ocm
Organization for Competitive Markets
Tel: (402) 817-4443
P.O. Box 6486
Lincoln, NE 68506

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

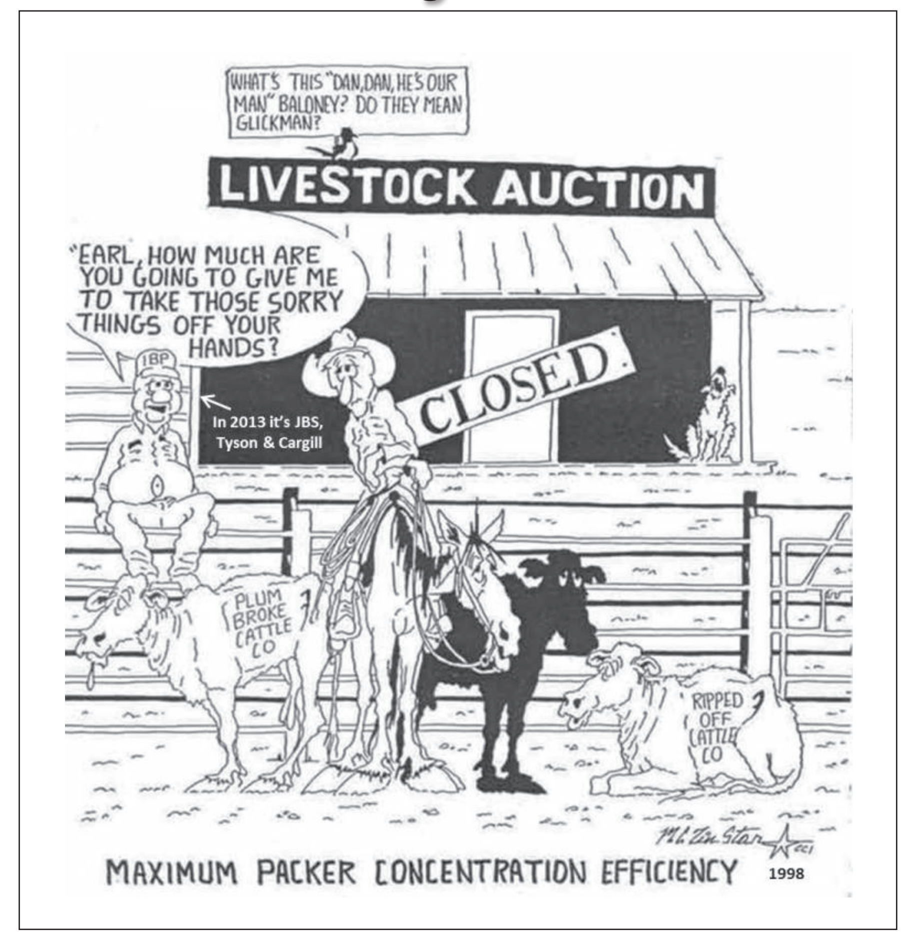
ADDRESS SERVICE REQUESTED

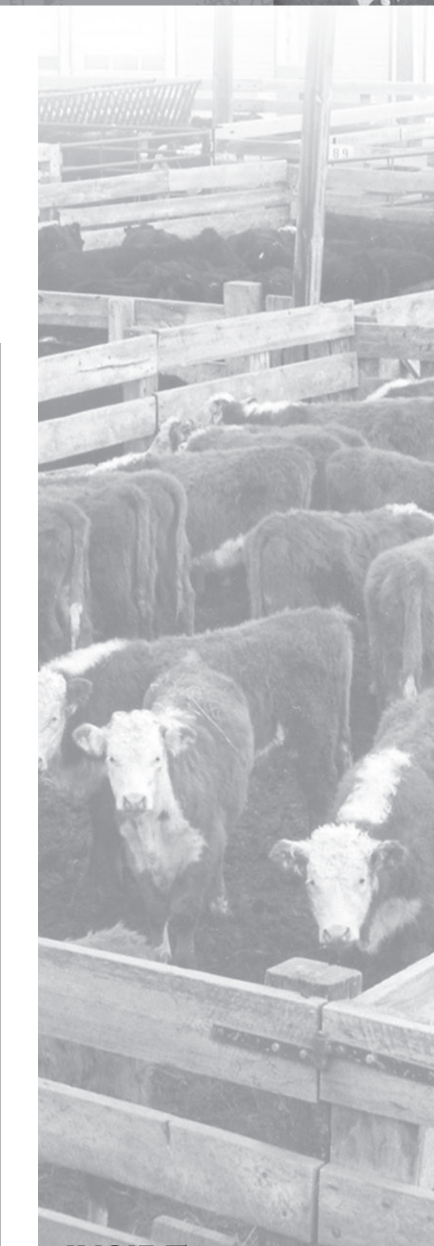
September/October 2013

ocm
Organization for Competitive Markets
Honesty. Prosperity. Economic Liberty.

Mike Callicrate

It's Called Stealing – What Big Retailers and Meat Packers are Doing to Cattlemen





Fifteen years ago, in responding to the question of why producers were receiving so little for their livestock, Dr. John Helmuth (economist, meat industry expert, and longtime critic of meat industry consolidation) said, "There is an economic term to describe this phenomenon: It is called stealing."

Please see CALLICRATE on page 3

INSIDE:

Our Way or the Highway

By Richard Oswald

No one knows why James Hunter left his family for a two year gold prospecting tour in them thar hills. All we really know is a remote branch of the family tree once broke loose from his Missouri roots for the California Gold Rush.

Maybe James wanted respite from routine....or plain old adventure.

Or maybe he had gold fever.

He found gold, probably not the bonanza he wanted, but when James returned there was just enough left to pay for a new brick farmhouse. That's where my daughter and her family live today.

They hit the jackpot.

It took most of the gold James and the other prospectors found just to buy the things they needed. Merchants and entrepreneurs ended up with fortunes while miners lived hand to mouth.

James biggest find wasn't gold but probably the nugget of information that gold miners and farmers have a lot in common; the wealth they create generally goes to someone else.

Its still that way for farmers.

Modern consumers have no idea where food is mined because Big Food has the right to draw a curtain across food supply origins. They don't want us to know what it is or where it came from because these days a lot of high priced food is manufactured from some very cheap ingredients. Big Food wants those ingredients to remain out of sight and out of mind.

A ten year old article in the Wall Street Journal breaks down one of the most popular foods among kids--chicken nuggets-- to show the extent of modern food manufacturing.

The article illustrates the question of when chicken is not chicken buy pointing out the answer; when its a nugget. (More than 60% of a chicken nugget isn't chicken at all)

Modern consumers have no idea where food is mined because Big Food has the right to draw a curtain across food supply origins.

James might not get that, but Big Food understands 100%.

Country of Origin Labeling (COOL) opens the blinds so people can see what they're buying even if its already processed into something else.

Still, consumers need to be educated. Even with COOL, they have to care enough to look.

We have COOL for seafood. We have it for vegetables and fruit. We have it for textiles. We have it for virtually every product today, except for meat and chicken.

