

My interest in commenting on the impact of the Government's NCP arises from experience in business throughout my life and an appreciation of the country in which I live.

I have been involved in primary production from early years. We run approximately 1,000 head of beef producing cattle out of Dubbo, and for some years also ran beef cattle on a property in King Island, Tasmania.

I was a partner in an Inbound Tourist business which specialised in up market incentive groups, mainly European, and which progressed well until the pilots' dispute and strike, and Messrs Hawke and Abeles involvement in same, destabilised the overseas tourist perception of inland Australia. The experience in Tourism gave me an interesting insight into the much lauded benefits of wholesale Japanese Tourism involvement in Sydney and elsewhere in the 80's. My opinion that we Australians are somewhat naive in some of our business decisions at Government and semi Government level was more than justified when one accurately assessed the profit to the Australian economy and jobs as a result of this open door to Japanese investment. May I say if I had been a Japanese tour company I would have used the opportunity just as they did – it was so easy. Transfer of profits was well established then.

My husband established a successful and extensive private surveying practice and was for many years an employer in his professional capacity.

We initiated and supported the Dubbo/Japanese Sister City relationship which is bearing economic fruit via enrolments from Meno Kamo at Charles Sturt Western Campus and other cultural and small business opportunities.

Rosemary Langford
"Allandale"
Greenie, 2831

I am interested and admiring of the great initiatives to achieve Competition Policy Reforms in Australia.

The formation of the AWU in the early years of Australian growth was in large part a response to exploitation of employees by large and powerful employers.

The pendulum has since then swung too far in the opposite direction and the benefits achieved by the AWU, etc, have in some cases translated into conditions in some industries which have little relevance for efficiency and production.

Therefore, providing certain standards are adhered to regarding working conditions (sick leave, etc) and most importantly service provision to consumers at transparently reasonable cost I am very much in favour of reform in infrastructure and associated industries. I wish Local Government could be audited more regularly and efficiently.

Competition in the Primary Industry market place (domestically) is not strong in some sections (meat, fruit, etc) and what results in many cases is no benefit to producers or consumers. The shareholders, executive and Board members seem to be the main beneficiaries of the purchasing power of monopolistic companies now operating.

Much more pricing transparency must be implemented and enforced if producers are to survive. The following figures bear out the above statements. The producer's share of the retail meat dollar slipped from 26% in 1980 to 18.5% in 1996. These statistics were backed up by benchmark comparisons by Hassall and Associates which put the average cost of pasture-based beef production in the NSW Central West at \$1.54/kg liveweight, and a Southern Tablelands calculation putting the cost of production at \$1.20/kg in a good year and \$1.55/kg in a drought year.

Against these figures, prices received for cattle during the past 12 months had averaged 107c/kg liveweight for vealer steers, 106c/kg for yearlings, 114c/kg for heavy steers and 89c/kg for cows.

I am also appending a copy of a report on the concentration of Agricultural Markets and the impact on producer prices and retail food prices in USA as many of the processors in Australia and USA owned it seems relevant to equate at least some of the conclusions to Australia.

In addressing the Government NCP on financial deregulation, labour market deregulation, technological change and in general "globalisation" it is important to recognise that all these movements interlock. Their effects spread like ripples through the economy. For example the effects of extending trading hours proposed by supermarkets competing with small business.

It is logical and very necessary for the expected gains (and losses) through globalisation to be realistically assessed both in economic and human terms before further major changes are implemented and the power of the Government to make decisions further eroded.

I hear the chorus that economic globalisation changes are inescapable; it behoves the Government (who legislate these changes) to be extremely thoughtful about who is promoting these policies and what long term effects they will have on the Government's own constituency and Australian democracy as we have experienced it in the past. The social costs of adapting to the world market place could become unsustainable in these contexts.

There will be a political price to pay when people's job opportunities and living standards are radically changed and lowered, as it is by no means proved that "globalisation benefits everyone", rather the reverse. I refer you to the Economic and Social Council's Report prepared by the Secretary General of the United Nations in 1995 which dealt with aspects of human rights and the working methods and activities of Transnational Corporations. "...It has been stated that opportunities for cost-saving rationalisation are exploited, both MAAs and globalisation in the short and medium term have had and will continue to have a negative effect

on the direct employment of the enterprise concerned. The competitive stimulus that TNCs are supposed to provide to the host country's economy does not often lead to a revitalisation of the host country's industry. In many instances, local competitors have to close down when the domestic market becomes relatively saturated. This happens not only because of loss of market shares to TNCs, but also because of oligopolistic arrangements (characteristic of many TNCs) that are intended to eliminate actual and potential competitors. Hence rather than increasing competitiveness in local enterprises, oligopolistic control by TNCs to a large extent replace similar businesses and supermarkets."

Uncontrolled "Turbo Capitalism" results in large amounts of shareholder capital seeking investment globally and the inherent instability of this investment has recently been evident in Asia and in USA (long term Hedge Fund debacle). Du Pont industries is a good example in Australia of multinational moving on when a special one off incentive arranged by our former government costing \$60 million terminated.

We face a very real possibility of more of the Hanson type parties emerging "as insecure citizens experience the effects of living on the fringe economically, geographically and psychologically" (Robert Manne SMH 16/11/98).

I hear the supporters (beneficiaries?) of these policies (OECD, etc) say we cannot afford not to join in subservience to the wants and needs of TNCs as there will be sanctions against any government which does not welcome/obstructs global investment.

I suggest we study the effects of these policies on other countries so we can formulate responses which are equitable for both investor and host country.

As Reserve Bank Governor MacFarlane said recently "a mix of regulation and free market ideas were sometimes appropriate for emerging countries".

It would seem that this statement could be applicable to Australia too.

I have read the book "Trade Liberalisation – opportunities for Australia" sponsored by Department of Foreign Affairs and Trade. It seems that many of their statements stem directly from the OECD publicity in support of the MAI and as such are somewhat suspect when one considers who the largest beneficiaries would be in such circumstances are allowed.

Trade is for Mutual Profit, for employment and for keeping peace. How well and realistically we recognise the many factors influencing outcomes will define our success in maintaining what is left of our national sovereignty and allow Australians to have some options about how they choose to live their lives.

See attachments re comments on aspects of Trade and monopolies (1, 2, 3, 4, 5, 6 reprints).

7 USA Report.

Rosemary Langford.

Allandale

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Australia's manag-
Mr Walter Bugno,
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Restaurants.

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But much of its value to
Simplot lay in its ability to
source raw materials, Mr
Bugno said.

I&J Australia is a subsidiary
of a South Africa-based com-
pany, Irvine & Johnston,
which will hold the remaining
40 per cent stake in the new
Simplot subsidiary.

The new business, which is
subject to shareholder, regula-
tory and financial approval, will
be based at Simplot's Sydney
office from September 1.

"The new entity will provide
efficiencies in manufacturing,
sales and administration as well
as securing sources of supply,"
Mr Bugno said.

JUNE 20

①

■ TRANSNATIONAL RULE

How unseen business chiefs control Europe

By COLIN HINES
in London

For more than a decade, Europe
has been effectively run not by
national politicians or the Brus-
sels bureaucracy, but by a
little-known group of transna-
tional corporations called the
European Round Table of
Industrialists (ERT).

The range of this organisation's
activities has been brought into
focus by a report called *Europe*
Inc from the Dutch-based Cor-
porate Europe Observatory.

Its staff have investigated ERT
documents and European Union
files, and carried out extensive
interviews with representatives of
lobby groups supported by trans-
national corporations.

The evidence shows the ERT
was the driving force behind the
EEC's internal market in the
1980s, the 1991 Maastricht
Treaty and the social welfare-
cutting single currency.

Founded in 1983, the ERT is
made up of 45 business leaders
from large European transna-
tional corporations whose com-
bined annual turnover
approaches \$880 billion. They
include BP, Shell, Daimler-
Benz, Fiat and Siemens.

The ERT was set up with the
intention of reviving European
integration and shaping it to the
preferences of European trans-
nationals. The key to its success
is the financial power of its
members, and hence its ready
access to decision-makers at
national and European level.

The ERT's principal goal —
the removal of all obstacles to
trade within the then EEC —
suited the European Commis-
sion, looking for ways to
increase European integration.
The ERT's proposals found
close parallels in the commis-
sion texts which led to the 1986
Single European Act.

At this stage, the activities of
the ERT began to threaten the
environment. Having secured
the required political frame-
work, the corporations shifted
their emphasis to the creation of
a European transport infra-

structure to speed the progress of
the single market.

Again working closely with
the commission, the ERT suc-
cessfully argued for the channel
tunnel and the trans-European
networks, the largest transport
infrastructure plan in history,
involving 12,000 kilometres of
new motorways, a series of
high-speed train lines and
numerous airport expansions.

In February this year, the ERT
questioned how companies
could operate efficiently when
the EU may decide a policy, but
individual member states could
impose their own controls. When
the EU attempted minor con-
straints on energy use in an effort
to limit climate change, this too
was challenged by the ERT.

But the ERT's greatest and
most environmentally threaten-
ing achievement has been to get
national governments and the
EU to institutionalise interna-
tional competitiveness as their
primary policy objective. This
narrow emphasis was clear at
last month's meeting in Amster-
dam, where the follow-up to the
Maastricht Treaty was agreed.

The new treaty allowed the
environment one tiny step for-
ward, but buried in the details
were two large steps back. On
the plus side, the promotion of
sustainable development was
inserted at the beginning of the
treaty as one of the main
objectives of the EU.

The first negative was the
limit on the right of EU coun-
tries to protect their environ-
ment and health through
national rules tighter than the
European norm — which is
under the control of the ERT
and its backers.

The second was to block
plans for EU-wide ecological
taxation, which were under-
mined when it was decided the
issue would not be settled by
majority vote. This means the
treaty will allow such efforts to
be vetoed by a single country —
citing competitive pressures as
the reason.

■ CHEMICAL CAPITALISM

②

The seeds of a conspiracy: Big Brother

Sid Morris Herald

THREE pages in the middle of Tuesday's *Financial Times* in London devoted to the corporate demerger of the Monsanto chemical company were not exactly riveting, even for many readers of that business newspaper. But this was one advertisement we could ill afford to ignore. It is one of the few public indications of the opening of a new chapter in the world's economic history.

The publicity, aimed at shareholders and corporate customers, announced that Monsanto is to split into two firms, to pursue "applied chemistry" and "life sciences". The life-science division will "provide better food, better nutrition, and better health for all people... Hope for environmentally sustainable solutions. Hope for a healthier planet. That's how we'll be

A tiny handful of companies is taking over the world's food market, and amassing huge power and strategic control. **GEORGE MONBIOT** reports from London.

growing in the century to come." Monsanto's claims about the environmental and human impacts of its products are questionable, but one of these statements is surely beyond doubt: this company will certainly be growing fast. For Monsanto has embarked on one of the most extraordinary and ambitious corporate strategies ever launched.

The story begins, simply enough, with a single chemical. Glyphosate, sold to farmers and gardeners as Roundup, is the world's biggest-selling herbicide. Last year, it earned Monsanto more than \$2 billion. But the company's patent on Roundup

runs out in 2000. Far from sowing corporate catastrophe, however, this event seems likely only to enhance Monsanto's market value.

For the past 10 years it has cleverly been developing a range of new crops, genetically engineered to resist glyphosate. Spraying them with Roundup does them no harm, but destroys all the weeds that compete. New patent legislation in Europe and the US allows Monsanto to secure exclusive rights to their production. The first "Roundup-Ready" plant Monsanto released was a genetically engineered soya bean. Between 50 and 60 per cent of processed

foods contain soya, so the potential market is enormous.

Alarmed at possible increases in the use of herbicides, as well as the health effects of genetically engineered crops in general, environmentalists and consumer groups in Europe started calling for products containing the new beans to be clearly labelled. But in the US Monsanto insisted that it would be impossible to keep Roundup-Ready beans apart from ordinary ones. About 15 per cent of this year's US crop is Roundup-Ready.

As the new beans were snapped up by growers in the US, Monsanto began an extraordinary round of acquisi-

will have us eating out of his hand

tions, buying shares in seed and biotechnology companies worth nearly \$2 billion in the past 18 months alone. Among its purchases are companies which produce the famous "Flavr-savr" tomato, own the US patent on all genetic manipulations of cotton and control around 35 per cent of the germplasm of American maize.

MONSANTO is now experimenting with new rice, maize, potato, sugarbeet, rape and cotton varieties. It has suggested that within a few years all the major staple crops will be genetically engineered. The new products are so attractive to many farmers that Monsanto has managed to get them to sign away their future rights to the seed they grow, and allow the company to inspect their fields whenever it wants.

Monsanto's new crops could not have become commercially viable without major legislative change. As members of the trade lobby Europabio, Monsanto and the other big biotech

6 Monsanto is now experimenting with new rice, maize, potato, sugarbeet, rape and cotton varieties. 9

companies have mastered the legal climate in which they operate. Despite significant public opposition, in July Europabio managed to persuade the European Parliament to adopt a new directive, allowing companies to patent manipulated plants and animals.

Researchers and lawyers from Monsanto already occupy important posts in the US Food and Drug Administration, which regulates the food industry. Only the New York Attorney General's office has taken the company to task, forcing it to withdraw ads claiming that Roundup is biodegradable and environmentally friendly.

But Monsanto has been most successful when appealing to multilateral bodies. Last month, the World Trade Organisation confirmed its ruling that the European Union can no longer exclude meat and milk from cattle treated with bovine growth hormone, despite the protests of farmers, retailers and consumers.

Biotech firms are now trying to persuade the World Trade Organisation to forbid the labelling of genetically engineered

foods. Any country whose retailers tell consumers what they are eating would be subject to punitive sanctions.

With astonishing rapidity, a handful of companies is coming to govern the global development, production, processing and marketing of our most fundamental commodity: food. The power and strategic control they are amassing will make the oil industry look like a corner shop.

More successfully than any other lobby, they are inhibiting the two remaining means of public restraint on their activities: government regulation and genuine consumer choice.

This may be the first and the last chance we will get to tell the biotechnology companies what we think about their re-engineering: of both the stuff of life itself and the means by which it reaches us.

The Guardian



ROBERT GOTTLIEBSEN

We need our own gene genies to hold off US domination

SUPPORTERS of one of Australia's smaller biotechnology companies, ForBio Limited, had been looking forward to this month's planned visit to Australia and Indonesia by the chairman of Monsanto, Robert Shapiro.

Shapiro was to go to Indonesia to examine the rapid-growth eucalypts that have been genetically engineered by a joint venture between ForBio and Monsanto. These trees are expected to be ready for harvesting in three to four years, one-third of the normal growing time for eucalypts.

Almost certainly the visit would have highlighted, among US analysts, the company's position in world genetic developments and may have boosted the share price. Unfortunately, the problems in Indonesia caused the visit to be cancelled.

Shapiro believes passionately that companies with the ability to genetically develop plants will make a fortune in the coming decade. Monsanto puts that belief into practice and has been steadily buying stakes in seed companies in recent years.

But this month Shapiro stunned the biotech world when Monsanto bought the shares it did not own in two of the big US seed companies in deals valued at \$US4.4 billion (\$6.9 billion). Monsanto purchased all of Delta & Pine Land Co so it would be the dominant global producer of genetically prepared cotton seeds. Delta's cotton seed is insect-resistant.

Before the takeover Delta shares had risen 600 per cent and were selling on a price-earnings multiple of 70. The second acquisition, DeKalb Genetics Corp, is in a leading position in the development of genetically prepared corn seeds. It was selling on a multiple of 88 before the takeover.

