

**Market Concentration  
The Impact on Producers,  
Consumers and  
Rural Communities**

**What can be done?**

**Tiffin Conference Series January 9, 2003  
Lethbridge, Alberta**

**By Mike Callicrate**

# **OLD INDUSTRIALIZED FOOD SYSTEM**

**For Corporate Good**

**Non Competitive**

**Stagnant**

**Extracts Wealth**

**Destroys the Environment**

**Destroys Rural Communities**

**Divides & Separates**

**Externalizes Costs**

**Investment in Wall Street**

**Win - Lose**

# **NEW SUSTAINABLE FOOD SYSTEM**

**For Public Good**

**Competitive**

**Innovative**

**Creates Wealth**

**Protects the Environment**

**Renews Rural Communities**

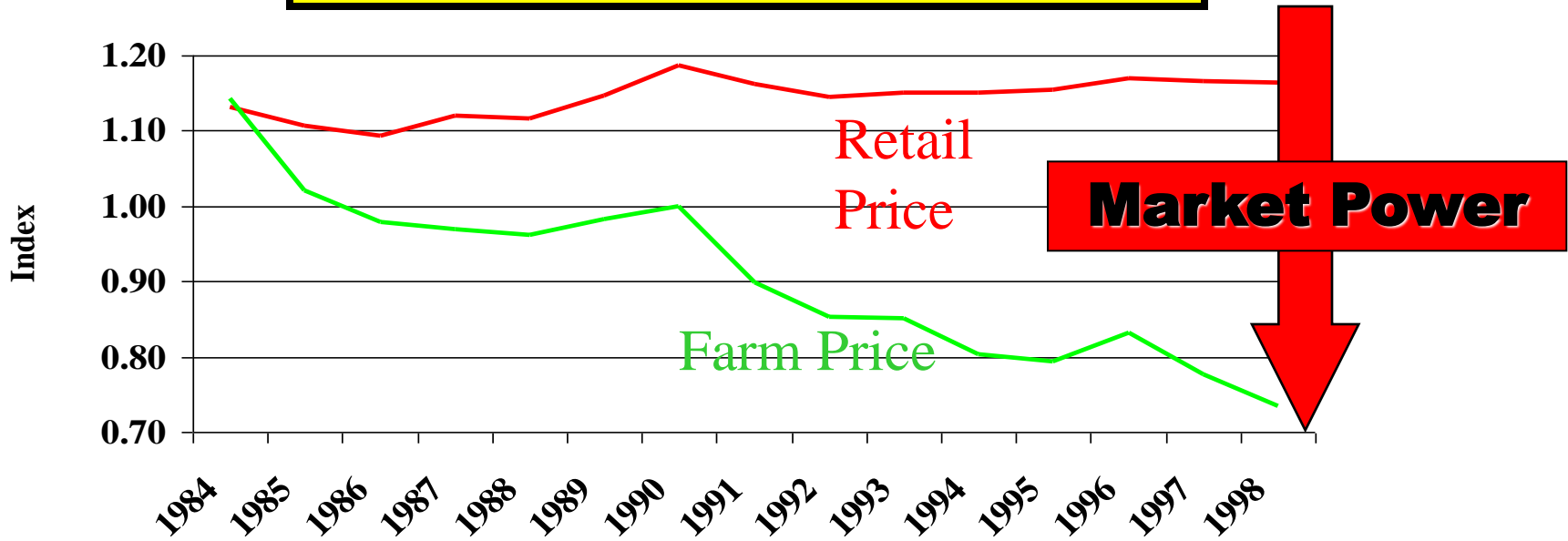
**Unifies Through Cooperation**

**Internalizes Costs**

**Investment in Main street**

**Win - Win !!**

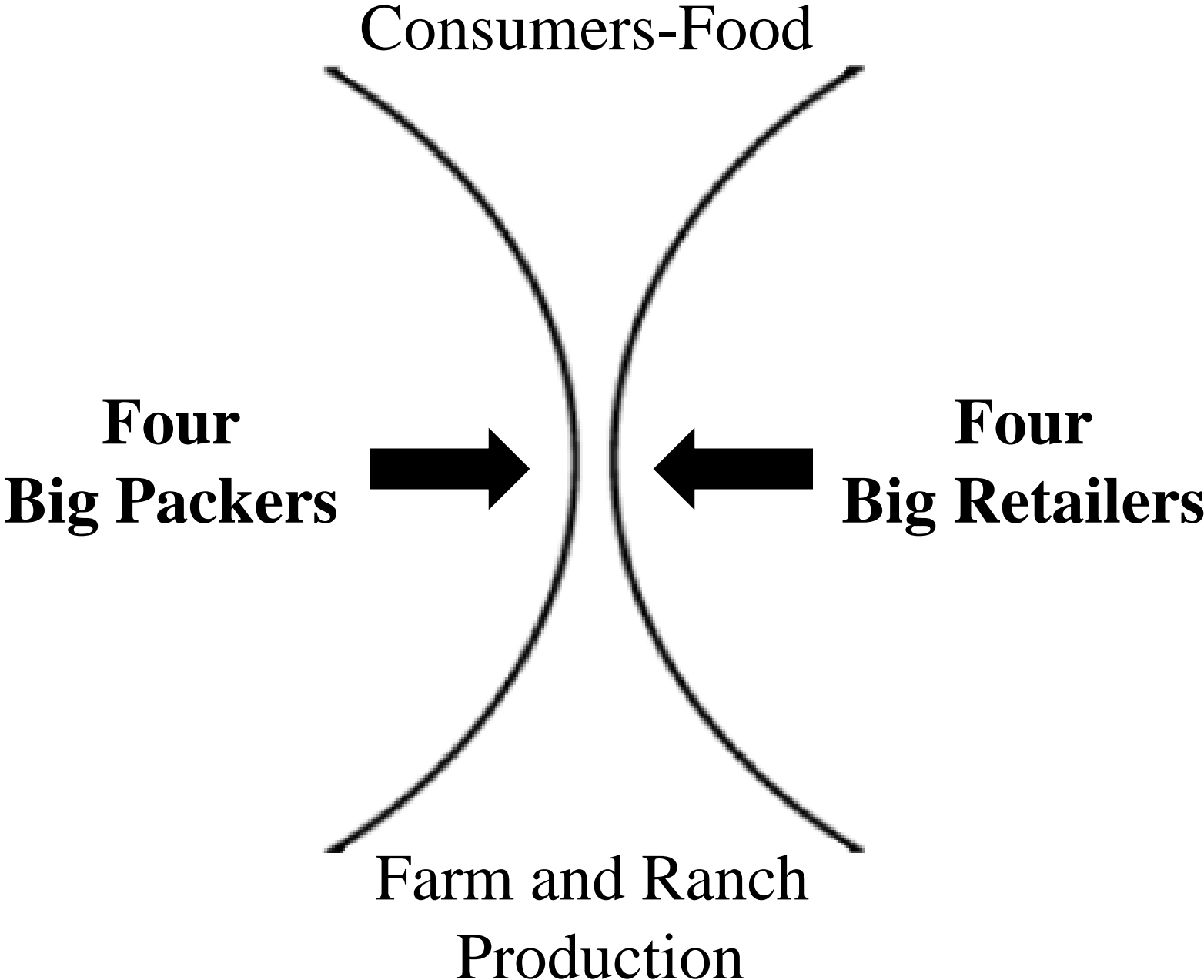
# PLUNGING FARM INCOME !



