



LITIGATION, OUR BEST HOPE

THOMAS F. "FRED" STOKES
PRESIDENT



At the 2009 OCM Annual Conference in St. Louis, Philip J. Weiser, Deputy Assistant Attorney General, Antitrust Division, U.S. Department of Justice (USDOJ) announced an unprecedented governmental initiative to bring competition and fair play to agricultural markets. For the first time in history, there was to be a joint and coordinated effort by

If you believe family agriculture should survive the onslaught of concentration and vertical integration, please come to Kansas City on August 10th and be a part of turning back those who would impose the industrial model for agriculture on this country.

USDOJ and U. S. Department of Agriculture (USDA) to enforce antitrust laws and restore competition and fairness to the agricultural marketplace. Weiser announced plans for a series of workshops that would shed light on the situation and provide a basis for enforcement action.

J. Dudley Butler, newly appointed Administrator of the Grain Inspection and Packers and Stockyards Administration (GIPSA) also presented at the event and detailed plans for reinvestigating the Packers and Stockyards Act of 1921 through rulemaking.

There was considerable enthusiasm among attending independent farmers and ranchers that something would finally be done about

the abuse of market power by sellers of their inputs and buyers of their production.

True to Phil Weiser's announcement, five workshops were conducted in 2010. Both Secretary of Agriculture Tom Vilsack and Attorney General Eric Holder attended all five of the workshops. Each made remarks expressing their awareness and concern regarding the consequences of dysfunctional markets:

Secretary Vilsack: "Producers need to know there is an open, competitive market for their product."

U.S. Attorney General Eric Holder: "We enforce anti-trust laws. We are the voice for competition to make sure competition is not stifled."

With two cabinet members, and the Administrator of GIPSA attending these meetings, the administration's commitment to market reform seemed assured. Regrettably, this was not the case. The expectations and hopes for reform of a broken marketplace were not realized:

- Christine Varney, Philip Weiser and J. Dudley Butler left their posts.
- Essentially none of the campaign promises regarding agriculture and rural America materialized.
- The proposed GIPSA Rule that would have put teeth back in the Packers and Stockyards Act of 1921 (PSA) fell victim to congressional chicanery.

Please see STOKES on page 2

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Disclaimer

The opinions of the authors presented in our newsletter are their own and are not intended to imply the organizations position. OCM has membership with diverse viewpoints on all issues. OCM is committed to one and only one principal; competition.





STOKES (continued from page 1)

- A congress, swayed by big agribusiness campaign funds, demonstrated its disdain for market reform
- The regulatory agencies (USDA, USDOJ, FTC) showed no appetite for antitrust enforcement or reining in the market power abusers.

A recent report by the USDOJ regarding the workshops shows they clearly understood the situation. Excerpts from the report state:

"In 2010, the Antitrust Division (the Division) of the U.S. Department of Justice (DOJ) and the U.S. Department of Agriculture (USDA) hosted a series of workshops exploring competition in the agricultural sector. As then Assistant Attorney General (AAG) Christine Varney observed in inaugural remarks, agriculture is an essential part of the American economy and well functioning agricultural markets are not only a matter of economic efficiency, but a matter of national security and public health."

"A clear lesson of the workshops, though, is that antitrust enforcement has a crucial role to play in fostering a healthy and competitive agriculture sector."

Tens of millions of dollars were brought to bear against proposed GIPSA Rule and other reforms. They had their effect! Much of this money came from family farmers and ranchers via the several commodity checkoff programs.

It is against this backdrop that OCM decided to pursue litigation as our best option. This approach is in keeping with a resolution at the August 26, 1998 founding meeting; *"BE IT RESOLVED: that the OCM will actively pursue legal action in support of its goals."*

Several meetings and conference calls have been conducted with the half dozen attorneys involved in this new alliance. The clear consensus was that stemming the flow of money from the commodity promotion programs to entities such as National Cattlemen's Beef Association (NCBA), National Pork Producers Council (NPPC) and U. S. Farmers and Ranchers Alliance (USFRA) must be the first order of business.

There is abundant evidence that there is rampant misuse of commodity promotion funds. Producers are compelled to pay into these programs and then funds are diverted to foster policies and actions contrary to their interests.

A recent USDA Inspector General Audit of the USDA Agricultural Marketing Service (AMS), which is charged with supervising the 18 programs, found that AMS had totally failed in its duty to properly oversee the programs and assure their integrity.