Monsanto is already a world leader in genetically prepared soybeans, so it now dominates seed preparation for three of the world's biggest crops.

Monsanto predicts farmers will plant about 50 million acres with its altered-gene seeds this year, compared with 20 million acres in 1997. For a time, the countries of Europe were reluctant to buy genetically prepared soy and other grains but, because most grain marketing is in bulk, it has become impossible to differentiate production on a large scale. Accordingly, European opposition has faded.

Corn seeds that have been genetically engineered carry a premium of 18 per cent to 35 per cent over "normal" seeds. The premium on cotton seeds can be as high as 230 per cent.

Australian cotton farmers are among the first to realise the implications of this revolution for our rural sector. Many bought American insect-resistant cotton seed, only to discover rival farmers in the US were being sold the seed at much lower prices.

Worse still, many of the seeds sold to Australia were not as effective against Australian pests as they were against US pests. Accordingly, our growers are at a disadvantage because



the technology is being developed for rivals. Wheat growers, who also compete against US farmers, have every reason to be concerned about what may happen in the long term. Australia is conducting research in this area but the money we spend is modest compared with budgets in the US.

GENETICALLY prepared seeds will greatly increase yields and help feed the world. But the higher production will reduce prices, making it essential for most bulk-crop growers to use the genetically prepared mate-

rial. (An alternative strategy would be to grow specialised "natural" crops that would usually be more expensive.)

Farmers who increase their production by using the new seeds will usually have better returns, but the big rewards will go to the seed makers. That is why Monsanto is paying top

prices for acquisitions and investing huge sums in research. Not surprisingly, the Monsanto purchases have greatly boosted the prices of US biotechnology companies operating in the rural area. The same has not happened in Australia, partly because there are not many companies to buy and Australian institutions are not prepared to take the risks.

ForBio may have done well in its development of trees but it had counted on profit from selling its seedlings to Indonesian pulp and paper companies. The problems in Indonesia have set this program back. Nevertheless, the stage is set for sales of rapid-growth eucalypts to many tropical markets. Rapid-growth trees absorb more carbon than slow-growing trees so will carry with them more "carbon credits".

When ForBio was a struggling company in the 1980s it borrowed \$4 million from Monsanto. Its major shareholders gave Monsanto the right to purchase virtual control of the company at prices near the current market. During the year, ForBio shares have fallen from \$3.65 to \$1.60 but have recovered to about \$2.20. Given what has happened in the US, the big shareholders in ForBio would be reluctant to sell to Monsanto at these prices.

Fortunately, under the agreement, Monsanto was required to provide various technologies, and there is a dispute as to whether this happened. It is likely the whole affair will be settled amicably, with Monsanto emerging as a shareholder in ForBio but not a dominant one. If ForBio was dominated by Monsanto, it would have very little takeover appeal.

ForBio has a US subsidiary company that undertakes much of its DNA mapping for plant propagation. ForBio is also trying to alter the genetic make-up of coffee, to remove the caffeine gene, and is looking to develop cocoa species that are resistant to certain diseases.

Australia has been a major player in rural production for generations. If it is to maintain anything like its share of agriculture wealth it will need to be a big player in genetic engineering. Already, Monsanto and a lot of US companies have taken a big lead.

Robert Gottliebse is editorial director of Business Review Weekly.

Opportunity



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LESLIE LOBLE

10.8.98

Voters ready to dump globalisation policies

RECENT commentators have suggested that, with its booming economy and optimistic outlook, the United States enthusiastically embraces the expanding international economy. Yet a sizable and growing segment of the American polity is deeply concerned about the consequences of further growth in international trade and globalisation.

This scepticism about globalism's claimed benefits has caused President Clinton to alter political tactics and to reshape his trade policies.

Two months ago, he called for the World Trade Organisation (WTO), the global trade umpire, to embrace reforms promoting greater democracy and participation because "working people will only assume the risks of a free international market if they have the confidence that the system will work for them".

He said business, labour, environmental and consumer bodies should get guaranteed entry to WTO decision-making through permanent consultative bodies. Private citizens likewise should get immediate access to WTO decisions, along with legal rights to submit views during trade deliberations.

Most importantly, Clinton said sovereign nations should retain the right to set their own protective environmental, labour and consumer standards, even if they are stronger than the standards set by international rule-makers like the WTO.

What has driven Clinton to challenge the prevailing orthodoxy of ever more unfettered international economic activity? Principally, the defeat late last year of his proposed extension of "fast track" trading authority and the recognition that a broad cross-section of Americans, even those in his "vital centre" political base, increasingly question globalism.

Now Senate Republicans, in an effort to divide their opponents on the eve of mid-term elections, have attached fast track provisions to another trade bill popular with Democrats.

It's a move White House officials have labelled "political mischief"

Globalism's claimed benefits are under attack, not just by One Nation. The US is also questioning the downside of international trade.

because they know from last year's fast track defeat that the trade proposals once again will alienate core constituents and rend party leaders into duelling camps.

That defeat was a setback perhaps second only to the defeat of Clinton's health care bill. It happened because a coalition of union, environmental and consumer interests persuaded enough members of both political parties (but particularly Democrats) the benefits of globalisation were at best unproved.

But this was not a classic case of Washington lobbying. In recent years, pro-free trade opinion leaders and business executives typically dominate trade debates. Certainly the President gave it all he had, with an air war of public announcements and a ground war of old-fashioned horsetrading.

It was the unexpectedly deep concerns of ordinary Americans that caused Congress to reverse its stand. Despite unemployment at less than 5 per cent, a booming stockmarket and low inflation, constituents said they not only mistrusted the global economy but gravely doubted its benefits would be widely shared.

They told how, as workers and communities, they had seen the balance of power shift in favour of corporations demanding wage cuts, job changes, special tax breaks, weaker local environmental standards and other concessions in the name of international economic pressures.

These are the people who, as Clinton said in 1992, "work hard and play by the rules", and though they embrace the post World War II vision of capitalism, they fear today's version moves too far, too fast.

For some, this implies isolationism, with its refusal to pay UN dues and

protectionist barriers. For most, it means assurances that globalisation will operate under rules that permit local autonomy, democratic decision-making, and a social compact to share gains broadly.

Moreover, many Americans view the thriving economy as more to do with home-grown resourcefulness and productivity than efficiencies from abroad. There exists in the US an enduring belief in bottom-up inventiveness, from small business entrepreneurs who produce Silicon Valley success stories to state governments that design welfare and tax reform.

A globalised world of identical standards and top-down decision-making therefore can undermine, not enhance, good ideas. Imagine, for example, how Australia's world-leading car child-restraint rules would fare in a world of uniform rules shaped by international bureaucrats and a global car industry with the leverage to block multilateral decisions they don't like. Instead of potentially pulling up the rest of the world, Australia would have to level down.

The international economy has left many ordinary citizens in its wake. The results are growing job insecurity, widening income inequality, declining political validity, and increasing social isolation that many fear are a permanent feature of globalisation.

So as Australia and America both approach national elections later this year, the impact of globalism will play a significant role in shaping the debate about our future. Voters of both nations are calling upon their leaders to chart a new path — of economic vitality and shared gains for the many, not the few. They are prepared to sacrifice free trade principles for promises of greater security.

Clinton says he's heard the message and changed his approach. In the wake of One Nation, some Australian political leaders also say they hear the voters' call. Soon we will see whether both nations really are ready to chart a new direction.

Leslie Loble was chief of staff to former US Labor Secretary Robert B. Reich and directed the US Labor Department's policy division. She now lives in Sydney.

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Crisis at the IMF's risk-free casino

IN THE land of the blind, the one-eyed man is king — and when it comes to addressing problems in the crisis-prone global financial system, the one-eyed men of Wall Street and the International Monetary Fund are firmly in control.

During the 1990s, the destructive power of capital markets has been seen in Mexico, East Asia and Russia. The scenario has become all too familiar. Unexplained euphoria takes hold and sucks vast sums into unstable markets, generating huge profits for foreign investors. Then panic takes hold, capital takes flight, the currency collapses — and the IMF springs into action, bailing out foolhardy investors, leaving behind economic collapse and social disintegration.

None of which would have surprised the architects of the Bretton Woods system. Having

collapsed, due to high interest rates and import shortages. Unemployment has tripled to more than 20 per cent. Thousands of private companies, viable before the crisis, have been pushed into bankruptcy.

Meanwhile, public spending on health and education has fallen by a third, as the Government transfers resources into debt repayments. Such facts explain why the World Bank's chief economist, Joseph Stiglitz, remains resolutely opposed to capital market liberalisation.

Indonesia is a microcosm of all that is wrong with financial regulation. Commercial banks ignored clear warnings and increased lending to the country by 20 per cent during the first half of 1997, with more than half of the new lending in high-interest loans of short maturity. When a forced devaluation quadrupled Indonesia's external debt, the IMF loan secured

debt, the IMF loan secured

repayments for foreign investors by nationalising foreign debt and transferring the costs of adjustment to the public budget, reversing more than three decades of poverty reduction in the process.

Not content with creating a risk-free casino for reckless foreign speculators, the IMF is now seeking to expand their gambling outlets.

At present, Vietnam forbids foreign banks from holding more than 10 per cent of operating capital in US dollars. In Chile, short-term equity flows are heavily taxed to prevent speculative activity. Such measures have helped to prevent a build-up of unsustainable foreign debt, yet they would be outlawed under the new IMF regime.

Radically different approaches are needed. Institutional investors such as mutual fund (unit trust) and pension fund managers should be

required to make provisions for losses commensurate with the risk of their investments. This would help reduce the incentives for speculative investment and lower the potential for financial panic. So, too, would an international tax on currency transfers.

Better international surveillance of banking systems would also help at the margins, but the best way to ensure prudent lending is through international rules making imprudent lending genuinely risky.

In the case of East Asia, the authority of the IMF should have been used to force foreign investors to accept very large debt write-offs, and an immediate moratorium on repayments. It should not be used to subordinate the interests of the world's poor to those of Wall Street.

Kevin Watkins is a senior policy adviser for the international development and relief charity Oxfam.

The Guardian

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Packer Concentration in the Beef Industry

A report on the concentration of agricultural markets
and the impact on producer prices
and retail food prices

Third Revised Edition July 1997

By Kathleen Sullivan Kelley
Vice President, Rocky Mountain Farmers Union
Meeker, Colorado

Packer Concentration
in the
Beef Industry

by
Kathleen S. Kelley

Jurgis. . . would get glimpses of the Beef Trust from all sorts of aspects, and he would find it everywhere the same; it was the incarnation of blind and insensate Greed. It was a monster devouring with a thousand mouths, trampling with a thousand hooves; it was the Great Butcher. . . It wiped out thousands of businesses every year, it drove men to madness and suicide. It had forced the price of cattle so low as to destroy the stock-raising industry, an occupation upon which whole states existed; it had ruined thousands of butchers who had refused to handle its products. It divided the country into districts, and fixed the price of meat in all of them. . . With millions of dollars a week that poured in upon it, it was reaching out for the control of other interests—it already owned the leather and the grain business of the country.¹

--The Jungle, by Upton Sinclair

In 1996, USDA concluded the fourth red meat market concentration study in U.S. history at the request of several major agricultural organizations. At the release of the report the “Advisory Committee on Agricultural Market Concentration” was appointed by Secretary Glickman.

The History

Three other government studies have been conducted in our history, showing the agricultural industry as a particular target for concentration and monopoly. The first was a US Senate investigation in 1888-90 concluding price fixing in beef, contract monopoly, and transportation of food products. The second was generated by an outcry of western cattlemen in 1904 when cattle prices tumbled. Called the “Garfield Investigation” it indicated the large packers handled 45% beef slaughtered in U.S. No price fixing was concluded in this study. But public outcry against the “Beef Trust” became so strong after the release of Upton Sinclair’s novel The Jungle, the landmark Federal Meat Inspection Act of 1906 was passed.² In 1918, a Federal Trade Commission investigation was generated again by complaints from producers. They concluded five major packers slaughtered 70% of all livestock. They were Armour, Swift, Morris, Wilson and Cudahy. The packers claimed in Congressional hearings they controlled only 30% of

¹Upton Sinclair, The Jungle, Doubleday, Page and Company, (New York, 1906)

²Knute Bjorka, and Austin Allyn Dowell, Livestock Marketing, (New York, 1941)

the respective market. The study, however, exposed serious control of meat, substitute products such as eggs, cheese, and vegetable oil and over 50% of the export-meat production in South America by the packers. The Department of Justice concluded monopolistic conditions warranted prosecution under the Sherman Anti-Trust Act. To avoid prosecution the packers appealed for conferences with the Attorney General. An agreement called the Packer's Consent Decree was struck requiring packers to: 1.) sell all holdings in stockyards, railroads, market newspapers and public warehouses; 2.) abandon all retail meat business, wholesale grocery and other "unrelated items"; 3.) abandon control of transportation facilities, rail, trucking, etc., and; 4.) submit to US District Court injunction making it necessary to dissolve any conspiracies with other packers. The Packers and Stockyards Act of 1921 was passed to help implement the agreement and keep concentration from occurring again. It began a complex regulation of dairy, livestock and poultry products.³

Many economists see diversity in our economic structure as one of the most potent strengths of our democracy and our free enterprise system, and as a result, the United States has traditionally been aggressive in its pursuit of anti-trust. Fervent in the belief that unchecked monopolies could lead to dangerously choked economies and stifled democratic development, at the end of World War II the U.S. dismantled the massive business cartels of Germany and the *zaibatsu* of Japan.⁴ It was the power of individual thought, creativity and self expression we valued and helped cultivate in others. Both Germany and Japan are now leading world economic powers.⁵

Current Red Meat Situation

In the last fifteen years we have abandoned these principles, choosing instead to celebrate what many market researchers and economists call "efficiency" through consolidation. In a *Drovers Journal* article, John Nalivka wrote, "While the number of packers may be significantly less, the process of slaughtering and fabricating beef has changed dramatically, leaving the industry in a much better position to compete."⁶ In the same article, Nalivka contradicts his

³Report of the Federal Trade Commission on the Meat Packing Industry, Parts I and III (Washington, 1919)

⁴Richard J. Barnet and John Cavanagh, *Global Dreams: Imperial Corporations and the New World Order*, Simon and Schuster, New York 1994, P. 231.

⁵Perhaps the best statistical indicator of how powerful Japan and Germany have become in economic terms since the U.S. directed their initial post-war development is to take a glimpse at *The American Banker's* annual ranking of the world's largest banking companies. 21 of the top 50 banks are Japanese. 13 of the top 14 are all Japanese. Germany holds 9 of the top 50 banks. Of the top 50 the United States has only four banks in the listing.

