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OCM News
 May 2008

ORGANIZATION FOR COMPETITIVE MARKETS POST OFFICE BOX 6486 LINCOLN, NEBRASKA 68506 www.competitivemarkets.com



FRED STOKES
 EXECUTIVE DIRECTOR

OCM Launches New Project, Hires Staff

It is said that whoever owns the supply of seed can control agriculture. It should be of considerable concern that ownership of seeds has been concentrated into the hand of a few transnational firms. A single company, Monsanto, controls a very high percentage of the world-wide seed business and is increasing its dominance of the industry at an alarming rate. Competition is essentially nonexistent and the threat to smaller seed companies, the interests of farmers and food security is a cause for concern.

OCM is launching a new and exciting project to examine the situation. It is known as the OCM Seed Concentration Project. The concept was developed by Michael Stumo who will direct the project.

We advertised for people to staff this project. Three applicants were selected for interview from the nine very impressive applications we received. Two were hired. These were the ones that were a more precise fit for OCM and the project.

We are most grateful for the considerable effort in providing the applications and associated materials by all who applied. We will certainly keep those not selected in mind for any OCM positions that may open in the future.

The two people we selected, Kristina Hubbard and Matthew Dillon, are exactly right for this task.



KRISTINA HUBBARD

Kristina comes to us from The University of Montana where she is currently an Adjunct Professor of Environmental Studies. She has studied in the U. S. and abroad and holds a Master of Science Degree from University of Montana.

Kristina has a broad range of experience. She has conducted legal research, co-authored Monsanto vs. U.S. Farmers, a hard hitting article concerning Monsanto's legal attack on farmers. She wrote action alerts on a variety of policy issues affecting the food supply, conducted workshops around the country, attended numerous conferences on industrial agriculture issues and attended various government hearings and committee meetings on biotechnology issues.

Kristina is also skilled in website management and design. In summary, she comes especially well equipped for the tasks associated with this project and will be a key player.



MATTHEW DILLON

Matthew brings a wealth of knowledge, experience and contacts to this project and to OCM in general.

He is currently retained on a part time basis with the expectation that he will become a full time member of the OCM team.

Matthew is a native-born Nebraskan but currently lives with his family in Port Townsend, Washington where he is Founder/Director of Advocacy of Organic Seed Alliance. He has been successful as a nonprofit organization

Please see STOKES on page 6

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FROM OCM'S
GENERAL COUNSEL

MICHAEL STUMO FARM BILL UPDATE

TOCM won some priorities in the Farm Bill, but not others. Our champions were Senators Harkin and Grassley. OCM commends both Senators and their staffs. Tom Harkin and Chuck Grassley are great friends of independent producers.

The Senate-House Conference Committee met for five hours on May 1, 2008, ending at 1 am. The Farm Bill is not approved, but it is complete for our purposes. Both houses of Congress are likely to approve the measure. President Bush may veto it, however.

These were our wins:

1. *Arbitration:* OCM's voluntary arbitration proposal was approved in modified form. We sought invalidation of all agricultural contract provisions mandating the producer use arbitration rather than the public court system to pursue claims for damages against packers and processors. The compromise approved was a provision enabling producers to decline to be bound by an arbitration clause, and a prohibition of processor pressure to accept arbitration.
2. *Venue:* Many ag production contracts require any court dispute to be filed where the corporate headquarters of the company sits, rather than the state where the producer is located.

3. *COOL:* Good country-of-origin labeling language was settled upon for meat, poultry, fruits, vegetables, peanuts, pecans and macademia nuts. Implementation will not be delayed further.
4. *Packers & Stockyards Oversight:* The Farm Bill will improve oversight of USDA's enforcement of the Packers & Stockyards Act through detailed USDA reporting requirements of their activities.
5. *Contract Cancellation:* Producers will have three days to review and cancel a contract they have signed with a packer or processor, similar to home mortgage contracts.
6. *Capital Investments:* Processors must disclose whether large capital investments may be required over the life of the contract. Processors have surprised producers with undisclosed capital upgrade demands, during the life of the contract, in the past.
7. *Wholesale Pork:* USDA must conduct a study of wholesale pork price reporting because of inadequacies in those reports.
8. *Unreasonable Preferences:* USDA must write rules defining "unreasonable preferences" under the Packers & Stockyards Act. The "unreasonable preferences" clause of the Act has not been enforced because nobody knows what it means.
9. *Other:* USDA must write rules requiring companies to provide notification when it decides to suspend providing chicks to a poultry producer. USDA must write rules determining when capital upgrade demands of a processor to a producer are unlawful. USDA must write rules requiring processors to provide a reasonable period of time to remedy a breach of contract that would lead to termination of the contract.

