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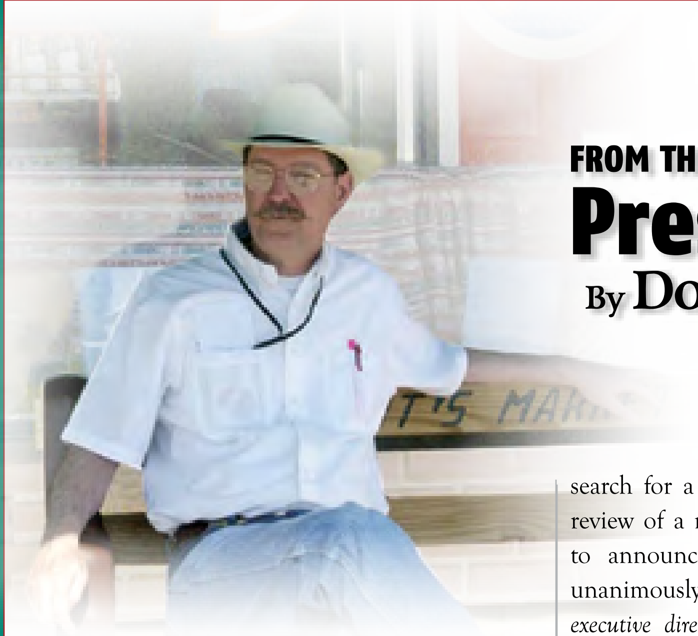
Organization for Competitive Markets

MEMBER NEWSLETTER

Fighting for Economic Justice for America's Family Farmers and Ranchers



FROM THE President
By Don Stull

In my previous president's letter, I was pleased to introduce readers to OCM's newly elected board members. Sadly, with this letter I must bid farewell to someone who was largely responsible for OCM's leadership in the growing movement to combat market concentration and associated abuses in the agricultural and food sectors.

For the past five years, Joe Maxwell ably served the Organization for Completive Markets as its executive director. During that time OCM became a national force in combating corporate threats to transparent, fair, and competitive agricultural and food markets. Having implemented our highly successful five-year strategic plan, Joe stepped down as our executive director at the end of October to allow OCM to select new leadership to guide us to the next level. He will continue to serve OCM as a member of its advisory council.

In November OCM undertook a national search for a new executive director. After careful review of a number of applications, I am pleased to announce that OCM's Board of Directors unanimously selected *Angela Huffman to be our new executive director.* Angela previously served OCM as its communications and research director, and will assume her new duties on January 1st. Her tireless efforts, thorough research, and innovative communication strategies have been instrumental in exposing corporate corruption and abuses in the beef checkoff program, to name only a few of OCM's initiatives in which she played a key role.

Angela and Joe worked closely together over the past several years, and as a result the transition from Joe to Angela as our executive director should be smooth. An example of their exceptional collaboration can be found in a blockbuster expose of the Kansas Livestock Association (KLA), which they recently coauthored. On October 9, OCM and the Kansas Cattlemen's Association (KCA) released a briefing paper entitled *"Shell Game Diverts Millions of Farm Tax Dollars to Kansas Lobbying Group, Threatening Beef Checkoff Program."* Working closely with Kansas cattle producers, KCA leadership, and after meticulously reviewing avail

> **... OCM became a national force in combating corporate threats to transparent, fair, and competitive agricultural and food markets.**

Please see **STULL** on page 2

INSIDE

2 **NCBA Grants Itself $27 Million Beef Checkoff Funds for 2020** by Jœ Maxwell, Angela Huffman, and Katherine Un

4 **OCM IN THE NEWS** by Katherine Un

5 **MEMBER SPOTLIGHT GRAHAM CHRISTENSEN** by Katherine Un

7 **COOPERATIVE CONSOLIDATION: WHY DAIRY FARMERS OF AMERICA SHOULD NOT BE ALLOWED TO PURCHASE DEAN FOODS** by Bobbi Wilson

NCBA Grants Itself $27 Million Beef Checkoff Funds for 2020

By Joe Maxwell, Angela Huffman, and Katherine Un

The Beef Checkoff Program budget for 2020 has been released, outlining how cattle producers' $40,900,000 in research and promotion funds will be spent in the coming year. The Cattlemen's Beef Board (CBB) Beef Promotion Operating Committee (BPOC) named eight organizations as contractors that will be granted the beef checkoff funds. Once again, the National Cattlemen's Beef Association (NCBA) won the top award, of $27,383,347 beef checkoff dollars.

