



Iowa Senator Chuck Grassley, a longtime advocate for fair markets, is once again reintroducing a bill that would make it unlawful for meat packers to own livestock more than seven days prior to slaughter. Similar legislation has been introduced before, but the powerful packer lobby has always succeeded in killing it.

Aside from whether the bill actually has a chance this time, there's another question to consider. If Congress bans meat packers from owning livestock, who will be left to buy the ranchers' calves

Ban On Meat Packer Ownership TOO LITTLE, TOO LATE

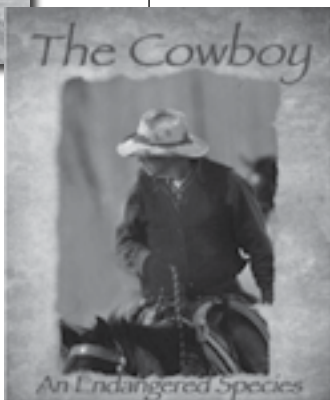
and the stockers' and backgrounders' feeder cattle?

When packer ownership first became an issue back in the spring of 1994 — a crisis during which the market fell \$17 per hundredweight (\$220 per head) in just six weeks — few people understood the negative impacts of packer-owned livestock, also known as captive supplies. Well, now we know. The lack of price discovery is on everybody's radar screen, underscored by one of the most egregious market failures of all time: the 2015 cattle market meltdown, which saw billions of dollars of equity transferred from the independent cattle-feeding sector to the powerful meat packers and food retailers. With losses exceeding \$600 a head, already crippled cattle

feeders were essentially wiped out in 2015 — the largest capital drain ever experienced by the cattle industry.

Even by historic standards, the 2015 free-fall was a watershed. And history has been brutal. The year 1994 was particularly punishing. When market leader IBP (now Tyson) stepped out of the market for six weeks, the other big packers no longer had a "boss cow" to follow for price leadership. More than 1,500 enraged cattlemen gathered in Omaha to protest the destructive price decline. Prices recovered \$12 per hundredweight in the

Please see CALLICRATE on page 2



Every month 1,000 ranchers go out of production. THE NATIONAL SECURITY ISSUE NO ONE IS TALKING ABOUT!



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Disclaimer: 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.

"Let us not forget that the cultivation of the earth is the most important labor of man. When tillage begins, other arts will follow. The farmers, therefore, are the founders of civilization."

- DANIEL WEBSTER

CALLICRATE (continued from page 1)

following weeks, but what was obvious to many sellers of finished cattle was confirmed later in 1996 by a former IBP vice president: the biggest meat packers had indeed agreed to basically cooperate rather than compete.

So now we come to the late summer of 2015 and the wrenching 30% drop in cattle prices. Even when the cattle market was at record levels in 2014, producers were still short of their 1975 share of the consumer beef dollar by about \$200 per head, though it was a much-needed improvement. Unfortunately, it proved to be short lived. While consumers

Banning packer ownership of livestock now isn't the solution it would have been had it been enacted when it was sorely needed. Years of de-regulation and antitrust neglect have allowed the biggest, most aggressive companies to gain monopoly control of our food supply. Competition is dead, and, without competitors, a true market can't exist.

Our founding father Ben Franklin described family farm agriculture as "... the only honest way [to acquire wealth], where in man received a real increase of the seed thrown into the ground, in a kind of continual miracle, wrought by the hand of God in his favor, as a reward for his innocent life and

his virtuous industry." Today's environment is more akin to Jurassic World. Rather than creating wealth from the land, the winner-take-all super-preda-

"You should be suing Walmart [instead of IBP], they are the problem. They tell us what they will pay and we have no choice but to pay you less."

- JOHN TYSON, 2002

continued to pay essentially the same amount for beef, cattle producers got shafted. Tragically, there weren't enough independent-thinking cattlemen left to even organize a protest. At least the feisty R-CALF organization was willing to step up and call for a Congressional hearing.

While the plundering of cattle producers ensued, Agriculture Secretary Tom Vilsack was asleep at the wheel by failing to enforce the 1921 Packers and Stockyards Act, intended to prevent another meatpacker monopoly. Instead, he was celebrating the lifting of import restrictions on South American beef, giving greedy meat packers and retailers all the leverage they needed to drive down U.S. cattle prices to far lower South American values while inflating their own profits.

tor corporations are running a giant mining operation. No new processors, feeders or producers can succeed, even though new players are what we critically need to revive competition, restore market access and keep cattle prices honest.