Please see FARM BILL on page 5

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It's the Farmers' Fault

By Michael Stumo

If you listen to the big city editorial pages, you will find it is all your fault. Yes. You farmers. Your fault.

- Farmers were responsible for all the overproduction. What previously was called a sound carry-over supply became over production. The Farm Bill subsidized you, so you produced too much, so prices were low. And you were too inefficient to stay in business with low prices. Odd. Because you were so highly subsidized and getting rich. Never mind.
- Now, farmers are responsible for all the underproduction. Carry over supply is back in vogue. And we should have it. Food bills are high, food riots occur in poor countries, and its your fault.

Never mind that \$120/barrel oil. Never mind the retail supermarket concentration causing a high farm to retail price spread.

According to the National Farmers Union, "in the last seven years, gasoline prices have increased 198 percent, diesel fuel has increased almost 250 percent

and crude oil has increased 453 percent."

China and India are growing in wealth, oil demand, and food demand. Fertilizer costs skyrocket. Transportation costs are going through the roof. The U.S. dollar is falling.

Trade liberalisation around the world, advised by the Very.Serious.People in DC and elsewhere, eliminated farm subsidies in other countries, too. Nigerian farmers used to produce enough food for their country - food people actually could eat - and exported to neighboring countries. The Very.Smart.People at the IMF and supportive think tanks convinced Nigeria to liberalise trade, get rid of the subsidies and focus on exports. Now they have hunger. Even before this year. The farmers went out of business, migrated to the city, and set up shacks in the slums. Good idea.

Ask the international peasant farmer movement, Via Campesina, if Nigeria is an isolated case. Not.

Why have a food policy when trade policy takes care of everything?

But its your fault. You darned farmers.



Planned or deferred gifts enable you to provide future general support for OCM, or a specific OCM program that is important to you. These types of gifts generally provide favorable tax benefits and may provide you with a life income stream. Planned gifts are connected directly to your financial and/or estate plans. Deferred gifts are given today, but the OCM will not realize their benefit until sometime in the future.

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- Gifts of Retirement Plan Assets

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.



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



Nurturing by Richard Oswald

Farmers and ranchers know better than most the true meaning of the word “nurture”. Just like people everywhere, we nurture our families. But the very essence of what we do out in the country consists of nurturing when we raise a new crop each and every year.

The gut wrenching experience of watching farm bill negotiations is something akin to nurturing. Those of us who work to acquaint the public in general and Congress in particular with the importance of nurturing the next crop of agriculturists, witness each twist and turn of legislative horse trading with the same intent gaze as when one of our brood cows gives birth in the calving shed. The suspenseful hope for a live birth leaves us straining with every contraction in a lengthy and painful lawmaking process.

Talk of the farm bill and its costs dominate the news until a deal is finally struck. The facts show that most of the costs of USDA budgets center around people who cannot afford to buy food. Generally speaking, that food is supplied by a corporate system that has assumed a role of self enforcement. As the sitting President acknowledges them into fact with his signature, it would be nice if farm law results were expressed in growing numbers of independent farmers and ranchers, instead of a quid quo pro standoff of corporate want versus human need.

While the President and at least one presidential candidate speak freely of vetoing the farm bill over farm payments that ironically saw limits increased, not one candidate has said that he or she would veto for the unfair treatment it gives family producers. It would be refreshing indeed to hear more than a minority say “Enough!” Instead we watch and wait, hoping against hope that right will prevail.

Just as with raising a corn crop on the plains, sometimes no matter how hard we work, at the end of the day what we have is what we get.

Losing the competition title out of the farm bill is a blow to all of us who have written letters, lobbied, and promoted that important legislation. Unfair competition is the single biggest killer to a healthy farm economy that should be based on people and the food they grow. If there was ever a need to nurture a new crop of farmers and ranchers it is now. With food prices seemingly rising every day as speculators push up costs and big agribusiness corporations squeeze out the little guy, the value of having a truly dedicated and diverse group of producers on the ground, doing a job for America that America needs, has never been more important.

Our strength always has been and always will be our people. It is a blessing that we have retained COOL. Without the right for US producers to discern our own products from that of places like China, or Brazil, our prospects would be dim indeed.

It was interesting to note that one contested part of the new bill was whether or not private contractors should be allowed to perform the job of oversight of food safety. It seems that our government continues to grow itself even as it doles out authority to the highest bidder. While oversight is something we have

expressed a need for, bidding out the job of enforcement seems a bit like leaving a wolf to watch the calving shed.

