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JULY 2006

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July 2006
ocm
Organization for Competitive Markets

You're Invited!

Dear Members and Friends:

What are you doing July twenty-first?

How about joining OCM at our annual convention?

If you have never been to one of our conventions then this is an excellent choice for your first. We will have our annual business meeting in the morning followed by an exceptional program that afternoon. We will cap off the day with a wonderful banquet meal featuring Roger McEowen, OCM Law and Economics Fellow, as our after dinner speaker.

The convention program will examine the relationship between global competition and the next farm bill, and will scrutinize the impact of the judiciary and USDA on the future of the family farm.

The program is capped off with a preview of our most ambitious project to date - an OCM Conference on Globalization and Free Trade. We anticipate this November's conference to be the first in a series of dealing with the effects of our current trade and global economic policy.

Your concerns and input are important to the board of directors and staff of OCM, so we have built in generous portions of time for your questions and comments on each program topic.

So, mark your calendars and find someone to do your chores that day. Your presence is needed in Omaha on July twenty-first![KM]

Hope to see you there,

Keith
Keith Mudd
OCM President

WHAT'S INSIDE

TO ALL OCM MEMBERS AND SUPPORTERS

ocm

Organization for Competitive Markets

JULY 21, 2006

2006 ANNUAL MEMBERSHIP MEETING

8:00 AM – REGISTRATION
9:00 AM – CALL TO ORDER
9:00 to 12:00 Noon – MEMBERSHIP MEETING

LUNCH ON YOUR OWN

2006 CONFERENCE

"Agricultural Economics, Law and Policy"

1:00 PM – OCM Annual Conference
5:00 to 6:00 – Social Hour/Cash Bar
6:00 – BANQUET

Visit us online!
www.competitivemarkets.com

PLANNED OR DEFERRED GIFTS

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.

There are a number of different types of planned and deferred gifts, including the following:

- Bequests
- Charitable Gift Annuities
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Gifts of Life Insurance
- 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 860.379.6199 or email stumo@competitivemarkets.com.

Agricultural Economics, Law and Policy

ORGANIZATION FOR COMPETITIVE MARKETS

2006 FOOD AND AGRICULTURE CONFERENCE

July 21, 2006 – 1:00 PM
Doubletree Hotel – Omaha Downtown
1616 Dodge Street – Omaha, NE

Hotel Reservations – 402-346-7600
(ASK for the Organization for Competitive Markets BLOCK for Special $85+Rate)

REGISTRATION FORM

Name(s): ______________________
____
____

Company: ______________________

Address: ______________________

Phone/Fax: ______________________

City/State/Zip: ______________________

Email: ______________________

___**Number attending the Conference @ $50** (Friday, July 21, 2006) $________

___**Number attending Banquet @ $30** (Friday, July 21, 2006) $________

___**Membership Dues** $________

___**Donation** $________

TOTAL DUE: $________

Check______Cash______

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TOTAL PAID $________

Send REGISTRATION FORM to PO Box 6486, Lincoln, NE 68506.

OCM'S ANNUAL BUSINESS MEETING WILL BE HELD ON FRIDAY MORNING, JULY 21, 2006 PRIOR TO THE CONVENTION AT THE DOUBLETREE HOTEL.

NEWS You can use

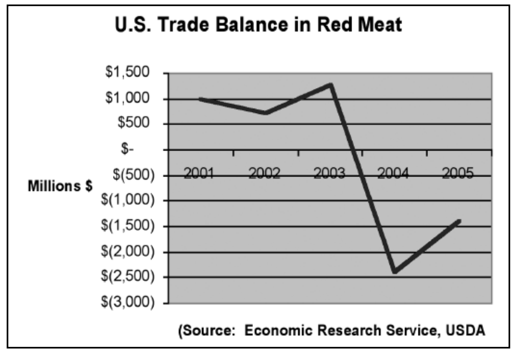
➧ OCM: USDA CONTINUES TO GIVE IN TO CORPORATE INFLUENCES

Lincoln – This week, The U.S. Department of Agriculture again proved that corporate influences will continue to be the largest shapers of national agricultural policy with its' decision to not allow South Korea to import beef from packing plants where cattle from American and Canadian origin are held separately.

