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OCM

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OCM NEWS
 APRIL 2007

Country of Origin Labeling; Enough Stalling!



FRED STOKES
 EXECUTIVE DIRECTOR

If ever there was a no-brainer, Country of origin Labeling, commonly known as COOL has to be it. The merits of COOL are so obvious, the arguments for it so compelling and the arguments against it so patently phony! Yet this law of the land continues to be stalled in its implementation.

product didn't make its way into the human food chain.

The rash of adulterated imported foods only underscore the urgent need to give consumers the ability to make informed choices concerning the food they buy and provide our domestic food producers the ability to identify their superior products in the marketplace. Survey after survey has shown overwhelming support for COOL by both consumers and food producers. Resistance and stalling through skullduggery has been the hallmark of opponents.

A recent national poll was conducted to see if voters were willing to subsidize agricultural production

CALL YOU SENATORS AND REPRESENTATIVES AND TELL THEM YOU WANT THEM TO SUPPORT MOVING THE IMPLEMENTATION DATE FOR MANDATORY COOL UP TO SEPTEMBER 30TH OF THIS YEAR.

The recent incident of imported wheat gluten, which apparently contained harmful chemicals that killed many pets, has brought a new awareness of the risks associated with imported foods and food ingredients. It is common practice in many foreign countries to use chemicals that are illegal in the U. S and risky sanitation practices. Less than one percent of the imported food is inspected. This Chinese wheat gluten incident is made worse by the lack of assurance that the

in this country. By a large margin they were; ---- only if such would help provide food security. The only real food security is achieved by domestic production that is in compliance with the U. S. food safety standards. These standards are a mandated extra cost of production for our food producers, who are entitled to have their superior products distinguished from imports in the marketplace.

Please see STOKES on page 5



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FROM OCM'S
GENERAL COUNSEL

MICHAEL STUMO

**WASHINGTON REPORT:
COMPETITION IN
THE FARM BILL**

This year is our best chance in years to get meaningful competition reform in the Farm Bill. The Senate side looks good. The House side is not as rosy. A separate article in this newsletter outlines all the bills in play.

This article reveals who is supportive, who should be, and who is not. It is not partisan, but factual. You need to know this as OCM members, to avoid being befuddled by nice words uttered by your Representative or Senator. Packer restrictions on ownership and contracts, enforcement of the Packers & Stockyards Act, contract grower fairness (grains and livestock), and country of origin labeling are the primary topics.

Senator Harkin (D IA), the Senate Ag Committee chairman, is the main warrior pressing competition legislation. Senator Grassley is the primary Republican pushing all issues. This Iowa duo is taking the lead.

The solid Democrats on the Agriculture Committee include Baucus (MT), McCaskill (MO), and McCaskill (MO). Solid Republicans,

other than Grassley, on the committee are not readily apparent, but Thune from South Dakota will likely be helpful. Enzi and Thomas from Wyoming are important allies outside the committee.

Ben Nelson (D NE), Stabenow (D MI), Salazar (D CO), Brown (D OH), Casey (D PA), Conrad (D ND), Klobuchar (D MN), and Lincoln (D AR) should be allies, but their attention is currently focused elsewhere. Coleman (R MN) is a potential Republican ally, who is up for election in 2008. The southern Senators on the committee tend to be resistant to competition measures, though several voted for the packer ownership prohibition in 2001 and 2002.

On the House side, Ag Chairman Collin Peterson (D MN) has been unwilling competition, though whether he will resist is not known. He is talking about linking COOL with the national animal identification system. Representative Leonard Boswell (D IA) heads the livestock subcommittee and has declined requests to include competition, though the state of Iowa favors it. Stephanie Herseth (D SD) is likely to be a leader.

Representative Barbara Cubin (R WY) is a strong supporter, but not on the House Ag Committee. Representative Rehberg (R MT) is a lead sponsor of legislation to quicken COOL implementation, but is also not on the ag committee.

OCM member efforts will become increasingly important. We have great opportunities for meaningful change. You will receive alerts to call your legislators in the coming months. A call takes 5 minutes. It may be the most valuable time you spend.

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**IOWA HOUSE
KILLS 25% SPOT
MARKET BILL**

BY MICHAEL STUMO

Iowa state senator Jack Kibbie sponsored legislation in Iowa to require packers to purchase at least 25% of their slaughter needs from the open market. The senate agriculture committee, headed by Gene Fraise, approved the legislation.

However, Iowa House ag committee chairperson Dolores Mertz refused to bring up the bill for a vote. Representatives Marcy Frevert and Mark Kuhn sponsored the House version. OCM is disappointed in this result.