More than half of NCBA's annual budget is made up of checkoff dollars, and the trade and lobbying group uses those funds to build its influence to push pro-packer policies. NCBA has used its ill-gotten influence to end mandatory Country of Origin Labeling (COOL) and to hinder Packers and Stockyards Act rules that would stop predatory market practices against cattle producers. NCBA does this while claiming to be the voice of U.S. cattle producers, while only 4% of U.S. cattle producers are actually NCBA members. Since the NCBA has been administering the lion's share of the beef checkoff funds, the U.S. has lost nearly half of its cattle producers, beef consumption has declined by 30%, and the four largest meatpacking corporations control 82% of the market.

How does NCBA come out every year as the number one contractor receiving the bulk of the annual budget? They maintain this top spot through a rigged system where one of their own divisions selects half of the members of the BPOC, which then chooses the beef checkoff contractors.

Here is how the beef checkoff contracting process works:

The federal Beef Promotion and Research Act, established in 1985, requires a "federation" be formed with membership consisting of representatives from the USDA-designated Qualified State Beef Councils (QSBC). QSBCs are the state-based organizations that are

STULL (continued from page 1)

able public records for over a year, Joe and Angela concluded the Kansas Livestock Association has been collecting and expending some $10 million annually in violation of state and federal law. They detail how KLA secured these funds through an improper affiliation with the Kansas Beef Council, which is charged with collecting the $1/head beef checkoff assessment. Although KLA refused to release financial information on how these federally mandated funds were spent, there is strong evidence that KLA used them to make excessive payments of salaries, consulting fees, and office rent.

OCM and KCA are calling on the Department of Agriculture and the Cattlemen's Beef Board to disqualify the Kansas Beef Council from collecting any further checkoff funds until it is completely separated from KLA. If necessary, the Kansas State Legislature should enact legislation to establish a new collection authority that is fully transparent and representative of all the state's cattle producers.

OCM will greatly miss Joe Maxwell, and his tireless efforts and many contributions to our mission. But with Angela Huffman as our new executive director, we will continue to vigorously to pursue transparent, fair, and truly competitive agricultural markets.

authorized by USDA to collect the mandatory $1.00 per head beef checkoff assessments from the cattle producers. The purpose of this federation of QSBCs is to give cattle producers from across the country a voice in how their mandatory checkoff dollars are being administered and spent at the national level.

The Beef Promotion and Research Act grants the "federation" the authority to pick 10 members of the BPOC, while the CBB picks the other 10. The 20-member BPOC has the sole authority to choose which organizations receive beef checkoff funding. By having the power to select half of the members of the committee, the "federation" is a critical and powerful organization within the beef checkoff contracting process. Following the passage of the Beef Promotion and Research Act, USDA named the Beef Industry Council as the "federation" and everything worked as planned.

Here's where it went wrong: In 1996, in order to seize control of the beef checkoff funds, NCBA acquired the Beef Industry Council. NCBA then organized the "federation" as a division within its own organizational structure and not as a separate entity organized to be the voice of all U.S. cattle producers.

What does that mean? NCBA's Federation Division is operating with the authority to select 50% of the members of the BPOC. Since only BPOC-selected contractors can be considered to receive funding, this means NCBA controls who receives beef checkoff contracts and funds. And guess what? NCBA chooses NCBA every time to get the lion's share of the beef checkoff funds. What a surprise.

What adds fuel to the fire of this scandal is the fact that NCBA has set up a pay-to-play scheme for federation membership. The Beef Promotion and Research Act states the federation is to be made up of the SQBCs. NCBA's "federation" is made up of SQBCs, but NCBA requires a SQBC to pay for each board seat on the federation, and they can buy as many seats as they want. It is a pure pay-to-play scheme: the more you want to play the more you pay. Who is the biggest buyer of these seats? NCBA state affiliates like the Kansas Livestock Association (KLA), who in 2018 bought nine seats. In 2016, KLA paid over $2,000,000 for its nine seats. So much for giving cattle producers from across the country a say in how their checkoff dollars are being administered and spent at the national level.