South Korea currently does not accept any beef imports from Canada due to the high risk of BSE in Canadian beef, and have refused to accept beef packed in plants that do not discriminate between American and Canadian cattle. USDA's all-or-nothing policy puts plants that wish to sell 100% American raised beef and American producers at a severe disadvantage by not allowing exports to resume.

Korean inspectors approved exports from over 30 plants across the U.S., but rejected beef processed in 7 plants, including 2 facilities owned by Tyson Fresh Meats Inc., that do not keep American and Canadian cattle in separate areas.

According to OCM executive director, Fred Stokes "this is possibly the most absurd decision ever handed down by USDA." Stokes continued "American producers have a real opportunity to sell their products oversees and are being denied that chance by USDA even though the United States currently holds an almost $21 billion deficit in international food trade, and is the world's largest beef importer."



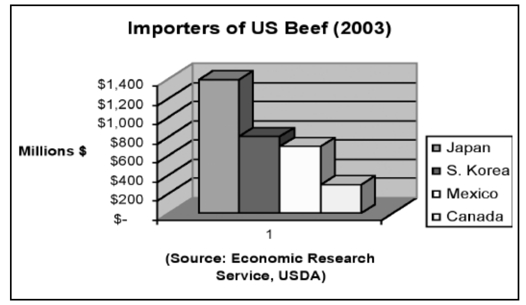
Supporters of USDA's all-or-nothing policy include Tyson, the American Meat institute, and the National Cattleman's Beef Association, all of which are strong opponents of mandatory country-of-origin (COOL) labeling and stringent animal testing. Forcing the Resumption of Korean trade with facilities that integrate American and Canadian beef will largely benefit only multinational meat packing companies, and will be to the detriment of American cattle production.

USDA officials contend that current policy keeps foreign companies from singling out plants to exclude from their business, and ensures that the beef export market remains efficient and practical.

OCM Vice-President, Randy Stevenson responded "Other countries' beef markets have no trouble keeping up with the demands of U.S. retailers that already only import beef from oversees plants that meet their standards." Stevenson continued "South Korea was the second largest export market for American beef prior to 2004, and producers will begin to struggle if trade is not resumed immediately. If Korea wants only 100% American beef from our plants then the United States Department of Agriculture should do everything within its power to make that possible by requiring that all cattle imported into the US be clearly labeled and segregated so that we do not run into this issue again in the future."

Many opponents of Mandatory COOL contend that such practices may violate the WTO's "least restrictive means" policy because it treats domestic beef differently than beef that is imported. In response, Fred Stokes added "Who cares about WTO policies? American producers raise their cattle under the most stringent health standards in the world, and customers, including South Korea, deserve to know that their food is safe. Delaying the implementation of Mandatory COOL for livestock only serves to benefit the multinational meat-packing giants like Tyson Fresh Meats."

OCM President Keith Mudd concluded "producers need to demand that the USDA be accountable to American producers first, and put an end to the practice of allowing corporate agri-business giants to decide the direction of regulations that affect the entire industry."



In 2004 OCM initiated and co-authored a paper titled *USDA INC: How Agribusiness Has Hijacked Regulatory Policy at USDA* (www.revolvingdoor.info).

The Organization for Competitive Markets is an agricultural free market and competition think tank working for honesty, prosperity and economic liberty for farmers, ranchers and rural communities.

KRUSE (continued from page 5)

packers and disconnected as Phil Seng described, from Asian consumers. "Find out what it takes to restore trade." What a novel concept. What if it requires actually giving the Japanese and Korean costumers what they want and are willing to pay for? The USDA and U.S. beef industry has shown no inclination whatsoever to sell the Japanese and Korean consumers what they want if it's not what the USDA wants to sell them.