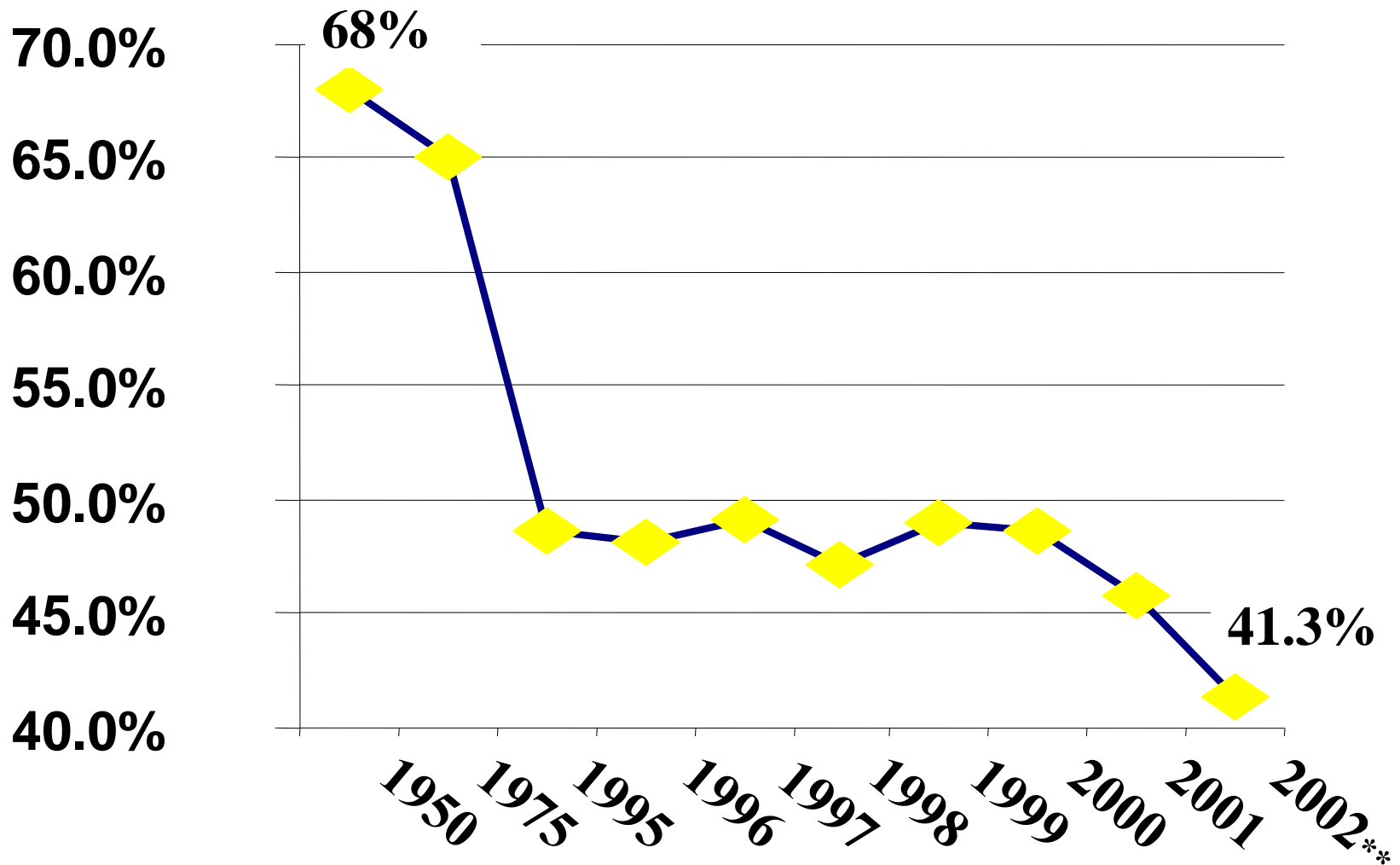
- USDA Data

**“The increasing gap between retail food prices and farm prices in the 1990’s is due largely to exertion of market power, and not to extra services provided by processors and retailers.”**