Where do the NCBA affiliates get their money to buy the seats? Well of course, from another scam. They keep fifty cents of every beef checkoff dollar they collect from the sale of cattle in their state, even though the law doesn't allow for it. This scheme guarantees NCBA control of the CBB beef checkoff contracting process while funneling an additional $10,000,000 a year of beef checkoff funds into NCBA's coffers.

But it is time to stop the charade. Farm organizations, journalists and cattle producers need to stop referring to "The Federation of State Beef Councils" as if it is some independent group of cattle producers, as this article does. The federation is a division of NCBA. NCBA says so on their website. So call it for what it is: NCBA's Federation.

Here is what we should say: "Once again, NCBA is the big winner because the whole system is rigged from the state level all the way to the top. The fact is, NCBA's Federation Division chose NCBA as the 2020 primary contractor for beef checkoff funding. Under the law, the CBB does not have the authority to pick any organization that the NCBA Federation doesn't recommend. It is all rigged."

It is time to clean this mess up and restore the U.S. cattle producers' voice within the beef checkoff program by stripping NCBA of the federation. The NCBA's gravy train should be derailed.

By Katherine Un

As a research and advocacy think tank that focuses on issues of anti-monopoly, an important part of our work is to keep tabs on the Big Guys. We provide desperately needed transparency for the public and our elected officials about the true functioning of our consolidated agriculture and food markets.

JBS is a Brazilian meat-processing conglomerate, a giant "middleman" between livestock producers around the world and food retailers. This middleman is the posterchild of the corruption and abuse in our consolidated markets.

This fall, elected officials and national news outlets have highlighted the wrongdoings of JBS S.A, which we have worked diligently to unearth and make public. Here we distill the spotlight themes of this fall's JBS coverage by focusing on three major pieces: *Fox New's* article "Tainted beef: How the meat you buy could be supporting Venezuela's socialist regime," the *Washington Post's* story "This foreign meat company got U.S. tax money. Now it wants to conquer America," and Senators Rubio and Mendez's request to the Committee on Foreign Investment for a review of JBS S.A.'s transactions.

A food system led by JBS is a food system that erodes our democracy

From a small butcher shop in Brazil, JBS has become the world's largest meat processing company and a dominant force in America's food industry. Much of its growth is from illegal activity and government capture.

Fox News writes: "*Operation Car Wash, a sweeping investigation by Brazilian authorities into corruption in the country, exposed the Batista brothers' role in orchestrating a vast corruption and bribery scandal. The Batista brothers entered into a plea bargain and admitted to bribing over 1,800 politicians, including former Brazilian presidents Michel Temer, Luiz Inácio Lula da Silva, and Dilma Rousseff. [...] The Batista brothers have grown parallel business interests in Venezuela, a country deemed to be a geopolitical adversary by the Trump administration. They are reportedly closely connected to Diosdado Cabello, the president of the Nicolás Maduro-backed Venezuelan National Assembly, through a $2.1 billion meat and poultry contract negotiated in person at Joesley Batista's home in 2015. Further, it was reported that Cabello put out an assassination order against Rubio, according to U.S. intelligence.*"

Senators Rubio and Menendez state: "*During the period in which JBS S.A. has moved increasingly into the U.S. market, the company has been implicated in a wide range of illicit activities in Brazil. In 2017, J&F Investimientos, which owns more than 40 percent of JBS S.A., reached a settlement, J&F Investimientos' owners Joesley and Wesley Batista – the sons of JBS S.A. founder José Batista Sobrinho – admitted to bribing more than 1,800 Brazilian politicians in amounts totaling more than $150 million in order to illicitly acquire loans and financing from the Brazilian Development Bank (BNDES) and several Brazalian pension funds. We are troubled that JBS S.A. used the ill-gotten financing that it receive from BNDES, which totaled more than $1.3* *billion, to acquire American companies. [...] Beyond its links to illicit activities in Brazil, JBS S. A. globally has conducted business with a range of dubious partners, including the Venezuelan Corporation of Foreign Trade (CORPOVEX), which was identified by the Financial Crimes Enforcement Network (Fin CEN) in September 2017 for its involvement in public corruption."*

About government capture, the *Washington Post* reports: *"At USDA, Almanza [top food-safety regulator] was viewed by small farmers and food safety groups as an advocate for the big producers; he led efforts to deregulate poultry, pork and beef inspections sought by JBS and other large companies. Three days after leaving USDA, Almanza started at JBS."*

A food system led by JBS is a food system that takes advantage of consumers.