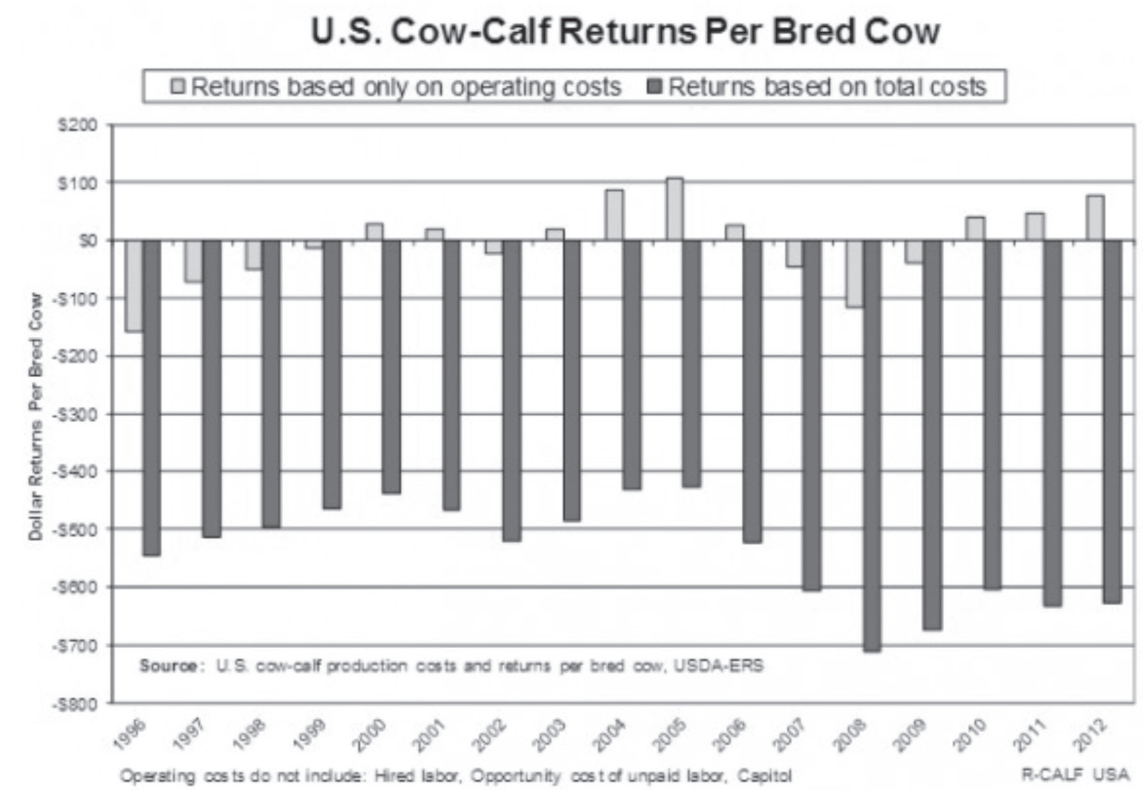
As far as big packers are concerned, that's a gold mine.

It's good business for bad actors to isolate people from food and alternative markets. In this case local food and country of origin labeling is a

Please see OSWALD on page 5

Callicrate (continued from page 6)

The producer of cattle invests over 85% of the capital, nearly all the labor, nearly all the management, takes nearly all the risk – and today, while consumers pay record high prices for beef, they go broke – it's called stealing:



MC

Callicrate (continued from page 3)

At an average slaughter weight of 1,350 lbs., and the average retail price of $5.35/pound, a finished animal is worth around $3,033 per head at Walmart, King Soopers and Safeway.

Retail yield is approximately 42% of the live weight on the typical slaughter animal. 1,350 lbs. x 42% = 567 pounds of retail meat at $5.35 cents per pound equals $3,033 value per head at the retail meat counter.