Prospects for legislative or enforcement remedy are bleak. So OCM is launching a litigation initiative as the best method of addressing the situation. We are putting together an impressive litigation team and a broad alliance. We ask that you join us in this effort. This will be the centerpiece of our hard-hitting conference in Kansas City, August 10th at the Airport Residence Inn. Independence for our farmers and ranchers and our national food security is in jeopardy.

If you believe family agriculture should survive the onslaught of concentration and vertical integration, please come to Kansas City on August 10th and be a part of turning back those who would impose the industrial model for agriculture on this country.^{FS}

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www.competitivemarkets.com



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14TH ANNUAL FOOD & AGRICULTURE CONFERENCE

August 10-11, 2012

Residence Inn, Kansas City International Airport, MO

CONVENTION HIGHLIGHTS

(Tentative)

***“Voices Rising
from the Land”***

**“Addressing the Threats
to Independent
Family Agriculture.”**

SETBACKS and DISAPPOINTMENTS

GIPSA Rule
Joint Workshops, Unrealized Expectations

Failings of the Regulatory Agencies

Abuse of Checkoff Funds

USFRA

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Dudley Butler, Attorney

Bob Taylor, Auburn University

Bill Bullard, RCALF

John Hansen, President, NEFU

DECEPTIVE FOOD MARKETING

(Pink Slime, Bad Imported Shrimp, Meat Glue,
Attacks on Organics, etc)

Patty Lovera
Food & Water Watch

FOOD PRODUCTION AND THE FAMILY FARM

Larry Mitchell Administrator USDA GIPSA

SOLUTIONS

Coalition Building
Iron Triangles, Issue Networks and
Engaging college students
Litigation

Fred Stokes, President OCM
Wayne Pacelle, President HSUS (invited)
Austin Vitale, Graduate Student/ Ole MS

Dan Owen, Polsinelli Shughart (invited)

GETTING THE WORD OUT

Barry Lynn, Author

“AVOIDING THE CORPORATE PLANTATION”

Dr. William Heffernan, University of Missouri



LETTER FROM LANGDON: THE FARM BILL STEW

RICHARD OSWALD

The Farm Bill is a stew. The one ingredient it doesn't contain now is some method that would keep farmers from overproduction. That would maintain independent farmers without costing taxpayers.



Peter Pearson

The way to help farmers is to make sure that supplies of grain don't depress prices. But that's not in the 'stew' now being cooked up in the Farm Bill.

Some people say the Farm Bill is pork for farmers. I say it's really stew, full of chicken and beef, vegetables....even peanuts and sugar.

Every time our Farm Security Acts come up for renewal the topic turns to wasteful spending, like people who bilk the system out of food stamps, welfare Moms, and greedy farmers paid for growing nothing. But big corporations that refine food from the things farmers grow have more say than we do. In a lot of ways, it's really their farm bill.

It's true, in old farm bills there was something called set aside also known as conserving acres. And farmers did get a payment based on having non-producing acres along with actually growing crops that were in the program. That was because the government was trying to reduce surplus supplies of cotton, grain, and oilseeds so that prices could be profitable again.

Every year USDA did the math to see what it would take to do that, and then told us how much we could plant and still be eligible for government support, including a price safety net with low price deficiency payments, and maybe something extra in land diversion payments.

But we haven't done that for years.

Ever since 1996, farm programs called for more production, not less. The theory was that with

more production and no controls, abundant supplies would create new markets and better prices.

Corporations that make money buying and selling — like multinational grain merchants, vertically integrated livestock operations, and foreign-based textile manufacturers — loved the idea. Fact is, they may have thought it up, because markets would be flooded with cheap supplies of the raw materials they use to make a profit.

No farmer in his right mind would want that.

Every good stew has carrots. The carrot in the stew for farmers was the same old thing: Federal payments when prices dipped too low. We were assured that if overproduction didn't work, counter cyclical payments would.

The lower prices got, the bigger the check at the end of the year. We all started selling feed grain, oilseeds, cotton, wheat and rice below cost of production. The money we got was less than what we needed to pay land costs and inputs (seed and fertilizer), not to mention a living for ourselves and our families.

Government made up the difference.



Bank loans were repaid on time as big crops came to market no matter what the price as government checks found their way into farm mailboxes. Livestock and poultry production became more concentrated every year because meat buyers were not required to compete with each other in fair and open markets.

