable to waste, that it drives up feed costs and forces livestock producers out of business. The truth is without a realistic evaluation of food and energy policy we're just using up valuable resources, tearing down factories that future generations need.

But to survive we farmers must take our profits where we find them.

When I was a growing kid on the farm, Dad told me that organic matter (stuff grown on the land like grass, corn stalks, and wheat straw—even weeds) maintain fertility when we return them to the soil, like a factory recycling its own waste. That's because not all, but a large percentage of nutrients a growing crop uses remain behind after the grain is harvested.

During Dad's day average corn yielded about 80 bushels of grain per acre. Today's national average corn yield is projected at more than 160. (3) That means this year's crop will be producing twice the grain Dad's average crop did in the '50's. Whatever the nutrient withdrawal of his crop was, mine is nearly doubled.

Biofuel critics say that growing food is better for land and people than raising feed stocks for bio-fuel. Fact is, no matter where it's used, very little of what we grow today returns to the soil where it was born. That's one reason why markets for fertilizer mined from the earth (2) as well as recyclable plant nutrients from grain (manure) are rising across the country and around the world. (4) In many areas of corn country, manure from CAFOs used to build soil fertility is a by-product that represents more profits to hog contractors than any they receive from integrators for growing livestock.

On the other hand, in livestock feeding areas less well suited to grain production than corporate expansion, toxic manure is a clean water liability.

Maintenance of the grain factory in Dad's day meant plowing down a legume or even weeds, adding lime, and spreading manure back on fields that fed home grown livestock. Now that we have fewer farms and bigger CAFOs producing more hogs and chickens, crop farmers must purchase phosphorous and potassium for grain factory maintenance instead of recycling them as waste from their own products.

Almost the entire agricultural system we have devised and live with today fails one basic test. Little of what we do in food OR bio-energy production is sustainable. When we fail to address basic loss of fertility and harm to our environment, then like the song goes, we're just another day older and deeper in debt.

We've been mining the soil the way coal miners cut down one mountain and move on to the next. Unfortunately none of our fuel or food natural resources are infinite.

It's not all bad, because regardless of how much grain we convert to fuel, we don't burn all of every bushel. Plant nutrients—they aren't the energy in ethanol–remain behind in distillers grain (DDG) to be utilized by livestock producers as animal feed both here and abroad.

But export sales of food or feed export both *energy* and *fertility.* The basic nutrients in those products are gone from our farm fields for good. Energy generated through photosynthesis in growing grain recycles carbon brought back down to earth regardless of whether it fuels people, animals, or cars. The most irresponsible behavior isn't the way we use grain– it's the way we handle the leftovers.

While the total amount of carbon in the world is limited to whatever we have, it's where we put it that matters. We live in a finite world. Mountains of coal and oceans of oil used as energy turn the world upside down by removing carbon from the earth and putting it into the air.

The same is true of the way we

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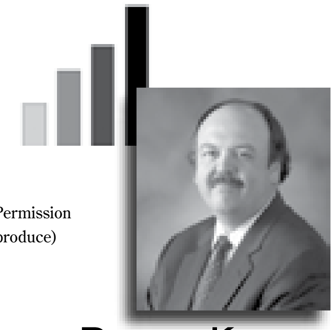

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David Kruse
President, ComStock Investments

Someone gleaning through old Commstock Reports found this one that was remarkedly prophetic in context of the changes in economic events that have unfolded since. I have been told that sometimes I am too far ahead of the comfortable consensus and it may have seemed that way in 2003, but events have certainly caught up to what I forecast. This report, in its unedited version, was posted on November 17th, 2003:

“Deflation by generation. My father-in-law tells that not long after he started farming on his own that he bought a new manure spreader. When his father drove on the yard, he expressed strong opinion that my father-in-law splurged, spending too much money, admonishing him that ‘he’d never lived through 15 years where every year crops and livestock were worth less than the year before.’ He was referring to the deflation of the 1930’s and 1940’s.

Every farmer who’s been in business since 1980 knows what that old farmer was talking about. U.S. agriculture experienced 18 years of deflation from 1980 to 1998. The CRB Index, the Dow of commodities, trended lower during that period as the value of commodities produced eroded and farmers struggled to survive. I believe the wave of deflation experienced by my generation is over.