1												next update
2	**Choice beef values and spreads and the all-fresh retail value**[1]											September 17, 2013
3							Beef price spreads					
4	Date	Retail value	Wholesale value	Gross farm value	Byprod. allow.	Net farm value	Total	Whl. to retail	Farm to whl.	Farmers' share	5 market steer price	All fresh beef retail value
5		Cents per pound of retail equivalent								Percent	$/cwt	cents/lb.
33	Feb-12	504.5	290.1	301.7	35.5	266.2	238.3	214.4	23.9	52.8	125.7	463.3
34	Mar-12	505.3	290.1	304.3	37.2	267.1	238.2	215.2	23.0	52.9	126.8	467.1
35	Apr-12	498.6	279.3	290.9	36.4	254.5	244.1	219.3	24.8	51.0	121.2	462.3
36	May-12	496.5	293.0	290.6	35.6	255.0	241.5	203.5	38.0	51.4	121.1	467.8
37	Jun-12	493.2	300.4	286.3	32.7	253.6	239.6	192.8	46.8	51.4	119.3	470.7
38	Jul-12	501.3	282.3	277.3	33.9	243.4	257.9	219.0	38.9	48.6	115.6	471.5
39	Aug-12	494.5	284.5	288.6	35.3	253.3	241.2	210.0	31.2	51.2	120.3	470.0
40	Sep-12	494.1	292.4	300.2	36.3	263.9	230.2	201.7	28.5	53.4	125.1	464.8
41	Oct-12	503.1	296.3	301.9	34.9	267.0	236.1	206.8	29.3	53.1	125.8	475.8
42	Nov-12	515.2	297.1	302.7	33.7	269.0	246.2	218.1	28.1	52.2	126.1	479.7
43	Dec-12	511.8	296.9	301.2	34.2	267.0	244.8	214.9	29.9	52.2	125.5	476.4
44	Jan-13	524.4	292.0	299.3	35.5	263.8	260.6	232.4	28.2	50.3	124.7	491.2
45	Feb-13	522.2	280.4	300.3	37.5	262.8	259.4	241.8	17.6	50.3	125.1	490.9
46	Mar-13	530.0	295.4	303.6	37.1	266.5	263.5	234.6	28.9	50.3	126.5	491.8
47	Apr-13	526.4	291.4	305.9	38.4	267.5	258.9	235.0	23.9	50.8	127.5	486.3
48	May-13	524.1	313.7	305.9	35.4	270.5	253.6	210.4	43.2	51.6	127.5	487.6
49	Jun-13	529.4	304.8	301.5	36.8	264.7	264.7	224.6	40.1	50.0	125.6	491.6
50	Jul-13	535.7	290.3	284.7	36.7	248.0	287.7	245.4	42.3	46.3	118.6	495.5
51		Choice beef retail value sets a new nominal high.										All-fresh set
52	[1] Data sources, USDA Economic Research Service calculations based on Bureau of Labor Statistics and USDA Agricultural Marketing Ser											
53	Last Updated on	15-Aug-13										
54	By William F. Hahn											

Additionally, the packer is making approximately $190/head ($14.11 x 1,350 lbs.) on the By-Product Drop Value.

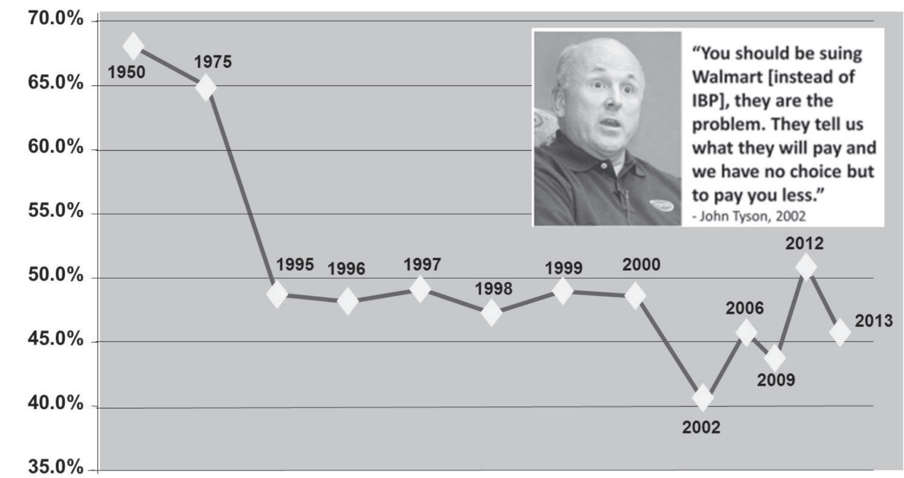
```
NW_LS441
Des Moines, IA     Tue, Aug 20, 2013     USDA Market News

USDA BY-PRODUCT DROP VALUE (STEER) FOB CENTRAL U.S.
The hide and offal value from a typical slaughter steer(1)
for today was estimated at 14.11 per cwt live, down
-0.09 when compared to Monday's value.
FOB CENTRAL U.S.
TODAY'S CALCULATIONS FOR BY-PRODUCT VALUE (STEER)
                                 Lbs   Price  Change     Value
                                              Prv/Dy
Steer hide, butt brand/Pc       4.48   94.00    -        6.91
Tallow, edible (2)              1.20   40.75    -        0.49
Tallow, packer bleachable       4.50   40.75  -0.75      1.83
Tongues,Swiss #1 0-3%,exp       0.24  360.00    -        0.86
Cheek meat, trmd                0.32  153.00    -        0.49
Head meat                       0.13   66.00    -        0.09
Oxtail, selected                0.24  265.00    -        0.64
Hearts, reg, bone out           0.38   64.00    -        0.24
Lips, unscalded                 0.13  170.00    -        0.22
Livers, slcted, export          0.96   44.00    -        0.42
Tripe, scalded edible           0.65   98.00    -        0.64
Tripe, honeycomb bleached       0.15   90.00    -        0.14
Lungs, inedible                 0.47    4.00    -        0.02
Melts                           0.14    5.00    -        0.01
Meat & bone ml 50% blk/ton      3.70  422.00 -28.00      0.78
Blood meal 85% blk/ton pnh      0.60 1090.00    -        0.33
                Totals:        18.29                    14.11
          Dressed equivalent basis (63% dress):        22.40
(1) Typical slaughter steer weighs 1,360 pounds
(2) May include Technical Animal Fat as both meet the
    same AFOA specifications
```