⁶*Drovers Journal*, October 1995, Business Commentary, "Concentration: a fact-of-business", by John Navlika, p. 26.

statement with these statistics: "While a 43% decline in beef packing plants over the last 15 years is substantial, there was also a 52% decline in feedlots and a 31% reduction in cow-calf operations."⁷ Many cattle producers believe this has only placed the packing industry in a much better position rather than to compete, to connive.⁸

Recent Legal Action

The latest study on concentration in the beef industry, begun in 1995 and concluded in 1996 follows two law suits filed by the Justice Department-USDA in the last 18 months. The first is against Archer-Daniels-Midland for price fixing on a livestock feed additive/nutrient called lysine. The suit was settled in late April, 1996. ADM was required to pay damages but no breakup of the monopoly was required. ADM remains the only supplier of feed lysine. The second is against Iowa Beef Processors (IBP) for feedlot contract preference. IBP set up a special marketing preference agreement with a small group of central Kansas feedlots called the Beef Marketing Group. When others attempted to strike the same marketing deal as the Beef Marketing Group, IBP turned them down. IBP was given until August of 1996 to respond to the USDA complaint. If USDA succeeds in making its case, IBP would be placed under a permanent cease-and-desist order that would require it to give up the marketing agreements.⁹

One class action lawsuit has been filed in the private sector. A group of Texas, Oklahoma, Kansas and Nebraska feeders started legal action against Iowa Beef Products, Inc. on July 10, 1996 in Montgomery, Alabama federal district court sitting authority under Section 202 Packers and Stockyards Act. Plaintiffs in the class action have formed a group called "The Cattlemens Legal Fund" and are currently raising funds to support the action. The first battle in the suit was over a "change of venue" with IBP alleging that they did not do business in Alabama. Plaintiffs, however, asserted that it was unfair for IBP to retreat to home territory when impacts on producers in the Southeast were extensive. The Cattlemens Legal Fund won the change of venue battle. The next legal step in the case will establish who may be considered part of the "class" in the action.¹⁰

⁷Ibid.

⁸Olive Valdez, a rancher from the San Luis Valley, made this point in a field hearing in 1985 conducted by Secretary of Agriculture Glickman and attended by President Clinton, when she said, "We get awful tired of seeing the same three buyers sitting next to each other at an auction discussing what price they're going to give us."

⁹Bill Miller, Beef Today, September 1995, Feedlot-10.

¹⁰Information from Randy Beard, lead attorney for the plaintiffs.

The Latest Market Concentration Study

A USDA study concluded the following in regard to the control of the slaughter market in beef: Iowa Beef controls 38%; Cargill (Excel) 22%; ConAgra (purchased E.A. Miller Boxed Beef and Monfort in 1987) 21%; National Beef 6%; all others 13%.

87% is controlled by four major packers, far greater concentration than any time in our history.¹¹

The Surge in Mergers

The 1980's mark the most significant decade in U.S. history in dollar value corporate mergers and acquisitions.¹²

The largest single take-over of a company in U. S. history was of a food company.. In 1985 the New York investment firm of Kohlberg, Kravis and Roberts (KKR) whet their appetite for food companies by reeling in Beatrice Foods. In 1989, they launched an aggressive bid to acquire RJR Nabisco amassing \$30.6 billion in capitol for the transaction.¹³

KKR made a fortune by spinning off many of their acquisitions. Unlike some investors, they had no plan for the future of the companies they owned except immediate profits. ConAgra later emerged the new owner of Beatrice Foods.¹⁴

According to economist John M. Connor, in the U. S. retail food industry there were 387 mergers between 1982 and 1988. Beatrice Foods alone had acquired over 400 companies prior to its hostile takeover by Kohlberg, Kravis, and Roberts.¹⁵ Foreign investment soared 790% between 1977 and 1987 in the U. S. food industry with 90% occurring through mergers.¹⁶

¹¹USDA 1996 Report on Concentration in the Red Meat Industry, (Washington, Government Printing Office, 1996)

¹²Securities Data Co., Oct. 1995.

¹³Ibid. See also Bryan Burrough & John Helyar, Barbarians at the Gate: The Fall of RJR Nabisco. Harper Perennial, (New York, 1991)

¹⁴Ibid.

¹⁵John M. Connor, "Research Puzzles Arising from the Internationalization of U. S. Food Processors," in *Transnational Structure in Food Processing and Marketing*, Project NC-194 (Columbus: Ohio State University, September 1989) p. 31.

¹⁶John M. Connor and Frederick E. Geithmen, "Mergers in the Food Industries: Trends, Motives, and Policies," *Agribusiness*, July 1988.

ConAgra is a particularly important player in the issue of market concentration in agriculture. With sales more than twice as large as the entire annual budget of the United States Department of Agriculture (\$11 billion) of \$25 billion a year, they control a major share of the future of production agriculture. ConAgra, Latin for "in partnership with the land", started its climb to multi-billion dollar status when it bought United Agri Products (chemicals) in 1978. In 1980 it purchased Banquet. By 1981 they owned Singleton Seafood and Sea-Alaska products and hit their first billion in sales. They purchased Peavy (milling), Country Pride (chicken) and by 1983 owned Armour Food Company as well. In 1986 they bought all of RJR Nabisco's frozen food business (Chun King, Morton, and Patio) and in 1987 they emerged as a major factor in the red meat business with purchases of two powerhouses in the beef packing industry--E. A. Miller (boxed beef) and Monfort (beef and lamb). In 1990 they acquired Beatrice. In 1991 Golden Valley Microwave Foods, Chilewich and in 1992 food producers Arrow Industries. In only a few short years, ConAgra has vaulted to #2 in the American food industry behind Phillip Morris.¹⁷ Third in their market share of the red meat industry, ConAgra is one of the top three in the grain industry as well.

Cargill, #2 in the red meat market through their ownership of Excel is also the nation's largest grain company--and it's largest private company with annual sales five times as large as the USDA annual budget at over \$56 billion dollars. Cargill is well known for its market aggression. In the late 1800's they controlled the railroads and monopolized grain and coal transport. During the 1930's Cargill's broker was expelled from the floor of the Chicago Board of Trade for buying all the corn futures. In 1954 when the U.S. began lending money to Third World nations to buy American grain, Cargill became a major beneficiary of the policy. Not only are they the largest grain trader in Europe but a powerful force in brokerage and world trade, steel, waste disposal, coal, metals processing, beef and salt production. Their newest venture is into packaged foods, selling "branded beef" products and other processed foods. The annual growth rate for the agri-giant has averaged 8.6%.¹⁸

The #1 beef packer in the world and nation, Iowa Beef Processors, now known only as IBP, Inc. was owned by Occidental Petroleum. The Armand Hammer empire purchased IBP in 1981 for \$760 million, spun off 49% of the company in public stock offerings on October 1, 1987 generating nearly a billion dollars from the sale.¹⁹ Asked why the oil giant wanted to purchase a packing company, the then president of Occidental, A. Robert Abboud said, "Our strategy for the 1990's is to be prominent in the food area. We're going to be running into a food scarcity situation in the 1990's in the same way that we have an energy shortage in the 1980's. We will

¹⁷Hoover's Handbook of American Business 1993, p 212. See also Valueline, ConAgra, Inc. NYSE-cag, p.1468.

¹⁸Hoover's p. 177.

¹⁹Ibid, p. 362.

continue to build in this area."²⁰

September 27, 1991, Occidental sold the remaining 24 million shares in IBP for \$15 a share. Recently IBP completed acquisition of Foodbrands (FDB) for \$640 million including the assumption of a \$350 million debt allowing the company to expand into more value-added products.²¹

Cargill, Continental Grain and four other grain companies have in recent years controlled 96% of all American wheat exports and 95% of all corn exports. The same companies handled 90% of wheat and corn trade in the common market, 90% of Canada's barley exports and 80% of Argentina's wheat exports. In 1921 there were thirty-six firms that handled almost all U.S. wheat exports.²²

Other Major Agribusiness Concerns

Phillip Morris acquired Kraft in 1988 for \$13.4 billion, General Foods in 1985 for \$5.7 billion and began the climb to battle for the #1 food distributing company in the World against the Swiss held Nestle.²³

Continental Grain is the second largest grain company in the world. With estimated sales just under \$20 billion they are the third largest privately held company in the nation. Continental Grain maneuvers primarily in grain commodities buying and selling in 58 countries throughout the world. Recently they moved into a petroleum marketing partnership with Tosco. Their World Meat Industries Group includes their Cattle Feeding Division (Chicago), Dutch Quality House (Georgia), Loveland Foods (Colorado), Southern Foods (Georgia), and Wayne Poultry (Georgia).²⁴

They are currently negotiating with IBP, Inc. in an attempt to purchase the red meat giant.²⁵

Continental Grain was most infamous for their role in the 1972 "Russian Grain Sale." Assistant Secretary of Agriculture for International Affairs, Clarence Palmby led a team of

²⁰Jack Doyle, Altered Harvest, Viking (New York, New York, 1985)

²¹Valueline, *IBP, Inc.*, May 16, 1997, p. 1480.

²²A. V. Krebs, The Corporate Reapers: The Book of Agribusiness (Washington, D. C.: Essential Books, 1992) p. 303.

²³Securities Data Co. Oct. 1995.

²⁴Hoover's Handbook. p. 219.

²⁵The Wall Street Journal, June 1997.

producers to Moscow in early 1972 to negotiate a sale with the Soviets. In June of 1972 he purchased an apartment in New York with Continental Grain as the co-signer of the note. He left USDA and took a position with Continental Grain only days before the most massive grain sale in history was announced, but several months after most the stocks required for the grain sale had been purchased from government storage by Continental grain for an average of \$1.19 a bushel. The secrecy of the trade cost taxpayers \$600 million in export enhancement subsidies and the Soviets purchased the grain at \$1.35--well below the average market value at a time when the US was indirectly engaged against the Soviet Union in the Vietnam War.²⁶

Archer-Daniels-Midland under the guidance of Dwayne O. Andreas (a former Cargill executive) is a rapidly growing agribusiness with oilseed, corn, wheat flour and other processing and milling operations. They are the only supplier for the feed additive lysine, hold 68% of the market share of ethanol, 31% market share of fructose, and with the collapse of the Soviet empire, now handle 45% of western commodities flowing to the eastern block.²⁷ In a surprising move in 1995, The American Farmland Trust, a conservation/protection organization moved to support specific provisions of the new Farm Bill which removed conservation controls from subsidized crop land -- a move seen by many as anti-conservation. Dwayne Andreas sits on their board of directors.²⁸

Tyson Foods, Inc. is one of the fastest growing companies in the United States with a nine year growth rate of 24.2%. They are the world's largest producer, processor, and marketer of poultry-based food products. Tyson has been aggressive in poultry and pork company purchases. They own: Chicken-IQ*F, Harker's, Henry House, Holly Farms, Mexican Original Products, Quik-to-Fix, Sara Lee, Tastybird, all Tyson labeled products, Weaver and Wilson. They are also #2 in pork production.²⁹

Market Concentration Effects

Many economists continue to stubbornly insist market concentration leads to efficiency and better competitive positions in the world market.³⁰ However, bits and pieces of market

²⁶See Congressional hearings testimony, September 13, 1972. Also See The Politics of Food, Joel Solkoff, Sierra Club Books, 1985, pp. 46-56.

²⁷Hoover's Handbook, p.127.

²⁸The American Farmland Trust, Making Sense of the Farm Bill, Spring 1995, p. A-1 and inside cover page, board of directors listing.

²⁹Hoover's Handbook, p. 548.

³⁰In the December 1994 issue of Beef, Steve Cornett sites research from Jim Robb and David Anderson of the Western Livestock Marketing Project in Denver, Colorado which suggested the producer to retail price spread is justifiable in economic terms. They say, "During many market periods they (the packers) have a hard time squeezing that much margin from their

surveys are beginning to yield evidence suggesting the opposite may be true.

Gary Smith and Brad Morgan of Colorado State University along with Keith Belk of USDA's Agricultural Marketing Service found serious customer service issues after interviewing buyers from 19 foreign countries. Not only was the quality of U.S. beef questioned (too much fat), but poor packaging and poor labeling were also cited as concerns. "For instance, they say U. S. packers produce boxes of beef that average 70 pounds or more, while some countries have labor laws that limit the size of boxes employees can handle to less than half that figure."³¹

One could assume in a more competitive market, these buyer issues would have been addressed.

Even more serious are the differences between producer return and the consumer's retail price. Since the massive mergers of the 1980's, the price spread between consumer retail and the raw commodity has grown dramatically. In 1979 a beef producer's share of the consumer dollar was 64%. The producer's share has declined since then to an all time low of 44%.³² At the same time IBP, ConAgra and Excel (Cargill) have all reported record profits. In July of 1994, IBP showed quarterly profits of \$85.8 million, up 149% from \$34 million they recorded the quarter before.³³

While market analysts suggest much of the price decline in beef is related to a surplus glut in the market, USDA statistics show we are still producing nearly a billion pounds of beef *under* domestic consumption. Only once in the last fifty years (1950) did we produce more than we consumed.³⁴ Beef imports into the United States have climbed dramatically since the passage of the Canadian Free Trade Agreement, the North American Free Trade Agreement and the General Agreement on Tariffs and Trade. There is considerable evidence to suggest the trade agreements have had a marked effect on price. But to understand this is to also understand that the same companies who control the markets in the U. S. control the world market.

ConAgra of Canada has been behind much of the recent flow of livestock into the U.S.

deal--and they lose money for months on end. So when their turn comes they milk it hard." Cornett, an associate editor for the magazine writes in support of them, "so the fact is that farm-consumer price spreads will probably remain high for the next few years. Like it or not, beef producers will probably find they have to absorb an oversized share of the price burden as the beef cycle seeks the price levels at which profits return over the next few years."

³¹Steve Cornett, *Beef*, "Why U. S. Beef Lags Behind Foreign Competition," December 1994, p.19.

³²USDA, Stat Service, Table 10--*Estimated historical series for Beef, Choice Yield Grade* 3. April 30, 1996.

³³Bill Miller, *Beef Today*, September, 1995.

³⁴Economic Research Service, United States Department of Agriculture end of fiscal 1994.

from the north and according to Brad Anderson of the Colorado Cattle Feeders Association, almost all imported beef is what the CCFA terms "captive supply" and under contract to one of the major packers. IBP and Cargill have recently launched major beef production facilities in Alberta, Canada. Both facilities will process over a million head a year each. Barb Isman, Cargill's assistant vice-president said, "There are new opportunities, relating to trade barriers coming down. . ." Isman went on to say beef processed at the Cargill plant will be marketed in the U. S. and Asia.³⁵

How significant is the flow of imported beef into the United States? Leo McDonnell Jr., owner of the Midland Bull Test (largest in North America) in Columbus, Montana compiled data using National Agriculture Statistical Service data which indicated our export figures on cattle have gone from .03% to 7% in 20 years. However, more significant are the *import* figures. "In 1994 alone we imported 2.371 billion pounds of beef or the equivalent of 3.95 million cows. We also imported more than 2 million live cattle from Mexico and Canada. That's a total 5.95 million equivalent cattle in a year when we slaughtered 34 million--that's 18 percent of our beef supply that is imported."³⁶ In other words, we import twice our export volume.

National Cattlemens Beef Association chief economist, Chuck Lambert has claimed import volume is much lower, near only a 7% level.³⁷

The confusion over actual cattle and beef imports rests on the fact that USDA only includes hanging, boxed and chilled beef in their import figures. Live cattle imports bound for slaughter are included in separate data tables and once the cattle are killed and processed in the U.S. they are no longer considered an import. The meat resulting is included in domestic production figures.³⁸

When asked about import volume at *The Governor's Cattle Conference*, in Pierre, South Dakota last December 14, 1997, IBP CEO, Robert Peterson stated IBP did not import beef. When pressed further to explain the IBP trucks with Canadian plates, Peterson stated IBP did purchase some of their requirements in Canada. He indicated IBP "sources" some of its cattle needs outside the U.S. but does not import.³⁹

Even more direct evidence that market concentration influences price was illustrated in the recent roll back in cereal prices. In 1990 an extensive investigation of the "Cereal Cartel" was

³⁵Donald Campbell, *Beef*, December 1994, p. 18.

³⁶Leo K. McDonnell, Jr., *AgWeek*, "Cattle Numbers Don't Add Up", March 18, 1996. (McDonnell's figures are drawn from USDA's Economic Research Service Data.)

³⁷See NCBA publications through 1996. All import figures used are "beef" excluding live cattle.