More farmers gave up unsubsidized livestock ventures as big pig, big chicken, and big beef took over. The big meat buyers' control over livestock markets grew to the point that if farms were to raise livestock it had to be under contract to the packers.

Year after year of overproduction got people thinking of things to do with food that weren't related to eating. Oil prices went higher and crops were cheap enough to burn. So ethanol started going into the stew along with HFCS. And biodiesel. Grain prices worked higher.

The World Trade Organization said that paying farmers for cheap prices is wrong, but giving farmers money just for being farmers is okay by international rules. Counter-cyclical deficiency payments became direct counter-cyclical payments. Then they became just plain old direct payments — money farmers got every year no matter what.

Federal money floated to the top of the stew like excess fat.

About the only real crop price safety net left is crop insurance. It's expensive, and it still doesn't apply to small farm-to-market growers or livestock operations. Even though it's heavily subsidized, farmers who can get it still pay a lot of money for crop insurance.

Federal All Risk Crop Insurance used to be one of those sleepy little programs administered out of county FSA offices. Insurers got involved, and before long crop insurance had a new face and a bigger price tag. I have to say it actually works pretty well for me, because in years like 2011 when I lost most of my crop to the Missouri River flood, I was paid enough to recover my operating costs. But just like fat in stew that adds flavor and texture, if there's too much someone will skim off the excess.

Crop insurance works great as a safety net when prices are rising, because what it pays is determined by the value of crops it insures. That's partly why it's gotten so expensive, because prices have doubled and tripled in value. Per acre dollar guarantees have done the same.

But if crop prices go into sharp decline the formula doesn't take production costs (including land) into account. Farm production costs always follow prices higher and decline after the fact on the falling market. In that case, farmers find themselves paying a bill for insurance that only guarantees a loss.

Too many cooks almost always spoil the stew. Big Ag offered plenty of help stirring the pot. That may be one reason why there are no vegetables in this stew. Not only are vegetables excluded from farm programs, but growing large acreages of vegetable crops has actually been discouraged.



The Senate Ag.....Farm Bill.

The Senate Agriculture Committee marking up the Farm Bill. There's plenty of meat, because inaction by USDA and Congress has allowed livestock and poultry monopolies to thrive while individual family livestock operations are fewer every year. Even profitable beef cow herds are in decline, partly because plowing up pastures for corn is more profitable than growing grass.

We're at another one of those familiar crossroads in US agriculture, where we always miss the turn and multinational corporations steer us into the ditch.

We now follow WTO rules instead of our

own food conscience, and policy and currency valuations are making food into a global shell game of ingredients. Food independence hangs in the balance, because country of origin labeling in the farm bill has been deferred for years.

Corporate 'people' want unfettered access to everything the world has to offer at the lowest price, assuring consumers it's all just plain old

food. One thing they don't want is a label telling consumers what's really in the stew and where it came from.

The US Senate is working on the farm bill now. Senator Chuck Grassley has introduced an amendment calling for enforcement of laws against packer monopolies. There are proposals to limit benefits from farm programs so that large farms can't keep growing at the expense of their neighbors and taxpayers. But Congress has largely ignored the fact that the farm safety net is riddled with holes in the event of a market meltdown in commodities even as they have weak-

ened enforcement of rules to prevent that. But some have offered up a shallow loss plan for crop insurance that would pay farmers crop insurance deductible practically every year.

That amounts to the same thing as a subsidy because government would underwrite the cost.

The only people to seriously address the problem of potential overproduction and market price collapse are Darryl Ray and Harwood Shaffer at University of Tennessee, and National Farmers Union. Their Market Driven Inventory System for major crops would allow farmers to hold excess production off the market. That would keep prices from becoming depressed due to increased supply. And in the process it would support profitable prices without huge additional taxpayer cost.

