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NPPC opposes packer feeding ban

Packer ownership of livestock is the most important mechanism for packers to squeeze independent producers out of the marketplace and take control over the food system. For example, Smithfield Foods now owns 27% of its pork supply. This does not even include captive supply in the form of contracts and marketing agreements or supplies owned by closely related parties. Seaboard Corporation is pursuing full integration. However, the livestock commodity groups have been captured by the meat packers and oppose a ban on packer feeding.

To remedy this situation, delegates from several states pressed the National Pork Producers Council (NPPC) to ask Congress to limit packer ownership of hogs at the National Pork Forum last March. In a procedural move to diffuse this pressure, the delegates passed a compromise motion to set up a task force headed by outgoing NPPC president Donna Reifschneider. The task force has now, unfortunately, recommended that the NPPC oppose limiting packer ownership.

The National Cattlemans' Beef Association (NCBA) is no better and is likely worse. They even have a board seat for meat packers. Thus, they also resist calls for a ban on packer feeding. True market structure progress requires less packer control on production.

Packer war on South Dakota

South Dakota's laws requiring price reporting and banning price discrimination went into effect on July 1, 1999. Packer/processors, who aggressively fought the laws, have been creating market disruptions in an apparent attempt at retaliation and heading off national legislation on price reporting. Additionally, the American Meat Institute (AMI), the meat packer lobbying group, has sued the State of South Dakota seeking a judgment declaring the laws unconstitutional.

Early unconfirmed reports indicate that there have been threats to boycott, leave or otherwise discriminate against South Dakota. Smithfield's John Morrell plants and others are buying only grade and yield with a uniform base price. Some beef packers are doing the same. Some formula contracts - which include a base price plus a premium - have been cancelled. Also, some packers may have pulled their buyers out of the market at auctions.

With the market power of the packer/processors revealed, pressure should increase to reform the structure of the agricultural marketplace to bring the independent producer a larger share of the consumer dollar.

Farm Bureau war on South Dakota

The South Dakota Farm Bureau, South Dakota Sheep Growers and some livestock producers have sued the State of South Dakota asking for a permanent injunction to block enforcement of Amendment E. Amendment E was passed in a referendum by South Dakota citizens seeking to protect family farms and restrict corporate farming by nonfarm investors.

South Dakota Farm Bureau alleges that the amendment discriminates against non-residents. South Dakota Farm Bureau president Dick Kjerstad claims - with a straight face - the amendment will destroy family farms.

The South Dakota Farm Bureau is welcome to contact OCM members at any time to discuss the power of corporate agribusiness in the marketplace which is the true cause of family farm devastation.

Labeling: the farmer-rancher-consumer link?

While some states have passed legislation requiring retail meat to include a label which informs consumers of the country it is produced, Congress has balked. Smithfield Foods, the world's largest pork producer and processor, has as much at stake as any company in this fight as it acquires facilities in France, Poland and Mexico.

Consumer groups are also pressing for their right to know more about their food. The Center for Science in the Public Interest supports a bill requiring country-of-origin labeling for all Food & Drug Administration (FDA) regulated foods. Many consumer and food safety groups are calling upon the federal government to require labeling of foods containing genetically modified (GM) ingredients.

Agribusiness and the USDA oppose consumers' right to know and farmer/ranchers efforts to distinguish their product. They say consumers are "confused" and need to be "educated."

Full information is a hallmark of competition and capitalism. It could also be a competitive advantage for small to mid-sized farmers and ranchers.

Murphy Farms imports Brazilian soybeans

The American Soybean Association (ASA) and its state affiliates have been very supportive of the large corporate farm expansion with the narrow reasoning that huge hog supplies will increase soybean consumption. They have joined other commodity groups in lobbying against any bill which may reduce the growth of these large farms without considering the long term health of the rural economy.

Now the factory farms - including Murphy Family Farms, Smithfield/Carroll - are showing their appreciation by bypassing U.S. soybean producers in favor of massive amounts of Brazilian soybean meal. The ASA complained to Murphy about the imports. Wendell Murphy responded in a letter complaining that the U.S. Feed Grains Council was using checkoff funds to help develop the Brazilian pork industry. It seems that non-meat checkoff programs are also being used against Rural America.

Cargill-Continental merger approved

Despite vigorous opposition by several farm state Attorneys General and Congressman, as well as others, the Department of Justice Antitrust Division allowed the Cargill acquisition/merger of Continental Grain. Antitrust chief Joel Klein justified the merger because certain assets would be divested.

The acquisition of the number five grain trader by the number two grain trader in North America gives too much global trading power to Cargill. The myopic focus on local elevator markets - the basis for requiring certain divestitures - ignores the overarching power of Cargill.