³⁸*Analysis and Comments*, Letter # 25, State Extension Services, June 21, 1996.

³⁹See tapes and videos, South Dakota Department of Agriculture, *Governor's Cattle Conference*, December 14, 1996. Tape #7, Question and Answer session, Robert Peterson.

launched by consumer groups and later by Congress. In the course of the media attention on the cartel, the *Washington Post* conducted a survey of cereal processors.

Here's how they broke down the cost of a box of Kellogg's Corn Flakes:

Farmer.....	10 cents.
Processing.....	52 cents.
Advertising.....	52 cents.
Warehousing, overhead.....	55 cents.
Wholesale price.....	\$1.73
Markup.....	\$2.25
Competitors brand retail.....	\$1.69

Kellogg sells 40% of all cereals in the United States and has dominated the industry through the power of consumer habit and advertising.⁴⁰

The Political Power of Concentration

Political influence can, at times, be gaged by the amount of money flowing through the political network. While former Secretary of Agriculture Mike Espy remains under investigation for allegedly accepting illegal special favors from Tyson Foods, Inc. there are millions of legal dollars donated to Senate and Congressional campaign coffers.

Because of the 1980's corporate mergers, many contributions and their related influence are difficult to accurately assess. Only the recipient and the giver may know for sure. For example, in a Center For Responsive Politics publication, *The Coming Budget Battle*, by Stephanie Baker, Sheila Krumholz and Nancy Watzman, the researchers make the assumption that Occidental Petroleum's political contributions were made to influence pesticide regulation.⁴¹ But lack of knowledge of the industry fails to place Occidental in any livestock or food processing category, even though IBP controls 38% of the slaughter market. Cargill is listed only as an exporter in the data and not as a processor and as a result, major blocks of contributions are not listed in the Center's data of food processors.

However, the Center's data does provide a basic surface knowledge of the Political Action Committee Contributions and individual or "soft" contributions of the food processing industry.

⁴⁰*The Washington Post*, July 17, 1991.

⁴¹Baker, Krumholz, and Watzman, *The Coming Budget Battle--Will Big Contributors Keep their Perks?*, *Center for Responsive Politics*, p. 11.

PAC Contributions from Agribusiness⁴²

Rank	Total	Company PAC	Dem Pct	Repub Pct
1	\$905,200	RJR Nabisco	47%	53%
2	\$693,941	Phillip Morris	76%	23%
3	\$279,674	ConAgra	38%	62%
4	\$230,170	ADM	68%	31%
5	\$163,400	Tyson Foods	46%	54%
6	\$131,550	Occidental Petroleum	58%	42%
7	\$ 87,800	Cargill	20%	80%
8	\$ 17,497	Continental Grain	40%	60%

While PACS are often targets of political controversy, "soft money" contributions are equally significant--and a huge loop-hole in federal election laws. Not subject to any contribution limits at all, soft money has placed agribusiness giants in the forefront of campaign contributors. Technically, soft money is an in-kind contribution which is supposed to be used only for state and local political activities such as voter registration, get-out-the-vote drives and bumper stickers and generic party building activities. It was not intended to benefit specific candidates. In the 1992 presidential campaign, Democrats raised an estimated \$34 million and Republicans \$48 million in soft money contributions.⁴³

Archer-Daniels-Midland Co. and its top corporate officers were the largest soft money donor in the 1992 elections with a combined total of nearly \$1.4 million, most going to the Republican Party. Of the top five soft money contributors in 1992, four were agribusiness companies. RJR Nabisco was second with \$875,305, Philip Morris was third with \$816,580 and Seagram and Sons came in fifth with \$731,637. Occidental Petroleum was ranked 15th with \$336,030 and Goldman, Sachs & Co. (a major investor in industrial hog operations) was 20th with \$293,520.⁴⁴

These figures presented here are cursory at best providing only a limited picture of the political influence of agribusiness. Contributions to specific candidates are more intriguing.

Do these political contributions make a difference?

Alan Bergman, President of the North Dakota Farmers Union expressed it best in a recent May 9 editorial in the NDFU Union Farmer when he described USDA advisory committee on market concentration. "In mid-February, Glickman appointed the committee to further study the issue after USDA released its long-awaited study on the meat packing industry which was commissioned in 1992. That study concluded that concentration in the red meat packing industry exists, but said there was no definitive evidence that concentration had an effect on cattle prices.

"Unfortunately, Glickman's advisory committee is out of balance with producers making up the minority. The committee did not hold a single meeting in cattle country and voted to halt

⁴²Ibid. (Data taken from several tables for easy condensation here.)

⁴³Larry Makinson, *Follow the Money Handbook*, Center for Responsive Politics, p. 29.

⁴⁴Ibid. p. 30.

verbal testimony from the public after its second meeting."⁴⁵

Solution

Just as bio-diversity is crucial in the environment, so is market diversity critical to a healthy free enterprise. Market concentration hurts producers and consumers through inflexible pricing and narrow supply options.

With wide-open trade agreements, and tight captive contracts in both red meat and poultry supplies it is extremely difficult for producers and new investors to survive against billion dollar companies by creating alternative market options. Movement of foreign beef and grain into the U.S. can devastate the markets over-night. The vertical integration of many of these controlling companies is so intense they have a hold on the commodity from pre-production through seed stock control to final sale.

Major steps must be taken to stabilize the market and open it to free enterprise correction.

The first and most critical step is the vigorous pursuit of anti-trust.

A comprehensive study of current producer to consumer market conditions is critical modeled upon the lines of the 1918 Packer and Stockyards study by the Federal Trade Commission with similar recommendations for change. The 1918 study prompted market diversification and a positive growth period in the American meat industry.

Critical to the study is the time frame for completion. A lingering study could destroy much of the cow-calf and feeder production base in this country if action to stabilize the market, and delay or stop foreclosures is not taken soon.

New political and legislative action needs to be taken in several key areas.

1.) "Illinois Brick" has prohibited producers from pursuing anti-trust action because they have not been the direct sellers to the packers. Legislative action must be taken to allow producers to file their own legal action.

2.) Anti-trust laws must be changed to allow significant damages to be collected from those who fix prices and those damages should be paid directly to those harmed by price fixing actions. Taxpayers should not be asked to repair the cattle industry when the companies which helped destroy it are fully capable of doing so. Nor should cattle producers and consumers be considered shock absorbers so packers can exercise their so-called "economic rights" and reap record profits.

3.) Packers and Stockyards needs to be altered for producers who are captive under contract to packers and processors. It must allow them to pursue collective bargaining agreements or halt contract sales altogether.

4.) Corporate welfare packages must be stopped! With the recent passage of the 1996 Farm Bill, producers in Colorado will be severed from \$60 million dollars in annual payments, yet the Colorado Agricultural Development Authority is preparing to issue \$25 million dollars in bonds to build a waste treatment facility for two hog operations. Just five months after

⁴⁵Alan Bergman, "Market Manipulation Trims Beef Producers' Profits" NDFU Union Farmer, May 9, 1996, p. 2.

the South Dakota Cattle Conference, South Dakota loaned IBP \$3.5 million in low interest loans to relocate corporate headquarters there. South Dakota also has no income tax. Tax breaks and incentives to companies already reaping record profits is obscene. If these corporations truly believe in the free market, they should have to live in it.

5.) CEO's, stockholders, and company representatives who potentially are under investigation for anti-trust must be barred from sitting on the investigative body. In the course of any study involving anti-trust, CEO's, stockholders and owners of companies under investigation must be barred from sitting on related task forces and study groups. (The current USDA study group includes several executives and major share holders from investigated companies.)⁴⁶

Changing the market

Change seldom happens on the merits and ethical values of the issue alone. It must be driven by those who care, nurtured and continually pushed until it is understood as the most viable and reasonable solution. This study was created in anticipation of the release of USDA's final report June 1996. From preliminary findings, solutions of a comprehensive and productive nature will NOT be forthcoming from the Department of Agriculture. When the initial results were released, USDA concluded there was significant market concentration but no negative, discernable effect resulting from it--even with massive data showing a widening spread between retail and commodity prices in beef.

USDA be held accountable and responsible to the producers it serves and that its economists be held to a more realistic and accurate analysis of their own data.

The Justice Department of the United States must readjust their criteria for investigation of and legal action against price fixing. In a meeting with Anti-Trust Division lawyers over a year ago, it was the understanding of National Farmers Union Legal Council Dave Velde that it took a merger in the industry to trigger a major investigation by the Justice Department. What is left to merge?

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USDA appointment list.

SECTION TWO⁴⁷

AN ANALYSIS OF THE FEBRUARY 1996 USDA REPORT "CONCENTRATION IN THE RED MEAT PACKING INDUSTRY" and THE SUBSEQUENT ADVISORY COMMITTEE RECOMMENDATIONS

The question at the crux of the current free enterprise debate in the American cattle production sector today is: "Does the concentration of the packing industry effect price?"

A decade and a half of change

Several key developments have made this a critical question. In 1980, the four largest packers accounted for 36% of the steer and heifer slaughter, their market share rose to 72% in 1990 and by 1994 they held 82% of the market share. In 1996, they hold 87% of the steer and heifer slaughter market.⁴⁸

As market concentration has become more dramatic, producers' prices have fallen, but consumer prices have failed to decline. In 1980 the producers' share of the beef retail dollar was 64%. Today it's less than 45%, showing a significant, widening gap between producer and consumer prices.⁴⁹

In addition to the consumer/producer price spread a dramatic decline in core elements of the beef industry began to occur. In the same period of time there has been a 43% decline in beef packing plants, a 52% decline in feedlots and a 31% reduction in cow-calf operations.⁵⁰

The final, most significant development which signaled the belief in many that market concentration had become a serious problem was while many beef producers were experiencing an average -2% return on their investment, IBP, Cargill, and ConAgra began to post record

⁴⁷Section Two could only be written after a thorough examination of USDA's Advisory Committee recommendations were released in June 1996 report and an econometric analysis of the February "Red Meat Study" was completed.

⁴⁸"Concentration in the Red Meat Packing Industry" *Executive Summary*, p. iii. United States Department of Agriculture, February 1996.

⁴⁹USDA Economic Research Service, "Estimated Historical Series for Beef"

⁵⁰*Drovers Journal*, October 1995, Business Commentary, "Concentration: a fact-of-business", by John Navlika, p. 26.

profits.⁵¹

The Congressional Response

In 1992, before the dramatic decline in beef prices, pressure began to mount from concerned constituencies, and Congress allocated \$500,000 to USDA to study market concentration in Agriculture. Seven projects were selected to address areas identified in a House Committee report and six were conducted by researchers from various universities. The seventh was completed by USDA. The study only covered a limited period of time from April 1992 to March 1993, while an average marketing cycle in the cattle industry is 10 years.⁵²

Universities tapped for the study included Oklahoma State University, Iowa State University, Kansas State University, Texas A&M University, Virginia Polytechnic Institute, University of Missouri, and the University of Nebraska.⁵³

The USDA Study

Many producers watched eagerly for the release of the USDA study hoping their belief that market concentration had become an overwhelming problem would be verified. When the report was finally released in February 1996, the conclusions were disappointing and confusing.

In particular, the most critical question concerning whether or not captive-supplies impacted price, was summarized in the final sentence of Chapter 3 of the study with this analysis: "The study provides an overall description of the role of captive supply in the industry that suggests, at most, rather modest net effects."⁵⁴

But are the net effects as modest as the researchers claim? And, equally critical, was their research credible?

With all this data showing the potential for serious market control, why did the USDA report find only "modest net effects"? Is it really *all* that the data showed? Was the data broad enough? Was it deep enough? Was the analysis sound?

There are two key statements which hint the researchers in Chapter 3 failed in both data collection and data analysis. The first is when Dr. Wayne Purcell concluded, "more knowledge was gained about data requirements and analytical models than about packers' use of market power."⁵⁵ The second came with the June 1996 USDA *Advisory Committee Report on Agricultural Concentration* when at least one person on the committee noted, "Moreover, the crucial section of the report addressing the central issue of whether concentration affects prices

⁵¹USDA Economic Research Service estimates, 1994-1995

⁵²"Concentration," USDA, February 1996, p. iv.

⁵³Ibid. pp.5, 15, 24, 32, 38, 45, 49.

⁵⁴Ibid. p.31.

⁵⁵Ibid. p. 37.

was inconclusive for methodological reasons.”⁵⁶

These two statements are crucial. Not only do they point to a research failure, they alert those relying on the study for sound conclusions--that there are none obtainable from this data, none from the methodology used to derive results, and subsequently, the conclusions drawn by the researchers in Chapter 3 are highly suspect.

Where did the researchers fail?

First, researchers failed in the kind of model they used to analyze the data. Model 2, p. 27 is a simple regression model--one of the oldest and most reliable kinds of models used for economic analysis--but in this form, inadequate for analyzing the effects of captive supplies.

Second, researchers failed in the data they drew on for analysis by ignoring the similarities of the data characteristics.⁵⁷ Ignoring these similarities is like a bartender watering down whiskey. It may look like more, but its effect has been diluted. As a result, the researchers could show *some* impact from captive supplies, but not a significant impact.

Third, researchers failed to recognize the growing disparity between producer price and boxed beef price.⁵⁸ This failure was, again, another watering down of the analysis. They chose only to focus on and attempt to explain the downward pressure on producer price, ignoring the potential for upward pressure on consumer price. As a result, they ignored what may have been even more definitive evidence that market concentration can and does affect prices. For example, if the downward trend in producer prices is a normal market phenomenon, then why haven't consumer prices also experienced the same "normal market phenomenon?"⁵⁹

Fourth, researchers failed to assess the bargaining power of the packers in a concentrated market. For example, how much bargaining

⁵⁶USDA Committee "Report on Market Concentration", June 1996. p. 11.

⁵⁷For the hard-core economist, ignoring the high degree of multicollinearity among the explanatory variables ABBCV *boxed beef cut-out value*, and LCEM *nearby cattle futures* alone results in extremely biased and inconsistent estimates of the remaining coefficients (I had help).

⁵⁸"Concentration in the Red Meat Packing Industry" February 1996, USDA. See pages 26 and 27, models one, two, and three. The particular variables at question here are TRPRC and ABBCV.

⁵⁹Many producers have contended the issue isn't just the prices they're receiving for their beef, but the retail price to consumers is also at issue. If supply is the only price depressant in the current cattle market, then why hasn't it also depressed consumer prices with a similar degree of downward pressure? These concerns were ignored in the study.

power over producers has IBP gained by holding a 38% market share? And, how much additional bargaining power have they gained by a judicious use of captive supply? There are modeling applications which can determine bargaining power. Why did the researchers failed to use them?⁶⁰

Fifth, researchers used a narrow window of data in a narrow time frame, knowing they would not have significant, conclusive results. "Follow-up research is needed to resolve significant modeling and data issues to address the effects of concentration on prices paid for cattle."⁶¹

The USDA *Concentration in the Red Meat Packing Industry* study was a failure, not just in data collection and analysis, but in its contract with Congress and the American producer.

What is unfortunate about the USDA study, and ultimately tragic, is its deadening effect on an appropriate national policy response to market concentration. We as Americans pride ourselves on our free market system, yet if an outsider were to examine our diligence in its protection using this study, they would question our sincerity and integrity. This study is fatally flawed and as a result, any action based upon it is also flawed.

The USDA Advisory Committee on Agricultural Concentration

When USDA should have sent the study back and called for more conclusive results, Secretary Glickman instead proceeded February 14, 1996 to appoint the Advisory Committee on Agricultural Concentration using the study as a foundation for committee action, even though at least one member of the committee knew the study was flawed.

