



## A Season for Hope

BY FRED STOKES, EXECUTIVE DIRECTOR

Many years ago, when I was going through airplane driver's school, there was a saying that every landing you walked away from was a good one. With such a mindset, one might say that for all the farmers and ranchers still in business, 2009 was a good year.

But many were put out of business and others who survived are teetering on the brink of bankruptcy. Things were especially tough in the dairy, swine and cattle industries. Dairymen have been selling their milk for well less than break even for some time. Things are some better lately but many of the few dairies still around are in

trouble. The swine industry has pretty much followed poultry down the road to vertical integration and growers are now essentially hog house janitors for the big integrators. After a round of \$300 per head losses, cattlemen have used up their equity (mostly put there by former generations) and need profitable prices very soon to survive.

Row crop farmers (**particularly corn and soybeans**) fared somewhat better. After heavy spring rains delayed planting, crops **turned out better than expected** (much

Please see STOKES on page 6

*Happy  
Holidays*

What's

## INSIDE...

### WISDOM

by Randy Stevenson

2

### FOOD INFILTRAITORS

by Richard Oswald

3

### THE VERY END

by Mike Wilson

4

### SUPPORT OCM

5

*Please accept my wishes for everyone, a most blessed Christmas.*





# Wisdom

BY RANDY STEVENSON  
PRESIDENT



It is a valuable tool to know the relationship between knowledge, understanding, and wisdom. Knowledge is the simple accumulation and retention of facts. This is probably most of what we get in school, especially elementary school. Understanding is the ability to collate and coordinate facts into a coherent system. Wisdom is the ability to take knowledge and understanding and, consistent with one's philosophy and worldview, apply those things properly to the problem of the day.

The field hearings the Department of Justice and the Packers and Stockyards Administration are going to conduct over the next year provide an opportunity to apply this tool. The hearings are essentially fact gathering meetings. It will be important to gather all the facts available concerning the problems in agricultural markets over which these agencies have oversight. One potential omission that would have significant consequences is the retail market. Facts about the retail marketing of agricultural commodities become very important when analyzing the defects in agricultural markets.

Any omission of these considerations will leave a gap in understanding the shortcomings in the marketplace.

The next challenge for those who gather the facts will be to collate and coordinate them to observe the patterns and correlations that exist among all the facts. The danger here is the introduction of obstinate bias. No human being is completely unbiased, but hopefully, a small group of men and women, taken together, will be able to overcome one another's biases and create an accurate picture of the market as it really is. This analysis is critical. At this stage, no solutions are sought. No conclusions are drawn as to what "should" be. It is only necessary to see things as they are, which is not necessarily an easy thing to do. It is very possible at this point to assume that certain things, like competition for example, are automatically present in the market, and to construct a coherent "understanding" of the facts that explains away some of the problems. Care must be taken.

The last action is the application of

Please see STEVENSON on page 5

## OCM BOARD MEMBERS & STAFF

### BOARD MEMBERS:

- Randy Stevenson**, President  
Wheatland, WY 307-331-1980  
double\_s\_livestock@lycos.com
- Mike Callicrate**, Vice President  
St. Francis, KS 785-332-8218  
mike@nobull.net
- Brother David Andrews**, Secretary  
Chicago, IL
- Dan Hodges**, Treasurer  
Julian, NE
- Steve Cady**  
Eskridge, KS
- Cap Dierks**  
Ewing, NE
- Jim Foster**  
Montgomery City, MO
- Keith Mudd**, Past President  
Monroe City, MO
- Paul Muegge**  
Tonkawa, OK
- Eric Nelson**  
Motive, IA
- Richard Oswald**  
Langdon, Missouri
- Fred Stokes**, Past President  
Porterville, MS

### STAFF:

- Fred Stokes**, Executive Director  
Porterville, MS • 601-527-2459  
tfredstokes@hughes.net
- Pat Craycraft**, Office Manager  
Lincoln, NE • 402-817-4443  
ocm@competitivemarkets.com

### PROJECT ASSISTANTS

- Bob Carskadon, Starkville, MS  
Roberto Gallardo, Starkville, MS  
Jody Holland, Starkville, MS  
Dennis Hoyle, Starkville, MS  
Eric Lister, Brentwood, TN

Ideology may provide a framework  
for wisdom, but stubborn  
adherence to ideology in the  
face of failing implementation is  
a road away from wisdom.