If he appears to be a well fed wolf we can hope it means that he won't eat too much. In reality a fat wolf has probably already had his fill. Either way, we've paid a heavy price for ill-defined or lax enforcement. Good government is about more than doling out tax money and political favor.

Congress and the President could have chosen to pass a farm bill that nurtures: The talk could be not about bigger payments versus food stamps, but about the possibility of real gains for rural economies and people through true diversity. (It is worthwhile to note that beginning farmer loan limits were increased.) It would be an exceptional legislative spring season that saw the birth of caring for more than the almighty dollar, if just once Congress and a President could see America's greatest strengths as her people instead of for the size and reach of a few large corporations.

In order to do that a majority of our leaders must actually care for their fellow citizens, and share a vision for what true accomplishment really is. Then all of us who work to keep the devil out of the details of farm legislation could spend the spring where we'd rather be, at home, watching the corn and the calves grow.

When and if that day ever comes, the nurturing will be complete.^{RO}

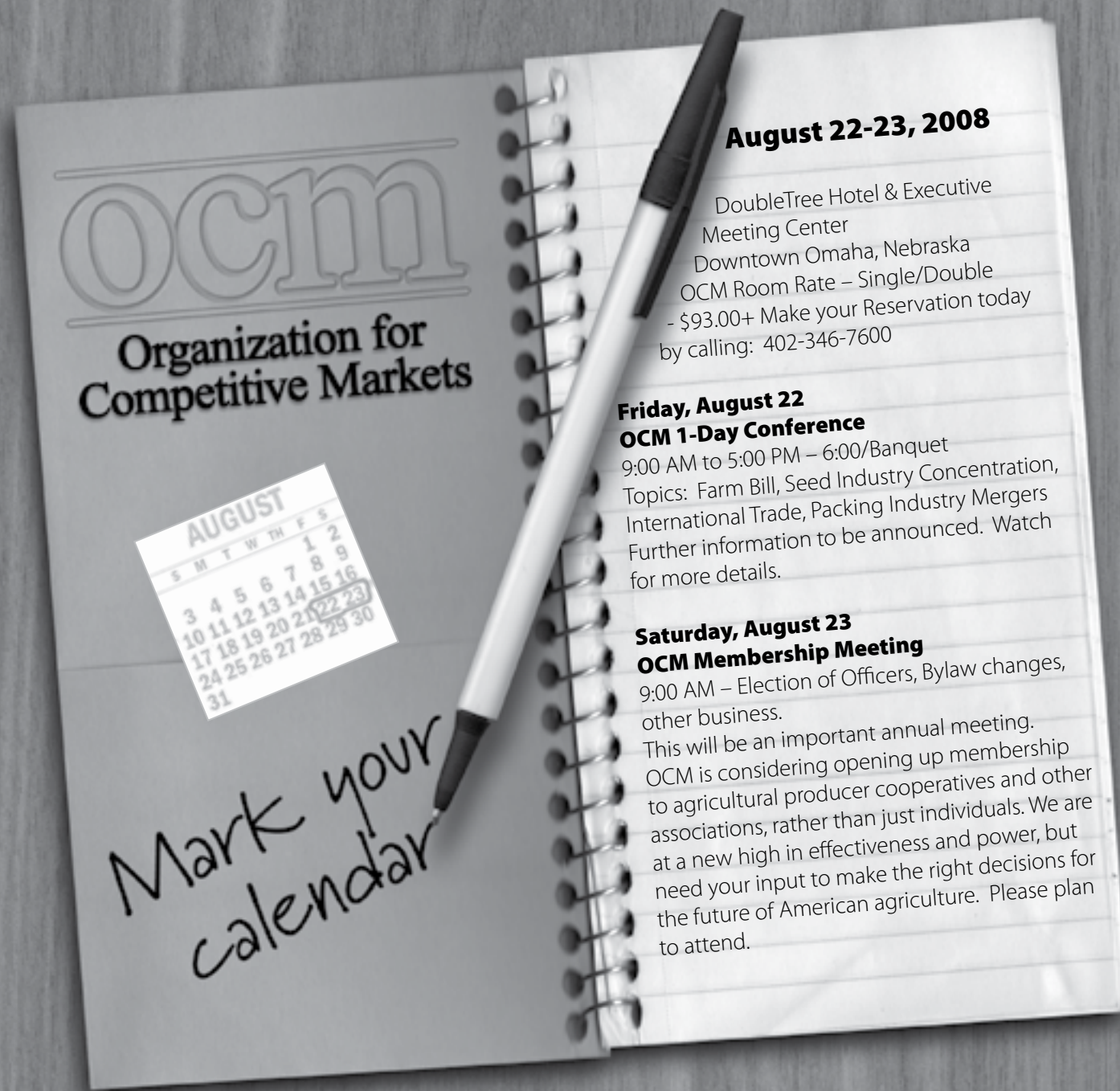
STOKES (continued from page 1)

organization developer and has a strong background in agricultural policy, seed issues and rural life.