One of the earliest criticisms of committee structure was it's lack of producers and lack of consumer representation. Of the 21 members named, only six derived their primary income from agricultural production. Not one single member of the committee was a member of any consumer advocacy group or associated directly with consumer interests. Seven members were from agribusiness, transportation, and other service interests. Three were state government representatives and three were economists. One a research analyst, and two members were presidents or directors of industry organizations.⁶²

Several observers of the process indicated results of the Concentration Committee report

⁶⁰One of the earliest oligopsony theorists was Joan Robinson: "The Economics of Imperfect Competition".

⁶¹"Concentration," Feb. 1996. p. X.

⁶²USDA News release, February 25, 1996 and final signature list on the June 1996 Concentration Report. Mark Drabenstott, V.P. for the Federal Reserve Bank in Kansas City, MO, did not sign the final Concentration Report.

were predetermined by the bias of committee selection.⁶³ Indeed, several committee recommendations point to a bias toward the packing industry, including taking care, "not to overreact to the normal functioning of the cattle cycle already entering the adjustment phase, leading to lower supplies and higher prices," and to refrain "from making recommendations that would slow or prevent the industry's need to adapt to a changing marketplace."⁶⁴

The results of the committee report are as flawed and suspect as the February '96 research study. An example of the committee's ignorance or perhaps distortion of available data was most obvious when in the "Background" section of the report, the committee wrote, "No new or unusual patterns in inflation-adjusted price spreads have been identified in recent months. According to ERS, the relationship between net farm value and Choice retail price since October 1994 does not appear to be statistically different than the relationship that existed from 1979 to the fall of 1994 (based on available data)."⁶⁵

The same ERS data they cite as showing no significant difference in price, does in fact show a significant price spread. In 1979 the data shows a producer's share of the retail beef dollar was 62%. By the fall of 1994 the producer's share had fallen to 51%, in 1995 it was down to 49% and in 1996 it is projected to finish at 45%.⁶⁶

The USDA concentration advisory committee is ethically and substantively flawed and never should have been created in its final form. A policy maker, whose constituency shows a great deal of distrust, does not neutralize the distrust by appointing a policy committee consisting of individuals who are the target of the distrust. The problem is only exacerbated.⁶⁷

A Demand for Change

Every agricultural organization, every university, and every person who cares passionately for our democracy should be calling for a retraction of the *Concentration in the Red Meat Packing Industry* study. It is imperative that a General Accounting Office and Justice Department investigation be launched into the conduct of this study. There is no question more critical to cattle producers today than whether or not their price is effected by packer concentration. In the study's failure to use sound research methods, USDA may have very well cost the livelihoods of thousands American Cattle producers. Perhaps they can live with the results, but cattlemen can't.

⁶³National Farmers Union protested committee selection and Lois Wales, a feeder from Texas was appointed to represent NFU's concerns.

⁶⁴*Advisory Committee Report on Agricultural Concentration*, USDA, June 1996.

⁶⁵Ibid. "Background" p. 4.

⁶⁶*Red Meats Yearbook*, 1995 Table 88. Choice beef values and spreads at retail, wholesale and farm level.

⁶⁷You don't need an expert to understand this point.

A new study must be commissioned. The researchers must be free of bias that corporate research grants most certainly create. The study must be comprehensive, examining, comparing and contrasting data from several different time frames until final, definitive answers to the most critical questions concerning market concentration are provided.

USDA must be held accountable for the lack of appropriate response to this issue. The fact Secretary Glickman attempted to pass off this study as a conclusive document without demanding more definitive results is a profound example of the lack of leadership producers sense from USDA and find contemptible. The fact USDA developed a committee process with very few producers appointed, held sessions in the middle of calving season when few producers could attend, never held a meeting in the heart of cattle country and cut off public testimony after only two days of hearings shows a deliberate, hostile bias against producers.

While this may be the politics of this modern age, it is not the politics of integrity, nor is it the kind of politics which will ensure the survival of this democracy.

At the turn of the century, invigorated by a strong, vocal outcry from producers, labor and consumers, Upton Sinclair created a fantasy world with reality as its foundation. It was this "Packingtown" world he formed that finally tore away the cloud of illusion built by the Beef Trust. With this novel he laid a foundation for changes in laws for decades following which helped to create an unprecedented growth rate in the meat industry. It is with this memory of history, our faith in democracy, and our faith in our culture that we build our hope for the future.

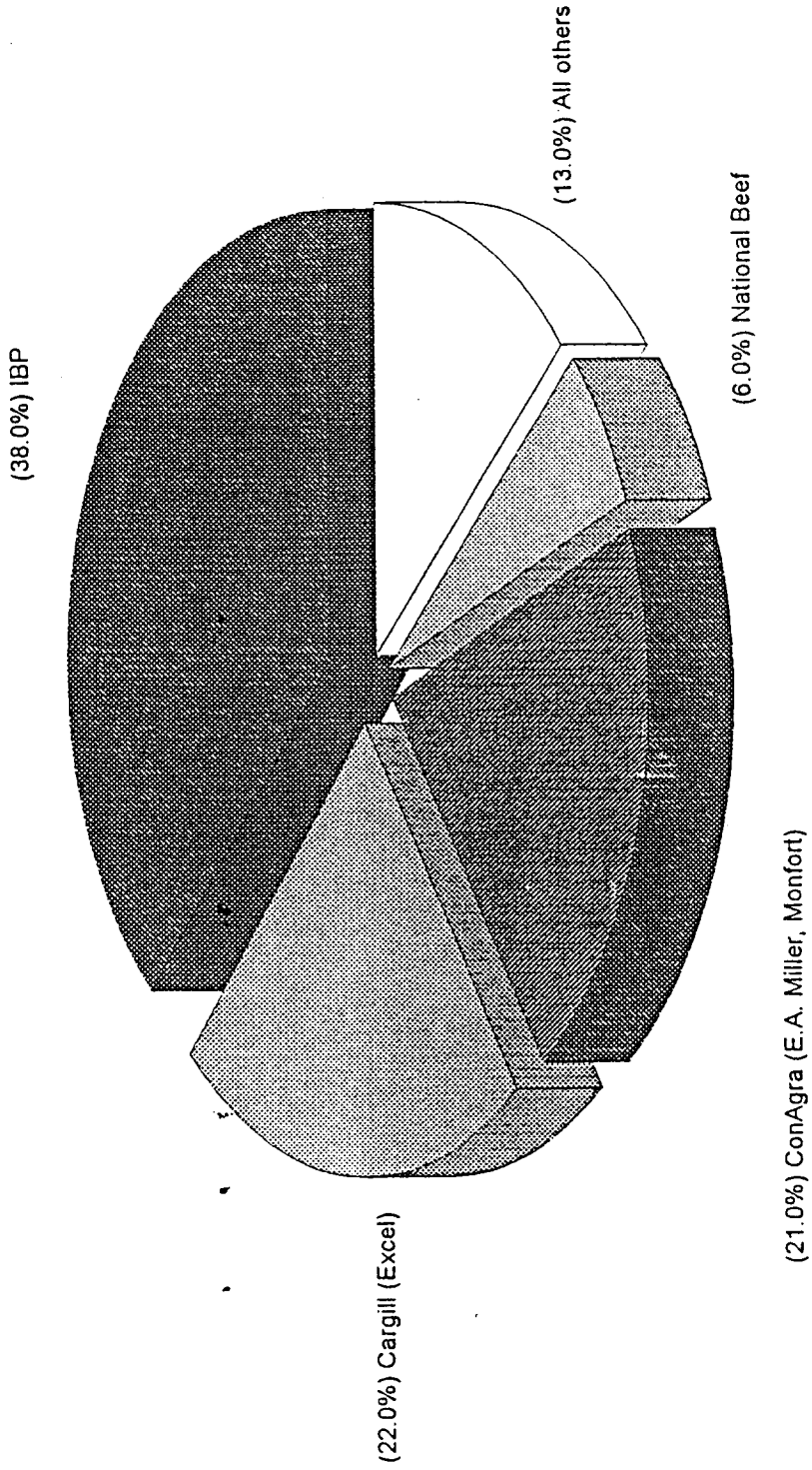
What the hog thought of it, and what he suffered, were not considered; and no more was it with labor, and no more with the purchaser of meat. That was true everywhere in the world, but it was especially true in Packingtown; there seemed to be something about the work of slaughtering that tended to ruthlessness and ferocity — it was literally the fact that in the methods of the packers a hundred human lives did not balance a penny of profit.⁶⁸

The Jungle, Upton Sinclair

⁶⁸Sinclair, The Jungle, p.376-77.

USDA Market Concentration Study Results

Red Meat Market--Steer and Heifer

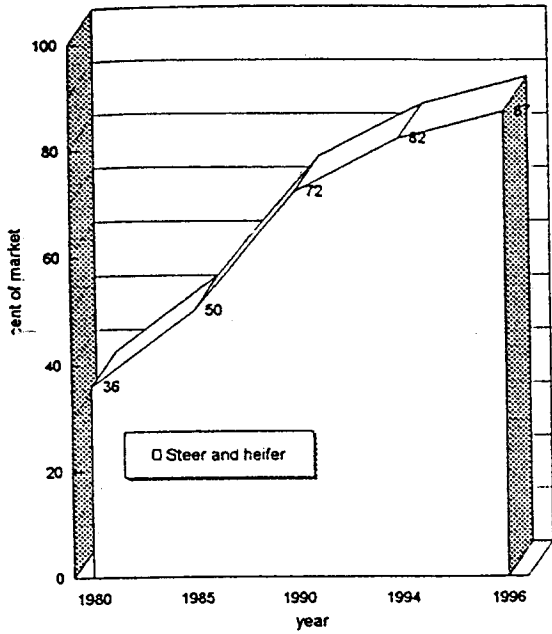


Source: USDA Market Concentration Study, 1996

Share of total slaughter

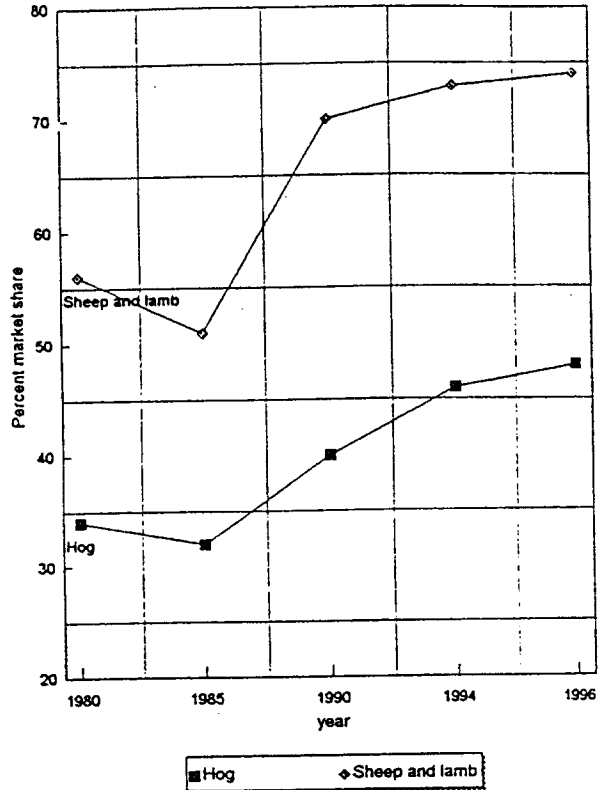
year	Slaughter		
	Hog	Sheep and lamb	Steer and heifer
1980	34	56	36
1985	32	51	50
1990	40	70	72
1994	46	73	82
1996	48	74	87

Share of total slaughter
by the four major firms



Source: Concentration in the Red Meat Packing Industry
Feb. 1996, USDA

Share of total slaughter



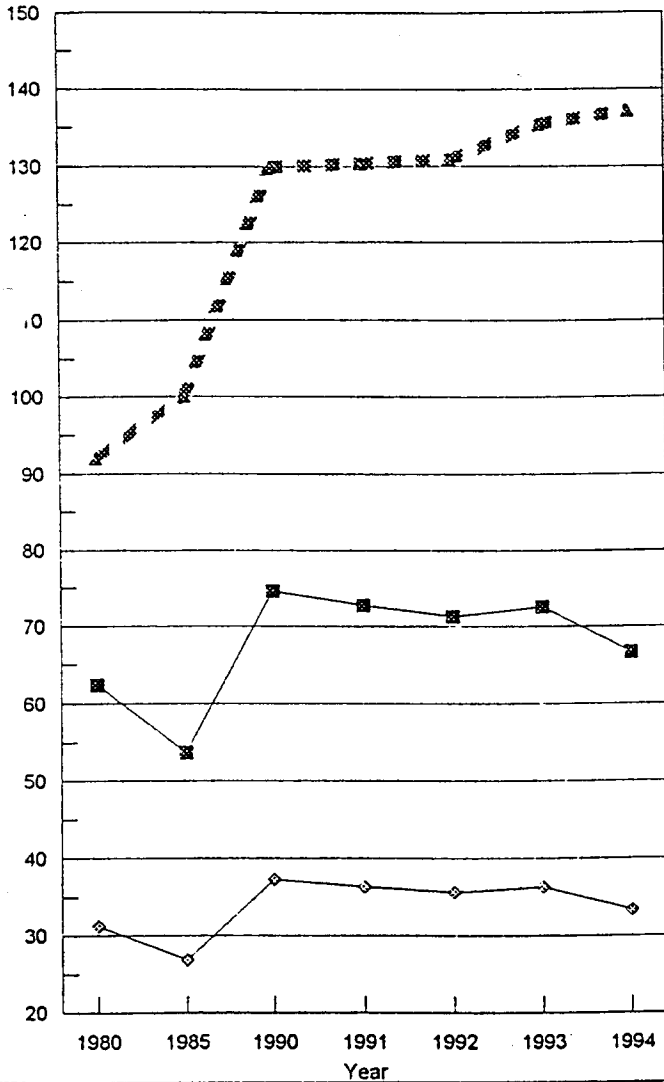
Prices

USDA Agri. Statistics Service

	1980	1985	1990	1991	1992	1993	1994
Beef	\$62.40	\$53.70	\$74.60	\$72.70	\$71.30	\$72.60	\$66.70
Pork	\$38.00	\$44.00	\$53.70	\$49.10	\$41.60	\$45.20	\$39.90
Lamb	\$63.60	\$67.70	\$55.50	\$52.20	\$59.50	\$64.40	\$65.60
Broilers	\$27.70	\$30.10	\$32.60	\$30.80	\$31.80	\$34.00	\$35.00
AVERAGE	\$47.93	\$48.88	\$54.10	\$51.20	\$51.05	\$54.05	\$51.80
Consumer Price Index,	92	100.1	130	130.4	130.9	135.5	137.2

Meat and Beef Prices Relative to the Consumer Price Index

USDA Agri. Statistics Service



In Graph IV the CPI-U was placed above the beef line for an easy visual comparison. By checking the grid lines you can see the differential between the price of beef, the average price for all animal-based protein and the CPI-U.

