Organization for Competitive Markets

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NOVEMBER 2004

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Senator Tom Harkin (D-IA), ranking Democrat on the Senate Agriculture, Nutrition and Forestry Committee, released a November report on the threat concentration and vertical integration pose to agricultural producers, rural communities and consumers.

such variations as indicators of the discrepancy in economic power among market participants.

"There is mounting evidence that agricultural producers and consumers alike are paying the price for an ever more concentrated and vertically integrated food

Harkin Calls for Debate On Growing Concentration in Food, Agriculture Markets

CONCENTRATION WHITE PAPER OFFERS EVIDENCE, GUIDELINES FOR STRONGER ENFORCEMENT AND LEGISLATION TO ATTACK EFFECTS OF CONSOLIDATION, VERTICAL INTEGRATION

"The problems concentration present to independent family producers and our livestock industry in particular are very real," Harkin said. "While there is no silver bullet to correct these problems, I hope this paper fosters a real debate between lawmakers and producers around the country to find ways to level the playing the field."

The economic evidence is compelling – concentration is rampant and increasing among many sub-sectors of the U.S. food and agriculture system. For example, the four largest beefpacking firms controlled 84 percent of the market in 2003, and four large agro-chemical firms controlled 75 percent of the country's seed corn sales.

Profitability varies considerable between the major players in the agricultural economy. While farmers' returns on equity average only 2.1 percent in the late 1990's, stockholders in food processing companies earned 22.6 percent in 1999-2000. Some analysts view

and agriculture system," Harkin said. "Farmers have been forced to sit idly by and watch stockholders in these giant agribusiness firms make money at a rate 1000 percent better than farmers. It is abundantly clear that something must be done to ensure independent family farmers can compete, and we have seen virtually total neglect and inaction by the Bush administration."

It is clear that efforts to this point to stop or even slow the devastating affects of consolidation and vertical integration have been ineffective. Furthermore, laws already on the books are not being enforced aggressively to deal with increasing market concentration. Numerous changes in administrative regulations and enforcement are necessary to improve competition in livestock markets in this country.

A copy of the report is available on Senator Harkin's website at www.harkin.senate.gov.

WHAT IS OCM?

The Organization For Competitive Markets (OCM) is a multidisciplinary, nonprofit group of farmers, ranchers, academics, attorneys, and policy makers dedicated to reclaiming the agricultural marketplace for independent farmers, ranchers and rural communities. OCM came into its own as a major force in the national agricultural policy debate in 2002. Its research and advocacy gave rise to the first ever Competition Title proposed for a Farm Bill. OCM's view of competition formed a common theme for the scores of farm, rural, consumer, faith, environmental and other groups that work together for fair and equitable agricultural markets.

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A MESSAGE FROM OCM PRESIDENT

Keith Mudd

What a relief to have the elections over. Negative campaign ads seemed to rule the airwaves this year. I listen to the radio constantly while running the combine. I found that I have missed the advertisements for hooked on phonics and the endless commercials telling me how good a neighbor Wal-Mart is.

Whether your candidate won or lost on November 2 it's time to go to work. The re-election of President Bush and his team, specifically those at USDA, make our task difficult. There is no use pretending their non-support of COOL, competition issues or their pro-trade at any cost agenda has changed. What is disappointing is that many of us in OCM support the administration in other areas. We strive to be non-partisan. The ideology of our members range across the spectrum on some issues but not on agricultural ones. OCM is firmly planted in conservative soil when the topic is agriculture and rural America.

Webster defines conservative as "tending to preserve established traditions or institutions". We seek to protect a traditional way of doing business, something a truly conservative administration should appreciate.

Our support hasn't wavered for pro-competition issues. We still stand up for what's right. It is only right that consumers know where the food they consume was produced. We remain defiant in our defense of transparency in the market place. Captive supply arrangements, which reward those who surrender their independence, are wrong when these arrangements freeze others out of the marketplace. Likewise, when your only choice for inputs is also your only outlet for your products, that's anti-competitive and must be addressed.

OCM will continue to reach out to those who agree with us on issues important to independent agriculture. The election brings new faces to Congress. We shall seek out those who share our concerns and forge new alliances. For example, in the election in South Dakota the pro-competition forces lost a long time ally. In his place though, we gained a member with similar views, a supporter of a packer ban and mandatory COOL, and one who is a member of the majority. Fresh faces bring new ideas and approaches.