# Food Infiltrators

BY RICHARD OSWALD

When US troops first entered Iraq a few years ago, I was surprised to learn about the private contractors responsible for feeding them. I'd never given much thought to where our soldiers got their food, because I assumed some were trained as cooks while regular GPs took turns with KP (kitchen patrol).

That's not exactly true any more. Things in America have sure changed.

In the Revolutionary War, volunteers often showed up for duty, poorly clothed and hungry. Some were ready to fight until the food ran out or spring planting began—whichever came first. General Washington's greatest challenges were acquiring supplies, and keeping enlistees around long enough to engage crucial battles. Virtually all their food came from local farms.

Interesting to look back on too, are the old newsreels of American volunteers stampeding to enlistment centers at the onset of World War 2. The United States was still struggling to overcome the effects of the Great Depression... and the Dust Bowl... when Japan bombed Pearl Harbor on December 7, 1941. Newsreels from the time reveal a very different group than what we might see today, as young recruits with shirts off and ribs showing lined up for their physicals. Hollywood war movies featured young actors like John Wayne, Jimmy Stewart, or Gary Cooper with belts cinched up tight around a sparse waistline. They're a far cry from the buffed and puffed stars of today.

It was malnourished draftees who convinced President Harry Truman that the nation needed help with school lunches, because a lot of those hungry boys who reported for duty in 1941 were unacceptable for military service. The earliest Federal aid for feeding school kids dates back to 1932 in Southwest Missouri. But it was only a

loan so that a few schools could hire people to prepare food. Thanks to HST, in 1946 the School Lunch Program was established.

These days commercialized food service has found its way into every nook and cranny of our society, even the military and our schools. Dollars that once bought food ingredients contribute more and more to corporate profits. Seems like now, when Americans wonder where their next meal is coming from, they're just thinking about which large corporate fast food outlet will supply it.

Just what is it we're teaching our kids these days?

It's pretty simple really, what we're teaching is that corporations make bucks selling fat, sugar, and protein that only resembles healthy local food. Big Business can access cheap supplies of commodities from around the world and make them look like just about anything, like the meat trimmings from 2 countries and four packing plants that went into Stephanie Smith's tainted hamburger. Stephanie, a dance instructor was paralyzed from the waist down following a severe e coli infection 2 years ago.

We can talk about sustainability, we can talk about health, but with such an obscure food chain based on tax breaks, currency values, and opaque markets, talking is about all we can hope to accomplish until our government gets serious about the real problems behind healthy eating.

For as long as rules about fair market competition remain on the back burner, competing against the lowest bidder in Asia or South America can be tough to do. Of course the way it is now, a lot of the military, right along with our schools, don't have back burners, stoves, or even pots and pans.

They just have a contract.

Because I'm a farmer I like bounti-

ful harvests and fat calves. But when I attended the Farm to School Stakeholder Summit in Columbia, Mo the other day, I learned something else that surprised me-- even more than private food contractors on military bases. One of the people seated at my table told me that in a school one of her children attends, meals are prepared by a large grocery store chain. There is no kitchen in the school, only warming tables.

Many schools now lack even the most rudimentary food preparation equipment.

That's one reason a Farm to School Summit was held in the first place. We're trying to get our schools to use more locally grown food because it'll create new markets for taxpaying farmers who support the schools while it gives our kids a healthier, safer diet.

But there are a lot of obstacles. For one thing the fact that some schools no longer prepare breakfast or lunch on-site. For another thing it takes farmers a year to produce what's needed, so schools and farmers need to get together to talk about that before planting time.