- C. Robert Taylor, Alfa Farmers Eminent Scholar, Auburn University



# Producer Share of Consumer Beef Dollar\*



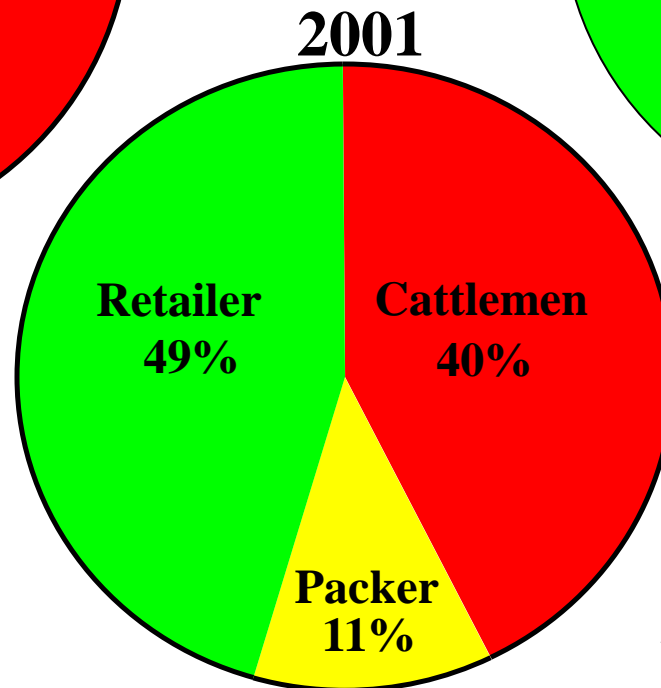
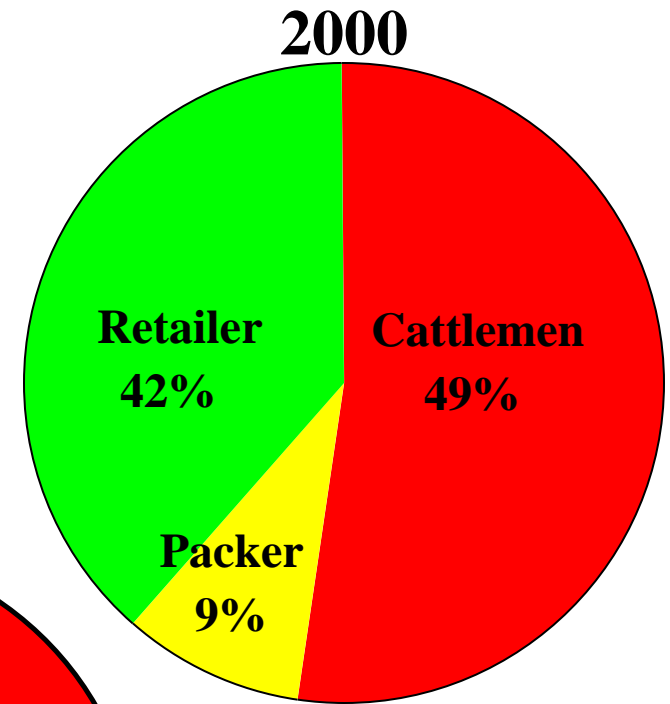
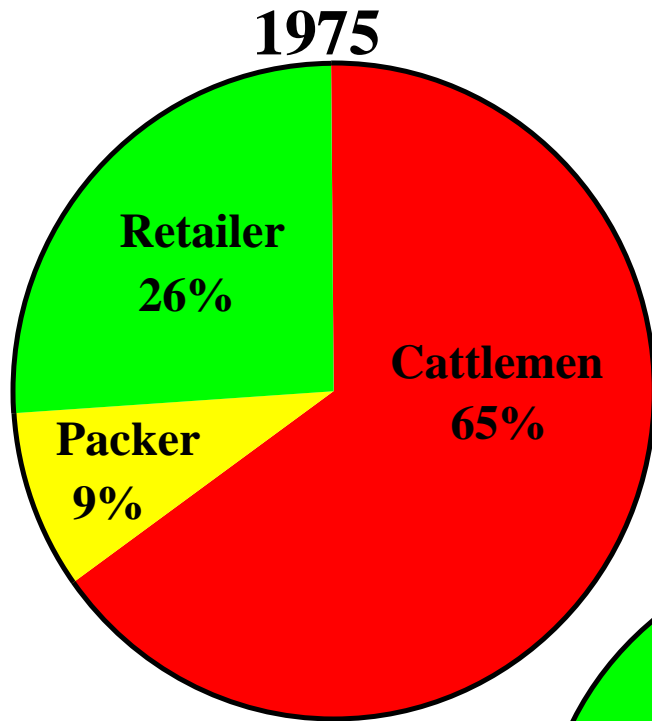
\*All Fresh Choice Beef – USDA – ERS Data

—◆— **Farm Share**

\*\* 3rd Quarter

Never before has there been so much money in the food system, and never before has so little of the consumer food dollar gone to the producer of that food.

# Breakdown of Retail Beef Dollar - A Picture of Abusive Market Power and Producer Poverty



Source for price spread figures:  
USDA, ERS



**Concentration and the resulting market power of the big packer and retailer has cost cattlemen over \$300/head of their share of the consumer beef dollar.**

**“...there is no stopping it (concentration). This is an evolution that’s going to take place in spite of whoever is in the way.”**

Robert Peterson, IBP Chairman and CEO, July 1996  
\$20 Billion by 2001 article, in *Meat and Poultry*

Throughout history, the greatest threat to a free society has been the concentration of power and wealth into the hands of a few.

**“Economist Paul Krugman notes that the top 0.25 own more wealth than the other 99<sup>3</sup>/<sub>4</sub> percent combined.”**

- “The Super Rich Are Out of Sight”, by Michael Parenti, December 2002

# Concentration in Food Retailing

- **In 1992, the five leading chains controlled 19 percent of U.S. grocery sales**
- **By 1998, the five largest chains (Safeway, Albertson's, Kroger, Ahold and Wal-Mart) controlled about 33 percent of U.S. grocery sales**
- **Estimates in 2000 -- 42 percent of U.S. grocery sales by the five largest firms**
- **Projection: in three years, absent rigorous antitrust enforcement, the figure will exceed 60 percent.**

# Five Leading Firms in Retail Sales

	<u>Sales (billions)</u>	<u>Percentage of total sales</u>
Wal-Mart	\$57.2	11.1
Kroger	\$49.0	9.5
Albertsons	\$36.4	7.1
Safeway	\$32.0	6.2
Ahold USA	\$27.8	5.4

# Four Firm Packer Concentration Ratios (in percent)

Year	Cattle	Steer & Heifers	Cows/Bulls	Hogs
1980	28	36	10	34
1985	39	50	17	32
1990	42	55	18	33
1995	69	81	28	46
1996	66	79	29	55
1997	68	80	31	54
1998	70	81	33	56
1999	70	81	32	56
2000	69	82	32	56

Source: International Agricultural Trade & Development Center, University of Florida

The deadly combination of concentration and vertical integration...

