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",
Gleunie. 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 if 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"
Geurie N.S.W. 2831

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\ustralia's manag- Mr Walter Bugno, ;ht that I.&J. was string of acquisi- way to its target of a year in sales 2001.

e company had no gets in its sights at

ıow earns $700 r from processing eafoods, bakeries, ingredients, and tatoes to McDon- Restaurants.

0 million annual nes from frozen ınd food service

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 company, Irvine & Johnston, which will hold the remaining 40 per cent stake in the new Simplot subsidiary.

The new business, which is subject to shareholder, regulatory 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

■ 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 Brussels bureaucracy, but by a little-known group of transnational 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 Corporate Europe Observatory.

Its staff have investigated ERT documents and European Union files, and carried out extensive interviews with representatives of lobby groups supported by transnational 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 transnational corporations whose combined 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 transnationals. 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 Commission, looking for ways to increase European integration. The ERT's proposals found close parallels in the commission 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 framework, the corporations shifted their emphasis to the creation of a European transport infrastructure to speed the progress of the single market.

Again working closely with the commission, the ERT successfully 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 constraints 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 threatening achievement has been to get national governments and the EU to institutionalise international competitiveness as their primary policy objective. This narrow emphasis was clear at last month's meeting in Amsterdam, where the follow-up to the Maastricht Treaty was agreed.

The new treaty allowed the environment one tiny step forward, 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 countries to protect their environment 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 undermined 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.

Guardian

(1)

CHEMICAL CAPITALISM

The seeds of a conspiracy: Big Brother will have us eating out of his hand

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.

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 growing in the century to come."

Monsanto's claims about the environmental and human impacts of its produce 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 acquisitions, 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 germlines 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 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.

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

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.

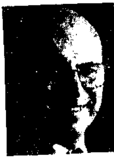
With astonishing rapidity, a handful of companies is coming to govern the global development, production, processing and marketing of our most fundamental commodity: food. The power and strategic control they are amassing will make the oil industry look like a cornershop.

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

(13)



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 Mor ·. These trees are expe 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 sh··s had risen 600 per cent · ·re selling on a price-earni·· 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 material. (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 Gottliebsen is editorial director of Business Review Weekly.

Opportunity

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LESLIE LOBLE

10.8.98

Voters ready to dump globalisation policies

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

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" 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.

Crisis at the IMF's risk-free casino

Capital speculators, not the world's poor, should carry the consequences of their failed investments.

SMH. July 16-98

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 witnessed the 1930s Depression, they sought to create an institutional structure capable of regulating private capital. They realised these markets were failure-prone because of the tendency to panic and recognised that a general collapse could follow.

When Keynes designed the IMF he therefore ruled out capital liberalisation. Currency convertibility was required only for current account operations – broadly, trade and profit repatriation.

Today the IMF is being revolutionised. Countries borrowing from the fund will be required to liberalise their financial systems; the upshot will be an unprecedented transfer of sovereignty to global markets dominated by Wall Street's increasingly monopolistic conglomerates.

The conglomerates, led by Citigroup and Chase Manhattan, see the IMF as a mechanism for access to outlets for bonds, equities and commercial loans. According to the fund's managing director, Michel Camdessus, capital markets are no different from any others, and liberalisation will maximise efficiency and output. Evidence from each successive financial crisis in the real world suggests otherwise.

Take the case of Indonesia. This year, the economy will contract by 15 to 20 per cent, dragging another 40 million into poverty. Investment has 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 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 thct 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

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

[2]Knute 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 trengths 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

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

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

[5]Perhaps 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 siting 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]

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[7]Ibid.

[8]Olive 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."

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

[10]Information 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]

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

[12]Securities Data Co., Oct. 1995.

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

[14]Ibid.

[15]John 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.

[16]John 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

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

[18] Hoover's p. 177.

[19] Ibid, 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." Assisstant Secretary of Agriculture for International Affairs, Clarence Palmby led a team of

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

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

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

[23]Securities Data Co. Oct. 1995.

[24]Hoover's Handbook. p. 219.

[25]The 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

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

[27]Hoover's Handbook, p.127.

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

[29]Hoover's Handbook, p. 548.

[30]In 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.

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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."

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

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

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

[34]Economic 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

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

[36]Leo 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.)

[37]See 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.

[39]See 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.

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

PAC Contributions from Agribusiness[a]

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

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

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

[44]Ibid. 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

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[45]Alan 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 coporate 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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[46] USDA appointment list.