Instead they have the inclination to "retaliate." The USDA's response to South Korea shows they learned nothing from the mess they made of Japan. It's going to cost U.S. cattlemen an enormous amount of equity, paying for their mistakes.[DK]

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BIOGRPHICAL SKETCH }

ROGER A MCEOWEN

Roger A. McEowen is the Leonard Dolezar Professor in Agricultural Law at Iowa State University in Ames, Iowa. Before joining Iowa State in 2004, he was an associate professor of agricultural law and extension specialist in agricultural law and policy at Kansas State. From 1991-1993, Professor McEowen was in the full-time practice of law with Kelley, Scritsmier and Byrne in North Platte, Nebraska.

Professor McEowen has also been a visiting professor of law at the University of Arkansas School of Law in Fayetteville, Arkansas, teaching in both the J.D. and L.L.M. programs. He has also taught at the Drake University School of Law Summer Institute in Agricultural Law.

At Iowa State, Professor McEowen develops and conducts an educational program in agricultural law and policy and is responsible for developing the curriculum and instructional program for the Iowa Farm Income Tax Schools.

Professor McEowen has published scholarly articles in the *Journal of Agricultural Taxation and Law, Indiana Law Review, Drake Journal of Agricultural Law, North Dakota Law Review, Nebraska Law Review, the Monthly Digest of Tax Articles, Tax Notes, West's Social Security Reporting System, Toledo Law Review, Washburn Law Review, Creighton Law Review, Agricultural Law Update,* and the *Agricultural Law Digest.* He is also the lead author of a 1,300-page textbook/casebook on agricultural law that is updated twice annually, and a second 300-page book on agricultural law. He also authors the monthly publication, *"Kansas Farm and Estate Law."* In addition, Professor McEowen is the co-author of Bureau of National Affairs (BNA) Tax Management Portfolios on the federal estate tax family-owned business deduction and the reporting of farm income, and is the lead author of a BNA portfolio concerning the income taxation of cooperatives.

Professor McEowen conducts approximately 80-100 seminars annually across the United States for farmers, agricultural business professionals, lawyers, and other tax professionals. He also conducts three radio programs (two airing monthly and the other bi-weekly) heard across the Midwest.

In 2003, Professor McEowen was named the recipient of the American Agricultural Law Association (AALA) Distinguished Service Award. He is also the recipient of the AALA's award of excellence for professional scholarship.

Professor McEowen received a B.S. with distinction from Purdue University in Management in 1986, an M.S. in Agricultural Economics from Iowa State University in 1990, and a J.D. from the Drake University School of Law in 1991.

He is a member of the Kansas and Nebraska Bar Associations, an honorary member of the Iowa Bar, and is a past member of the AALA Board of Directors.

2006 FOOD AND AGRICULTURE CONFERENCE

Agricultural Economics, Law and Policy

July 21, 2006 – 1:00 PM
(Registration – 12:00 to 1:00 PM)

Downtown Doubletree Hotel
1616 Dodge Street, Omaha, NE
402-346-7600

PROGRAM *(Tentative)*

Global Competition & The Next Farm Bill
Dr. Daryll Ray
Dr. Bill Heffernan
John Dittrich

The Courts, USDA and the Future of the Family Farm
David Domina
Roger McEowen
Cap Dierks

The Case for a Conference on Globalization & Free Trade
Fred Stokes

BANQUET
Dr. Roger McEowen, Speaker

2006 FOOD AND AGRICULTURE CONFERENCE

FROM OCM'S GENERAL COUNSEL
MICHAEL STUMO

John Smith was enjoying a feeling of accomplishment. With the help of God, Mother Nature, and his labor and ingenuity, he had multiplied a few seeds of corn into many, far more than in biblical days. Harvest time had come.

Spring was cold and wet. Germination was delayed. He worried the seed would be overcome by fungus. But the sun came out and the stand was strong and good.