**Why don't you sue Wal-Mart?**

**- John Tyson**

Alliance:

The union of two thieves with their hands so deep into each others pockets that they cannot separately plunder a third.

- Ambrose Pierce



**Tyson  
Cargill  
ConAgra**

**Wal-Mart  
Kroger  
Safeway**

**A FULLY LOADED 10 GAUGE - AIMED AT YOU !!**



Big packers and retailers are robbing the bank.

Cattle feeders who provide captive supplies are driving the getaway car.

**Alliance:**

**The collective commitment to a common goal representing a greater good than can be accomplished individually.**

- Mike Callicrate

**Are we financing our own  
transition into slavery?**

# Dynamics of The Packers' Game Plan?

How to control cattle feeding without spending a dime

- Offer preferential contracts to the Chosen Few
- Preferential deals for some will lead to an increase in aggregate supply
- This will depress cash price for slaughter animals
- The preferential price for the Chosen Few is enough to maintain their profitability even with lower cash prices
- But independents will be eventually forced out of the business due to sustained losses
- After the independents are gone, the preferential deals for the Chosen Few will evaporate
- End result: Independents are gone; Markets are gone; Chosen Few are controlled by Packers; DoJ will not enforce predatory pricing, so upstarts will be quickly forced out; participation in production will be “by invitation only”
- And along the way, the Packers might be able to buy production facilities at bankruptcy prices

**“The farmer can withstand the challenges of unpredictable weather, he can stand the up and downs of a fickle but fair marketplace, but the one thing neither he nor the small businessman can withstand is the calculated corruption of these gargantuan multinational corporations. When the multinational corporations have been exposed as the scheming greedy giants that they are, it’s going to be interesting to see how long Americans will put up with allowing them to financially rape unsuspecting citizens.”**

**Marinell Strain, Oklahoma Contract Poultry Growers**

**EDMONTON -- About one-third of Alberta pork producers may be forced out of the business because of a big drop in the sow market.**

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Broadcast News (BN)...09/04/2002

As recently as 1992, there were 12,000 pork-producing operations in Nebraska and about 4.6 million hogs living on them. In just 10 years, those numbers have dropped to 2,900 operations and 2.9 million hogs.

- Nebraska Agricultural Statistics Service, Dec.1, 2002

# Cattlemen's Anti-Trust Suit against Tyson/IBP Moves Toward Trial

“The petition for permission to appeal . . . is **DENIED.**”

“*Pickett* is a massive antitrust case,” Whatley says. “Its goal is to make sure the markets work – and are not depressed by captive supplies”, adds Domina.

- March 8, 2002



## **Cattlemen sue packers - 'a line in the sand'**

A group of Midlands cattlemen filed class-action lawsuits Friday claiming that the meatpacking divisions of ConAgra Inc. and Cargill Inc. have used contracts and ownership of livestock to depress the cash cattle market.

- May 11, 2002

# Hog Farmers File Suit Against Tyson Foods

As expected, at least 80 separate Arkansas and Oklahoma hog producers who grew live hogs for Tyson Foods Inc. filed a lawsuit Thursday in Pope County Circuit Court for undetermined damages caused by the financial and emotional collapse of their farming operations.

By John Henry, Daily News - 9/12/02

# **Cargill Sued by Turkey Grower**

Sat, Nov 9, 2002

## **Company's Policies Like 'Indentured Servitude,' Lawsuit Says**

Burl Jones, a Franklin County, Arkansas, turkey grower, sued Cargill and Jesse Mahan, the Ozark region grow-out manager, claiming the company's policies are manipulative, coercive, fraudulent, overreaching, deceptive and unfair, resulting in a situation similar to indentured servitude.

# **Turkey growers file suit - Cargill cancels contracts**

“The Schauers are two of about 50 turkey growers in Gonzales, Lavaca and Caldwell counties that have filed a lawsuit against Cargill claiming that the company drove them out of business by making false statements to encourage them to spend more money and then unlawfully terminated their contracts...”

- July 24, 2002, Ann Rundle, Victoria Advocate

A picture of unfair market practices and retaliation...



Callicrate Feedyard, St. Francis, Kansas, November 2002

# **A few of the Biggest Lies:**

- **Wall Street is the economy.**
- **“Globalization” will mean a more peaceful world.**
- **Price is the result of supply and consumer demand.**

**Wall Street  
USDA  
Lackey Org.s -  
AMI/NCBA/NPPC  
Sparks**

**Corporate  
Controlled  
Globalization**

**ANOTHER FULLY LOADED 10 GAUGE – Loaded with  
policy and laws favoring big business.**

The United States founding fathers believed the economy should serve the people, not the people serving the economy.

The economy should serve the American working man and woman and the domestic producer, rather than the the interests of multinational corporations.



Breimyer called the 1996 Farm Bill the worst ever. "What is worst of all ...and indefensible, is the paying out of big bucks (1) irrespective of the level of market prices, and (2) without necessarily requiring performance on the farmer's part. The former is often put in terms of seriously weakening the safety net that has long been a distinguishing feature of farm programs."

“... The new Farm Security and Rural Investment Act of 2002 - the new farm bill - does nothing to secure the future food security of this country, and it does nothing to enhance the investment in rural areas. The farm bill just passed does nothing more than continue to subsidize wealthy landowners and the corporations that are basically destroying opportunities for family farms and destroying the future of rural communities. What's driving agriculture is people who are politically and economically powerful. They have a firm grip on the economic trough...”