Please see CALLICRATE on page 7

Callicrate (continued from page 1)

Farm share of the consumer retail beef dollar
A picture of abusive market power



*All Fresh Choice Beef – USDA-ERS Data

Compared to a competitive time in the industry in the 1970's, the monopoly power of the big retailers and meat packers has left today's cattle producers nearly $600 per head short of their share of what consumers spend for beef at the retail meat counter. According to USDA data, there has been nearly a 20% loss of the consumer dollar at the farm gate since 1975. The economies of scale and efficiency arguments that enabled today's unprecedented concentration have destroyed the competitive marketplace while removing nearly half of our ranchers from the land. The market power gained through concentration and consolidation has provided the big retailers and meat packers the ability to extract record unfair profits from both producers and consumers.

Average return on equity before tax (ROE)

Retail grocery: ROE = 21% (last 6 years0

Meat packing: ROE = 17% (last 6 years0

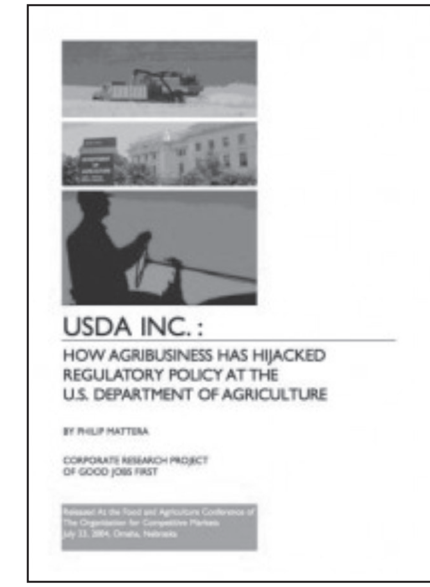
All Farming & ranching: ROE = NEGATIVE 0.54% (last 13 years)

Packers--for those with sales . $500k - Before tax /rIEm 2992-2009: 17.38% - source: http://www.bizminer.com/industries/Meat-packing-plants-2011/

Retail grocery--food marketing institute book - http://www.fmi.org - 2003-2009 average: before tax ROE = 20.75%

Cattle--for the farm typology "cattle" meaning primarily cattle operations in USDA/ERS annual surveys - http://www.ers.usda.gov/Briefing/ARMS/

"A modern plantation system is what it is," said Robert Taylor, a professor of agriculture economics at Auburn University as quoted from *Obama's Game of Chicken*



READ COMPLETE PAPER
http://www.competitivemarkets.com/usda-inc-how-agribusiness-has-hijacked-regulatory-policy-at-the-u-s-department-of-agriculture/
Published July 23, 2004

Weapons of Market Destruction:

- Unregulated concentration and consolidation
- Cooperation replacing competition among biggest packers
- Price leadership by dominate packer
- Captive supplies including:
  * Packer ownership of livestock
  * Forward Contracts
  * Formula contracts (equiv: nuclear warhead)
- Allocation of territory
- Manipulation of futures market
- Talking the market lower (mentally conditioning seller – bidding not-to-buy)
- Agency capture – USDA shields big packers from P&S Act