JBS's historic pattern of corruption has resulted in putting U.S. consumers' health and safety at risk and perhaps even increasing the price of meat.

Fox News warns: *"Back in 2017, Brazilian investigators charged that health inspectors were bribed to overlook the sale of expired meats. Police also allege that the appearance and smell of expired meats was improved by using chemicals and cheaper products like water and manioc flour."*

The *Washington Post* writes: *"Large food companies have in the past reduced supply to drive up the price of their products."*

A food system led by JBS is a food system that abuses livestock producers and foodchain workers.

The *Washington Post* reports: *"The Agriculture Department said JBS underpaid family farmers and ranchers last year at three slaughterhouses in Colorado, Nebraska and Texas by claiming the cattle weighed less than they did. Domestic cattle owners say they lost millions of dollars. USDA fined JBS $79,000.[...] A Washington Post analysis of OSHA data from 2015 to 2018 shows that JBS has the highest rate of serious worker injuries – including those involving amputation and hospitalization – among meat companies in the United States, and the second highest rate of serious injuries among all companies in the United States."*

Finally, a food system led by JBS is a food system that impoverishes our rural communities while lining the pockets of corporate giants.

This was particularly apparent with the trade bailout money when our government handed JBS the taxpayer money meant for U.S. farmers.

The *Washington Post* writes: *"But not all beneficiaries of the taxpayer-funded program are American farmers or patriots. JBS, a Brazilian company that is the largest meat producer in the world, has received $78 million in government pork contracts funded with the bailout funds – more than any other U.S. pork producer."*

Read more about JBS's wrongdoings over the years and sign our petition to break up this abusive behemoth on our website.

MEMBER SPOTLIGHT: Graham Christensen

By Katherine Un

Graham Christensen has been an OCM member since 2016. He's a fifth generation Nebraska family farmer. You might also know him from his passionate work with his consulting business GC Resolve and the grassroots collective of farmers, tribal members, food coops, and organizations that he co-founded, RegeNErate Nebraska. The "drive to build communities from the soil up" is at the center of all his organizing and advocacy efforts. Graham learned about OCM through his work with the Nebraska Farmers Union and joined as an OCM individual member in recognition of the deep link between the fight for fair markets and the opportunity for a regenerative future for rural and urban communities.

As defenders of independent agriculture, we all have our own visions of a better farm and food future. For Graham, the particular climate in Nebraska makes the Cornhusker State perfect grounds for regenerative agriculture. Graham is most excited about regenerative agriculture's ability to increase the quantity of food produced on a given amount of land by diversifying production, minimizing inputs with regenerative practices, and bringing more money back to independent farming and ranching businesses. Instead of focusing on finding a single more productive variety of plant or live-

Please see **CHRISTENSEN** on page 6

CHRISTENSEN (continued from page 5)

stock along with the input combination that will best suit the growth of that variety, Graham is interested in creative ways to stack farming enterprises. For instance, why not produce trees on the same lot that produces crops and pastures livestock? The diversification of production would allow for new income streams and more economic stability for the farm family and farm community. This all while reducing greenhouse gas emissions and cleansing our water.

No matter what our vision is for the farm and food future, we are inevitably met by the same seemingly unsurmountable hurdle that is the extreme corporate influence in our farm and food system. Graham points out two particularly pressing systemic issues: access to land, and access to markets. As Graham explains, our young aspiring farmers and ranchers, who would be stewards of our food system and economic drivers for our rural communities, cannot afford to buy land. When the next generation of young farmers has no pathway onto the land, there becomes a serious national security risk. Graham says this is especially concerning because over the next 10-15 years the baby boomers will have to transfer their vast land holdings. If young people can't afford to purchase the land, there becomes a risk of turning over the land to industry and foreign investors. If this happens, he believes it is game over for our independent farming and ranching businesses, as well as for our ability to reduce aggressively rising greenhouse gas emissions. Graham advocates for a young and beginning farmer pathway to land ownership in the Farm Bill, or potentially other federal programs that would include business management and sustainability training.