- CWT Beef
- ◇ CWT AVERAGE
- ▣ Consumer Price Index, Meat, poultry, fish, eggs

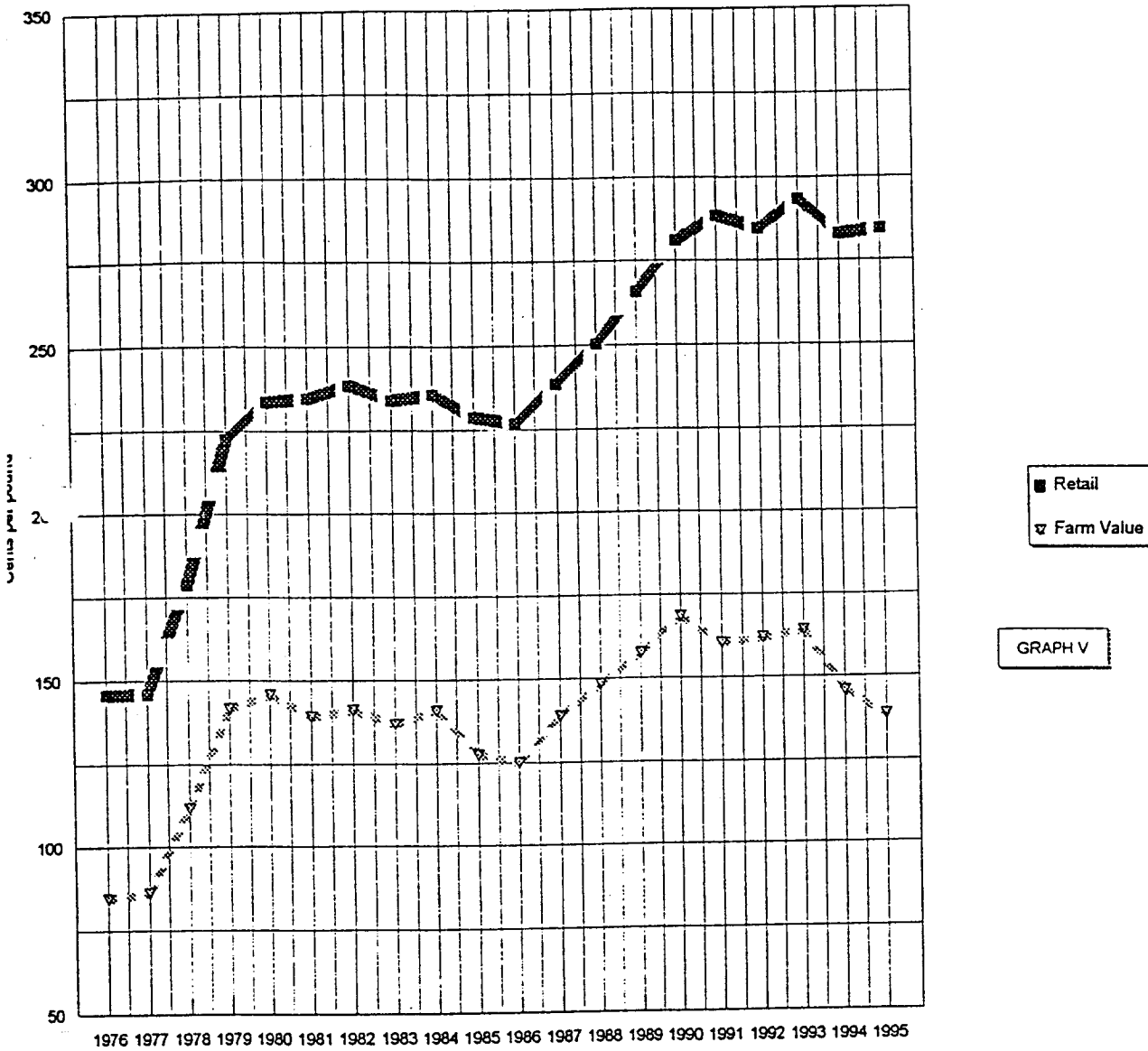
GRAPH IV

Consumer Price Index (CPI) is data collected by the Department of Labor concerning basic goods and services consumers must purchase. It includes food, clothing, medical services and other basic necessities. Broken down into various categories, it can be used as a comparative line between the producer price and consumer retail price. Here consumer retail price levels are compared to producer beef prices. In these tables consumer price index is not specific dollar value, but is an increment of measurement scaled the same as dollar value.

How accurate is the CPI? It is one of the top indicators used to measure inflation and economic variables in the economy. Since January 1978, the Department of Labor has been researching two data groups. One group covers 32% of the population and the other 68%. The larger group (the CPI-U) is used in these models. What the CPI may show us when contrasted and compared with commodity data is whether or not commodity prices have a direct bearing on the retail consumer product. Under theoretical principles of supply and demand, commodity prices should have a measurable effect on consumer prices.

Price differential farm to retail

Choice Beef



GRAPH V

SOURCE: USDA Statistical Service

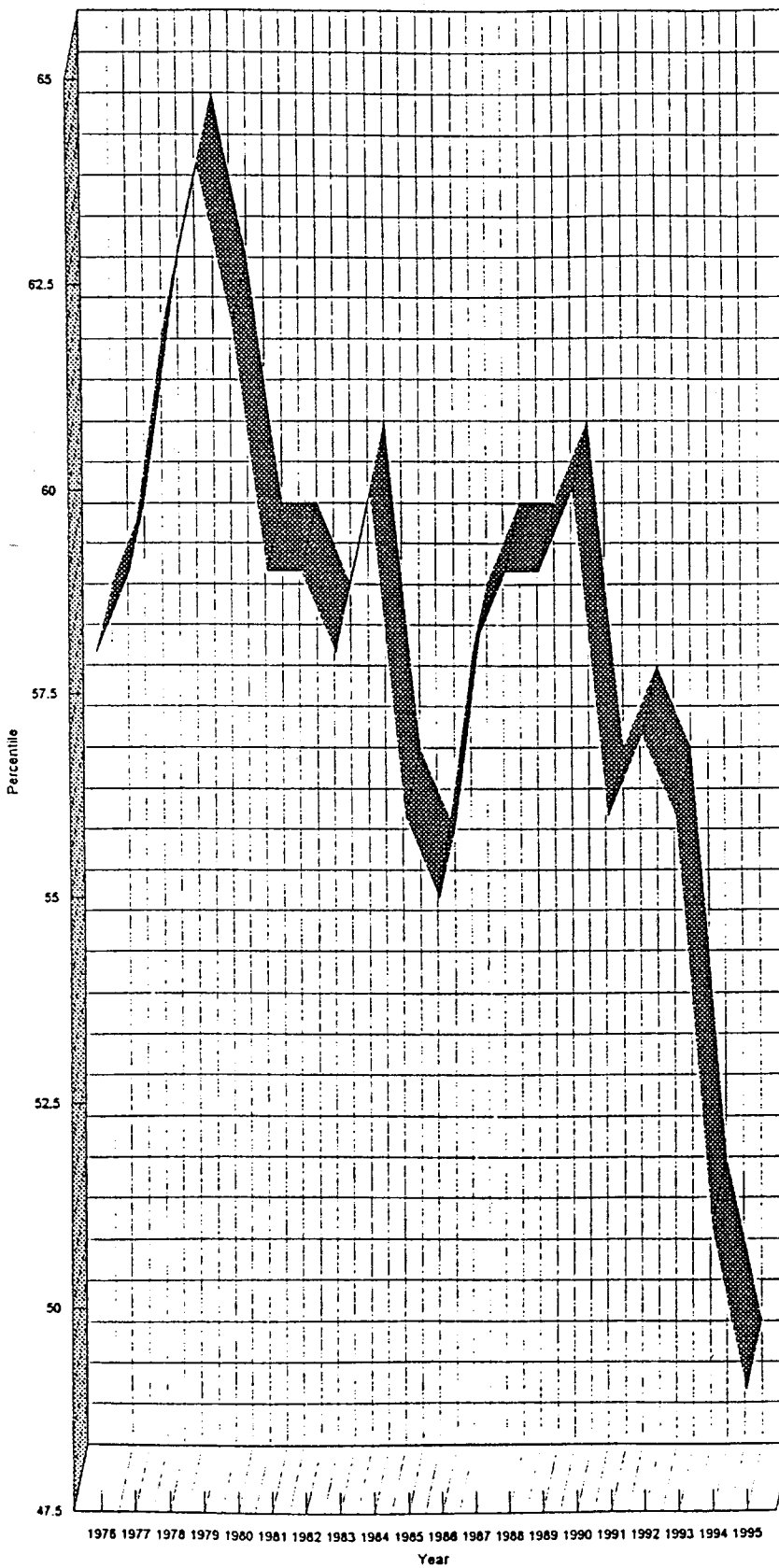
Year	Retail	Wholesale	Farm Value	Farmers sh
1976	145.7	100.7	84.4	58
1977	145.8	103.2	86	59
1978	178.8	131.4	111.7	62
1979	222.4	165.7	141.7	64
1980	233.6	171.1	145.7	62
1981	234.7	164.4	139.1	59
1982	238.4	165.9	141.1	59
1983	234.1	160.1	136.8	58
1984	235.5	162.5	140.7	60
1985	228.6	148.8	127.4	56
1986	226.8	146.5	125	55
1987	238.4	160	138.7	58
1988	250.3	169.4	148.3	59
1989	265.7	176.8	157.6	59
1990	281	189.6	168.4	60
1991	288.3	182.5	160.2	56
1992	284.6	179.6	161.8	57
1993	293.4	182.5	164.1	56
1994	282.9	166.7	145.5	51
1995	284.4	163.9	138.4	49

This data was used by the recent Advisory Committee to assess whether or not market concentration was effecting price. The committee's conclusion was "No new or unusual patterns in inflation-adjusted price spreads have been identified in recent months. According to ERS, the relationship between net farm value and Choice retail price since October 1994 does not appear to be statistically different than the relationship that existed from 1979 to the fall of 1994 based on available data." (June 1996 Report)

What is so misleading about this statement is their comparison of "net farm value" with retail dollar share. Net farm value includes the value of deeded land, farm homes and other assets. Packers are not in the business of buying land—they're buying cattle. The only appropriate data comparison is dollar share. When dollar value alone is used as a tool of measurement, the spread between the consumer and the producer is dramatic.

Decline in Farmer's share of retail beef dollar

SOURCE: USDA Statistical Service



Farmers share

GRAPH VI

Year	Farmers share
1976	58
1977	59
1978	62
1979	64
1980	62
1981	59
1982	59
1983	58
1984	60
1985	56
1986	55
1987	58
1988	59
1989	59
1990	60
1991	56
1992	57
1993	56
1994	51
1995	49

While cycles are visible in many markets, a sustained downward trend in the producers share of the consumer dollar is evident from 1976 to present. One could argue that there have been upward bursts in the producers share of the consumer dollar, but a close detailed examination shows a rise in producers' income is in a shorter time period with the rise in income at 1/2 the comparative level of the price decline. An overall examination shows a continuous decline over 20 years with the sharpest decline being evident at the greatest level of concentration in our history.

US Beef Market Trends 1940-1995

In billions of pounds

Year	Production	Consumption
1940	7.17	7.25
1950	9.53	9.52
1960	14.7	15.46
1970	21.68	23.45
1980	21.64	23.56
1990	22.74	24.03
1991	22.91	24.11
1992	23.08	24.26
1993	23.04	24
1994	24.38	25.12
1995	24.18	25.11

One of the most critical questions producers ask today is supply out-pacing demand? In a simple comparison of pounds of beef produced versus pounds of beef consumed, demand is exceeding supply by 930 million pounds in 1995 figures. While over-all percapita consumption of beef has dropped in the U.S., total consumption has risen reflecting the rise in U.S. population. In 1970 there were 203.3 million people in the U.S. and today there are 250 million making the U.S. the most important beef market in the wealthy, industrial G7.

US Beef Market Trends 1940-1995

Source: USDA Statistical Service

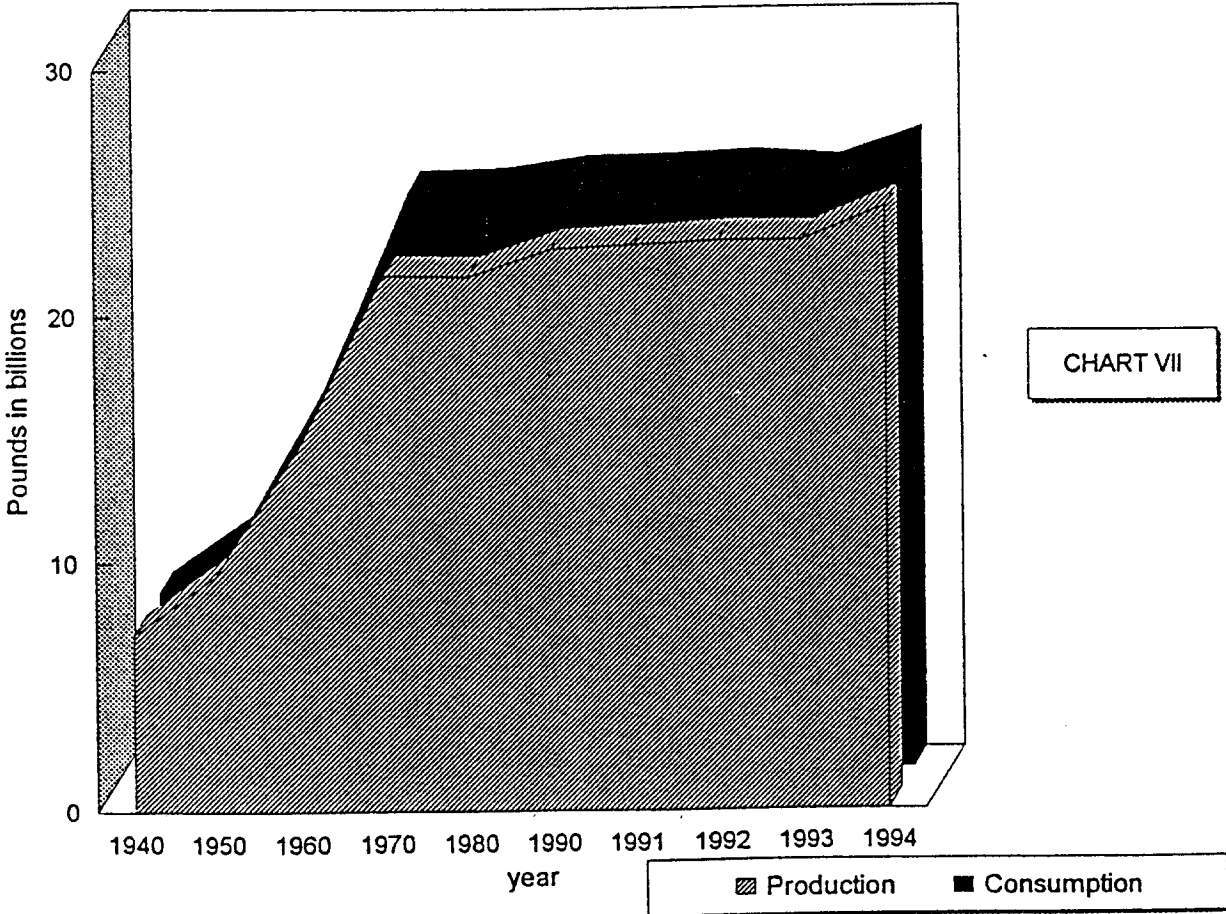


CHART VII

Year	All slaughter	Domestic Slaughter Less Live Imports	Slaughter Price Choice Steer 2-4	Imports Live Cattle*	CWT/\$ change Producer	Cwt % Change Producer	Consumer choice retail	CWT/\$ change Consumer	Cwt % Change Consumer	Imports as % of US Slaughter *	Market share 4 Major Firms
1984	37,582,000	36,899,931	\$66.79	682,069			\$235.50			1.8	
1985	36,294,000	35,582,696	\$59.75	711,304	-7.04	-10.5	\$228.60	-6.90	-2.9	2.0	50%
1986	37,289,000	35,990,323	\$59.25	1,298,677	-0.50	-0.8	\$226.80	-1.80	-0.8	3.5	
1987	35,646,000	34,576,214	\$66.28	1,069,786	7.03	11.9	\$234.40	7.60	3.4	3.0	
1988	35,081,000	34,070,243	\$71.19	1,010,757	4.91	7.4	\$250.30	15.90	6.8	2.9	
1989	33,918,000	32,627,725	\$73.86	1,290,275	2.67	3.8	\$265.70	15.40	6.2	3.8	
1990	33,241,000	31,225,911	\$78.56	2,015,089	4.70	6.4	\$281.00	15.30	5.8	6.1	72%
1991	32,690,000	31,061,908	\$74.21	1,628,092	-4.35	-5.5	\$288.30	7.30	2.6	5.0	
1992	32,873,000	30,939,525	\$75.35	1,933,475	1.14	1.5	\$284.60	-3.70	-1.3	5.9	
1993	33,325,000	30,979,370	\$76.36	2,345,630	1.01	1.3	\$293.40	8.80	3.1	7.0	
1994	34,198,000	32,346,287	\$68.84	1,851,713	-7.52	-9.8	\$282.90	-10.50	-3.6	5.4	82%
1995	35,640,000	32,936,000	\$66.26	2,704,000	-2.58	-3.7	\$284.00	1.10	0.4	7.6	
1996	36,576,000	34,621,014	\$61.52	1,954,986	-4.74	-7.2	\$278.00	-6.00	-2.1	5.3	87%
					CWT/\$ Sum	CWT/% Decr		CWT/\$ Sum	CWT/% Incr		
					-5.27	-7.9		\$42.50	18.0		

Source: USDA/NAASS, Livestock Slaughter Red Meats Yearbook
 Table 88-Choice Beef Values
 USDA/ANIS Table 69-Slaughter steer price,
 Choice 2-4, Nebraska direct, 1100-1300 lb

-K.S. Kelley

*This table does not include imported processed beef, or imported stocker cattle.