- John Ikerd, Professor Emeritus, U. of Missouri

**“Farming needs to work for food production, for taking care of creation, for community development, and for family life.”**

- Christian Farmers Federation of Ontario

**“...the price of dressed meat had increased nearly fifty per cent in the last five years, while the price of ‘beef on the hoof’ had decreased as much, it would have seemed that the packers ought to be able to pay; but the packers were unwilling to pay...”**

*-The Jungle 1906*

**ROBBER CAPITALISM**



# Regulation of Economic Power is Required to Ensure the Preservation of the Free Market System

Adam Smith, late 1700s

J.B. Clark, early 1900s

Frank Knight, early to mid 1990s

# Is the Global Food System Out of Control?

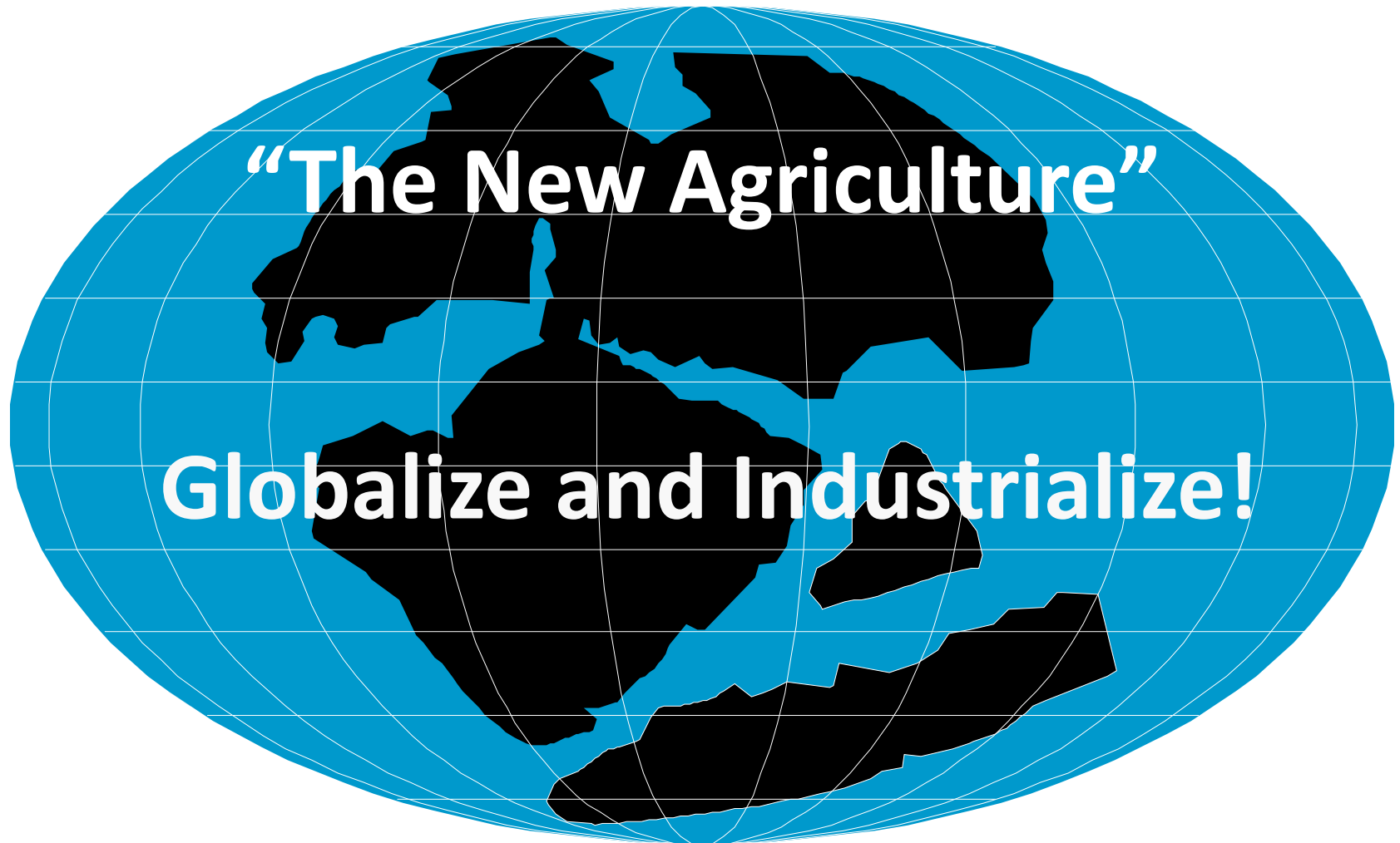
- Our present economic system has emerged *without any apparent forethought* about what kind of economic/social system citizens want
  - Change has been driven by corporate interests and investor interests
  - The Fathers of a competitive market economy recognized that there is an inherent instability in the system:
    - A competitive market economy may evolve, through natural growth, acquisitions or mergers, to monopoly
    - Unless the market is regulated
    - Antitrust laws were intended to prevent this outcome



# The Well-being of Society Depends on Maintaining a Balance Of

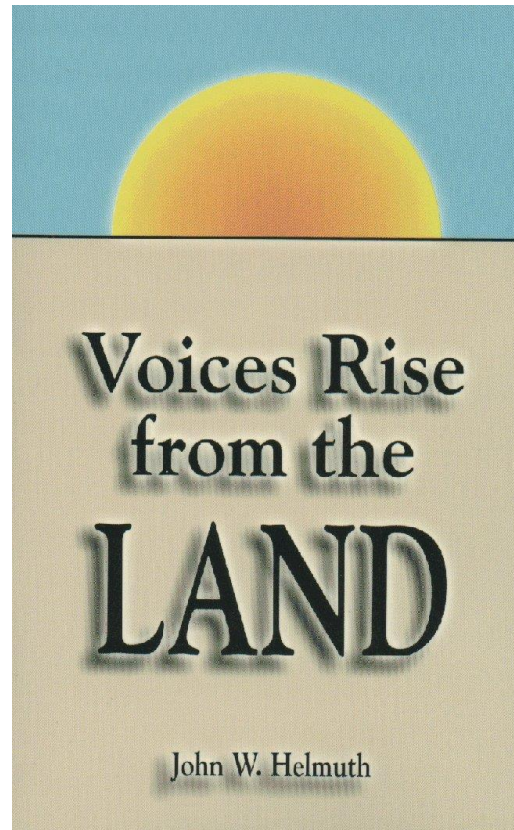
- Economic efficiency
- Economic power
- Economic freedom
- Stewardship of natural resources & the environment
- Community