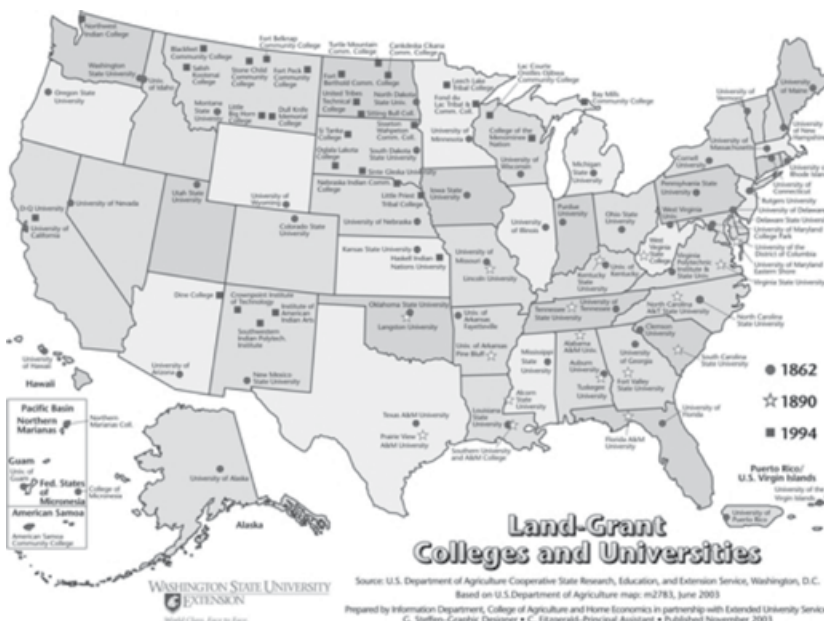
This plan is the cheapest and best ingredient we've got to support farmers, but it's nowhere in the farm bill because no one has put it in the pot.

Richard Oswald is a fifth generation farmer in northwest Missouri, president of the Missouri Farmers Union and a regular Daily Yonder columnist.^{RO}



Speak Your Piece: Preserving the People's Universities

BY G. ROBERT TAYLOR



These are the nation's Land Grant universities — the Peoples' Universities.

The stalemate (in the Land-Grant System) is due to mindset, uncertain mission, ineffectual leadership and inappropriate organization. — Dr. James Meyer, Chancellor Emeritus, UC-Davis, 1997

On Tuesday morning, July 2, a "convocation" celebrating 150 years of the Morrill Act that created the Public Land-Grant University System will be held in Washington, DC. The Association of Public Land-Grant Universities (APLU), with support from the W.W. Kellogg Foundation, organized the event.

Education Secretary Arne Duncan will be there. So will Ag Secretary Tom Vilsack. Microsoft founder Bill Gates will be the keynote speaker. And the APLU promises "a dynamic set of panel discussions...that will help set the agenda for the next 150 years of public higher education."

Land Grant universities (LGU) have a rich heritage, and have made major contributions, directly and indirectly, to the quality of life of people everywhere. At a glance, all of the horn tooting, chest thumping, and D.C. politicking surrounding the event seem well and good.

Look closer, however, and there are symptoms of a serious disease organism, hopefully not one that's incurable.

The problem is that common people are glaringly absent from the invitation list.

Take, for example, the APLU "Media Advisory" statement, "Hundreds of attendees from academia, philanthropy, government and industry will take part in this historic event." University administrators with quite impressive pedigrees

Please see TAYLOR on page 7



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_____ Number attending Lunch @ \$30 (Friday, August 10, 2012) \$ _____

_____ Number attending Banquet @ \$40 (Friday, August 10, 2012 - -- Ranch Foods Direct – Ribeyes) \$ _____

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SEND REGISTRATION FORM TO: P. O. Box 6486, Lincoln, NE 68506

***OCM's Annual Member Business Meeting will be held on
Saturday morning, August 11, 2012 – 8:00 AM MTG
following the Convention at the Residence Inn, Kansas City, MO.***



TAYLOR (continued from page 5)

— Chancellors, Presidents, Deans and the like — and a few people of money dominate the list of over 500 attendees.

So what's the problem?

Land Grant universities were intended to be the "Peoples' Universities," with a three part mission of teaching, research and service for common people, ordinary people, the working class, the middle class in American society. People like me.

My family has benefitted from, and had close ties, to the LGUs for much of their history. My grandfather was a founding member of a Corn Club organized in 1906 with encouragement of Extension leaders at Oklahoma State University. In 1907 the Corn Club became the first 4-H Club in Oklahoma. My mother became an Extension Home Economist in 1935, and I have been a professor at several LGUs spanning 40-years. I have been well paid, tenured and had a personally rewarding career.

I write this article not out of dissatisfaction with my life as a professor, but because I think the LGUs are drifting away from their mission as providing help and education for common people like my family and me.

Who You're Dancing With

Looks like the LGU administrators forgot the sage agrarian advice to "dance with them what brung you."