If food security is important to Americans, we need far more than a ban on meat packer ownership of livestock. We must break the monopoly power of big retail, big meat packing and big food in general and create a pathway for family farmers and ranchers to re-establish their traditional connection with consumers. An all-out effort must be made to rebuild a healthier family farm food system all the way from soil to table, giving new life to the most important sector in our economy — American agriculture.^{MC}



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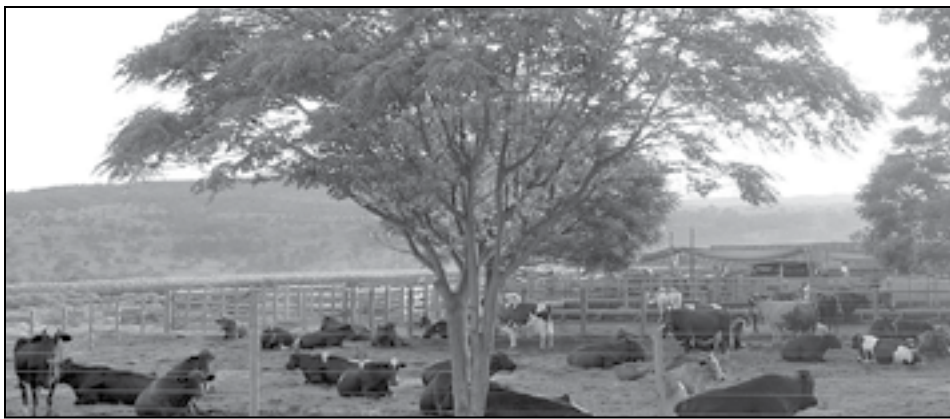
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The Family Farm by Fred Stokes

I am Fred Stokes from Porterville, Mississippi. I am happy and honored to be a participant in this conference. Ralph Nader is one of my heroes and the epitome of unselfish commitment to worthy causes.

I was born on a small diversified family farm in Kemper County Mississippi, the home of the late Senator John C. Stennis. After spending some 20 years in the Army, I retired and returned to my home country to

get rich in the cattle business.

I borrowed lots of money and invested in cattle at the top of the market. When President Nixon removed his wage and price freeze in 1973, the cattle market went down to 30% of its former high. I suddenly found myself owing more than the value of everything I owned. During those dark years of owing bills that I couldn't pay, I spent a great deal of time trying to figure things out. I finally concluded that the game was rigged, a conclusion that seems to be shared by a couple of current presidential candidates.

For the past thirty years I have devoted myself to unrigging the game; without a great deal of success. But I have come to some opinions that I would like to share, with the hope

Please see STOKES on page 6

18TH ANNUAL FOOD AND AGRICULTURE CONFERENCE & MEMBERSHIP MEETING

MARK YOUR CALENDARS!

**FOOD AND
AGRICULTURE
CONFERENCE
& MEMBERSHIP MEETING**

We will be back in Omaha this year in the downtown area where there are so many fun things available. Please consider some of the attractions while in Omaha's historic market within walking distance of the hotel.

We have a very special conference planned for this year and hope that you will participate. More details will follow.

AUGUST 19-20, 2016

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**AGENDA and additional
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Broke Cattle Markets, Broken Cattle Feeder

By C. Robert Taylor

The U.S. cattle industry has lost nearly half our cattle ranchers and over 70% of our feeding operations.

Is it time to do something about the abusive market power of the meat industry?

See the self-explanatory table and a chart below showing monthly returns to feeding. Data are through March 2016.

The second chart shows a 12-year moving average of returns. Competitive markets adjust over time to big losses and to big profits. Due to the long biological cycle for cattle, such adjustments can take years.

Before consolidation and captive supplies, all of you know that we observed cycles of 10-15 years duration due to these lags. In a competitive market we would expect the 12-year moving average to be fairly stable with no significant trend. Not so. The overall trend in this moving average is strongly negative, revealing a loss of over \$100/head in the past 20 years.