The Interface Between Law, Politics & Economics

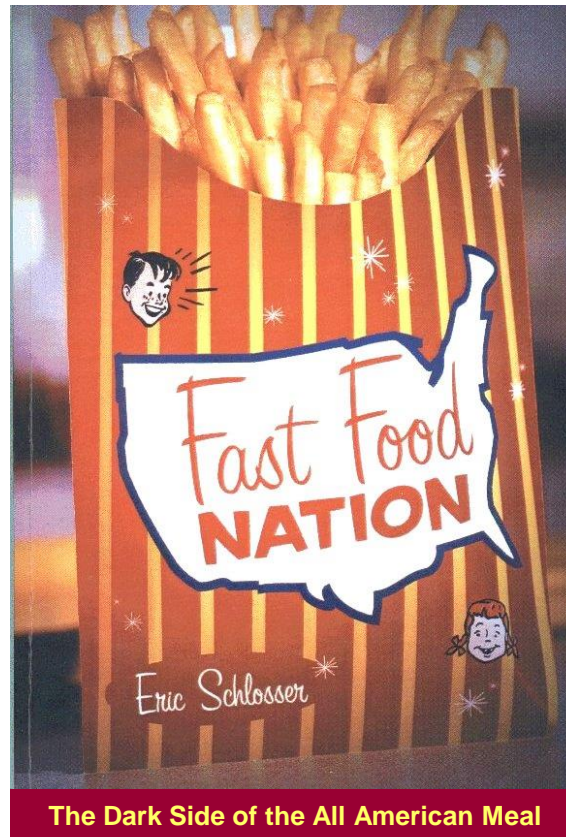


**“Corporations searching the globe for the hungriest people that will produce the cheapest and selling that production in the highest consuming markets.”**

**-William Heffernan PhD.**



The novel humanizes the growing farm crisis caused by the corporate abuse of market power in American and world agriculture.



“Fast food has hastened the malling of our landscape , widened the chasm between rich and poor, fueled an epidemic of obesity, and propelled a juggernaut of American cultural imperialism abroad.”

Opportunity is in short supply in much of rural America. Stretches of Nebr. and the Dakotas include the nation's two lowest-income counties and more than half of the bottom 20. Across a wide swath of rural America, communities are dying and churches and schools are closing.

- Chuck Hassebrook, Exec. Dir. of the Center for Rural Affairs, The New York Times; 4-14-02

# **Turning rural America into a ghetto...**

## **The Latest Data on Rural Poverty:**

The newest data on income levels in each of the nation's 3,110 counties show the pervasiveness of rural poverty in America.

Only one among the poorest 50 counties is a metropolitan county; most are very rural, agriculturally dependent counties.

**Historically, farmers have been  
land serfs and peasants.**

**The corporate managed global agriculture, or so-called “New Agriculture,” promoted by the current establishment will restore permanent peasant status to all farmers and livestock producers.**



**Like every other centrally planned economic or political system in history, an agricultural system that enslaves producers and exploits consumers like the “New Agriculture,” will also fail.**

**But at what cost?**

**PARIS, France -- Angry farmers used bricks, cars and crates to block scores of food warehouses across France in a protest for better pay from supermarkets.**

- Associated Press, November 21, 2002



**Irish Examiner.com**

Tuesday, Jan 7, 2003

## 1,000 tractors hit road in farm protest

“There is a massive determination among farmers on the ground that the Government must sit up and take action to address the income crisis in farming.”

# **Spanish retailers criticised for huge margins**

**04/12/02 - There is a huge disparity between the price paid by Spanish retailers for a wide range of agricultural products and the price at which they are eventually sold on to the consumer, according to a new survey by the Spanish farmers' organisation, COAG.**

# MEXICO: FARMERS TAKE TO STREETS OVER NEW NAFTA RULES

"Peasant organizations are getting very militant," Rosset said. "That's not surprising since this is a life or death situation for them. 2003 is going to be a year of protest and uproar throughout the Mexican countryside."

"As bad as NAFTA's seven years has been in the United States, the results for poverty-stricken Mexican farmers and consumers is horrific and puts to rest that myth that these trade deals benefit people in developing countries."

“The farm crisis in Canada and around the world is caused by the corporate-driven extraction of wealth from rural areas. Structural adjustment removes the barriers to such extraction and accelerates the outflow of profits and wealth.”

- 2002 NFU Report: The Structural adjustment of Canadian Agriculture

**As Eduardo Galeano wrote 25 years ago in "Open Veins of Latin America":**

**"The division of labor among nations is that some specialize in winning and others in losing." The book quotes an Alliance for Progress coordinator as observing that "to speak of fair prices is a 'medieval' concept, for we are in the era of free trade."**

**“Farmers need to raise  
less corn and more hell.”**

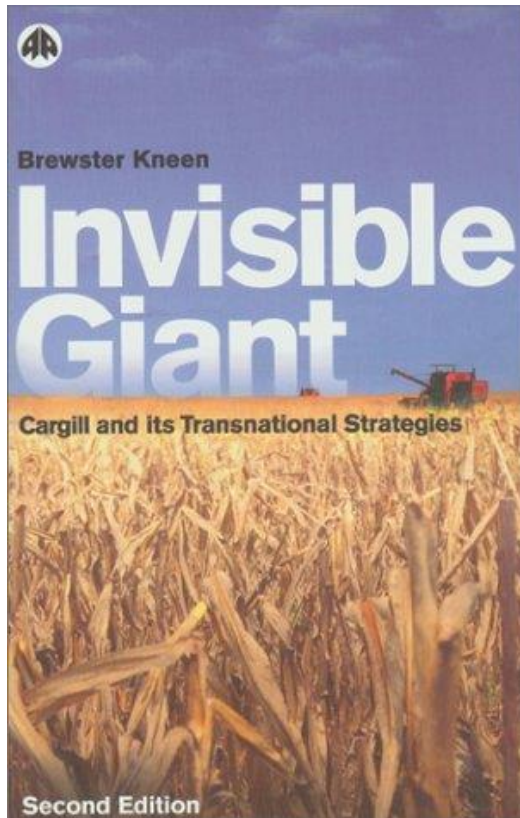
Kansan Mary Ellen Lease in analyzing the U.S.  
farm crisis one hundred and fourteen years ago.



She also said, “Wall Street owns the country. It is no longer a government of the people, by the people and for the people, but a government of Wall Street, by Wall Street, and for Wall Street.”

She continues, “Our laws are the output of a system which clothes rascals in robes and honesty in rags...