Please see CALLICRATE on page 6

2013 Convention Highlights

"REFORMING THE FOODOPOLY"

Executive Director of Food & Water Watch'
Author of Foodopoly: The Battle Over the Future of Food and Farming in America

"THE MARKETS ARE DEAD"

Dudley Butler Farm and Ranch Law Group PLLC and Harlan Hentges (not pictured)

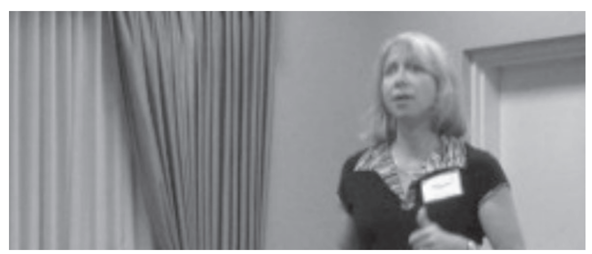
"BEEF CHECKOFF LITIGATION"

Wayne Pacelle, Joe Maxwell and Matt Penzer

"FERTILIZER CARTEL"

Alfa Eminent Scholar and Professor
Auburn University

"FERTILIZER CARTEL"



VP and Director of the American Antritrust Institude

"JOHN HELMUTH AWARD"

Presented to Daryll E. Ray for his decades of outstanding service to U.S. agriculture and family farmers and ranchers through his academic commitment to accurate information, objective farm and trade policy analysis,and keen insight into the operation of agricultural markets.

Dr. Ray's academic integrity and personal courage serves as a shining role model for his students, academic peers, and our nation's family farmers and ranchers and rural communities.

"FARM BILL"

Agriculture Professor and Director of Agricultural
Policy Analysis Center at University of Tennessee

"FOOD DEMOCRACY NOW"

FoodDemocracyNow.org

Again this year, our conference agenda was outstanding with excellent speakers and the most up to date and relevant information. This year's conference speaker's presentations are available on our website for your convenience. Please take time to hear some of the discussions. Please go to our website at: www.competitivemarkets.com

OSWALD (continued from page 2)

serious competitor to profit and control. Thats what makes labeling, farmers markets, farm to table, farm to school...all so critical.

Knowledge of food and where it comes from threatens gold diggers by giving people knowledge... and choice.

There's a battle raging between American farmers and ranchers on one hand, and corporate mixers masquerading as food producers who want to bring in products from Canada, Argentina, Brazil, Australia, New Zealand, China, or anywhere else without saying so. Adding insult to injury is the fact they can still sell American gold standard meat around the world under private labels, for a premium.

Now a Chinese corporation, Shuangui International, is poised to buy Smithfield Foods.

Smithfield was good at buying up food assets and crowding competition, but not very good at operating efficiently. Investors are thrilled at the chance to get their money back. It's exciting news all right, because owning Smithfield would let China place US food in a now-you-see-it-now-you-don't shell game where raw ingredients leave the US as one thing, only to return as something else.

COOL won't prevent the buy out. But it would make it tougher for China to adulterate our food supply.

Fighting to implement COOL for US bred and born meat and chicken are several American groups, like National Farmers Union, representing everyone from consumers to American farmers and ranchers. They've put themselves and their pocketbooks on the line to fight for Americans right to know what they're eating and where it came from.

I miss the good old days when Americans stood up for America. It's costing hundreds of thousands of dollars to fight for Americas COOL food rights. And there's concern that some of the check-off money American farmers and ranchers have paid to promote their own products may even be used against them without their knowledge. That's because of deep insider connections between corporate big business and producer groups that are sometimes one and the same.

Big business buys ingredients from across the country and around the world. It all goes into one huge cement mixer. What's cheap one place is costly once stirred in. Like concrete, food has become aggregate filler cemented and poured into a corporate controlled yellow brick road to profit.

Getting from point A to point B means paying the toll, and eating whatever they haul in, no questions asked.

The American label is the gold standard for food, while food miles lower quality and raise prices.Thats why we need COOL.

It's our way....or the highway![RO]