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Fast Track should not be extended

BY MICHAEL STUMO

Article 1, Section 8 of our U.S. Constitution says Congress controls trade with foreign nations. The Constitution also says the Senate must approve treaties by a 2/3rds majority vote. This was the way it worked for over two centuries.

In the early 1990's, the U.S. was a major creditor nation with a substantial trade surplus. Then we gave so-called "Fast Track" authority to President Clinton. This meant Congress could not change any trade agreement presented to it by the President, but could only vote "yea" or "nay". Congress was no longer an effective check on the Executive Branch's free traders. This was brilliant strategy by the so-called free traders, because they could browbeat legislators for being anti-trade when the legislators really just wanted a better deal for the U.S.

We were bestowed with NAFTA from this arrangement, and several other trade agreements. President Bush has pushed through several more, including CAFTA. We have become a debtor nation with a record trade deficit. Major industries are being outsourced. Good paying jobs with benefits are replaced, if at all, with low paying service jobs without benefits. But we do have the opportunity to shop at Wal-Mart after our wage cuts.

Our Founding Fathers created a good system. The Executive Branch could negotiate treaties, but had to communicate closely with Congress

to guarantee ultimate approval. This system worked well economically, and democratically. The U.S. built its own economy, its wealth, and the wealth of its citizens without Fast Track.

A recent NBC/*Wall Street Journal* poll found that 46% of Americans believe trade agreements have harmed us while only 23% believe we have benefited. Warren Buffett calls our \$800 billion trade deficit last year pseudo-trade – because we buy something, but do not sell something in return. Citizens of other trading partner countries, Peru, Columbia, Panama and Mexico, oppose these agreements from their side also.

OCM is building a powerful alliance with domestic manufacturers to halt new or renewed trade agreements until we can assess why our trade large imbalances result. Why are we now a net food importer? Why do we have a deficit in virtually every one of the hundreds of trade categories, and have surpluses in virtually no product categories?

These questions must be answered before we approve any new deals with South Korea, or the proposed agreement with Columbia, Peru and Panama. Global trade for the fat cats is not what we bargained for. Trade must be balanced. This means re-writing the agreements to achieve this balance. If we do not act, we will look back in 20 years wondering why we did not act to salvage our economy when we had the chance.



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If you are interested in receiving information on any of these planned giving vehicles or have a question, please contact Michael Stumo by calling 413-854-2580 or email stumom@competitivemarkets.com.

The Rundown: Competition Bills in Play for the Farm Bill

LIMIT PACKER CONTROL/ MANIPULATION OF LIVE-STOCK MARKETS - These provisions would address a significant problem of captive supply—which packers use to manipulate markets.

1. Captive Supply Reform Act (S. 1017): Currently, formula contracts and marketing agreements are negotiated in secret. These formula contracts and agreements depress prices and shut small and independent producers out of markets when packers base the price they pay for contracted cattle on a cash market they can manipulate. The Captive Supply Reform Act would require that packers offer contracts with a firm base price and offer them in an open public manner.
2. Prohibition on Packer-Owned Livestock (S. 305): Meat packers use packer-owned livestock as a tool for exerting unfair market power over farmers and ranchers. This practice fosters industrial livestock production and freezes independent farmers out of the markets, lowering farm gate prices to farmers and ranchers while consumer food prices continue to rise.
3. 25% Open Market Bill: The open market in hogs is down to 8% of all hogs sold. This thin market increases the risk of price manipulation. Legislation to require packers to increase open market purchases to 25% of their slaughter volume would increase market competitiveness and price reporting confidence while still allowing longer term contracts.

INCREASE FAIRNESS IN AGRICULTURAL CONTRACTS AND MARKETS (S. 622): Processor-drafted agricultural contracts allow for manipulation of the producer.

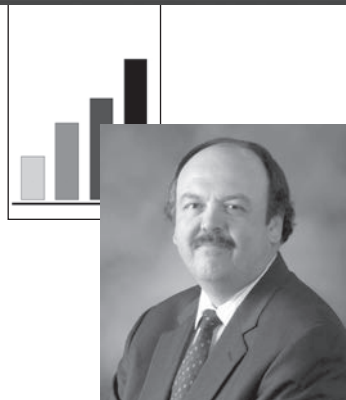
4. Fairness Standards for Agricultural Contracts: Minimum standards must be set for contract fairness in agriculture including clear disclosure of risks, prohibition of all confidentiality clauses, prohibition of binding arbitration in contracts of adhesion, recapture of capital investment and a ban on unfair trade practices.
5. Clarification of "Undue Preferences" in the Packers and Stockyards (P&SA) Act: Legislation stating that preferential pricing (different prices to different producers) are justified only for real differences in product value, acquisition and transaction costs should be clarified and strengthened. Additional legislative language is needed in the P&SA to strengthen the law and clarify that preferential pricing structures (those that provide different prices to different producers) are justified only for real differences in product value or actual and quantifiable differences in acquisition and transaction costs.
6. Closing Poultry Loopholes in P&SA: Poultry loopholes in the P&SA should be closed to provide the Packers and Stockyards Administration with the necessary enforcement authority over all poultry cases. This is necessary to bring poultry in line with other livestock within the P&SA. Despite evidence of the contract being used as a tool to intimidate, retaliate, and reduce