The people are at bay, let the bloodhounds of money who have dogged us thus far beware.”



“Cargill's actions are presented as part of a grand plan to reshape the food and farming system into a vast industrial process that benefits the company far more than it does producers, consumers, or the economies of any single nation.”

- Dick Levin, U of MN

# Tyson pleads guilty to bribing USDA Secretary

*You give them the best...  
because you can.*



It's what your *family* deserves."



# ConAgra pays up for cheating growers

ConAgra agreed to a \$6.75 million settlement to a lawsuit filed by Georgia contract poultry growers. ConAgra denied the charges in the suit, but settled one day before trial.

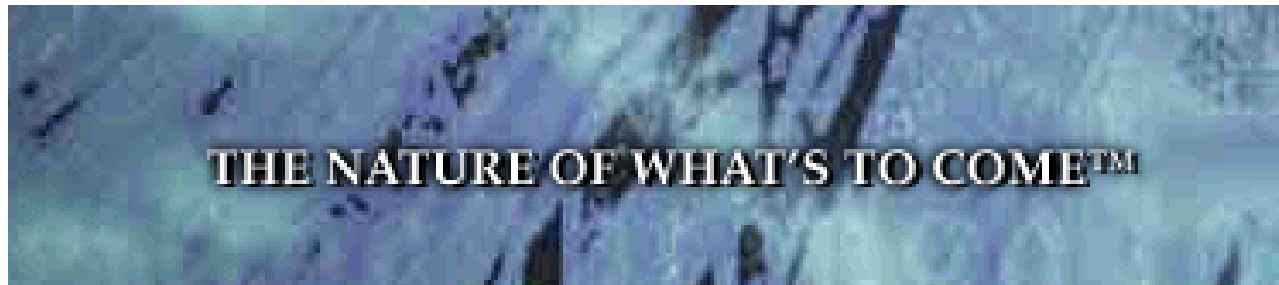


**Bruce Rohde, Chairman and Chief Executive Officer**

“We are committed to ethically and responsibly managing our company for profitable long-term growth.”



**ADM, “Super Price Fixer to the World” pays \$200 million in fines and civil penalties**



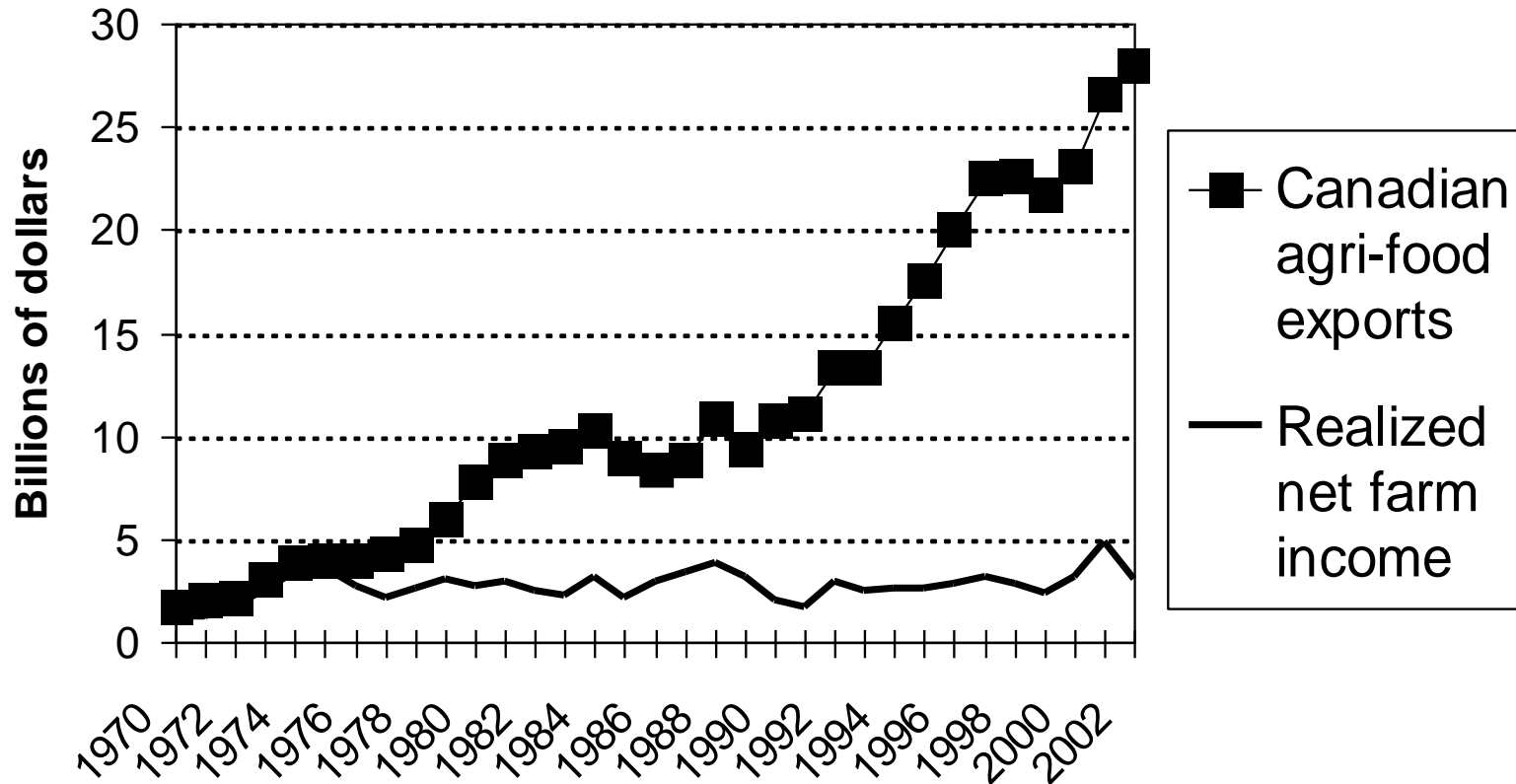
**Under the NAFTA time frame,  
Archer Daniels Midland's profits  
nearly tripled - from \$ 110 million  
to \$ 301 million - and ConAgra's  
profits grew from \$ 143 million to \$  
413 million dollars.**

- Public Citizen

Nafta has been good for a few multinational corporations wanting to escape the high cost of doing business in the U.S. It has been bad for the countries and people exploited by these companies to lower costs and extract high prices.



