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Organization for Competitive Markets
OCM News
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ORGANIZATION FOR COMPETITIVE MARKETS POST OFFICE BOX 6486 LINCOLN, NEBRASKA 68506 www.competitivemarkets.com

Who is Really Running Things in America?

Fred Stokes
Executive Director

Over the years, those of us who have been in the trenches of this struggle to save independent agriculture, rural America and our democracy have had many frustrations, but also a few successes. From time to time we appear to have a victory, only to have it snatched away as those who really control things meet behind closed doors to undo what we thought we had accomplished. A number of examples readily come to mind; Country of Origin Labeling (COOL), Ban on Packer Ownership of Livestock, Mandatory Price Reporting, Pickett vs. IBP (Tyson Foods), the U. S. Supreme Court declaring of the beef checkoff as constitutional by virtue of it being government speech and a foreign trade policy that has devastated this country while benefiting the transnational corporations.

COOL, an obvious no-brainer which was favored by 90%+ of the public, has been the law of the land since 2002. Its implementation has been held hostage by the meat packers, USDA and that general cabal for the past six years. Finally, we believe our fight has paid off. COOL should be implemented as intended because of the work of OCM and others in this Farm Bill.

The Livestock Mandatory Price Reporting of 1999 was extremely weakened shortly after passage by a behind-closed-door deal called the 3/60 rule which prevented many prices from being reported in certain areas.

In the Pickett Case, the jury found that captive supplies had been used by IBP to manipulate the market and shortchange cattlemen to the extent of some $1.8 billion. However, the verdict was thrown out by the presiding judge on the grounds that IBP's market-rigging was justified by business reasons. I suppose Willie Sutton is posthumously vindicated by the decision.

The beef checkoff was a cattle producer initiative, approved on the third referendum attempt. It was conceived by producers, administered by producers and designed to benefit producers. Over time the program became perverted and captured by NCBA and the packers; nothing more than a war chest for those opposing COOL and other producer interests. A suit was initiated to declare the program unconstitutional on first amendment grounds. The courts had declared money to be speech and checkoff funds were being used for a message that those forced to pay did not agree with. The case ultimately made its way to the U. S. Supreme Count, and by a five-to-four decision the court declared the checkoff to be "government speech" and therefore constitutional. A pathetic and preposterous decision!

Our foreign trade experience has been an utter disaster. We're running trade deficits with every single major trading partner with a daily deficit of some $2.1 billion. We've consummated one dumb trade agreement after another and then turned a blind eye to the rampant cheating of our "trading partners". We've dismantled our manufacturing, off-shored our good jobs, sold off our sensitive technology, become the world's largest debtor nation and transformed the former breadbasket to the world into a net food importer. What has caused grave harm to our country has benefited the large transnational corporations who have hijacked the system of governance.

In 2004, OCM initiated a study entitled; "USDA Inc.: How Agribusiness has hijacked regulatory policy at the US Department of Agriculture". This was a collaborative effort with a number of other organizations that exposed the conflict of interests and revolving door between USDA and those the department was supposed to regulate. A compelling case was made that the henhouse was permeated with foxes. We blew the whistle, but the problems remain.

Clearly, the root cause of many of our problems is excessive corporate influence. We busy ourselves treating symptoms but the cure will only come when we effectively deal with the core problem. We must make people understand that our government, our land grant universities, our financial institutions and our courts are more responsive to these corporate interests than those of the people. If our democracy is to endure, this must change.

The corrupting influence of large transnational corporations will be the theme of our OCM Conference the 22nd of August in Omaha. The meeting will again be at the Double Tree Hotel in downtown Omaha.. Help us celebrate OCM's 10th anniversary. We have lined up nationally prominent speakers that will insure a conference well worth attending. We have made a lot of progress. Come celebrate with us and help us build a better future.[FS]

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MICHAEL STUMO

OCM WORKS TO ALTER JBS BEEF ACQUISITION

JBS' proposal to buy National Beef, Smithfield Beef and Smithfield's Fiver Rivers Cattle Feeding Company is a bad deal for producers. The Organization for Competitive Markets continues to work towards persuading the U.S. Department of Justice Antitrust Division and several states' Attorneys General to block the acquisition.