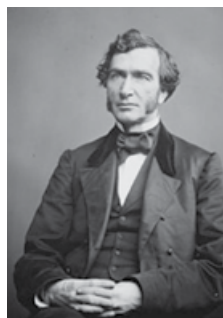
It's an expensive dance, too, this convocation. Travel expenses alone will total well over a million dollars. Add to this the cost of a day or two of time for over 500 attendees with an average salary and benefit package averaging \$300,000-\$500,000 annually and the Convocation looks more like a Millionaires' Grand Ball than the Peoples' Barn Dance.

Especially troubling is the APLU claim that "... (the) keynote addresses and more ... (will) headline a day that will help **set the agenda for the next 150 years of public higher education.**"

Isn't there something just plain wrong when a group of elites set the agenda for the Peoples' Universities?

Socioeconomic characteristics of "The People" have admittedly changed dramatically during the 150 years, from a largely isolated, agrarian population to a largely wired urban population. Are the basic educational and research needs of the "New People" all that different than in the distant past?

Sen. Justin Smith Morrill, the Vermont senator who authored the Morrill Land-Grant Colleges Act that established federal funding for a universities that were given the job of educating and helping the "sons of toil" — working the nation's lands in the 1800s. The Morrill Act was passed in 1862.



Agrarian People or New People? Same needs or different needs? The answers don't matter here. What matters is that none are represented at the Convocation.

LGU administrators, particularly in Extension, have held "listening sessions" out in the hinterlands on and off for years. I think they actually listen. But the force of circumstances has resulted in a situation where the LGU administrators appear to exhibit stolid disregard for views expressed at these sessions.

The word democratization jumps out of the first sentence of the APLU announcement. Yes, it is true that the Morrill Act "laid the groundwork for democratization of public higher education," making education within the reach of sons and daughters of working families, and not just the elite.

But what is democratic about this self-selected group setting the LGU agenda for the next sesquicentennial?

Incentives Matter

Truth is that elites in government and business have been increasingly influencing and often subtly setting the agenda — especially the research agenda — in LGUs for some time.

What happened during evolution of the LGUs? Incentives changed. If all of economic knowledge were condensed into two words, they would be "incentives matter."

Federal cuts in Extension funding in 1983 marked the beginning of the downward trend in public support for LGUs. At that time, most LGU administrators anticipated that they were on a downward trend in federal and state support.

Yet many administrators, rather than live within their means, responded to internal pressure and often made the decision to keep faculty positions. (Administrators also face perverse incentives!) Keeping faculty came at the expense of the support base. Now many ag faculty no longer have adequate support

funds to conduct research and outreach programs.

Consequently they must seek grants.

Allocation of federal agricultural research funds also changed, as some of the funding was channeled into so-called competitive grants available to any university — LGU, non-LGU state university, or private university.

Who has the grant money? The Department of Agriculture has funds, which allows bureaucrats to have more influence on the research agenda than local people.

Big business has funds, which allows corporate interests rather than local interests to set the research agenda. Business is particularly interested in funding university research because it can capture benefits by patenting the ideas generated by faculty.

Worse yet, corporate grants typically leverage some public taxpayer support, which is nothing more than a taxpayer subsidy for research to aid corporations that generate billions in profits.

We now have a few LGU Presidents serving on corporate boards, getting paid as much (if not more) serving the corporation as they do supposedly serving the peoples' university. Why are blatant conflicts of interest like this tolerated?