President Bush won re-election due to the fact that he carried all those red states in fly-over country. Farmers, ranchers and rural citizens supported him not because they were enthralled with his policies which affect them. Many supported him in spite of his policies. His support came from a deeper conviction within rural voters. This administration is perceived to have a moral compass that points the same direction of most rural citizens. The problem is that this administration preaches morality but often acts immorally. Moral correctness often pays no economic dividends. The return on investment is higher when you support big agribusiness at the expense of independent producers.

With new alliances and a groundswell of support we can change minds as well as hearts. An approach that hasn't been tried is to point out how respecting an independent heritage is the right thing to do. The moral thing to do is to support those who have been the backbone of this country. The moral thing to do is to support those who care for the land. The moral thing to do is to stand in support of a system, which has served us well. It's time to practice what we preach in this country.

FROM OCM'S GENERAL COUNSEL

Michael Stumo

The Election and the Way Forward: Economic and Social Populism are One

The late 1800's and early 1900's were the era of conomic populism based on traditional values, honesty and morality. The election showed us this is the era of social populism based on traditional values, honesty and morality. The sub-issues are different, but they should be one.

Economic populism was the farm movement associated with Nebraska's William Jennings Bryan. The animating philosophy was that too much economic power was bad for Rural America because it choked the ability for independent families to make a living. The traditional way of life was threatened. The problem was corporate power.

Farm country rose up to demand laws reducing the economic and political power of the trusts. Meat packers, oil companies and large banks were primary targets. Kansas passed the first antitrust law in the history of the universe. Forty thousand west Texas farmers and ranchers protested. Congress passed the Sherman and Clayton antitrust laws, then the Federal Trade Commission Act, the Packers & Stockyards Act, and the Securities and Exchanges Act. This era began in 1800 and arguably ended in the 1930's.

Social populism has been newly defined by some to encompass the family values, honesty and morality concerns that helped propel President Bush to a second term. The so-called marriage tax, abortion and homosexuality issues are top concerns. A subset of libertarian issues also join: such as small government and lower taxes. The problem is government power.

OCM members joined because corporate economic power results in an attack on their families, on their ability to participate in the free market system, and on their way of life. Some members support Republicans, some support Democrats, and some undoubtedly voted for third party candidates. Why the split when we agree on so much?

The answer is we did not have presidential candidates that represented both economic and social populism causes. The picture is stark:

Bush supported social populism issues as a pro-life and pro-family values candidate, but was viewed as too supportive of large corporations. Kerry supported economic populism issues such as packer ownership prohibition, country of origin labeling, while attacking big drug and oil companies. But Kerry supports abortion and gay civil unions.

There are significant examples showing the success of candidates supporting both sets of issues:

Iowa Senator Charles Grassley won in swing state Iowa by a large margin through support for both social and economic populism causes. Ditto for Nevada Senator Harry Reid who opposes abortion and votes in favor of reducing corporate power. Reid trounced his opponent in a heavily Republican state.

It is important to show our new set of political leaders that corporate power and government power issues have the same base of support. These concerns demand their attention. Political leaders should perceive the penalties of ignoring those of us trying to make a daily living, fighting forces seemingly beyond our control.

Packer ownership prohibition, along with captive supply reform, is necessary to provide honesty and integrity in the markets. Packers should not be allowed to pick off producers one-by-one through contracts to artificially reduce prices below true market levels.

Country of origin labeling is necessary to honestly represent our product to consumers who now assume beef and pork with a USDA-inspected stamp means born, raised and processed in the U.S.

Antitrust enforcement is necessary to check the absolute power of dominant corporations that threaten our ability to make a living for our family by squeezing us out of business or enticing us into "consensual" contractual servitude that destroys the free market system.

We need to build OCM with these views in mind. OCM occupies the space where the economic populists and social populists agree. Your support is necessary to translate that advantage into real change. This is a multi-year task. Will the rural states be depopulated bedroom communities with multi-generational residents existing on a shoestring? Or will they be vibrant communities with a mix of small business, independent producers, and thriving schools and churches? The future of Rural America is at stake. The choice is yours.

news you can use

■ AMI CHAIRMAN ADVOCATES "NORTH AMERICAN MEAT INDUSTRY"

Bill Buckner, a Canadian who was recently elected the 2004-2005 chairman of the American Meat Institute (AMI), has called for AMI to work to improve relations between the U.S., Canada and Mexico. Buckner also called on all producers and meat packers in the three countries to "think as the integrated industry that we are: the North American meat industry."

Buckner is a corporate vice president at Cargill, Inc. and president of the Cargill meat business. As AMI chair he pledged "to reach out to build stronger ties to our friends in the north and south," adding that "frivolous politically motivated complaints" are as costly for U.S. livestock and meat producers as they are for Canadian and Mexican producers.