JBS is Brazil's, and the world's, biggest meat packing company. It has expanded drastically across the world in the last two years. JBS bought Swift last year in the U.S. On March 4, 2008, it announced agreements to purchase not only National and Smithfield, but Tasman Group, the largest multi-species meat processor in Australia. Last December, JBS bought a 50% stake in an Italian beef processor, Inalca SpA.

Rumor has it that Brazilians are wondering where they get their money to do this. Former government officials are on its board in Brazil, and government controlled funds have investment stakes in the company. Some speculation has been made that the Brazilian government is planning to bring a World Trade Organization case challenging U.S. rules prohibiting beef importation from countries, such as Brazil, that are positive for foot and mouth disease.

In the U.S., the acquisition will make a marginally competitive beef packing industry substantially less competitive. First, the top five packers (Tyson, Cargill, JBS/Swift, National and Smithfield) will become the top three. That means three people, the head cattle buyers for JBS, Tyson and Cargill, will set the price of cattle in the U.S. Second, company controlled – or captive – supplies of cattle already result in many non-competitive bidding weeks each year. Rolling Smithfield's cattle feeding operations, with their 2 million head per year production, into JBS will take more than 1.5 packing plant equivalents off the market. Expect more non-competitive bidding weeks. Third, because cattle are perishable, feeders cannot store them in a bin until prices recover. The steers and heifers must be sold within two weeks, even if prices are artificially low.

OCM has worked hard to persuade authorities to block or alter the merger. We sent opposition letters, with solid antitrust analysis, to the Department of Justice (DOJ), Congressional ag committee leadership, and the Senate Antitrust Subcommittee asking for scrutiny and blocking the acquisition. We sent letters to more than a dozen state Attorneys General asking them to investigate. We worked with Representatives Nancy Boyda (D-KS) and Barbara Cubin (R-WY) to craft a joint Congressional letter to the Department of Justice on the merger.

Attorney David Balto, Professor Peter Carstensen, Professor Robert Taylor and I met with DOJ to present our evidence. I testified before the Senate Antitrust Subcommittee, chaired by Senator Herb Kohl, on May 7, 2008, explaining, with charts, why the JBS proposal should be blocked. OCM has arranged witness interviews between cattle feeders and DOJ presenting evidence on the likely competitive effects of the deal. OCM and others have persuaded the state attorneys general to join together and examine the merger.

These are necessary steps to achieve a good result. We cannot guarantee a good result, but we now have the expertise and experience to know, and follow, the proper path.

OCM is a leader in this effort, continually working for a pro-competitive solution. We could not do it without our members. Please consider asking a friend to join OCM.[MS]

Help OCM fight livestock concentration. Join today.