Then summer came. The rains did not. The corn leaves on the hilltops started turning a dusty white as they do when the dryness becomes almost intolerable. But the rains came just as the first tassels appeared in the fields.

John hired out the fertilizing and spraying of his fields, but he liked to run the combine. There was no feeling immersion in the harvest time productivity, thinking about what he did right, and what he would change next year as the machine gorged while rolling through the low spots and climbing the slopes. The stress of the growing season melted away. This was his contribution.

But as John delivered to the local grain elevator, he was given unwelcome news. The National Corn Committee decided the corn supply was too abundant for the calculated demand. The Committee recommended that USDA implement a regulatory program to hold 30% of the crop in storage at every local elevator across the country, preventing its sale. He received a check for 70% of his grain, with promises to receive some of the rest in a few years.

This program would devastate his finances. How would John pay off his operating loan, pay family bills and pay next year's input costs? There was little he could do.

This story is fictional. This could not happen in America! But in the raisin industry, the government confiscation happens each year.

Raisin farmers are forced to turn over up to 47% of their harvested raisins to the Raisin Administrative Committee every year at harvest. You may have heard of the Milk Marketing Order in the dairy industry. This government mandated confiscation occurs under the Raisin Marketing Order.

A few thousand farmers within 75 miles of Fresno, California produce 95% of the nation's raisins, and 30% of the world's raisins. They tend their Thompson natural seedless grapes in the spring and summer. In August, raisin producers cut the grapes from the vines, allowing them to dry into raisins on long strips of paper between the rows.

> *Our civic duty is to reclaim our markets and reclaim our democracy.*

The farmers then load the raw raisins into wooden bins for delivery to raisin packers. The raisin packers pay for some raisins, but set aside large volumes in a reserve as ordered by the USDA and the Raisin Administrative Committee (RAC). The RAC projects the demand for raisins, and the supply. If the RAC thinks demand will exceed supply by 30%, they can order 30% of the raisins withheld from the market and placed in a Raisin Reserve. Producers do not get paid, and the RAC becomes the proud new owner of the raisins.

The RAC gives thousands of tons of these Reserve Raisins to the raisin packers for export, in the name of international trade. The USDA buys some raisins at a low price for government food programs. The sales proceeds fund the RAC administrative operations. Over $132 million has been given to raisin packers from this fund in the last six years.

A small group of raisin growers near Fresno decided in 2001 to market directly to consumers, gaining a higher price and avoiding the government confiscation. The each process their raisins in a small packing facility one grower built. The USDA brought a legal action against the owner of the small packing facility seeking over $1 million in fines.

The small producer group has now sued the U.S. government for illegally taking their property without compensation. The property is not land, but raisins. I represent these producers as their lawyer. Their case is strong.

The Raisin Marketing Order started with laudable goals in 1949. A producer self help program. Just like the pork and beef checkoffs. But as with the checkoffs, the program morphed into an uncontrollable and oppressive tool to take from producers and give to the packers. This raisin producer group has a good chance to finally eliminate the program, or at least rein in its most objectionable provisions.

The government/corporation alliance is pervasive in all agriculture, and in all industry. It corrupts our economic system, and our system of democracy. Jefferson, Lincoln, and Teddy Roosevelt complained of this big money influence over government.

Our civic duty is to reclaim our markets and reclaim our democracy. OCM is dedicated to fulfilling this duty. We certainly do not win every battle. But we have won some, and can win more. The presence of an active citizenry has certainly deterred some of the most abusive ideas hatched by big money lobbyists. Your continued support for OCM makes the difference.[MS]

DAVID KRUSE
PRESIDENT, COMMSTOCK INVESTMENTS

Creekstone Premium Beef's CEO was right. South Korea said they'd take beef from 31 U.S. beef plants, passing on seven others, and the USDA said "no." The USDA export policy isn't like Burger King. No special orders are allowed. You get your beef the way the USDA, carrying water for major U.S. packers, wants to sell it, or not at all. You can't have it BSE tested. You can't have beef from 31 plants if you don't take it from other plants owned by Excel, IBP, and Swift. The USDA has done everything it can to help the major packers maintain their concentrated market share of the U.S. packing industry, thwarting competition from smaller niche packers willing to build business like Burger King, willing to let global consumers have it their way.