■ SETTLEMENT BY BUSH ADMINISTRATION OVER HOG IMPORTS BENEFITS SMITHFIELD

A trade dispute over Canadian hog imports into the U.S. has spotlighted a controversial law that awards U.S. hog producers any money collected from duties on Canadian hogs.

In an effort to settle an anti-dumping suit filed by the Iowa Pork Producer's Association and other state pork associations, the Bush administration has proposed imposing duties averaging 14 percent on Canadian hogs. But, guess who the biggest potential winner is in this agreement? Pork giant Smithfield Foods, which controls 15 percent of U.S. hog production.

Other U.S. companies and individual farmers would receive payments based on the sizes of their operations. One economist estimated the duties could raise more than $60 million, with the money being divided among producers roughly according to their market shares.

Experts say it may be three years before the appeals process over the suit can be completed. During that time period the case could be settled, or the four-year old law changing where the duties go could be repealed or altered by Congress.

The World Trade Organization has ruled that the law, known as the Byrd Amendment, is unfair under its rules. The amendment is named for West Virginia Senator Robert Byrd, the senior Democrat on the Senate Appropriations Committee.

Imports of Canadian hogs rose to 7.4 million last year, up from 5.7 million in 2002. In Iowa alone, farmers imported 2.7 million young Canadian pigs.

U.S. pork groups say the potential payments from duties never factored into the decision to support the trade case. "We never entered into this thing with the idea of a distribution," said Rich Degner, Iowa Pork Producer's Association executive director. "We entered into it with an idea of making the playing field fairer."

Smithfield's portion of the potential payments, based on its share of U.S. production, would be about $9 million. Smithfield owns 808,000 sows, nearly four times as many as Premium Standard Farms, according to a survey by *Successful Farming* magazine.

■ SMITHFIELD ACQUIRES TWO EUROPEAN MEAT PROCESSORS

Smithfield Foods has announced that it has acquired two European meat processor, Morliny and Comtim Group for $83 million.

Smithfield's Polish subsidiary, Animex, bought leading Polish meat brand Morliny, bringing Animex's number of meat plants to eight. Spanish food maker Campofrio Alimentacion announced in August it had made a preliminary agreement to sell Morliny, which it acquired in 1998, to Smithfield.

Smithfield also purchased Comtim Group SRL, its second acquisition in Romania. Comtim Group is a vertically integrated meat processing company in Timisoara. The company has hog production facilities with a capacity of 15,000 sows. "These acquisitions strengthen our presence to capitalize on marketing opportunities to develop the protein marketplace in Eastern Europe as these markets emerge," said a Smithfield spokesman. "Also, by coordinating manufacturing and marketing advantages, we will be well-positioned as Europe continues to evolve toward one marketplace."

■ TRADE TALKS MAY MEAN END TO AG SUBSIDIES

Recent harvest records show that yields for soybeans and corn are higher than normal, and that despite lower prices, production is more profitable this year. When prices are low and markets reflect a downward bias, Uncle Sam increases agricultural subsidies that provide production support for farmers related to how many acres they farm.

However, those and other agricultural subsidies will likely dry up after next year when the World Trade Organization

(WTO) resumes formal negotiations in December 2005 in Hong Kong.

This summer, WTO ministers agreed on a framework for worldwide agriculture trade that included having the U.S. decrease subsidies for corn, soybeans, wheat and other crops by 20 percent and curtail export credits, both of which may lead to an elimination of the programs overall.

Between 1995 and 2002 $114 billion was handed out in subsidies to U.S. farmers, according to USDA statistics.

■ TYSON SUGGESTS WAGE FREEZE AT PASCO PLANT

Tyson Fresh Meats, blaming stagnant export markets and closed borders, has suggested to company employees at the company's Pasco, WA beef plant a one-year wage freeze as part of its five-year proposal to Teamsters.

In a public statement last week, Tyson officials said international trade issues are affecting the company's bottom line. "The Pasco beef complex has been operating at a substantial loss because of the U.S. ban on Canadian cattle and the ban on U.S. beef by major export countries such as Japan and Korea." In a letter to plant workers, manager of the Pasco facility, Ray McGaugh, said loss of exports "has harmed the Pasco plant, which exports almost 20 percent of the product it produces."

McGaugh also said of the Canadian border closure, "Historically, 10-38 percent of the cattle slaughtered at the plant have come from Canada. The border closure has forced us to buy livestock from greater distances, which has added to our cost of raw materials. We've also had to run the plant fewer hours, which is much less efficient."