He has excellent writing skills and his writings include an excellent article on Monsanto's purchase of Seminis and a short history of the seed industry. He has also been highly successful in obtaining grants and other funding for his projects.

FS

OCM ANNUAL MEETING



August 22-23, 2008

DoubleTree Hotel & Executive Meeting Center
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OCM Room Rate – Single/Double
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Friday, August 22
OCM 1-Day Conference

9:00 AM to 5:00 PM – 6:00/Banquet
Topics: Farm Bill, Seed Industry Concentration, International Trade, Packing Industry Mergers
Further information to be announced. Watch for more details.

Saturday, August 23
OCM Membership Meeting

9:00 AM – Election of Officers, Bylaw changes, other business.
This will be an important annual meeting. OCM is considering opening up membership to agricultural producer cooperatives and other associations, rather than just individuals. We are at a new high in effectiveness and power, but need your input to make the right decisions for the future of American agriculture. Please plan to attend.



DAVID KRUSE

PRESIDENT, COMSTOCK INVESTMENTS

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Iowa Senator Chuck Grassley said that Chinese food demand was as much to blame for rising world food prices as biofuel is. Actually, it's far more the reason. Even without biofuel development, food prices would be soaring. One reason is the energy cost factor impacting food cost of production. The other is global economic growth producing millions of new consumers. It's not only China, but there's tens of millions of new consumers being created world wide resulting from economic growth in developing countries.

One important thing to note is that though wheat and rice prices have climbed, neither crop has anything to do with biofuel. No wheat or rice acreage has been diverted to grow grains or oilseeds for biofuels. U.S. wheat acreage has risen as has the trend of wheat production, yet global carryover stocks of wheat have declined. Wheat is purely a food play driven by global demand with production hit by poor crops last year. \$25 wheat had nothing to do with biofuels.

The reason rice prices have soared is that most world rice consuming nations control prices, production, and rice trade. When they ran short, the amount of supplemental free supply available was so small relative to global consumption, the tail wags the dog.

We've expanded corn production enough to meet ethanol demand and grow exports. We have not grown corn production enough to sustain large carryovers. USDA reported that year over year U.S. export sales of both corn and soybeans are up 40%. Wheat exports are up 14%, rice exports are up 30%, and soyoil export sales are up 180%. U.S. farmers not only accommodated biofuel production but a signifi-

cantly larger export market too. Price gains have not slowed U.S. grain/oilseed exports and no one has starved around the world as a result of U.S. farmers reducing production or diverting grain to biofuels.

The world needs more food production and the way it works in an economic system is incentive to produce must be given. Price is the best fertilizer. Global investors know that after decades of poor returns, over capacity and low investment in ag infrastructure and production capacity, it will take some time to grow base production to meet global demand. They have jumped on the hayrack with speculative investments recognizing the opportunity for a ride.

That's the way capitalism and a free economy works. Farmers got beat down in the 80's and 90's and none of the commercial interests crying to the CFTC about speculators today, shed any tears as commodity markets then were beaten down.

Now when prices go up, commercials claim that the market is broke. Cargill just made a billion dollars last quarter so somehow, should be able to deal with its credit crunch.

Moving back to Senator Grassley's point about linking Chinese diets to food prices, JP Morgan produced the following information:

Chinese Urban and Rural Household Consumption Patterns - 1998			
	Urban	Rural	Difference
Pork	30.72	19.04	11.68
Beef and Mutton	8.86	2.96	5.90
Chicken	10.24	4.83	5.41
Dairy Products	13.96	3.04	10.92
Eggs	15.84	7.04	8.80

"China is now the world's second largest economy in purchasing power parity terms, and the world's third largest trading nation. With an economy growing annually at rates approaching 10%, many attribute much of the world's recent economic growth to the impact of Chinese demand for resources and raw materials."

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, LA, 712-933-9400, www.thecomstockreport.com, E-mail to: csreport@ncn.net.