As for market access, OCM members know that agribusiness has an iron-grip on the food supply chain from farm input to retail shelves. Costco, these days, wants to turn Nebraska into its playground. Extreme vertically integrated models like that of Costco's in Nebraska reduce farmers and ranchers to serfs on the land with abusive grower contracts, leading to the development of lower class systems with lower wages, and inevitably decreasing the consumers' food options.

This controlling food system reminds Graham of his family's history. His great-great-grandfather dedicated his life's energy to escaping the persecution of an abusive monarchy in Denmark, in favor of owning and operating an independent farm business in Nebraska. Graham helps organize Nebraskans "to support independent family farmers and ranchers, not extractive industrial ag companies that prey on farmers and our resources alike." Along with fighting Costco and other extreme forms of vertical integration, he supports the breakup of agribusiness' abusive market control and challenges us to imagine and fight for a brighter future.

Finally, Graham would like to leave consumers with this cornerstone action step – "know your farmer." The values displayed on our food retail shelves lack the transparency the consumer deserves and cannot be trusted. Consumers have the power to drive the change in the food system towards the regenerative direction that we all want to see.

For those that want to link up on these issues Graham advocates for people to go to the GC Resolve website (gcresolve.com) and connect. To follow some of the action in Nebraska you can also check out the GC Resolve, and RegeNErate Nebraska Facebook page.

Graham is most excited about regenerative agriculture's ability to increase the quantity of food produced on a given amount of land by diversifying production, minimizing inputs with regenerative practices, and bringing more money back to independent farming and ranching businesses.

COOPERATIVE CONSOLIDATION:
Why Dairy Farmers of America Should Not Be Allowed to Purchase Dean Foods

By Bobbi Wilson, Wisconsin Farmers Union

The looming threat of a milk monopoly made headlines last week as the nation's largest dairy cooperative, Dairy Farmers of America, negotiates the purchase of Dean Foods following its bankruptcy announcement. If the deal is approved, DFA would achieve near total control over regional fluid milk markets in New England and the Midwest. The news comes on the heels of a Government Accountability Office report showing reduced farmer earnings and power imbalances result from dairy co-op consolidation.

Meanwhile, the staff of National Milk Producers Federation (NMPF) put out an opinion piece celebrating cooperative strength in light of the Dean Foods bankruptcy:

"...a missed milk check - the interruption of the cash flow that's necessary to keep a dairy operating. That's the disruption some farmers have worried about in recent weeks, following the Dean Foods bankruptcy announcement. It's one we at National Milk have followed closely, and it's one that forcefully reminds us of the value of the cooperatives we serve."

Perhaps this is simply a message of comfort in light of economic uncertainty. Or perhaps it's meant to assuage growing concerns over the proposed merger. After all, NMPF has a stake in the DFA milk monopoly: DFA is its largest cooperative member, holding a third of the seats on their 53-member board of directors.

The article capitalizes on farmers' fear of losing their market and their milk check, reinforcing the familiar message that having a home for your milk is the most important thing. The worry of plant closures sets DFA up to look like the hero on a white horse, scooping up Dean's failing facilities. As long as you have a home for your milk, don't worry about the long-term financial risk of giving DFA ultimate control over your milk price.

Cooperatives certainly play an important role in the agricultural economy, and they are largely why the dairy industry has not suffered the same level of consolidation as the poultry or beef industries. However, DFA has a long pattern of behavior to acquire competitors and drive out competition in the dairy-processing sector. Keep in mind that consolidation was a major cause of Dean's financial demise after it spent years buying out competing dairy businesses. The remedy to its anticompetitive business practices is not to be gobbled up by another milk giant, cooperative or not.

The prospect of a merger is still up in the air, and it seems that antitrust enforcers and even Dean Foods bondholders are exploring alternatives. If Dean's assets are broken up, regional buyers will almost certainly emerge to operate the plants. The Dean Foods debacle could be an opportunity to break up growing consolidation in the dairy processing sector, rather than perpetuating the march toward monopoly that puts farmer livelihoods at risk.

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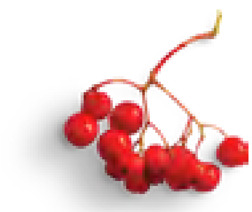

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