This further guarantees that additional liberalization of world trade in agriculture will benefit only global agribusiness. Corporate profits will increase, executive compensation will increase, vertical consolidation in grains and oilseeds will increase and farmers will either go bankrupt or be contract laborers on their own land.

Biotech update

* Japan's Ministry of Agriculture, Forestry and Fisheries proposed labeling of genetically modified (GM) foods nine months ago as a matter of consumer information.

* USDA secretary Dan Glickman, one of biotech's leading boosters, has been admonishing reluctant Europeans not to stand in the way of "progress." It is well known that Robert Shapiro, CEO of Monsanto, has close ties to the Clinton administration. However, in a partial turnaround, Glickman has recently told audiences at Purdue University and in St. Louis that "We can't force feed... reluctant consumers."

* The *Financial Times* reported that British food companies are undertaking a massive effort to guarantee that their suppliers do not provide them with GM food. This appears to be increasing demand for UK farmers' products because the UK has planted few GM crops.

* The British Ministry of Agriculture, Fisheries and Food will publish a report that GM crops can cross-pollinate non-GM crops. The research, carried out by the respected John Innes Centre, validates prior concerns of genetic pollution that the British government has denied.

* The President of the Rockefeller Foundation met with Monsanto's Board of Directors to call for a pledge not to use the Terminator gene (which makes plant seeds sterile), to stop opposing GM labeling and to stop using public relations campaigns to address consumer rejection of GM food. Rockefeller has spent $100 million on biotech research.

* A group of scientists, activists and a British supermarket executive gathered in Washington in June to present the Food and Drug Administration with petitions containing 500,000 signatures calling for labels on genetically modified foods.

Farmer friendly packers and retailers?

IBP's Gary Machan, when asked if hogs would ever drop again to $8 per hundredweight , answered, "If we see a tidal wave of hogs coming at us -- even if we do have the capacity to kill them -- and we have overwhelmed the system with pork, there is nothing to say we won't drive prices below profitable levels." He made the statement at the 1999 Pork Summit, held by the National Pork Producers Council (NPPC) on the eve of the World Pork Expo in Des Moines, Iowa.

Retailers at the same meeting told producers that they would not come to their aid. "If the pork industry goes out of business tomorrow, I'm not out of business," Al Kober of Clemens Markets bluntly stated. Clemens Markets owns 17 stores on the East Coast. "The cost of goods [including commodity pork] has virtually no relationship to the regular retail price. When the cost of goods goes down you don't change prices. We are going to get as much as we can."

Aside: IBP's first quarter 1999 earnings were up a whopping **400%** from last year largely due to "exceptional" fresh meat performance.

Large hog farms kill prices

Ag economists such as Chris Hurt of Purdue University were predicting higher hog prices over the summer. In previous issues, this newsletter pointed out the expansion of large hog farms in such places as Oklahoma which would push prices lower. The USDA's June 25 hogs and pigs report revealed that hog capacity is unexpectedly large and, as a result, prices plummeted.

Seaboard Corporation has been eagerly adding production capacity in Oklahoma to supply its Guyman plant which was built in recent years amidst intense controversy. The Oklahoma Water Resource Board approved a 27,000 sow Beaver County facility which was opposed by the Board's staff as well as the Oklahoma Family Farm Alliance. This new facility gives Seaboard enough sows to sustain its Guymon packing plant.

Nebraska Premium Farms, LLC sought to build six 14,000 head finishing complexes in Rock County, Nebraska but were rebuffed by the county's Board of Commissioners. Enterprise Partners and Sand Livestock Co. are trying to build a 5,000 sow complex in Arthur County, Nebraska. Superior Farms, LLC and a subsidiary Hog Slats Inc. are increasing their hog production network in Indiana. A vertically integrated pork system is being planned in Idaho by Sawtooth Farms. The initial plan is 50,000 sows with the potential of 250,000 sows across southern Idaho.

WTO negotiations

The Institute for Agriculture and Trade Policy (IATP) in Minneapolis, Minnesota is tracking a range of events leading up to the World Trade Organization Third Ministerial meeting to be held from November 29 to December 4 in Seattle. The IATP is a well-researched supporter of family farm issues in relation to world trade policy. To subscribe to the list, you must email listserve@iatp.org and then write "subscribe road-to-seattle".

Too often, the only ag interests represented at the negotiations are those of big agribusiness. In a U.S. policy environment which promotes states' rights over federal mandates, it is ironic that the globalists are transferring policy and sovereignty from the local/state level to the world organizations and their transnational corporate patrons.

IATP has information about these issues and more on their web site at www.iatp.org.

