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The Big Issue

Industry consolidation is the biggest issue in agriculture. Most other problems flow from this overarching phenomenon. Cargill is merging with Continental. DuPont is buying Pioneer Hi-Bred International. ADM is buying an ever larger stake in IBP. Smithfield Foods is buying Carroll Foods. Cenex-Harvest States Cooperatives are merging with any firm with a pulse.

These mergers are anti-capitalism and pro-fascism. Fascism is "[t]he product of the transition from the market capitalism of the independent producer to the organized capitalism of the oligopoly," according to Adrian Lyttelton, biographer of Mussolini. Adam Smith would be horrified by four beef packer/processors controlling over 80% of the market.

Dr. Ronald Cotterill of the University of Connecticut has stated that we are building a collusive, not competitive, market structure. Dr. Neil Harl of Iowa State University considers excessive consolidation as market failure, not market efficiency.

Current laws against antitrust and anticompetitive practices are not enforced and they are not good enough even if enforced. The OCM has joined the American Antitrust Institute in calling upon Congress to support President Clinton's request to

significantly increase the funding of the Antitrust Division of the U.S. Dept. of Justice.

But we also need a new "trust busting" culture in Washington. A firm can wield tremendously unfair market power and still credibly defend its actions as legal under current law, especially with regard to vertical integration (as opposed to horizontal concentration). Thus, we need to consider a new generation of antitrust laws to bring corporate power under control.

Senate Focuses on Agriculture

Agricultural issues are very hot during the 1999 federal legislative session. Senate minority leader Tom Daschle (D. SD) has made agriculture a top priority. He has been joined by several other senators from both parties in calling upon the U.S. Attorney General to vigorously investigate agricultural mergers, including the proposed Cargill-Continental merger.

Senator Byron Dorgan (D. ND), according to rumors, intends to solicit senators to join in creating the first "Antitrust Caucus" in the senate. This would be a group of senators of similar minds gathering to promote a stricter antitrust agenda. We hope Senator Dorgan carries through with this plan. The OCM stands ready to provide any information and expertise necessary to cooperate with such an effort.

USDA Fails Small Farms

USDA Secretary Dan Glickman has not been a strong proponent of family farmers, despite his prior commendable legislative record as representative from Kansas. The National Commission on Small Farms recently evaluated USDA efforts on behalf of family farmers. The USDA received a "D".

Glickman has failed to enforce the Packers & Stockyards Act, failed to move on a Western Organization of Resource Councils petition for rulemaking that, if enacted, would severely restrict captive supplies of beef packers, and failed to curtail USDA support of agricultural industrialization. Glickman is under pressure.

On a positive note, he has proposed that the USDA develop a close working relationship with the Department of Justice in dealing with agriculture industry mergers. Such action is necessary because the USDA often defers to the DOJ on merger issues, but the DOJ often defers to the USDA if the merge involves agribusiness. Thus, nothing gets done if every agency is deferring to the other.

Of course, talk is cheap and the USDA seldom carries through to a meaningful degree. We can still be hopeful that actual enforcement of the U.S. antitrust laws will occur.

ILLINOIS BRICK

A federal court case known as Illinois Brick has been a thorn in the side of farmers since it came down in 1977. That case says that a farmer cannot bring an antitrust action against a food retailer for illegally pushing meat prices down because the farmer had no business relationship with the retailer. The farmer can only sue the packer.

The trouble is that if the retailer is using monopoly power to force meat prices lower, the packer has the incentive to pass the low prices down to the farmer rather than to fight back. Thus, the ultimate injury is transferred to farmers and ranchers. But farmers and ranchers can't bring a class action suit against the retailer to correct the market failure. The retailer is "immune" from suit.

This seemingly technical flaw in antitrust law has had tremendous consequences. In the 1970's, farmers were bringing strong antitrust cases against retailers. There were settlement negotiations dealing with tens of millions of dollars to compensate the farmers for damages. Then Illinois Brick came down and effectively killed those cases.

Senator Charles Grassley (R. IA) is considering the introduction of a bill to repeal Illinois Brick to allow agricultural producers to exercise their rights. However, he is unwilling to do so unless farm groups will support it. The introduction and passage of the Grassley bill is an essential step towards reclaiming the nation's marketplace for independent farmers and ranchers.

Mandatory Price Reporting

Last year, a federal market price reporting bill for livestock

appeared certain to pass. It did pass but in an incredibly watered-down and ineffective form. The bill set forth a pilot project for mandatory price reporting for sheep and cattle, but not hogs. Further, the bill required that the USDA keep the information secret for one year.