I believe that the next 20 years in agriculture are going to be starkly different than the last 20 years. Commodity producers are going to move from the bottom of the economic supply chain to the top. The New York Times recently added to its editorial comments criticizing farm subsidies. They don’t begin to understand farm subsidies and who subsidized who for the last two decades. The American farmer subsidized the American consumer during that period, not the other way around.

U.S. consumers were subsidized with food, fuel and fiber at below the cost of production prices which increased disposable income allowing those consumers to purchase the fun things that drove economic growth as well as underpinned a macro-degree bull market in equities inflating the stock market bubble. The deflation that U.S. farmers struggled to survive for 20 years benefited consumers immeasurably more than it cost them in farm subsidies.

The New York Times is wrong that subsidies did not benefit family farmers or stave off concentration of agriculture. Subsidies lengthened my generation’s period of deflation but without them there would have a swift and total destruction of the economic fabric of rural America, creating a vacuum in which corporate agriculture would have raped and pillaged producers undeterred without the financial lifeline extended by Federal farm programs.

The world is now changing and the change is going to turn the deflation of the 1980’s and 1990’s upside down. U.S. consumers are going to look back at the 80’s and 90’s and realize how good they had it - that it was a gilded era. Farm subsidies provided cheap food to consumers and sustained family farmers. The change emerging into a new major economic trend is that the U.S. consumer is now beginning to encounter competition from emerging economies around the world for food, fiber, and fuel.

The Chinese economy is booming and it is not a temporary short-lived phenomena. It is the beginning of something enormous. Chinese consumer incomes are now growing to levels at which they are impacting demand for food commodities. Chinese industry straining to meet U.S. demand for manufactured goods is consuming enormous quantities of raw materials, imported metals and energy with their surging demand. India is right behind China.

The U.S. trade deficit created from the spending of billions of dollars on foreign goods is triggering an economic resurgence in countries that sell us those goods. This flooding outflow of U.S. dollars is beginning to weaken the U.S. currency which will eventually increase the price of foreign goods to U.S. consumers. Because China pegs its currency to the U.S. dollar, this currency pressure valve is not functioning.

As global economies grow, demand for raw commodities to meet growing numbers of consumers with surging incomes is about to explode. China has emerged as the center of price discovery for crude oil, copper, cotton, soybeans, and iron ore. China is expected to displace Japan as the second largest consumer of oil behind the U.S. in 2004.

The Federal Reserve, publicly stating concern over deflation, has been priming the pump injecting enormous liquidity into the U.S. economy which is beginning to respond. They are reinflating the U.S. economy. Commodity prices that U.S. industry, consumers, and commodity producers, including farmers, have gotten used to for the past two decades are about to be transformed by new demand from emerging economies. It's time to buy a new manure spreader."

Of what I wrote in 2003, what of it has not happened? Commodity producers have moved from the bottom to the top of the economic supply chain. The world has changed. The U.S. consumer is now encountering competition from emerging economies around the world for food, fiber and fuel. The Chinese economy is growing their consumer incomes, directly impacting their demand for U.S. and world wide food commodities to meet their needs. And India is right behind China.[DK]

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meatpackers point to irrefutable evidence of variation in the marketplace that proved the existence of competition.

In January of 1919, Mr. William B. Colver, chairman of the Federal Trade Commission, testified to a Senate Committee regarding the activities of what he called the "great packers", referring to the Big Five meatpackers of the day. Using data from 1916, Mr. Colver threw down a convincing argument that the Big Five were indeed dividing the livestock market. In the face of the argument that the meatpackers proportional buying still represented true competition, and was merely a representation of each one's proportional "plant capacity", Mr. Colver dissolved all doubt by presenting data to the contrary.

So, what is the valuable lesson from this history? Meatpackers have had a history of collusion. They have changed tactics and methods when they have been caught, and they have vocally denied anticompetitive behavior and provided statistics to show that competition existed while they colluded in the marketplace. There are some differences today. Manipulation is more sophisticated and complicated. It takes more analysis to uncover. Market division is not geographical, but based on categories of livestock. But also the collusion is not restricted to that of market division or of price setting. Much effort has, in more recent years, turned to organizational power used to influence the regulatory regimen that will be in place.

The modern version of collusive power is the big and influential organization that influences politicians and helps to make sure that the rules written for regulating anticompetitive behavior don't bother the members big and influential organizations.[RS]

OSWALD (continued from page 3)

treat markets for farm goods. Lax enforcement of laws like the Packers and Stockyards Act, and the way producer funded check-offs are spent has turned the world of agriculture upside down.