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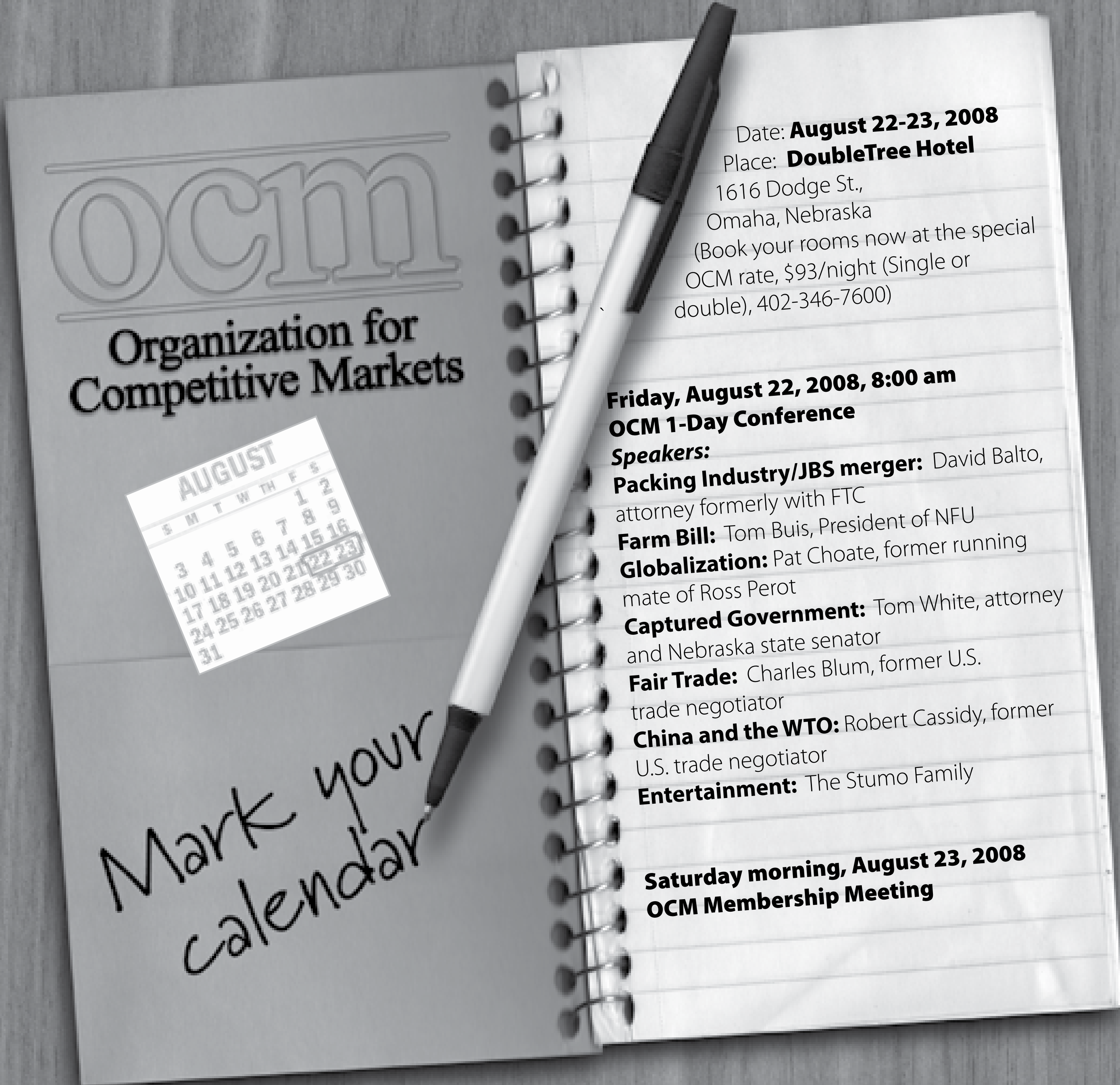
OCM ANNUAL MEETING

Celebrate OCM's 10th Anniversary Year

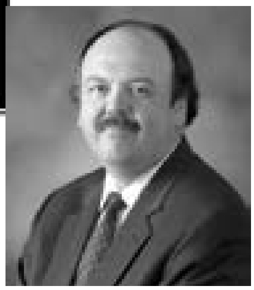
Overcoming Undue Power in Agriculture and Trade



Date: **August 22-23, 2008**
Place: **DoubleTree Hotel**
1616 Dodge St.,
Omaha, Nebraska
(Book your rooms now at the special OCM rate, $93/night (Single or double), 402-346-7600)

Friday, August 22, 2008, 8:00 am
OCM 1-Day Conference
Speakers:
Packing Industry/JBS merger: David Balto, attorney formerly with FTC
Farm Bill: Tom Buis, President of NFU
Globalization: Pat Choate, former running mate of Ross Perot
Captured Government: Tom White, attorney and Nebraska state senator
Fair Trade: Charles Blum, former U.S. trade negotiator
China and the WTO: Robert Cassidy, former U.S. trade negotiator
Entertainment: The Stumo Family