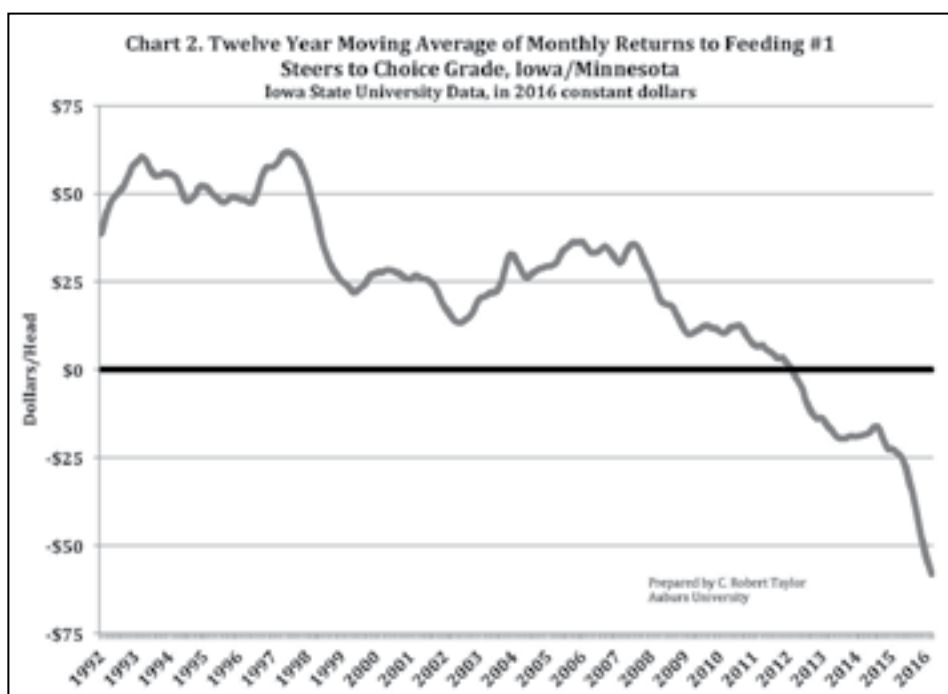
The major feeders must be incurring huge losses or getting big kickbacks.

Broken markets. Absolutely.

Average Returns to Cattle Feeding in Current Dollars

Period	\$/Head
Since January 1981	\$8.30
Last 15 years	-\$25.39
Last 10 years	-\$66.68
Last 5 years	-\$84.03

Based on Iowa State University Data
<http://www2.econ.iastate.edu/estimated-returns/>



Fred Stokes continues his fight for independent rancher

By Steve Tarter

Journal Star city of Peoria reporter

Fred Stokes called the other day. He wanted to let the press know that he's still working to promote the cause of independent ranchers in this country.

Stokes brings up the beef checkoff issue. That's where \$1 from every head of cattle sold goes to a promotional fund operated by the Washington, D.C.-based National Cattlemen's Beef Association, the group that represents the mainstream beef industry.

Independent ranchers like Stokes believe the beef industry shouldn't be controlled by a handful of large packers who they see as behind the NCBA.

Stokes believes that checkoff funds that topped \$80 million last year went

to support an effort that toppled country-of-origin labeling. "Cattlemen are funding their own demise," he said.

Others have weighed in on the beef debate. Mike Callicrate, the president of the Nebraska-based Organization for Competitive Markets, a group that Stokes helped form in 1998, said he doesn't want cattlemen "working as serfs on their own land for the benefit of the big three packers."

Bill Bullard, who heads R-CALF USA, a Billings, Mont.-based group that represents ranchers, also opposes the beef checkoff. "Despite what we know to be clear evidence about the high quality of beef raised by individual U.S. cattlemen,

we are being taxed to promote a message that beef raised without the strict standards used by our members is the same as all other beef, a message we do not support and do not agree with," he said.

As an example of a promotion paid for by the NCBA, R-CALF charges that checkoff

money was used to fund an advertising campaign for a fast-food chain to promote a product which could contain beef from 41 different countries.

The NCBA says that checkoff dollars are simply invested in programs "to in-

crease consumer demand for beef and create opportunities to enhance producer profitability."

At 81, Stokes isn't giving up the fight, despite being unable to stir the U.S. Department of Agriculture or federal legislators to act on behalf of small independents. After 20 years of service in the U.S. Army, Stokes retired as a major in 1972. He started up a little ranch in his native Mississippi before getting involved in OCM, an organization he said "seeks to restore competition in the ag marketplace."

As a veteran who served two tours in Vietnam, Stokes is no stranger to adversity. He also downplays his role in trying to bring some measure of fairness to the American marketplace. "My role in this thing is to call and harass folks," he said.

Stokes is still involved in his cattle business in Mississippi but he's clearly frustrated from seeing the balance of power swing to the corporate side. "Independent family agriculture is disappearing from the face of the Earth. I don't know if the American people care anymore," he said.

"I'm old, tired and frustrated. I can say that I lived in America's heyday. I'm thankful for that but we sure screwed up this country for our children," said Stokes, who's still out there calling and harassing folks.

"I'm hopeful but it's hard," he said.ST

"Cattlemen are funding their own demise,"

- FRED STOKES



that you in the press might give these matters some attention and help folks better understand this ominous situation.

The family farm is rapidly disappearing and being replaced by a structure that is concentrated, vertically aligned, corporate controlled and largely global in nature. I believe this new system bodes ill for independent farmers and ranchers, rural America, the environment, humane treatment of farm animals and our national food security.