"By mid-2006, it is estimated that the rural and urban population of China had become the same size. Currently, China's urban population is growing by around 20 million people p.a., meaning that by around 2020, nearly 70% of China's population will live in urban dwellings." (JP Morgan)

In China alone, as 20 million people shift from rural to urban livelihoods annually, changing their diets, the per capita consumption of pork of those new consumers goes up 61%, beef/mutton up 199%, chicken 112%, dairy up 359% and eggs up 125%. When someone gains the economic ability to improve their diet, they don't go back to a subsistence standard of living. This is a permanent change.

For China to expand its meat, dairy, and egg production to meet the demand of over 20 million new consumers each year, you would expect to see exactly what's occurring to global food prices. China can no longer export corn, and Chinese soy imports are booming to meet the surging food/feed demand generated by double digit economic growth and the transition from rural to urban diets taking place in China.

Again, it's not just happening in

China, but in India, Indonesia, Pakistan, Philippines, and Vietnam. Even Bangladesh and Sri Lankan economies will grow 6% and 6.5% respectively this year. It's tens of millions of new global consumers each year competing with spoiled U.S. consumers and politicians shocked by rising food prices ready to knee jerk the blame on biofuel.^{DK}



From The President KEITH MUDD

An overbearing entity in a specific industry or sphere of activity - A seemingly unbeatable presence always to be reckoned with; whose experience, influence, and skill threatens to defeat competitors with little effort.

According to the Urban Dictionary (www.urbandictionary.com) that is the definition of the proverbial 800-pound gorilla.

The problem isn't that there are 800-pound gorillas. The problem is how they get to be 800-pound apes and how they throw around their weight once they get so big.

Until now everyone knew the big ape was in the room, but few acknowledged his presence, at least in any manner that may have raised his ire.

Concentration in the seed industry is not a new phenonum. It has in fact been happening for many decades. Smaller regional seed companies bought by larger national companies were the order of the day for many years. The next step, of course, are these larger companies merging together forming huge multi-national firms. Consolidation decreases competition and increases complacency. Competition is what drives new innovation.

We believe some of these companies achieved their obese status not by devouring the competition on a level playing field, but rather by bending the rules of fair play. Anti-

competitive behavior at all levels seems to be the method deployed by some. Competitors who collaborate with third parties to develop technology that threatens others dominance find themselves out in the cold when the dominant player buys up the collaborating party. We believe several small seed companies have found themselves indebted to larger seed companies due to questionable practices involving the licensing of traits, indebtedness which has led to the larger company's purchase of these small seed companies. Numerous lawsuits filed against farmers suspected of pirating patented seed, only to discover that not to be the case. Several times this revelation has not even elicited a polite excuse me from the offending party. Ruthless? Perhaps unfounded lawsuits have even more value to some seed companies than credible ones. The list is long, egregious and unethical.

OCM is embarking on a project designed to "out" some of the bad behavior of a few 800-pound gorillas. A thorough search found numerous candidates who boasted credentials worthy of working on this project. After narrowing the field to three possibilities, interviews indicated two outstanding individuals who were perfect fits. Not wanting to pass on either, we hired both!

Our project's aim is to document these suspicions, publicize it and bring about actions to correct the 800-pound gorillas anti-competitive behavior.

We are excited not only about our new hires but also that Fred Stokes has agreed to become our full time Executive Director. Michael Stumo is the project leader charged with designing our game plan. This project

demands that our staff be up to the task at hand, part time help wasn't going to get the job done. OCM's commitment to this project is evident by our new hires and Fred's upgraded status.

So, what do you do with an 800-pound gorilla? We intend to find out.^{KM}

FARM BILL (continued from page 2)

These were our losses.

1. *Packer ownership prohibition:* This important provision was in the Senate version of the Farm Bill but not the House version. Senators Harkin and Grassley spoke in favor of it during the conference committee, but could not garner enough votes.

2. *Office of Special Counsel for Competition:* This may seem like moving the deck chairs, but OCM has come to believe that elevating the enforcement of the Packers & Stockyards Act to a more prominent position within USDA would be meaningful. We advocated for a professional competition staff with some independence from the USDA secretary as a long term enforcement fix. The packers apparently agreed, and opposed the provision vigorously. Thus, it was not approved.

A two week extension of the 2002 Farm Bill was passed to delay its expiration and complete the details for passing the new Farm Bill. So nothing is absolutely certain, especially the veto threat. But the livestock and poultry provisions are settled, and there is no movement to upset their resolution for Farm Bill purposes. By the time you read this article, we may know whether or not we have a new Farm Bill.^{MS}