Saturday morning, August 23, 2008
OCM Membership Meeting



David Kruse
President, ComStock Investments

I Looking for votes to sustain a veto of the Farm Bill, the administration tried the "Hail Mary" scare tactic approach, blowing the ACRE provisions of the Farm Bill up into a huge threat to taxpayers. ACRE is the Farm Bill revenue insurance plan and it may prove to effectively be the only real meaningful safety net for farmers in the bill. The administration was hyping the potential cost of the provision but only if the bottom falls out of ag revenue. Protecting farmers when the bottom falls out used to be the primary objective of a farm bill.

The Farm Bill has been mislabeled as it should be called the Food Bill, as it's primarily a food assistance program. Under the ACRE provision, farmers can elect to accept a 20% reduction in their fixed annual direct payment and a 30% reduction in counter cyclical payments, but in return, farmers get 90% of the product of a 5 year state average yield and the National Seasonal Average price for the previous 2 years.

"Once producers elect to participate, they are locked in for the life of the bill. Payment coverage is for 83.3 percent of planted (or, considered planted) acres for the 2009-11 crop years and 85 percent of plantings for 2012 and later." That actually is a bonafide safety net, something better than loan rates set so far below the market, LDP's would save no one.

The administration warned of higher costs with 90% participation. For example, "Corn: Farmers would get $10 billion if corn prices fell to $3.25/bushel. At $4/bushel, payments would total between $3 billion and $4 billion. Soybeans: Payments for soybeans would total $4 billion if prices fell to $7 a bushel. At $9 a bushel, farmers would get nearly $1 billion."

With cost of production soaring, $3.25/corn and $7/soybeans would break some farmers today. The ACRE program improves what otherwise is a very weak farm bill with a safety net set so low that it would not keep farmers from smashing into the ground if the farm economy tanks from a recession in China, or a protectionist trade war.

It is clear that the administration and USDA are not the least bit concerned about helping farmers survive another ag depression as the traditional safety net won't do it against higher production costs today. Enrolling in the ACRE program will give us a better chance of survival. Farmers who enroll give up some direct and countercyclical payments, lowering the cost of the farm bill and only draw from the ACRE program if economic disaster befalls us. Why would the administration oppose that?

The NCGA called the USDA depiction of the ACRE risk a distortion saying, "USDA analyzed the impact of a single crop year, distorting the impact of the program. Producers must decide to participate for the entire 5 year or more farm bill, not just one year. The optional program's revenue target moves with the market from year to year. Thus, if prices decline, the revenue target declines and the total cost of the program declines."

It's a real safety net for gosh sakes, when nothing else in the bill provided one. It makes me favor the bill more, not less. Listening to the administration describe the farm bill as $300 billion going to rich farmers is so demeaning to farmers as it is inaccurate. Instead, 73.5% goes to food assistance programs, with farm subsidies in total of about $30-40 billion with much tighter limits set on subsidy caps. This farm bill is better in every aspect by far, than the 2002 farm bill that George W. signed without any complaining.

What changed since 2002? Like countercyclical payments, ACRE is capped at $65,000 a year. If there is any flaw to the ACRE provision, it's the cap is set too low relative to soaring fertilizer and fuel costs. DK

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.

The Miracle of Monsanto BY RICHARD OSWALD

We've had a wet spring. Now with summer kicking in, the water has been rising where I live in the Missouri River Valley.

We're no stranger to floods in this part of the corn belt. We've had high water before. But lately we've had to deal with floods of other types as well.

If there's anything good about Missouri River flooding it is that it always, eventually ends. When it does, we just clean up and keep on going. Floods brought about by failed trade policies are more difficult to correct and cleanup takes much, much longer.

Tidal surges of foreign goods have come into our markets. Jobs have been washed away to foreign countries, seemingly overnight. We are inundated not with oil, but with a rising cost of energy. Our banks, small investors, and homeowners are submerged by the sinking dollar and government policies that simply will not float all boats. It seems sometimes that there are no dams that will hold, no levees that do not overflow in the face of such a flood.