Current methods of producing livestock are relocating basic fertility. If manure is more than 20 miles from a parent cornfield, chances are those nutrients may never see home again unless they pass by as runoff.

Unfortunately they don't grow much corn in Chesapeake Bay (10) or the Gulf of Mexico (1). Oil refineries consume enough energy to power 1/4 of all American homes (12). As farmers our own energy use will never equal that which refiners use just making oil saleable. Fact is, natural gas, the stuff they still burn off at wellheads is mostly what ethanol plants use to cook their product. And shipping grain to an ethanol factory squanders no more energy than shipping it from the Midwest to southeastern chicken factories, west or south to export markets, or even up the road 50 miles to corporate hog confinements.

When grain was priced below what it cost to grow, supplies seemed infinite. Rivers of corn, sorghum, and wheat flowed to opaque markets that didn't recognize true worth. Farm prices were forever cheap as a benefit for big agribusiness. Our government paid farmers subsidies because the market had failed to return the true cost of grain to its source. In the meantime large processors, subsidized by those seemingly limitless supplies of grain could charge whatever they wanted.

Cheap raw materials for the sake of abundant food and corporate profits are no more sensible today than having cheap crude oil. The cheaper it is the more irresponsibly we treat it and the more ways we find to abuse it.

The population of our finite world continues to grow, demanding more, more, more. But there's more competition for food, more competition for fuel, more demand than ever before, with fewer people actually competing in fair and open markets to produce it.

Like the cattle auctioneer I used to know who banged his gavel and asked reluctant bidders the question, "Hey! What are we doin' here!!?"– an honest evaluation of public policy is called for. Even digging a hole requires soil, and there's only so much of that to go around. (11)[RO]

(1) http://www.nytimes.com/2011/04/21/us/21spill.html

(2) http://en.wikipedia.org/wiki/Potassium

(3) http://journals.ametsoc.org/doi/pdf/10.1175/EI098.1

(4) http://www.farms.com/FarmsPages/Commentary/DetailedCommentary/tabid/192/Default.aspx?NewsId=40204

(5) http://www.nytimes.com/2011/04/24/weekinreview/24food.html?emc=tnt&tntemail0=y

(6) http://www.topsecretwriters.com/2011/04/california-food-industry-against-ethanol-subsidies/

(7) http://deltafarmpress.com/government/agriculture-shipments-would-feel-pinch-budget-cuts-corps-engineers-maintenance-waterways?cid=nl_dfpd

(8) http://www.npr.org/2011/04/12/135354092/the-corn-belt-debate-crops-or-cattle?sc=emaf

(9)http://newsok.com/no-dust-storms-thank-an-agriculture-producer/article/3558822

(10) http://www.desmoinesregister.com/article/20110420/BUSINESS01/104200350/1029/?source=nletter-news

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(12) http://progressivetimes.wordpress.com/2010/03/24/sobering-fact-the-energy-for-americas-gasoline-could-power-3x-all-american-homes/

STOKES (continued from page 2)

Cargill, Monsanto and DuPont.

The Cattlemen's Beef Board is in for $250,000 and it seems likely that other commodity Checkoff funds have also contributed to the $10,000,000 currently in the bank. If anything, this is the greatest outrage of all, as the Board is misappropriating Checkoff funds, paid by real farmers and ranchers, to pursue an effort that would put those very same farmers and ranchers out of business.

I see the USFRA as an audacious attempt to finish the task of "chickenizing" American agriculture, and of turning the American farmer once and for all into a serf.

This is a tragedy, a grave political danger to the United States of America, and a direct threat to our security. The family farm system has served this country well. We abandon it at our national peril. Already, thanks to replacing many commercial scale family farms with corporate mega farms and monoculture, the former breadbasket to the world has become a net food importer.

It's not even good economics. The new system, with its massive scale and its dominance by transnational corporations, claims to be justified through efficiency of scale. If claims of efficiency of scale are credible, why do these firms claim a larger share of the food dollars with their increase in size? Seems to me to be market power rather than efficiency.

Further, this model will drive most of the entrepreneurial spirit out of farming. After all, replacing the family farm and ranch with a big agribusiness model would take away exactly the independence and freedom that attracts folks to farming and ranching in the first place.

The U. S. Farmers and Ranchers Alliance does not represent the voice or interest of farmers, ranchers or rural America. It is a sinister and deceitful scheme and deserves the strongest possible opposition from consumers and those who till the land and tend the herds.[FS]

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