Folks want to become farmers and ranchers in the belief that they would have more independence and freedom. But Independent family agriculture is rapidly giving way to contract agriculture, which I see as a feudal order.

A writer friend of mine wrote: *in this new agriculture, everyone works for the man, they are tractor drivers for Cargill and Hog house janitors for Smithfield. The companies don't own farms, they own farmers.*

This is a system that works well for the big agribusiness companies but not so well for farmers and eaters. The farmer must service the mortgage and do the work but gets his marching orders from the corporate integrator who also decides his level of compensation. This approach was pioneered by the poultry companies but has now been adopted by the pork industry. This arrangement has become known as "chickenization". It looms as the prospective future model for all of American agriculture.

Chickenization is being driven by a cabal that includes big agribusiness, certain so called farm organizations that are actually fronts for agribusiness, bought folks on Capitol Hill, USDA and perhaps other governmental agencies.

I would like to use my limited time to focus on a recent event that I think illustrates this pretty well.

On April 19th, the House Appropriation Committee approved by voice vote the \$21.3 billion budget for the U. S. Department of Agriculture. Tucked away in the 217 pages where 34 pages which would effectively exempt the various checkoff funds from being access through the Freedom of Information Act. This action was prompted at the behest of 14 of these so-called farm organizations and their friends. Those who are compelled to pay more than \$500 million a year to promote the various farm commodities, would be precluded from accessing particulars as to how their money was spent.

Prominent among these 14 was the National Cattlemen's Beef Association, an organization that has a mere 3% of beef checkoff payers as members, but contends to be the voice of the industry. It derives more than 80% of its total revenues from the beef checkoff fund.

In 2010 the Cattlemen's Beef Board (CBB) retained the Clifton Gunderson firm to conduct an audit of the beef checkoff fund. Agri-Pulse magazine reported; "CBB is 'extremely' troubled by the results of the audit of NCBA's handling of checkoff funds"

The audit uncovered gross misappropriations and other irregularities amounting to more than \$200,000; ~ after looking at the equivalent of only nine days activity. The CBB President and CEO were promptly forced out of office for their audacity in initiating this embarrassing audit.

An uproar by cattlemen who are compelled to provide the some \$80 million per year for the program, resulted in the USDA Inspector General initiating an audit in February of 2011. The investigative portion of the audit was concluded in December of that year but the final report was delayed until the spring of 2013, amidst rampant speculation regarding the findings. The audit report completely ignored the previous in-house audit findings and effectively exonerated NCBA of any wrongdoing. It was widely viewed as a cover-up!

The Organization for Competitive Markets (OCM) promptly filed a Freedom of Information Act (FOIA) request for all material related to the audit. After protracted foot-dragging and obfuscation by USDA OIG, OCM filed litigation to compel release of the material.

A year and a half has now passed and USDA OIG is still stonewalling and stalling. We still do not have the investigator's report

or the 3000 pages of drafts of the 17 page audit report. However, OCM continues to apply pressure to secure the material. We believe we have drawn a fair and impartial judge and that we will ultimately prevail.

It is our belief that this is the reason for this blatant and devious action by the House Appropriations Committee. We are convinced that there is a scandal here and they want to keep a lid on it.

NCBA has received about a billion dollars over the years from these beef checkoff funds and has been awarded the contract year after year irrespective of a fundamental conflict of interest. The USDA Secretary is fully aware of the situation and has the authority to summarily remedy this conflict, but has repeatedly declined to act.

NCBA, enabled by checkoff funds has successfully defeated the effort to re-invigorated the Packers and Stockyards Act of 1921 (known as the producers protection act), brought suit to forestall implementation of Country of Origin Labeling for beef and was ultimately successful in repeal of this portion of COOL and generally supported the interests of meat packers against those of checkoff payers.

Through the beef checkoff program, beef producers are being compelled to fund the demise of their way of life.

I see these promotion programs generally as abusive, corrupt and half-billion dollar per year scams. There is now desperate action by a host of folks who are benefitting from diverting these mandatorily collected funds, to avoid transparency and preserve their gravy train. While this is certainly not the only example of corruption out there, it is a significant and glaring one; and I urgently ask that you in the press give this matter your careful scrutiny.^{FS}



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REGISTRATION FORM



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through Competitive Markets"*

Friday, August 19, 2016

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REGISTRATION includes all day Conference on **Friday, August 19 beginning at 8:00 AM**

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_____ Number attending 2016 LUNCH @ \$30.00 = \$ _____
(Friday, August 19, 12:00 Noon)

_____ Number attending 2016 BANQUET @ \$45.00 = \$ _____
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_____ **Attending Membership Meeting, Saturday August 20 - 8:00 AM**

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