The USDA has muddled the resumption of beef export trade with Asia. NCBA, the packer lackey, argues that Japan and Korea are trying to regulate the U.S. beef industry. That's bull. They aren't telling us how to regulate beef here. We are telling them how to regulate their beef industry by imposing our rules on them. Japan agreed to accept beef from the U.S. with lower standards than required from their own industry, despite Japanese consumer resistance. Relative to South Korea, Creekstone's CEO John Stewart, says, "The situation is just another issue with our USDA. This story needs investigation. I'm impressed by the fact that the USDA always seems to find a way to slow things down. I compare this situation to 38 graduate students taking their exams, and seven of the students failing. No one graduates until all seven could pass."

USDA Sec. of Agriculture, Mike Johanns confirmed that they had done this. The unapproved plants process unsegregated cattle from Canada. South Korea wants U.S. beef and the USDA told them they get what we sell them and like it or get none at all. The Korean Ag Minister says, "The U.S. does not consider the concerns voiced as being a problem, but from our view they are."

Bill Bullard, CEO of R-Calf USA, said "the USDA is effectively blocking competition from packers that are willing to meet customer demands." The USDA/AMI/NCBA response is that if you won't buy U.S. beef the way we want to sell it to you, we'll hit you in the nose with trade sanctions. You can't have it the way you want but you can't not buy it. You have to buy it and you have to take what we sell you! That's an interesting commercial approach but one with dubious prospects of success.

Phil Seng, CEO of the U.S. Meat Export Federation said, "When the U.S. discovered BSE and Japan closed its market to U.S. beef, USDA and U.S. industry misread what was happening in Japan. The U.S. was moving to restore beef trade with Canada and believed that the Canadian-U.S. model would be the model for the world to restore trade with other countries, while Japan was clearly focused on other strategies. There was a disconnect from the beginning between Japanese and U.S. officials." No Kidding.

A cattleman representing NCBA told me that in Washington the USDA asked his group what they should do next. The response was, "Find out from the Japanese what it takes to restore trade." If not, "retaliate." The first response would have been a good plan 2-3 years ago but no one in the U.S. beef industry or USDA asked the Japanese what they wanted or listened to what Japanese consumers were saying. Creekstone and several other packers doing business in Japan were listening to their customers and were told they'd accept BSE tested beef. The USDA, carrying water for major packers, wouldn't allow it. USDA spokesman Ed Lloyd gave the USDA position that BSE "testing is not a food safety tool." Nobody in the U.S. said that it was, but the Japanese consumer wanted testing and was willing to pay for it.

GMO soybean testing is not a food safety tool either but the USDA allows GMO testing for which Japanese buyers pay premiums to U.S. non-GMO soybean producers. Without the right to test, we couldn't identify non-GMO soybeans. The USDA permits GMO testing of soybeans for which there is no scientific food safety rational but not BSE testing for beef. This hypocritical policy difference is only explained by special interest influence of major beef packers on USDA. Excel and IBP have resumed trading beef to Japan from their Canadian subsidiaries, so currently have that business to themselves not wanting competition from other U.S. packers.

U.S. cattlemen are losing hundreds of millions of dollars in lost beef trade to Asia because the USDA was committed to special interests of U.S.

Please see KRUSE on page 6

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. Mr. Kruse is also president of AgriVantage Crop Insurance and Brazil Iowa Farms, an investor owned farming operation in Bahia, Brazil.(Futures Trading involves risk. Past performance is not indicative of future performance.) For information on subscribing to the daily CommStock Report, contact:

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