Price information which is kept secret does no good for farmers and ranchers. The National Pork Producers Council and the packer cartel lobbyists (Haley Barbour, Bob Michel and Clayton Yeutter) were key culprits in gutting the bill.

There is a renewed push for mandatory price reporting with teeth this year. The NPPC has been pressured by its members to include pork in the bill. Unfortunately the NPPC staff appears reluctant to carry out the policy. Several farm state senators are pushing for stronger legislation which would disclose prices.

It is imperative that farmers and ranchers have immediate access to actual cash livestock prices throughout each market day. Real time data could be easily and inexpensively "uplinked" to a web site throughout the trading day. Any confidential or proprietary information could be kept private.

The current voluntary price reporting system carried out by the USDA's Agricultural Marketing Service does not give an accurate picture of the markets. Thus, packers control the information while farmers and ranchers are in the dark. Fair, open and efficient markets cannot function without full information on both sides of the transaction.

Biotechnology and ag consolidation

The most powerful new tool for integrating agriculture under the

corporate umbrella is biotechnology. Monsanto, DuPont, and Novartis are gobbling up smaller companies' market share, patent rights and customer base to dominate the agricultural future. DuPont's latest acquisition of Pioneer Hi-Bred International is not the end of the mergers.

Biotech companies are getting millions of farmers hooked on their genetics. Their patent rights give them additional leverage to prevent replanting of soybeans or resale of their genetics. Roundup Ready seed hugely increases herbicide sales for Monsanto. Now row crop farmers are being solicited to produce "designer" seeds under contract.

If this trend continues, grain and soybean production will be vertically integrated like poultry. Monsanto told the Agricultural Retailers Association last December, "We're really talking about the integration of the ag industry."

The best thing to do is to stay out of contract production and refuse to buy genetically modified crop seed. With Europe, Japan and other countries rejecting genetically modified grain and soybeans, non-biotech commodities will likely be identity preserved past the farm gate and command higher market prices. Don't become a biotech addict.

American Farm Bureau Federation and "Distract"

The American Farm Bureau Federation is the largest insurance company in America to call itself a farm organization. It is hard at work in Washington distracting legislators from the true issues in agriculture.

Rather than using its considerable clout to fight industry consolidation and promote market reform, the AFBA has sent out

action alerts to its state delegations instructing them to lobby on several minor topics including crop insurance and reduction in estate and other taxes.

One wonders how the AFBA can push for crop insurance when farmers lose money year after year. It is a government subsidy paid to insurance companies to write the policies while the farmers go broke. But then, the AFBA is an insurance company which may stand to benefit from government subsidies.

On the tax issue, many farmers would love to have tax problems. If you don't make money, you don't have a big issue with taxes.

The county and state Farm Bureau organizations need to call on the national organization to stop the "distract" and get behind efforts to democratize the marketplace, halt merger mania and reform agricultural markets. Farmers and ranchers need a fair price from the marketplace to survive. If multinational corporations control the entire food supply, it will be a sad day for farmers and consumers, especially the world's millions of hungry people.

Member activities

OCM board member **Cap Dierks**, state senator from Nebraska and head of that state's legislative ag committee, has introduced legislation (1) requiring mandatory price reporting of cash and contract livestock sales, (2) requiring country-of-origin labeling of meat, and (3) banning packer feeding of livestock.

OCM member **Jack Kibbie**, state senator from Iowa, has introduced similar legislation in the Iowa legislature. The packer cartel

lobbyists are vigorously opposing the legislation. We wish Senators Dierks and Kibbie the best in pressing for passage of their bills. South Dakota has already passed such legislation.

Congratulations to OCM secretary/treasurer **Steve Cady** for his recent appointment as Executive Director of the Nebraska Pork Producers Association. There is no better person for that job to promote the interests of independent agriculture.

We also salute OCM member **Phil Hardenburger**, outgoing president of the Nebraska Pork Producers, for his fine service on behalf of independent agriculture. We know that the end of his term does not mean the end of his efforts.

OCM member **Linus Solberg** of Iowa has been actively attending meetings throughout Iowa to promote market reform. He held the feet of Harold Davis, Packers & Stockyards Division head, to the fire in a recent meeting for the failure of USDA to enforce the Packers & Stockyards Act. He also took NPPC executive director Al Tank to task for Tank's support for vertical integration of the pork industry. We need more OCM members to attend meetings and push for market reform to force real change.

OCM Vice President **Fred Stokes** has been actively recruiting members, building coalitions with other organizations and educating policy makers on the need for fair and transparent agricultural markets. In March, he spent several days in Washington informing the Mississippi delegation to Congress about several issues including retail share of the consumer food dollar, agricultural concentration, and mandatory price reporting. Sen.