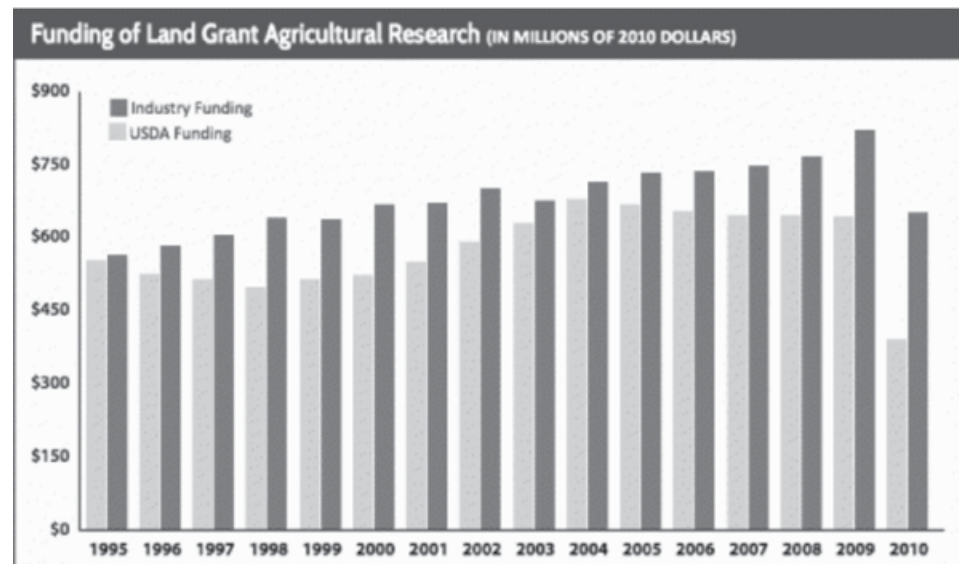
The University Turning Inward

Another critical development is that faculty turned inward.

Past LGU successes came from the universities being "connected" to the general public and from being responsive to that public. Now many are simply conducting research and publishing for their peers, or chasing funding.

As LGU faculty turned inward, they became increasingly disconnected with agriculture and unresponsive to people needs. In short, faculty became privateers in an Ivory Tower.

Please see TAYLOR on page 8



Food and Water Watch As public research money has declined, Land Grant professors increasingly seek funding from private sources, primarily those in the agriculture business.



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OCM - JULY 2012

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TAYLOR (continued from page 7)

Agriculture Professor Booker T. Whatley, a product of a family farm and Land Grant universities, noted the isolation of LGU ag faculty:

My quarrel is with the land grant college bunch, because they very seldom have a really new idea, let alone one that's going to do something good for the farmer. They all think exactly alike.

Why is that? They were trained to think that way. They all went to the same schools and listened to the same bunch of professors who had done exactly the same thing when they went to school. It's like a big social club, a fraternity. And everybody thinks everybody else is just great, because they all think the same way.

No new ideas? They all think the same way? (Or don't think at all?). Troubling, but too often true.

Over a decade ago, Distinguished Iowa State University Professor of both Law & Economics Neil Harl (J.D. and Ph.D.) who gave over 3,000 outreach talks in his academic career, said it best:

Returning to my worries, my greatest concern is that the land grant university is on a trajectory that will narrow, dramatically, the traditional constituency of the land grant university to the point of invisibility. In my view, that would be a tragic legacy to leave future generations that will surely struggle with change in their world just as we have struggled

with change in ours.

The difference may well be that future generations will lack the willing partner that has helped our generation to understand and cope with that change. My other concern is that the university itself will be forever transformed by outside influences to such an extent that the legacy of the university will be substantially diminished.

So it comes down to a question, primarily, of who is our constituency? Is it students, future generations who benefit from the great body of transmitted knowledge and, indeed, all of society? Or will the constituency be narrowed with a focus on a relatively small group of peers in the discipline and large private sector firms with almost imperceptible attention to students, the transmission of culture and those in society who have benefited so much from their land grant university?

That choice is being made day by day.

Land Grant universities and public education in general are the centerpiece of democratization of America and progress for common people. But the convocation that begins Tuesday morning, its news releases and elite attendance list are, in my opinion, signs of a broader socioeconomic disease that is moving us from a representative democracy to what is sometimes described as plutocracy, oligarchy, corporatocracy, and, at times, more pejorative phrases.

The LGUs are being pulled along and increasing-

ly influenced by a force that threatens the very soul of American democracy and the American Dream for common people.

The force is favoring the few over the many, in the LGU system and in American society generally.

A convergence of problems with peak oil, global warming, environmental degradation, carbon sequestration, bio-terrorism, so-called free trade, vertical integration, consolidation, too big to fail, low farm income, declining rural areas, an unsustainable trade deficit, unsustainable

American debt, growing corporate control over government, a system quickly moving from one person one vote to a system of one dollar one vote, and many other social and economic issues has led one writer to say that the emerging era may become known as "the long emergency."

Periods of stress — emergencies — often provide the most opportunity. Will the Peoples' Universities seize this opportunity to help the "New People" avoid a long emergency, or at least to help them through a long emergency?

Not if we let the elite attendees and keynote speakers at the Convocation "set the agenda for the next 150 years of public higher education."

C. Robert Taylor is the Alfa Eminent Scholar and Professor of Agriculture and Resource Policy, Agribusiness and Concentration at Auburn University.