The first thing we have to do to begin the cleansing of failed policies is to convince legislators and regulators that we're going under. It's not just attention to manufacturing jobs, currency, and energy that beg to be refocused, but the basic ownership of life as well. Genes have become hot property situated on the high ground of government policy. As with a CAFO built at the top of the hill, there's not much to roll down on those of us below, but effluent from corporate control.

It's starting to get pretty deep down here.

Farmers world-wide lost the right to plant the seed they grow as grain when our government allowed patented genes in seeds. We've gone from earlier generations' hand picked selection of seed each year, to the mandate that each years crop must be planted from purchased bags of patented commercial seed. In soybeans we've moved from public varieties to privately owned brands that are zealously protected by their owners.

All that has happened in a little over a decade.

Of course, the biggest of the big in seeds is Monsanto. With annual profits at around $1 billion, it's easy to see that there is big money in the under-regulated patented seed market. Recently, Monsanto announced that profits would double in 2009.

Not surprisingly, farm seed costs are predicted to rise.

As it stands now, the price of private seed is set by the seller. With Monsanto's announced intention to double profits in the next year, and American cropland area steady or declining, it is obvious that farmers and ultimately consumers will bear the burdens of that added profit.

Monsanto declares that world yields of grain will increase dramatically, presumably from modified plant genes, but the real increase will come when and if impoverished parts of the world improve basic crop production practices that improve fertility and utilize irrigation. Monsanto would gladly accept the credit for crop production increases occurring mainly from the adoption of vintage 20th century agronomic practices from the developed world.

Let's hope our leaders don't allow them to patent those as well.

In Nebraska, researchers say that soybean yields have increased an average of six tenths of a bushel each year. A New York Times article states that at that rate it would take 83 years for yields to double.

With a seed monopoly it will only take Monsanto one year to double profits.

That's a much more generous estimate than I can make here on my farm where we first planted Roundup Ready soybeans in 1996. The yields then were disappointing. After 12 years of genetically modified seeds on our land where drought, flood, frost, or other environmental factors come into play every year, our average yields aren't much better than they were 10 years ago. Over nearly the same period, Monsanto has gone from being a major industrial polluter to being a high flying, fantastically profitable life science seed conglomerate. One patent for Roundup resistant soybeans has allowed them to dominate the entire seed industry, and our government has allowed Monsanto to eliminate or buy out much of their competition through control of the gene that bestows resistance.

At one time, the patent on Roundup herbicide fed Monsanto's profit. When patents expired, cheap production drove down profits. Now with low cost producers out of the markets Monsanto once again enjoys control of most glyphosate production. Glyphosate is the active ingredient in Roundup.

Prices of Roundup and its generic counterpart has doubled in twelve months. That doubling took place late last year, well before oil prices hit recent highs. It's safe to say that further increases are likely.

Genetic modification combined with some aggressive oversupply management of key chemicals seems to have helped Monsanto's yield while farmers everywhere pay whatever the market will bear for unrealized yield improvement and a 35 year old chemical technology.

Government should take note as we have, that the miracle of Monsanto isn't so much what they do, as what they get away with.[RO]

OCM's Seed Concentration Project

BY MATTHEW DILLON

OCM has launched a Crop Seed Concentration Project to create a broad and positive impact for farmers. We must create a lasting foundation for increased competition and innovation in the seed sector. The history of plant genetic development from the perspective of ownership, investments, and innovation is instructive. Consider this the first installment in a two part series on the history of the seed industry.

A handful of US companies are currently the largest breeders, producers, owners, and sellers of plant genetic materials on the international seed market. This dominance and ownership regime is quite new.

University of Wisconsin rural sociologist Jack Kloppenberg tells us the US was a "debtor" nation when it came to plant germplasm for much of the 19th and early 20th century, relying on introductions of seed and plant materials rather than providing plant genetics to the rest of the world. The seed industry itself was no more than a handful of mostly horticultural catalogs, with the most common form of seed trade being over the fence between neighbors.