Thad Cochran (R. Mississippi) was a big culprit in killing an effective mandatory price reporting bill last year.

OCM general counsel **Michael Stumo** testified before the Missouri legislature on March 24 about the University of Missouri's status as a de facto corporate subsidiary of Monsanto. The university is a land grant college taking public moneys and charged with benefiting agriculture. However, Monsanto has infiltrated the University through grants, partnerships and strategic planning board appointments to alter the direction of the University. Thus, the Univ. of Missouri is focused on helping Monsanto make money and integrate agriculture rather than helping independent farmers and ranchers preserve the proper structure of production agriculture.

OCM board member **Mike Callicrate** has been incredibly active on several fronts. His Cattleman's Legal Fund is pressing a class action suit against IBP for price fixing. R-CALF, of which Mike is a board member, has successfully petitioned the International Trade Commission to examine illegal imports of beef from other countries including Canada. Mike worked with Rep. Helen Chenoweth (R. Idaho) to hold a large meeting on country-of-origin labeling of meet in Dallas, Texas. Concerned citizens and groups from across the nation participated in that meeting on March 20.

OCM board member **John Helmuth** built the OCM web site into one of the most comprehensive and substantive sources about agriculture structure and marketplace issues available. He also provides economic analysis to the OCM on various legislation and other issues.

The web site has been receiving 40 to 50 "hits" per day which indicates that many people have been reading OCM policy materials. The best way to stay up-to-date with OCM is to get access to the internet.

OCM member **Dr. William Heffernan** just completed a comprehensive study of agricultural concentration. The study, contracted by the National Farmers Union, is the most complete picture available about the status of agricultural industry structure as well as the threats this concentration poses to the country. You should either access this report on the OCM web site or call OCM secretary Brenda Williams (860-738-9755) to get a copy. It is compelling reading.

OCM board member **Brother David Andrews**, also head of the National Catholic Rural Life Conference, has been advocating for family farmers across the country. He cooperates with many religious and grass roots groups to promote the interests of family farmers from the social, economic and environmental standpoints. Few people work as tirelessly as Brother David to build a better future.

OCM Annual Meeting

The annual meeting will be held in August at a place yet to be chosen. The OCM board is in the midst of putting the meeting together. The board is deliberating among locations in the South, the West or the Midwest. Because most members are from the Midwest, a meeting there would have the largest attendance. However, OCM wants to broaden its geographic membership base in the South and West so venues in those areas are being strongly considered.

The meeting topics under consideration are industry consolidation, antitrust law, retail price fixing, and the failure of land grant universities to serve the public good. If you have any suggestions about the annual meeting, please call Fred Stokes, Michael Stumo or Brother David Andrews.

Be Active in Local Meetings

One reason that the agricultural industrialists have been successful in promoting their agenda is that they participate in many different community meetings, speak before audiences, and are active in many other ways. OCM members should join other organizations such as the Farm Bureau, commodity groups, and other active organizations. These organizations must be educated as to the problems and solutions so they can join in positive systemic change.

OCM's Information Abilities

Doug Samuelson is a freshman state representative from Wyoming. He introduced a country-of-origin meat labeling bill in the Wyoming legislature but faced a lack of detailed information less than 24 hours before committee hearings.

John Helmuth, Fred Stokes, and Mike Callicrate responded rapidly to his urgent request with detailed information from the OCM web site. Using this timely, accurate information, Rep Samuelson was so persuasive that his bill was approved by the ag committee, passed the House and Senate, and at last report is awaiting the Wyoming Governor's promised signature.

This anecdote shows the power of accurate information distributed rapidly to make a change. In essence, what OCM is doing

through our web site at the speed of light is providing the highest quality, professional staff work to state legislators and others willing to tackle these important market issues. The impact is awesome.

If members know of any task forces, issue hearings or committees which need a speaker, expert testimony, or other competent information, the OCM has many names and information ready to share.

New Members and Fundraising

The OCM has been very successful in working for independent agriculture during its first year. Our membership tends to include active, influential citizens who are farmers, ranchers, attorneys and academics.

We need more members to continue our educational and persuasive efforts. Additionally, we need to focus on fundraising from individuals, businesses, and foundations so we can begin to have full time staff.

Volunteer effort is the core of democracy. But staff is needed to give the OCM the consistent organizational strength to work for positive change and maximize the assets of its membership.

Call Brenda Williams (860-738-9755) to get more OCM brochures to give to potential supporters. Call Fred Stokes (601-476-5568) if you have information about willing donors.

[Newsletter compiled by Michael C. Stumo]