What is the real story on cattle numbers? While industry economists have consistently blamed domestic production for the decline in overall cattle prices, statistical comparisons do not support their contention. Today, domestic slaughter less imports is significantly less than domestic slaughter in 1984—yet the price is also significantly less. The difference? Imports as a 100% captive supply of the packing industry have had a dramatic impact on price. Even though over-all slaughter is less than it was in 1984, the price is \$5.27 a hundred weight less. Under pure supply and demand theory, shouldn't the price be greater under these conditions? What is also significant is the overall increase in the consumer price of beef—over \$42.40 a cwt. If this market were truly operating under the theoretical principles of supply and demand, then the consumer price would at least in percentage fluctuations approximate the rise and fall of the producer's cattle price.

Grain Prices per Bushel 1980-94

	1980	1985	1990	1991	1992	1993	1994
Wheat	\$3.91	\$3.08	\$2.61	\$3.00	\$3.24	\$3.26	\$3.45
Corn	\$3.11	\$2.23	\$2.28	\$2.37	\$2.07	\$2.50	\$2.25
Oats	\$1.79	\$1.23	\$1.14	\$1.21	\$1.32	\$1.36	\$1.22
Average	\$2.94	\$2.18	\$2.01	\$2.19	\$2.21	\$2.37	\$2.31
Consumer	2.839	3.07	3.41	3.45	3.515	3.565	3.63

Source: Natl. Agricultural Statistics Service, USDA

Grain Prices Compared to Cereal Products CPI-U

Source: Natl. Agricultural Statistics Service, USDA and Dept. of Labor CPI-U

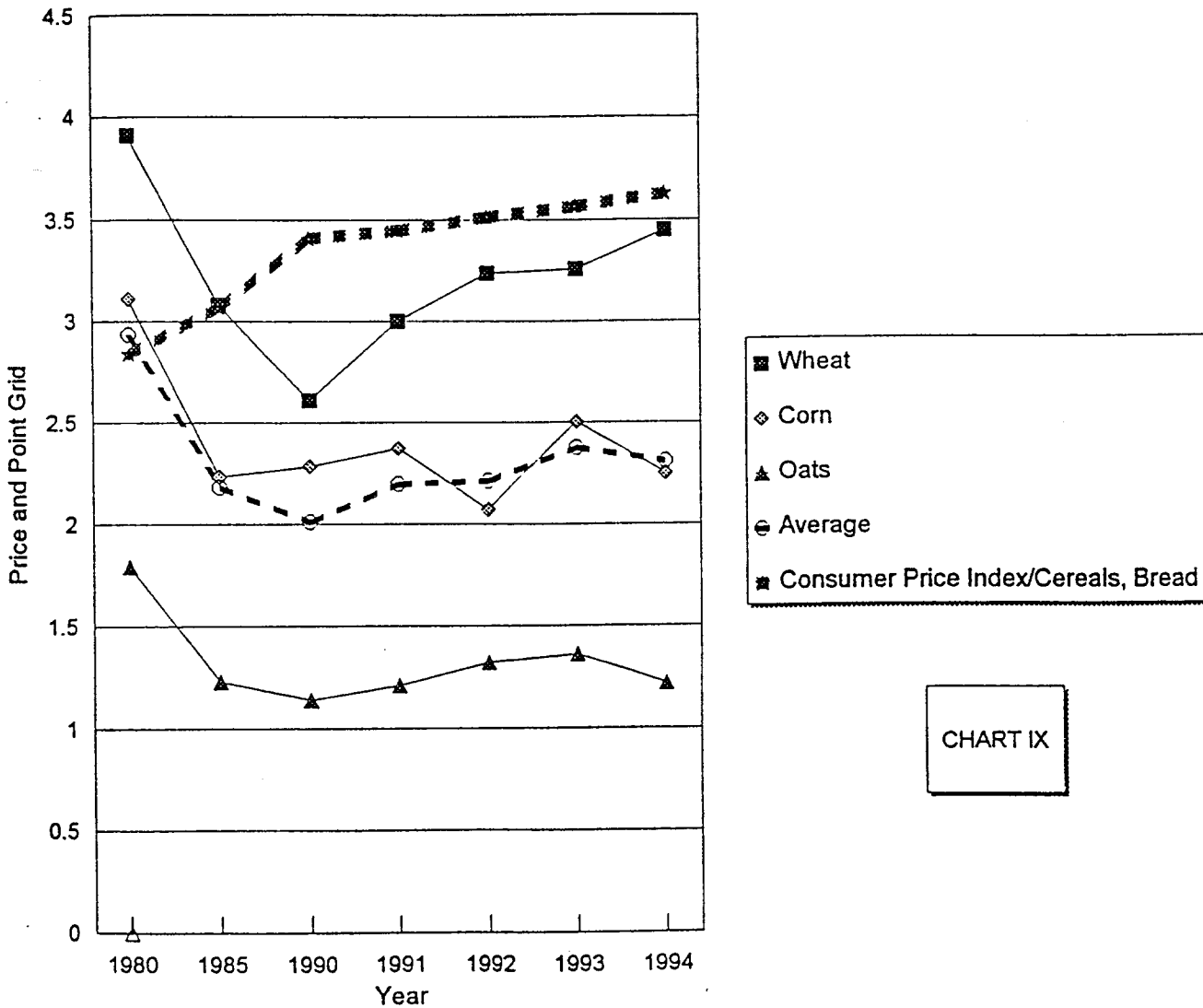


CHART IX

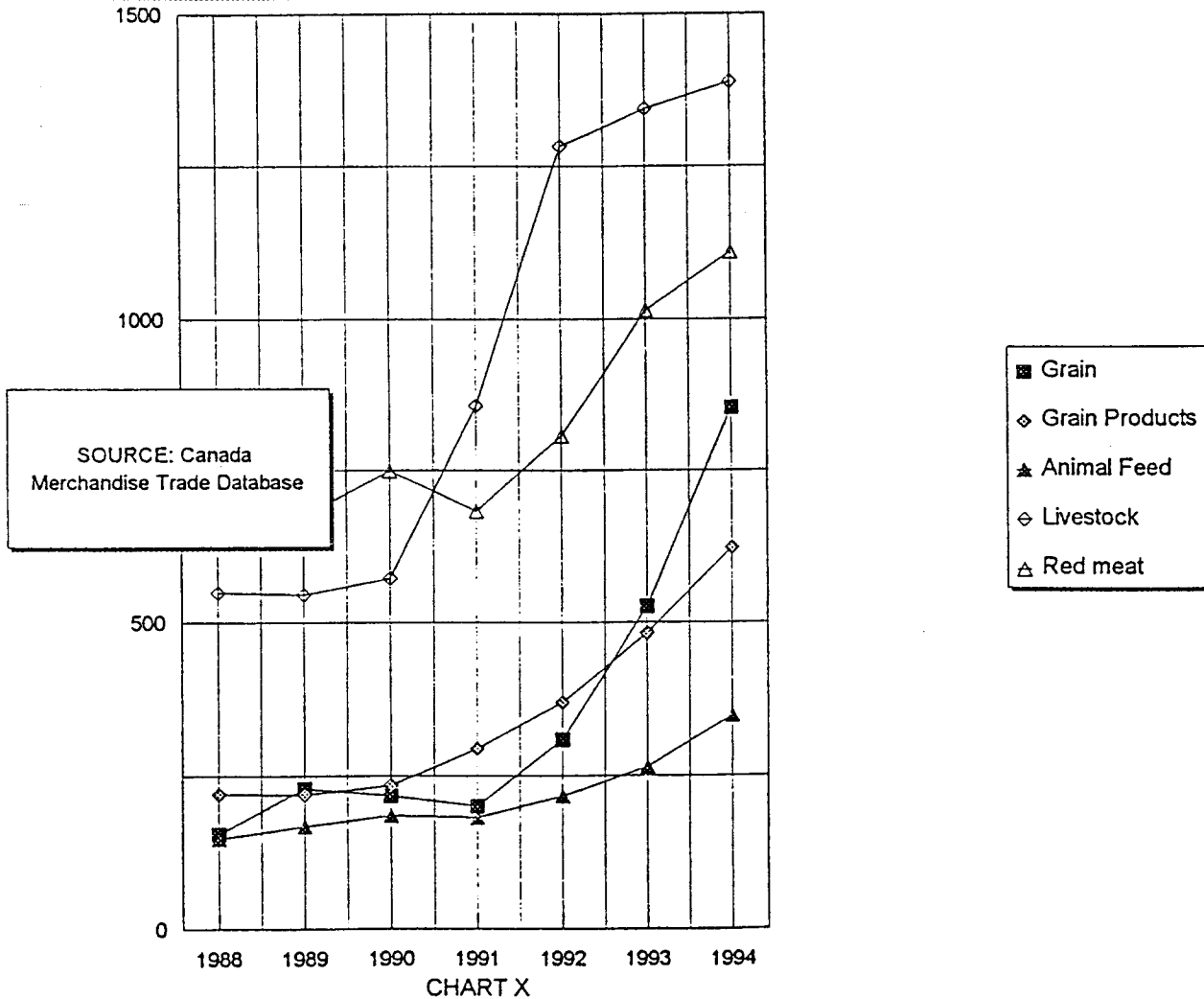
Grain prices and their comparison to the Consumer Price Index show a different curve ratio. Graph IX shows the CPI jumping dramatically from 1980 through 1990 while grain prices are dropping. The CPI-U does not level out and follow the commodity price line until 1990-1994 when there was a public investigation of the "Cereal Cartel". An agreement to role back cereal prices was reached in March of 1996.

CANADIAN EXPORT TRADE TO UNITED STATES

in millions		1988	1989	1990	1991	1992	1993	1994
in		\$155,062	\$229,558	\$217,505	\$200,134	\$308,783	\$525,812	\$853,195
in Product		\$219,970	\$218,817	\$234,085	\$294,784	\$370,115	\$482,805	\$622,417
nal Feed		\$147,085	\$167,027	\$184,754	\$181,564	\$216,251	\$265,094	\$348,927
stock		\$549,230	\$545,739	\$572,944	\$856,718	\$1,283,890	\$1,344,900	\$1,388,354
l meat		\$670,168	\$673,934	\$749,156	\$683,187	\$807,635	\$1,014,236	\$1,108,938

CANADIAN EXPORT TRADE TO UNITED STATES

(in millions)

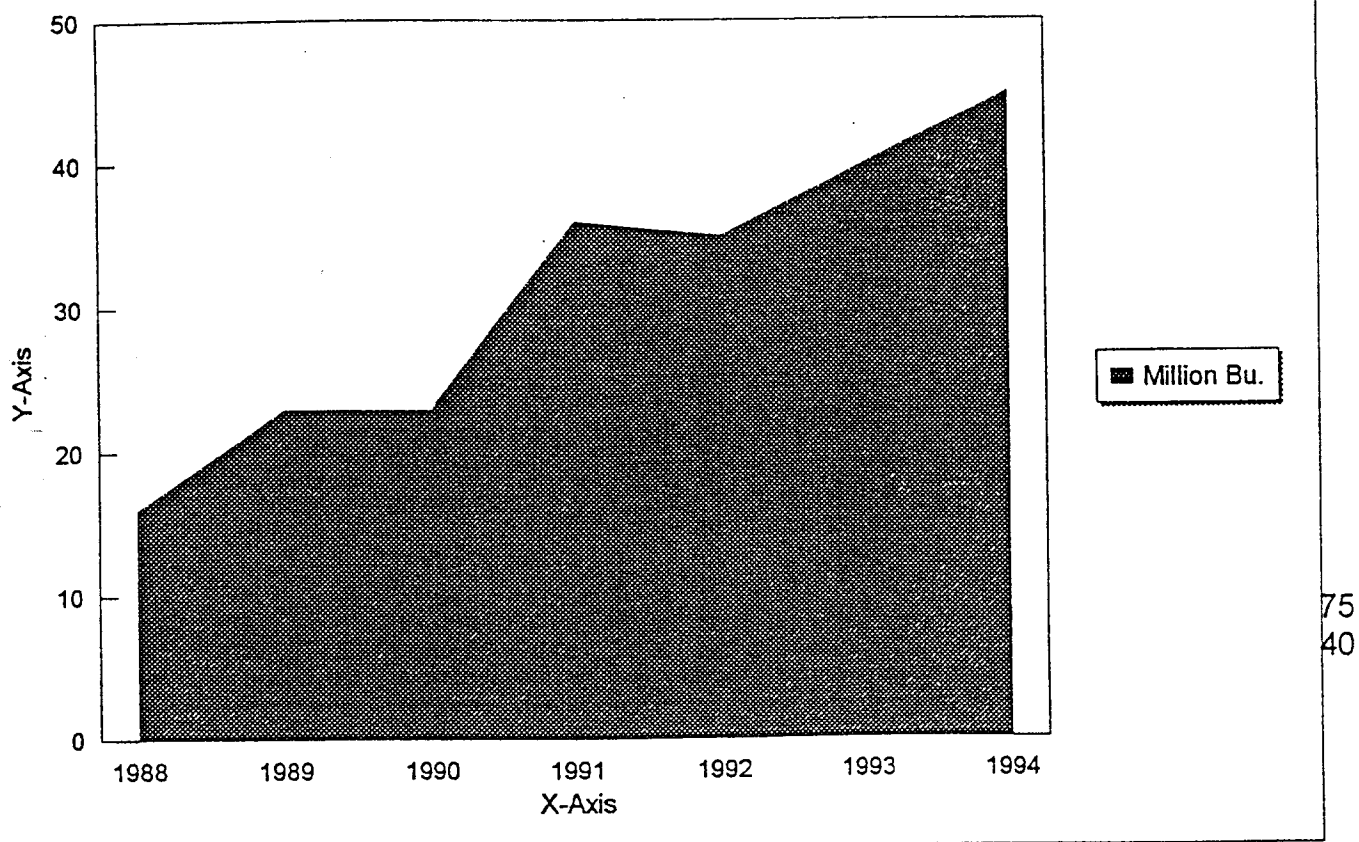


Perhaps one of the most significant effects of corporate concentration is its impact on the world market. With the passage of trade agreements including the Canadian Free Trade, North American Free Trade and the new General Agreement on Tariffs and Trade, data shows a significant jump in food imports into the United States. This particular chart shows a dramatic jump in Canadian export trade shortly after the passage of the Canadian Free Trade Agreement. Data derived for this chart comes entirely from the Canadian Merchandise Trade database. While protests were most visible among U.S. grain producers, it was livestock producers who felt the greatest dollar value impact from the Canadian trade.