While Tyson officials had hoped the Canadian border would be reopened by now, the company says USDA's recent announcements are a step in the right direction. The company also said that it realizes the Japanese ban on U.S. beef could be months from resolution, with even more time absorbed before export volumes return to normal.

Tyson officials say they want to keep the plant in operation, but employees must consider holding wages at current levels for at least a year. "By then, we're hopeful these trade issues will be resolved and we'll be able to realistically consider wage improvements," said McGaugh.

The Pasco plant employs approximately 1,800 workers who are members of the Teamsters Union. Union representatives and Tyson officials have been involved in contract talks since April. Tyson reports that wage discussions did not begin until earlier this month. The previous union contract expired in May, with employees working under the terms of the old contract since then.

If you're wondering whether or not the Tyson company is wielding influence over USDA's move to restore bilateral beef trade with Japan or reopening U.S. borders to Canadian live cattle, read on.

From January 2000 through 2002, the Washington DC lobbying of Quinn-Gillespie took in $27.4 million in lobbying fees from such clients as Microsoft, PriceWaterhouse Cooper, the Chamber of Commerce, the National Association of Realtors and Tyson Foods, according to a report by Public Citizen.

In June 2003, Ed Gillespie, now a partner with former Clinton White House counsel Jack Quinn in Quinn-Gillespie, was named to succeed Mark Racicot as chairman of the Republican National Committee (RNC). Gillespie retained partial ownership of his lobbying firm. Under Republican Party chairman Haley Barbour in 1996, Gillespie served as RNC communications director. In 1995, the National Journal called him one of the "chief power wielders in the new House." When George W. Bush was elected President in 2000, Gillespie partnered with Quinn and together they created their own new lobbying firm. "Gillespie practices a time-honored Washington inside game as an enormously talented political consultant who also works as a highly paid lobbyist for corporate clients needing political access and favors," says Charles Lewis and the Center for Public Integrity in the bestseller *The Buying of the President 2004*.

■ IRELAND REPORTS FIRST CASE OF VCJD

Irish authorities have confirmed the first case of vCJD in that country. The patient, who is a man in his early twenties, is seriously ill in a hospital in Dublin.

This vCJD case did not originate from Britain, say officials, because the man has never been to Britain. This case originated in the Republic of Ireland. The only other case of vCJD in Ireland was a woman who had lived in Britain for an extended period of time.

VCJD is one of a small group of fatal diseases caused by infectious agents known as prions. Prions are a mutated protein that attach the brain, killing cells and creating gaps in tissue. The disease is always fatal. Scientific evidence has linked vCJD to eating meat from animals infected with transmissible spongiform diseases (TSE). No screening tests are available for persons who may have been exposed to the prion-based disease, and there is no known method of detecting vCJD before symptoms appear. Diagnosis of the disease is achieved through magnetic resonance imaging and tonsil biopsy.

■ SMITHFIELD TO PAY $2 MILLION ANTITRUST SETTLEMENT

Smithfield Foods has announced that it will pay $2 million to settle a civil suit that accused the Virginia-based pork processor of violating antitrust laws when it purchased stock in rival IBP, Inc.

Smithfield allegedly failed twice to comply with pre-merger notification requirements before making certain acquisitions of stock in IBP. The settlemen, filed in U.S. District Court and subject to a judge's order, stems from a $5.47 million claim the government sought in February 2003. The Department of Justice maintains that the acquisition of stock in a firm considered as a takeover target or merger partner is not exempt from the filing requirements. Smithfield says it made the acquisitions properly because they were solely for investment purposes.

"Although we remain convinced that Smithfield complied fully with the law, we agreed to settle the matter to avoid the risk and expense of further litigation," said Richard Poulson, the company's executive vice president and senior advisor to the chairman.

THE CATTLEMEN'S COMPETITIVE Market Project

CCMP PROGRAM DIRECTOR

John Lockie

Breaking agricultural news in the last month has centered on Japan and the USDA reaching an agreement to allow beef to be exported between the two countries. The news is welcome in a continuing push to return the U.S. export market to a sense of normality. However - and this is a gigantic however - as part of the bargain to have Japan once again allow in U.S. beef, the USDA has negotiated to allow Japan to ship beef to the U.S.

We can all agree that Japan was the largest export market for United States beef and a very lucrative market for beef processors. However, this agreement once again underscores what poor negotiators our USDA representatives are. Japan has had 14 native-born cases of BSE; at least one of the animals was only 20 months old when scientifically proven to have the disease. In fact while the USDA was announcing the agreement with Japan had been reached, the animal health ministry of Japan announced they had a preliminary positive test for their 15th native-born case of BSE.