Our local food infrastructure is in such bad shape it could take years to rebuild into a reliable supplier.

Farmers need to know that if they grow it, they can also sell it. And believe it or not, there are health rules that may favor ground beef made from imported trimmings over local products. We need to rebuild those too.

When I was a kid in school they fed us meals prepared with a lot of "made in the USA" surplus commodities. Cooks worked in the cafeteria preparing meals from scratch while food smells wafted out to the classrooms every morning

Please see OSWALD on page 5





# THE VERY END

BY MIKE WILSON



## Curbing concentration: an uphill climb

President Obama has a chance to improve the lives of U.S. farmers by clamping down on anti-competitive behavior — namely mergers and acquisitions. But so far his campaign pledge to do this is an empty promise. For some farmers it may be too late. How would you like to be a dairy or hog farmer living in a region where there is just one place to sell your milk or hogs? That's happening now.

Last month the Department of Justice refused to fully investigate the antitrust implications of the merger between Brazilian-owned JBS and Pilgrim's Pride — the world's largest beef packer and North America's largest broiler processor, respectively. These firms both control and market substitutable, competing proteins.

As our cover story (page 38) notes, we may see more activity on ag at DOJ. Just last year DOJ challenged and defeated the merger of JBS and National Beef Packing Co., in part because the merger would place more than 80% of domestic fed cattle packing capacity in the hands of three firms. "We are always concerned about the possibility of undue concentration in this industry, and the action by the Justice Department preserved four players in the market," says Deputy Assistant Attorney General Phil Weiser. "But it is a fine line. The Justice Department can't just walk into court and say 'big is bad.' Some scale benefits consumers."

A recent 10-year review of pre-merger notification filings at the Antitrust Division concluded that 1) only about 4% of the filings resulted in the initiation of a

division investigation, and 2) less than half of 1% of the filings resulted in a filed case.

No doubt farmers have benefited some from efficiencies gained as companies consolidated. Concentrated meat-packing has led to safer, more quality-consistent meat products, even as that consolidation forces growers to ship animals to market outlets

farther from home. Without patent protection, it's a good bet farmers would not be enjoying higher yields resulting (in part) from innovative seed traits.

Even so, it appears the current trend is not a sustainable business model for raw material providers. The lack of competition in ag means we all end up on a George Jetson-like treadmill, going faster and faster until we're paying more to the input sellers (or less to commodity buyers) than we get back in profits. The treadmill goes faster each time a meat packer or dairy processor or seed company gobbles up its competitor.

The lack of this competition is a leading factor in razor-thin farm-level profit margins, which only forces farmers to — that's right — expand and buy out their competition.

### IT'S ABOUT CONTROL

If the DOJ closely inspects market share and market control instead of just ownership, we should see dramatic change in the way companies do business up and downstream from farmers.

Only six major seed firms in the world control all of the biotech traits today, says Bill Heffernan, professor emeritus in rural sociology at University of Missouri. And it's not always clear that they are competing with each other. "The reality is those firms have strategic alliances — they work together, share patents. There's a relationship between all of those firms," he says. "They're not doing any price fixing per se, but they do communicate with one another quite frequently. You begin to look at this industry and say, 'Are they really freestanding operations?'"

The development of GMO seed took a basic commodity — seed production — and turned it into a product complete with legal restrictions, even lawsuits against some farmers. Life science companies rightly began to use intellectual property rights laws to protect their inventions, changing the way farmers use those seeds. "We are at a point where a handful of corporations can decide what something is worth without really having a test of the market," says Richard Oswald, Langdon, Mo.

As a key link in the food chain, farmers need buyers to compete for their commodities. Farmers need input sellers to compete among each other to ensure better efficiencies and more transparency in the marketplace.

Unfortunately, what we need and what we get may be two separate things. *ff*





**SUPPORT OCM TODAY  
BY MAKING A  
CONTRIBUTION  
FOR 2009  
ALL DONATIONS ARE  
TAX DEDUCTIBLE**

Please consider contributing to the Organization for Competitive Markets this year to help in our mission to reclaim the agricultural marketplace for independent farmers, ranchers and rural communities

We can make a difference.