Buying Congress

With important legislation on issues such as trade, mandatory price reporting and country-of-origin labeling, it is enlightening - if not discouraging - to learn about who gives campaign contributions to whom. The Center for Public Integrity (www.publicintegrity.org) in Washington produced a 1998 report - entitled "Safety Last" - examining the distorting influence of campaign contributions on legislative handling of food safety issues. The report revealed which Senators and Representatives receive the most campaign money from meat interests.

Although the data examined covered the period from 1987 to 1996, one can assume that the problem has gotten worse today. Senators Phil Gramm (R. Tex.), Richard Lugar (R. Ind., current Chair of Senate Ag Committee), and Kay Bailey Hutchison (R. Tex.) were big winners from meat processor contributions. Representatives Pat Roberts (R. Kan.) and Charles Stenholm (R. Tex., current ranking minority member on House Ag Committee) received the most on the House side. Rep. Larry Combest (R. Tex.) fared poorer in the pre-1996 past but is certainly well placed to be a current favorite for contributions from the food industry due to his current status as chair of the House Ag Committee.

A new cheap food policy

For decades, family farmers and ranchers have been plagued by a federal governmental "cheap food" policy. The misguided premise held that embracing production technology, driving down production costs and removing "excess resources" (people) from agriculture will result in an inexpensive, plentiful supply of food.

It may be time to focus the "cheap food policy" on a new target -- excess profits and power for agribusiness and retailers. Dr. John Ikerd, ag economist from the University of Missouri, states that whatever the benefits from agricultural industrialization in the past, there are few additional benefits to be gained from further industrialization.

We know that farmers receive a very small part of the food dollar. Thus, if farm gate prices doubled, it would have little effect on consumer food prices. Ballooning processor and retailer profits now take the lion's share of the consumer dollar. Consolidation increases those profits, minimizes true price competition and deprives the consumer of a price benefit.

A new cheap food policy must address the concentrated power of agribusiness in the food chain. Underlying laws, regulations and promotional programs should deter and reduce consolidation. This would produce maximum consumer benefit and derivatively increase the ability of family farmers and ranchers to receive a fair price. Processors and retailers should be denied the ability to squeeze both farmers and consumers for their monopoly profits.

Interlocking directorates and competition

Last month's OCM Newsletter discussed a recent Note written by Dr. Robert Taylor, OCM member and ag economist from Auburn, which urged that economic determinations of market power should not be limited to an analysis of single firm market share. He argued that one must also include joint ventures, strategic alliances, partial ownership arrangements, etc. to create a true picture of market power.

In his seminal book, *Corporate Reapers,* author A.V. Krebs points out a 1950 FTC study entitled, "A Report on Interlocking Directorates". The report stated, "The inherent tendency of interlocking directorates between companies that have dealings with each other as buyers and sellers, or that have relations to each other as competitors, is to blunt the edge of rivalry between corporations, to seek out ways of compromising opposing interests, and to develop alliances where the interest of one of the corporations is jeopardized by third parties..."

Adam Smith, in his *Wealth of Nations*, wrote that "[P]eople of the same trade seldom meet together even for merriment and diversion but the conversation ends in a conspiracy against the public or in some contrivance to raise prices." Dr. Taylor's Note is available on the OCM web site.

Cactus Feeders reclaims number one spot

Cactus Feeders, substantially owned by Paul Engler, has regained its position as the world's largest cattle feeder with a capacity of approximately 460,000 head. The reclamation of the top spot came after its recent acquisition of the cattle feeding operations of Koch Industries, previously the nation's tenth largest feeder. Paul Engler enjoys a close relationship with IBP having been a former IBP board member. Many question whether Cactus has preferential arrangements with IBP which violate the Packers & Stockyards Act. Without USDA subpoena's or discovery through private litigation, we are unlikely to find the answer.

OCM News

OCM Vice President **Fred Stokes** was invited by Senator Richard Lugar's staff to participate in a Washington Roundtable discussion on mandatory price reporting.

OCM member **Dr. William Heffernan**, rural sociologist from the University of Missouri, spoke at a conference on farmer co-ops in West Des Moines, Iowa. He offered suggestions on how co-ops could make changes to be more responsive to farmer/members, refrain from competing with their members, and refrain from furthering agribusiness consolidation.

OCM Annual Meeting

Remember to reserve August 20-21 for the OCM annual meeting in Omaha at the Holiday Inn. There has been a slight change. Rooms are available at the Hampton Inn Central, in the same parking lot, for $67/night by calling 402-391-8129. Tell reservations that you are with OCM for the special rates.

During the first day, open to the public, experts on panels will discuss biotechnology, antitrust law, and the livestock industry. The last discussion will be a visioning session for a preferred future in independent agriculture. During the second day, there will be a business meeting which is only for OCM members. Admission is $50.

(Edited by Michael C. Stumo)