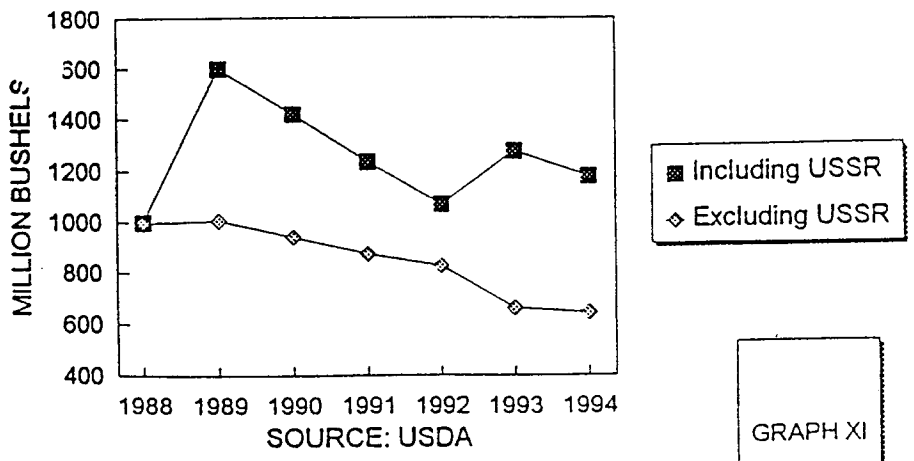
I. S. Wheat Imports

1988 1989 1990 1991 1992 1993 1994
 Million Bu. 16 23 23 36 35 40 45

U. S. Wheat Imports



U. S. Wheat Exports

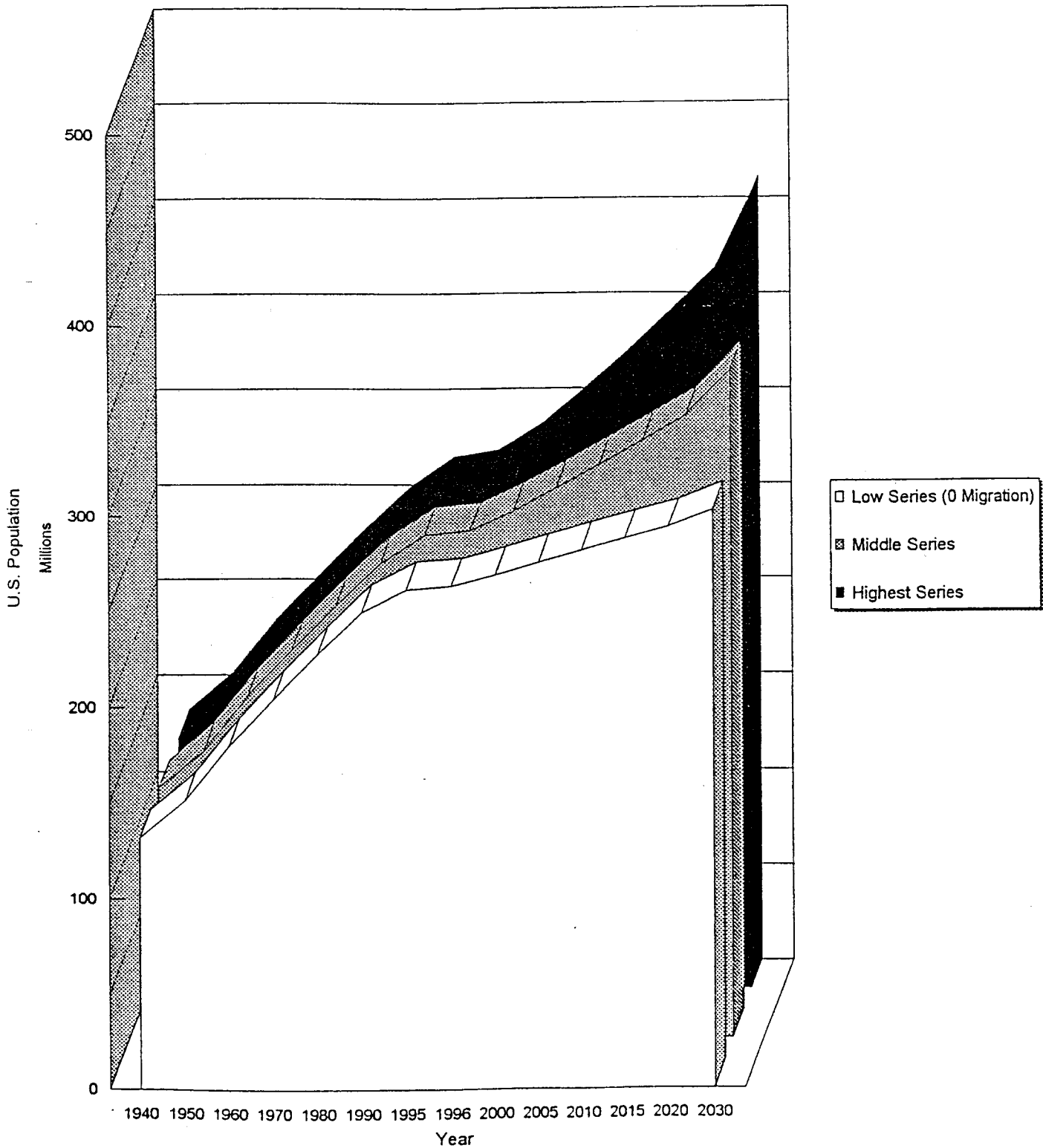


GRAPH XI

Many economists have touted market concentration for its efficiency in capturing shares in the world market, yet U. S. grain export data over the last decade seems to counter this assumption. These graphs illustrate the increase in grain imports into the U.S. while exports declined.

U. S. Population Projections

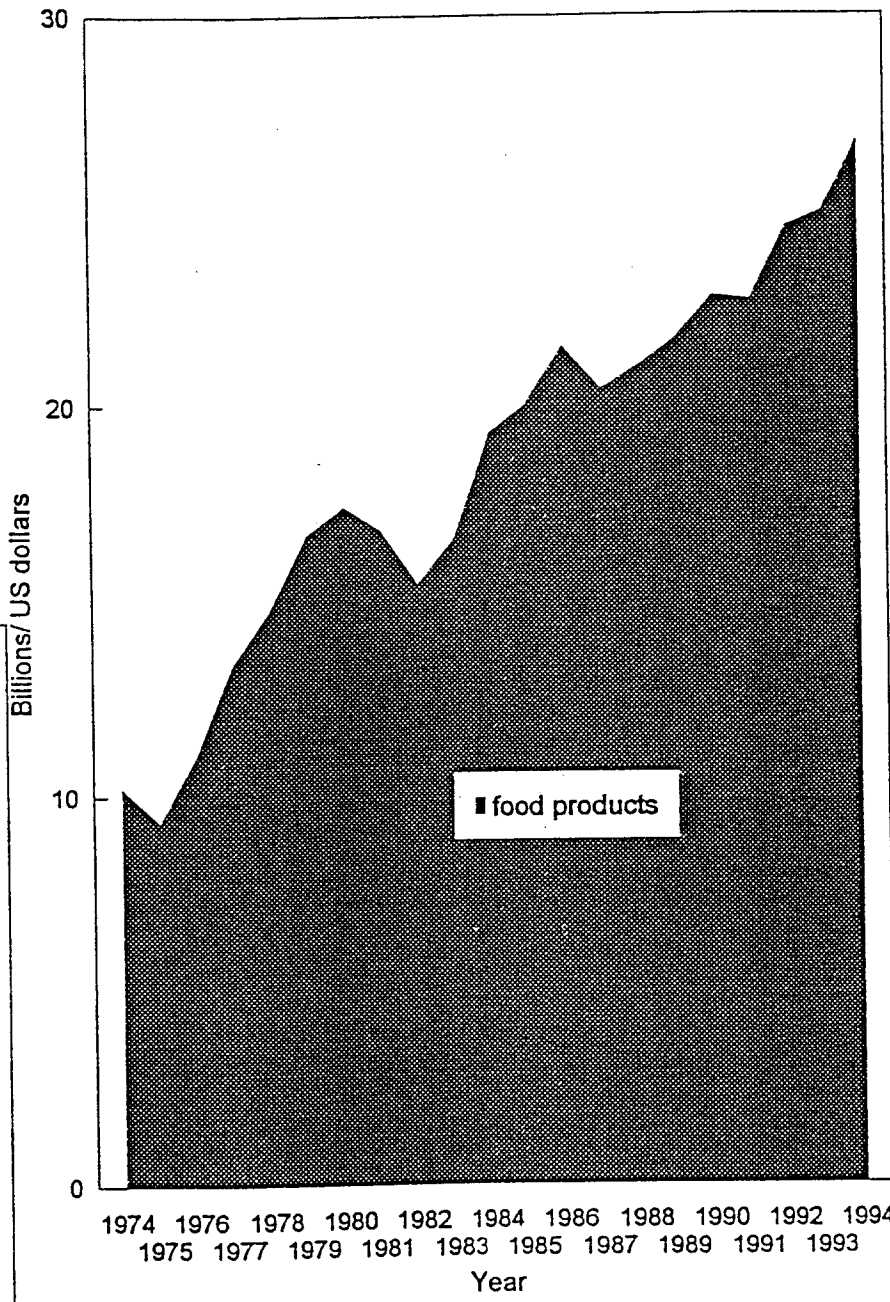
Bureau of the Census



Agricultural Imports for Consumption

1974	10.2
1975	9.3
1976	11
1977	13.4
1978	14.8
1979	16.7
1980	17.4
1981	16.8
1982	15.4
1983	16.6
1984	19.3
1985	20
1986	21.5
1987	20.4
1988	21
1989	21.7
1990	22.8
1991	22.7
1992	24.6
1993	25
1994	26.8

Agricultural Imports for Consumption
United States



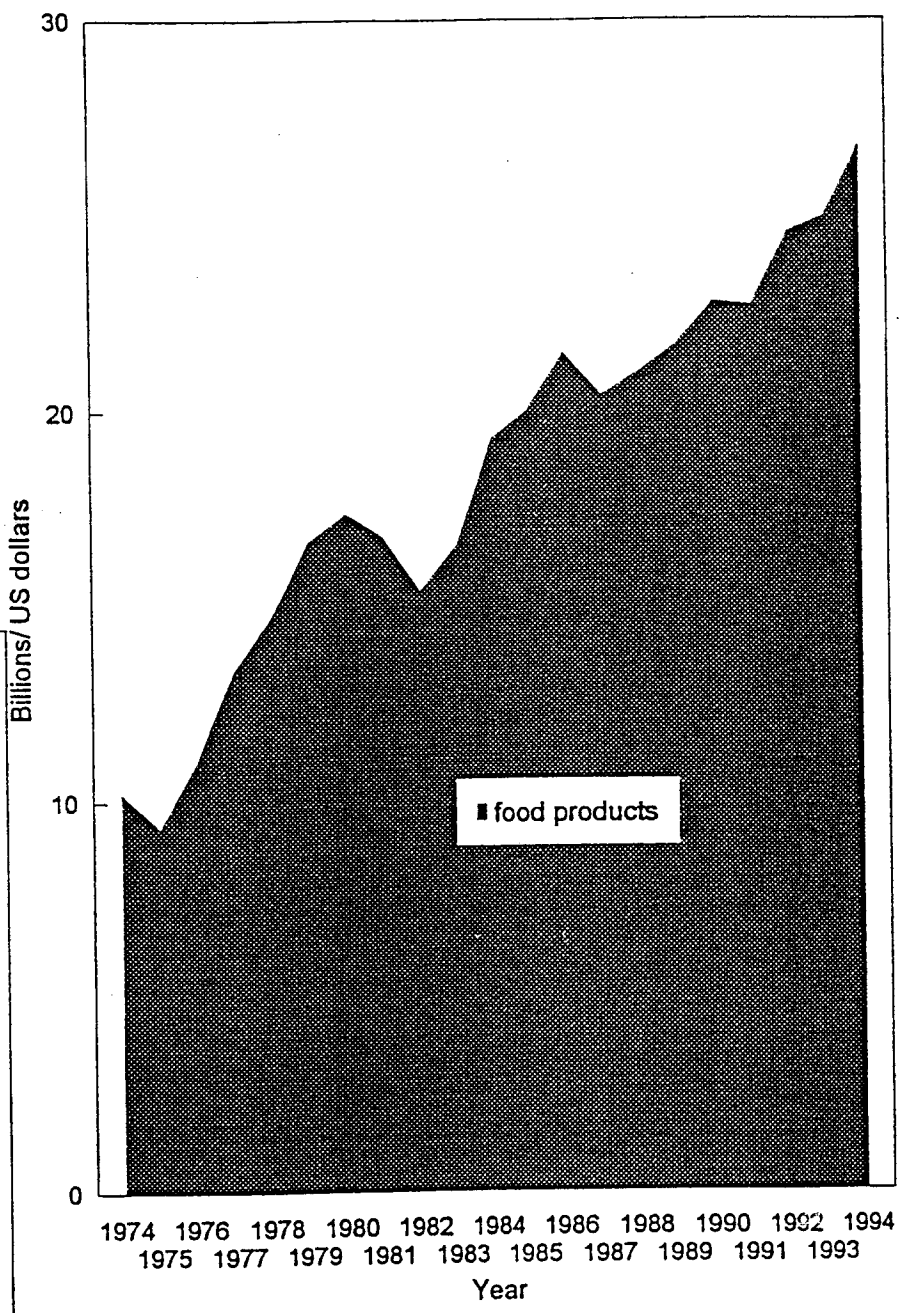
The 26.8 billion dollars in food imports in this graph represents nearly 25% of U.S. food consumption. If this trend continues, by the year 2010, the U.S. will be as dependent upon food imports as it currently is on oil imports. It is here where the most compelling moral and ethical question arises; Should the best fed, most productive agricultural nation in the world be competing for and importing food from developing nations which cannot afford to feed their own?

SOURCE: Economic Research Service
USDA

Agricultural Imports for Consumption

74	10.2
75	9.3
76	11
77	13.4
78	14.8
79	16.7
80	17.4
81	16.8
82	15.4
83	16.6
84	19.3
85	20
86	21.5
87	20.4
88	21
89	21.7
90	22.8
91	22.7
92	24.6
93	25
94	26.8

Agricultural Imports for Consumption United States



The 26.8 billion dollars in food imports in this graph represents nearly 5% of U.S. food consumption. If this trend continues, by the year 2010, the U.S. will be as dependent upon food imports as it currently is on oil imports. It is here where the most compelling moral and ethical question arises; should the best fed, most productive agricultural nation in the world be competing for and importing food from developing nations which cannot afford to feed their own?

SOURCE: Economic Research Service
USDA