OCM is an approved nonprofit, charitable organization pursuant to IRC 501(c)(3). All donations are tax deductible.

Please mail your contribution to

OCM  
P. O. Box 6486  
Lincoln, NE. 68506

STEVENSON (continued from page 2)

wisdom. Once the facts are correlated, solutions are sought. Those solutions must be filtered through wisdom. Wisdom is based on our worldview and our philosophy. Although we may not have arrived at it pragmatically, we should continually test it with the expectation that it will stand the tests or we will change our worldview to match. Some time ago Alan Greenspan's philosophy suffered a challenging test because in his worldview banks would not engage in self-destructive behavior. Banks did, but there is no word as to any conversion on Greenspan's part.

Wisdom suggests that solutions should not be merely peripheral; they should address the heart of the matter. Solutions should be the simplest possible. If the lack of competition is the problem, the solution should be the simplest approach that maintains competition. Wisdom says that the solution should be simple to enforce. If a suggested solution lends itself to easy enforcement, then it is much better than one that does not. Wisdom tells us much more about how the market "should" be, but perhaps the most important thing about wisdom is that it is willing to allow itself to be tested and proved effective. If something is not working, it should be changed. If the change does not work, it should be changed again. Ideology may provide a framework for wisdom, but stubborn adherence to ideology in the face of failing implementation is a road away from wisdom. That kind of pretended wisdom, where those in authority try the same thing over and over again and expect different results, meets the definition of insanity. And perhaps, with tongue in cheek, we can suggest that that has been a good description of those who have been in charge in the past. It's time to apply some wisdom.<sup>RS</sup>

OSWALD (continued from page 3)

during class. For the most part that's still the way it's done in the schools here around Langdon.

Not every student may have liked what they served, but no one was ever made sick by eating there. It was clean, it was healthy, and it had the oversight of cooks who were Mothers and Grandmothers working to prepare it. There were no excuses and there were no exceptions to cleanliness.

Contrast that to the fact that USDA and Cargill owned Beef Packers allowed the several lots of an infected beef shipment to be distributed to consumers even though one of the lots tested positive for salmonella. Some may have gone to schools as a result. This is what a spokesman for Cargill owned Beef Packers said about their latest salmonella infected ground beef recall;

"Well, I can only say, thank God there were no outbreaks at schools related to any of these products. And that's not saying much."

For once in my life, I find myself in complete agreement with big agribusiness.<sup>RO</sup>

- 1) [http://en.wikipedia.org/wiki/KP\\_duty](http://en.wikipedia.org/wiki/KP_duty)
- 2) [http://www.usatoday.com/news/education/2009-12-01-beef-recall-lunches\\_N.htm](http://www.usatoday.com/news/education/2009-12-01-beef-recall-lunches_N.htm)
- 3) [http://www.fns.usda.gov/cnd/Lunch/AboutLunch/ProgramHistory\\_4.htm](http://www.fns.usda.gov/cnd/Lunch/AboutLunch/ProgramHistory_4.htm)
- 4) <http://www.farmtoschool.org/state-programs.php?id=51>
- 5) [http://www.usatoday.com/news/education/2009-11-16-del-rey\\_N.htm](http://www.usatoday.com/news/education/2009-11-16-del-rey_N.htm)
- 6) <http://www.cateringcrm.net/?gclid=CJTvtvzbXZ4CFQ4NDQodMBRPrA>
- 7) <http://www.msnbc.msn.com/id/4480796/>
- 8) <http://www.insurancejournal.com/news/midwest/2009/12/07/105796.htm>





STOKES (continued from page 1)

**better** in some instances). However, abnormally wet fall weather hampered harvest. In some areas, in the Deep South for example, monsoon-type rains caused extensive crop damage. **So, the year offered a mixed blessing for those in agriculture.**

From the standpoint of OCM's issues and efforts, results were also mixed:

- We had a great conference and annual membership meeting in St. Louis in August.
- Dr. C. Robert Taylor signed on as our senior economic fellow, and David Domina became our general counsel.
- We established some important new relationships with individuals, non-profits and key enforcement personnel.
- We finally have COOL (partially implemented).
- Christine Varney, Assistant Attorney General for Antitrust, has given strong indications that she intends to act aggressively in enforcing our antitrust laws.
- The USDA is in much better hands and shows signs of becoming "The People's Department" once again.
- We have confidence that Dudley Butler, the new administrator of GIPSA, will aggressively enforce the Packers and Stockyards Act.
- USDA and DOJ will hold a series of joint workshops in 2010 to ex-

amine competition in markets affecting agriculture, and DOJ and FTC have announced joint workshops on mergers. We are hopeful that these initiatives will ultimately result in more competitive and fairer markets.

- There is reason to believe that legislation will pass, reforming the commodities market and help return it to the useful price discovery/risk management vehicle it was designed.

In the meantime, agricultural producers are still being gouged when buying their inputs and shortchanged when selling their production. The farmer's share of the food dollar continues to decline, even as production costs **continue to rise**. While the enforcement agencies (USDA, DOJ, FTC, CFTC) seem intent on pursuing more competitive markets, there is a need for **more intense**, urgent action. However, given realistic expectations, it will be too late for many of our farmers and ranchers. Sadly, American agriculture seems destined to endure another painful shakeout. But, we accept that remedying longstanding ills takes time and we are grateful for the new, farmer-friendly attitude in government.

All OCM has ever asked is that the game be fair. *Give a fighting chance to those who have long provided American consumers with the most reliable, abundant, wholesome and affordable food supply in the history of mankind!* Instead, our government has historically aided

and abetted big agribusiness in its quest for undue profit (much to the detriment of those who till the fields and tend the herds). Let us hope that this apparent new direction in antitrust enforcement by DOJ and USDA is for real.

As we approach the Christmas Season and New Year, let us be hopeful for the future. Above all, let us remember what Christmas is really about and not let it become just **another** secular festivity. While I have deep concerns about the future of this country, my fears are tempered by a strong belief that America's greatness was brought about by special and enduring favor from God. I remain hopeful!

Please accept my wishes for everyone, a most blessed Christmas.<sup>FS</sup>



See us on the web  
[www.competitivemarkets.com](http://www.competitivemarkets.com)





RECLAIMING THE  
AGRICULTURAL  
MARKETPLACE FOR  
INDEPENDENT FARMERS,  
RANCHERS AND  
RURAL COMMUNITIES!

## JOIN OCM TODAY!

☒ **Yes, I would like to become a member!**

**Type of Membership:** ☐ **Renewal** ☐ **New**

☐ **Gold Member (\$1,000 and over)** ☐ **Regular Member (\$200)**

☐ **Friend Of OCM (Non-Voting Member) (\$50)** ☐ **Donation \$** \_\_\_\_\_

Name \_\_\_\_\_

Occupation \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip \_\_\_\_\_

Telephone - Fax \_\_\_\_\_

Email Address \_\_\_\_\_

**Make checks payable to: OCM, PO Box 6486, Lincoln, NE 68506**



# ocm

## ORGANIZATION FOR COMPETITIVE MARKETS

Tel: (402) 817-4443 • Fax: (360) 237-8784

P.O. Box 6486

Lincoln, NE 68506

NON-Profit ORG  
U.S. POSTAGE PAID  
Lincoln, NE  
PERMIT #1734  
68506

ADDRESS SERVICE REQUESTED

December 2009

### BECOME A MEMBER TODAY!

Email: [ocm@competitive-markets.com](mailto:ocm@competitive-markets.com)

Web: [www.competitivemarkets.com](http://www.competitivemarkets.com)

# ocm



OCM - DECEMBER 2009

8



# ocm

*Reclaiming the Agricultural Marketplace  
For Independent  
Farmers, Ranchers and  
Rural Communities!*