growers profits to poverty levels, the Grain Inspection Packers and Stockyards Administration does not currently have the authority to take administrative action and protect growers by halting unfair practices or penalizing poultry companies that violate the law.

7. Bargaining Rights for Contract Farmers: Amend Agricultural Fair Practices Act of 1967 to require companies to bargain in good faith with bargaining associations, and allow farmers to join associations without fear of retaliation by producers.

ASSURE ADEQUATE MARKET INFORMATION AND TRANSPARENCY FOR PRODUCERS AND CONSUMERS

8. Livestock Mandatory Price Reporting: The Livestock Mandatory Price Reporting Act of 1999 requires packers, processors, and importers to provide price, contracting, supply and demand information to USDA. Bureaucratic inertia has blocked effective enforcement and prevented the Act from benefiting independent livestock producers. Congress should amend the Livestock Mandatory Price Reporting Act in 2007 by incorporating the legislative directives to USDA from the 2005 Government Accountability Office report.
9. Mandatory Country-of-Origin labeling (COOL) (S. 404 and H.R. 357): The 2002 Farm Bill provided for Country-of-Origin labeling for beef, lamb, fresh fruits, fish and shellfish. Mandatory COOL for fish was implemented in April of 2005, but implementation for all other commodities has been stymied by meatpackers and retailers. Congress should reauthorize COOL to reaffirm its benefits and fully fund the program.

**DAVID KRUSE**

PRESIDENT, COMMSTOCK INVESTMENTS

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I've got a six year old in my charge again and I'd forgotten what a hissy - fit a 6 year old can throw when he doesn't get what he wants. It reminded me of NCBA President elect Paul Hitch's comments on ethanol. "This ethanol binge is insane. This talk about energy independence and wrapping yourself in the flag and singing God Bless America...all that's going to come at a severe cost to another part of the economy."

We wouldn't want to be patriotic or anything and make our own gasoline so we wouldn't have to buy so much from nice guys like Iran's President Ahmadinejad (pronounced As#\$\$%!!) or Venezuela's big mouth Caesar Chavez. Chavez even blasted Brazilian President Lula da Silva for expanding Brazil's ethanol production at the expense of "poor sugar cane workers" and for aligning with the U.S. in an ethanol partnership. That puts Chavez and the NCBA in camp together in ethanol opposition, both of whom appear to be against God Blessing America with energy independence!

Cattle feeding in the U.S. developed from a need by grain farmers to market corn. Walking their corn off the

farm on four legs adding value to that corn was preferable to shipping grain by horse drawn wagons. That's what feeding livestock has always been about for farmer feeders. Corn has historically been cheap, so cheap that feeding cattle (or hogs and chickens) became an industry unto itself where commercial feedlots bought corn in recent years heavily subsidized in price by the farm program. Farm program subsidies ensured sustained corn production, despite burdensome surplus stocks by giving farmers enough income to survive to continue to produce more corn. This kept feed cheaply priced to commercial feedlots. Feedlots got direct subsidies from silage LDPs. NCBA types like Paul Hitch, built their feeding operations on cheap subsidized corn.

Times change and so did our growing dependence on foreign oil. The ethanol industry can grow to a size that makes a meaningful difference in our fuel supply and cost of energy. The revenue produced stays in this country, most in the communities that grow the corn and build the ethanol refineries. The U.S. had a shortage of petroleum refinery capacity. Ethanol refineries are located in the cornbelt away from Gulf hurricanes, filling a critical need of U.S. energy security by expanding refinery capacity.