To the newly formed nation, the introduction from Europe of wheat, rye, oats, peas, cabbage and many other vegetable crops was as critical to food security as was the adoption and improvement of the indigenous corn, beans and squash. Immigrants were encouraged to bring seed from the old country. Founding fathers such as Thomas Jefferson engaged in seed-exchange societies.

By 1819 the U.S. Treasury Department issued a directive to its overseas consultants and Navy officers to systematically collect plant materials, expanding greatly collections from South America and Asia.

The largest seed distributor in the 19th century was the United States government. Beginning in the 1850s, the U.S. Patent and Trade Office (PTO) and congressional representatives saw to the collection, propagation and distribution of varieties to their constituents nationwide. The program grew quickly. By 1861, the PTO annually distributed more than 2.4 million packages of seed. The USDA eventually took over this responsibility, and the program reached its peak of distribution as late as 1897. Government support for seeds and breeds also occurred via the Morrill Act, which secured the role of Land Grant Institutions. The Act was a major step in agricultural research and crop improvement for the fast growing nation.

The government's objectives in funding seed and breeding programs recognized that feeding an expanding continent required germplasm diversification and improvement. Private sector agricultural research and innovation was not even a blip on the radar. No major breeding and research companies in the US in the 19th century. The seed sector may have floundered indefinitely but for several radical government policy changes in seed distribution and plant breeding.

Seeds did not readily lend themselves to development and proprietary sales. A tractor company could patent its design. But, prior to the advent of hybrid breeding, farmers saw little reason to purchase seeds when they could so easily save them and trade them with neighbors.

The development of hybrid breeding methods and altered government plant breeding, seed distribution and intellectual property laws and practices changed

Please see SEED on page 7

OCM Urging Further Investigation of Monsanto

BY MICHAEL STUMO

On June 11, 2008, OCM sent out letters to 23 state attorneys general encouraging them to continue their joint investigation of Monsanto. OCM was joined by thirty-four other organizations across the country. Here are excerpts from the letter:

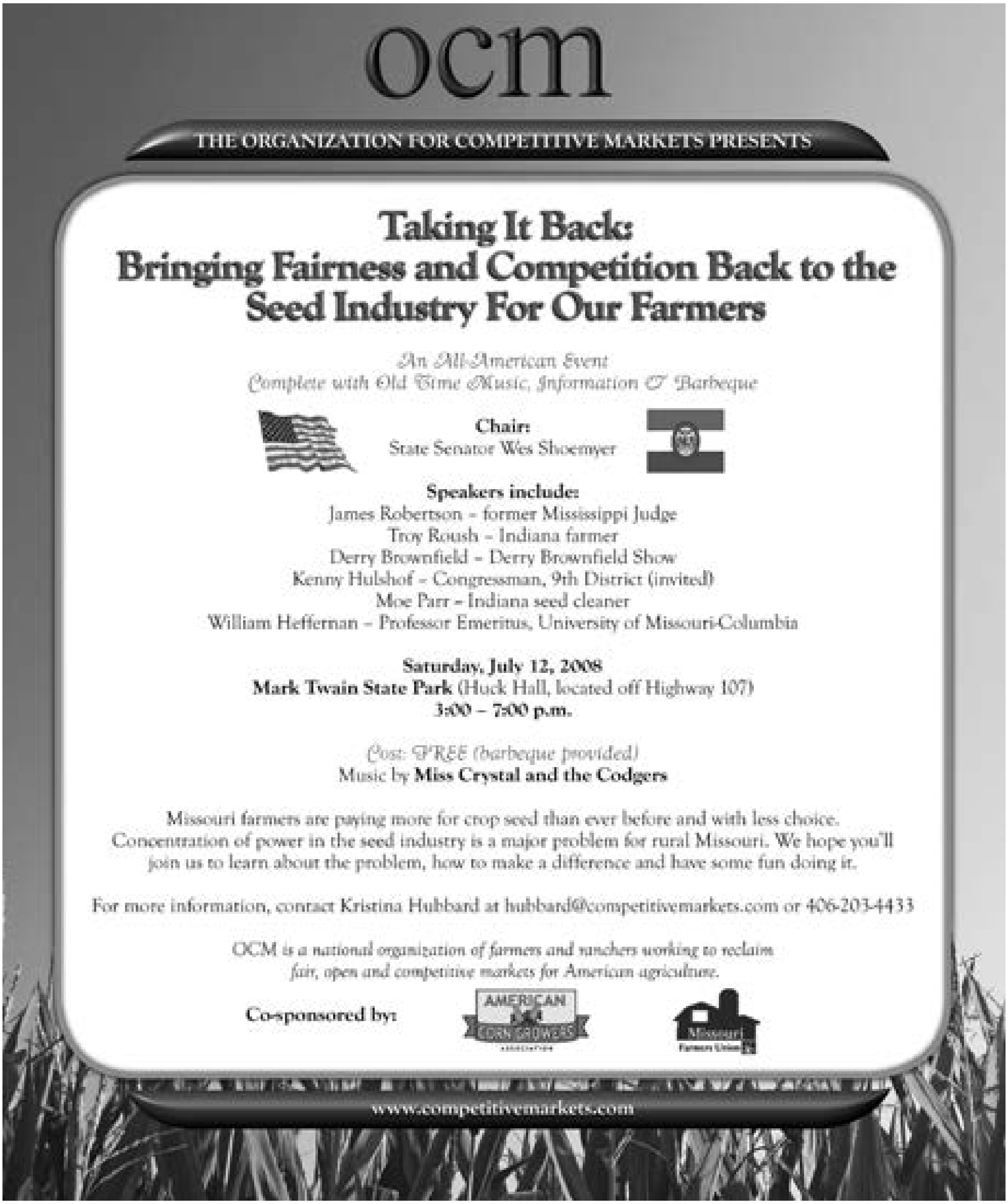
"Monsanto is the industry's dominant player in the chemical, seed, and genetic trait markets in corn and other crops and has taken a number of steps to maintain its monopoly position. Monsanto has a monopoly in the markets for glyphosate tolerant corn traits (which makes crops resistant to the predominantly-used herbicide), insect resistant corn traits, and combined or "stacked" traits. …

Monsanto has leveraged its monopoly power to exert control over independent seed companies by entering into trait licensing contracts with them that we understand include severe financial penalties if a company does not meet extremely high sales targets. The result is that independent seed companies cannot carry seeds with non-Monsanto traits, and farmers, therefore, have fewer choices in seeds and seed traits. …

The lack of choice in transgenic traits and crop seed has been costly, and will become more costly in the future. Innovation has been quashed or delayed, exclusive licensing has proliferated, choice is suppressed, and prices have risen dramatically. Farmers and consumers bear this cost.

We strongly urge you to increase your focus on Monsanto's conduct in the seed industry as a number of other state attorneys general have. It is a matter deserving of your office's resources."

These letters are an important piece of OCM's strategy to publicize the rapid consolidation of the crop seed industry. OCM will provide ongoing support to these attorneys general while raising awareness among farmers and the general public.[MS]



SEED (continued from page 6)

this. The first quarter of 20th century was a time of radical change in seed. While some of these changes undoubtedly led to innovation, progress, and improvements in germplasm to the benefit of farmers and consumers, there may also have been unforeseen consequences in shifting public policy that has now led to a seed sector that is dangerously concentrated.

Next month I'll explore the rediscovery of Gregor Mendel's work, most importantly his Law of Inheritance; look into the groundbreaking work of early hybrid researchers like Henry Wallace; discuss shifts in public seed programs and laws governing seed; and explore the role of seed associations and companies delivering us to this unwelcome point of consolidation.[MD]

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