Japan has been a world leader in testing every bovine processed for human consumption for BSE. Japan is reversing their position of comprehensive testing with the agreement reached between the USDA and Japan, Japan would stop testing animals 20 months of age and younger for BSE. The Japanese beef from those 20 months of age and younger animals would be permitted to enter the U.S.

In a nut shell the USDA is discarding long-term policy that has protected U.S. consumers and the market for U.S. cattle. This is no small step, but a major reversal to actively import beef from a country with over a dozen cases of BSE and more being identified everyday. The importation of beef from Japan also sets the dangerous precedent for other countries with BSE to lobby for access to the U.S. market. By allowing Japan to ship beef to the U.S. the USDA is kicking open the door for countries like Canada, with a much lower rate of infection than Japan, to sue the U.S. to open the border to all beef products.

There are organizations with the drive to confront the USDA on their dangerous precedent. The will is strong, but the pocket book is weak. It seems wrong that we should be looking at spending hundreds of thousands of dollars to protect our industry from "our" agency, but that is exactly what we are now facing.

Funds are hard to come by, but if we all chip in the work can be accomplished. This is exactly the reason the Cattlemen's Competitive Market Project (CCMP) was formed. With a "war-chest" of funds at our disposal we can immediately address these issues as they arise and keep our market for U.S. cattle strong.

You can participate by signing an Auction Market Deduction Authorization card at your local livestock auction market. A tax-deductible contribution of fifty cents a head from the sale of your cattle will be sent to CCMP to increase demand for U.S. cattle in fair, open and competitive markets.

For more information on CCMP or to find out where you can get a card call 402-817-4443.

Regards,
John Lockie

... USDA is **discarding** long-term policy that has **protected** U.S. consumers and the market for U.S. cattle.

A project of The Organization For Competitive Markets

THE CATTLEMEN'S COMPETITIVE Market Project

AGRICULTURE AGENDA WILL FOCUS ON TRADE, TRADE AND MORE TRADE

Mandatory country of origin labeling for food products, advocated by U.S. agricultural groups and producer organizations, has become front and center in the trade debate.

As the Bush Administration begins its new term, a broad array of trade issues will dominate farm policy for the next four years. For only the second time in history, the U.S. in 2002 imported more agricultural products than it exported. A $70 million deficit that year widened to $800 million in 2003, according to the Commerce Department, and is expected to be into the billions of dollars when the 2004 figures are released in February. “It's very worrisome,” said Sung Won Sohn, chief economist of banking giant Wells Fargo & Co. “We need agricultural trade surpluses more than ever because the nonagricultural deficit is ballooning.”

Trade pacts, like the 1994 North American Free Trade Agreement, lowered barriers to U.S. farm exports, but also eased the entry of imported foods into the U.S. Market analysts warn that the overall trade deficit is sustainable only as long as foreign nations are willing to lend the U.S. large amounts of money. Economists warn this isn't likely to continue, and if correct, they predict growing risks for a market-rattling crash in the value of the dollar.

Besides working to finalize deals to resume beef exports to Japan and other Pacific Rim nations, the Bush Administration is working to reopen U.S. borders to Canadian live cattle, banned in May 2003 after bovine spongiform encephalopathy (BSE) was confirmed there.

International disputes over farm subsidies for U.S. producers will likely influence Congress when it begins writing the 2006 Farm Bill next year. Third World nations are demanding that the U.S. and Europe end their domestic subsidy programs, which may be a hard sell to Congress where lawmakers are already hearing from farmers and ranchers about how rising imports are eating away their markets.

According to USDA 78% of the fish and shellfish consumed in the U.S. are imported, up ten percentage points from 2000. Imported wine claimed 27% of the U.S. market last year compared with 21% in 2000. 20% of the beef used by McDonald's is imported with company officials saying a shortage of lean beef in the U.S. if forcing the company's hamburger suppliers to turn to cattle from Australia or New Zealand. Literally everything from lamb and avocados to spices, beer, flowers and bell peppers is increasingly imported.

Mandatory country of origin labeling for food products, advocated by U.S. agricultural groups and producer organizations, has become front and center in the trade debate. A majority of producers and consumers want their food products labeled as to origin, but opposition from retailers, food processors and corporate agri-business has stalled implementation of the mandatory labeling program until September 2006.

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Become a member today!

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November 2004

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