Paul Hitch, the NCBA cattle feeder,

is spoiled rotten as a 6 year old by corn subsidies which gave his business the ability to buy feed below the real cost of production for so many years he thinks it's owed him and anything else is "insane." The Ethanol industry and the subsidies that helped develop and sustain it are in the interest of the country, God Bless America. The NCBA, NPPC, National Turkey Federation and National Chicken Council had no complaints whatsoever over corn production subsidies that inherently benefited their pocketbook, giving them feed below the cost of production but they are now united with Arab oil producers and U.S. enemies like Caesar Chavez that think this ethanol thing is a binge. The NCBA's attitude is that farmers are supposed to raise Paul Hitch corn for nothing and live off subsidies. Subsidies given to ethanol are a lot more productive than subsidies given to grow a surplus of corn. The USDA said that there were just 96% as many cattle on feed Feb. 1 as a year ago. Cattle on feed numbers have not fallen where the ethanol plants are being built. Numbers on feed there are growing. There were 102% more cattle on feed in Iowa and NE and 110% more cattle on feed in SD. Most cattlemen in these states see ethanol not as a problem but as an opportunity. Some even haul corn to ethanol plants and

backhaul distillers grain to the feedlot. The cornbelt cattle feeding industry is going to benefit from a cost of gain advantage that will offset the weather advantage in the south as a result of the ethanol industry. The ethanol industry needs the cattle industry as a partner to market distiller's grain to. The rising cost of fertilizer adds value to an ethanol- cattle- crop production system. Not only is the ethanol industry bringing new investment to the cornbelt, but it will bring new investment to the cornbelt cattle feeding industry too.

When 6 year olds make too much of a fuss, they get sent to their rooms. Adults who have been in the livestock industry long enough to know better understand that livestock markets will adjust to higher feed costs. U.S. farmers will grow more corn to meet demand for a fair price that doesn't require subsidies for the farmer to survive. Neither red or white meat is too expensive. Billions of gallons of ethanol increase the aggregate supply of gasoline, lowering fuel prices to consumers. Ethanol is in consumer's interest even if the cost of meat goes up slightly. They can afford a few more cents for a hamburger. The country will save billions of dollars in corn subsidies from tax credits for ethanol, requiring reduced oil imports, benefiting our balance of trade deficit. God Blessed America with its ability to produce ethanol and the brains to take advantage of it.

STOKES (continued from page 1)

When COOL was passed as the only surviving fragment of the failed Competition Title in the 2002 Farm Bill, it caught meat packers, other food processors and the large retail firms by surprise. However, their reaction to this threat to their scheme for profiteering by selling a pig-in-a-poke was prompt and aggressive.

Immediately, there was a move by Sparks Commodities to put together a consortium of big food industry interests and "study" (kill) the measure. This effort apparently didn't amount to much. Undeterred, COOL opponents and their co-conspirator, USDA quickly put together a series of "hearings" under the guise of receiving public input and providing information.

I went to one of these meetings in Joplin, Missouri. The meeting was conducted by a cast of packer, retailing and USDA folks at a sale barn and was well attended. The assertions made concerning the costs, difficulty and potential harm to cattlemen by COOL were absurd and in many cases deliberate lies. The meeting was probably best summarized by the statement of an attendee who stood and said; "It is obvious the intent of this meeting was to scare the hell out of cattlemen".

COOL was to be voluntary initially, presumably to allow the kinks to be worked out and then become mandatory. However, implementation was short-circuited by Representative Henry Bonilla from the 23rd Congressional District of Texas, using his position as chair of the House Agricultural Appropria-

tions Subcommittee to withdraw funding for implementation.

A number of politicians and national farm and commodity organizations advocate a voluntary form of COOL. This is an obvious diversion. Labeling food as to its origin has never been illegal. Processors and retailers would have to be the ones doing the labeling and they are happy to continue making money selling the consumer misperceptions.

The many other shenanigans used by COOL opponents over the past four years to frustrate implementation only serve to underscore its importance. There now seems to be a will in the U. S. Congress to fund and implement COOL. Senate Bill 404 and the companion bill in the House of Representatives (HR 357) move the implementation date of COOL to September 30, 2007. This legislation is sponsored by a bipartisan group which includes Senators Thomas, Baucus, Thune, Grassley, Lester, Bingaman, Dorgan, Enzi and Conrad in the Senate and Representatives Rehberg, Herseth and Cuban in the House of Representatives.

Here is our chance to finally get this law put in force!

I ask everyone to thank those senators and representatives sponsoring this legislation and to work hard to encourage its passage. We now have the best opportunity in several years and we need to seize it.

Call you senators and representatives and tell them you want them to support moving the implementation date for mandatory COOL up to September 30th of this year.

David Kruse is president of CommStock Investments, Inc., author and producer of *The CommStock Report*, an ag commentary and market analysis available daily by radio and by subscription on DTN/FarmDayta and the Internet. CommStock Investments is a registered CTA, as well as an introducing brokerage. (Futures Trading involves risk. Past performance is not indicative of future performance.) CommStock Investments, Inc., 207 Main St., Royal, IA, 712-933-9400, www.thecommstockreport.com. E-mail to: csreport@ncn.net.