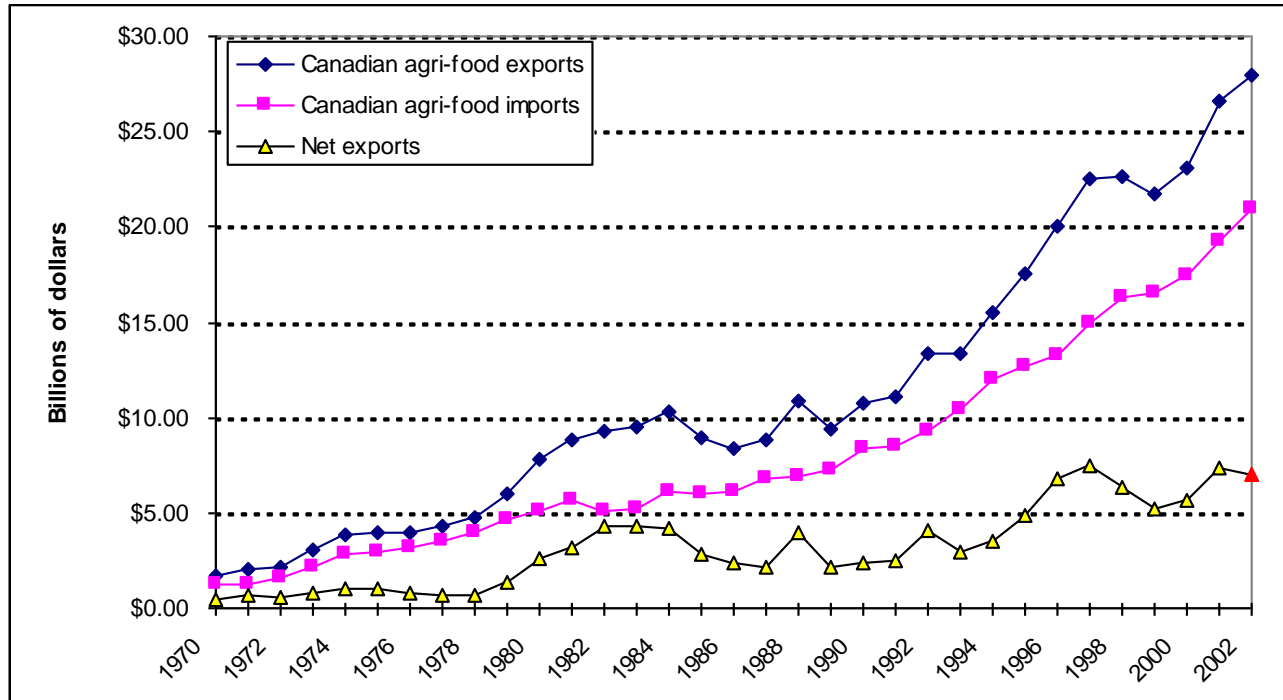
# Canadian Agri-Food Exports and Net Farm Income: 1970-2002



- Exports of Canadian agri-food products doubled between 1989 and 1997.
- This had no effect on realized net farm income which remained unchanged.

Stats. Can. 21-603, Agri-Food Trade Service; Ag. Canada

# Trading producers out of business...



- At the same time Canadian agri-food exports are up 224%, prices paid to farmers have remained basically unchanged.
- Expenses have increased 35%.
- Since 1941, farms are 2.56 times bigger and return on investment has dropped from 11.87% to 1.26% (\$7,174 net income per farm including return to labor & management).
- Gross farm income has risen tenfold since 1957. Meanwhile, the farmers' share of that gross farm income has fallen from 38 cents per dollar in the 1950's and '60's to 12 cents in the 1990's. 54% of farm living expense is from off farm sources.

Source: Realized net farm income: Statistics Canada Cat# 21-603E Agri-Food exports: Agriculture and Agri-Food Canada: "Agri-food Export Potential for the year 2000".

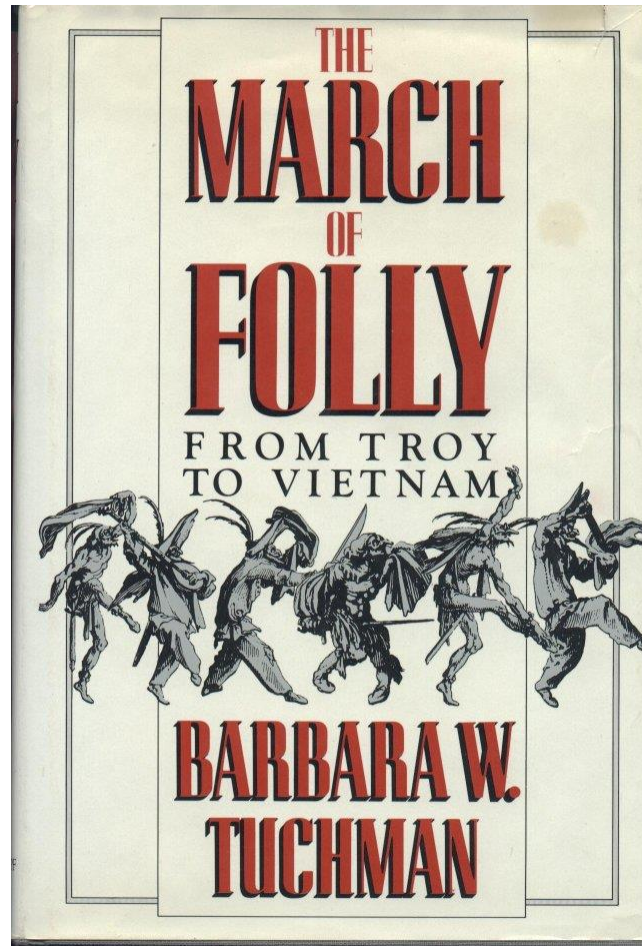
“...the myth of 'free trade' and the global economy becomes a means for the rich to rob the poor of their right to food and even their right to life.”

"Globalization has created the McDonaldization of world food, resulting in the destruction of sustainable food systems.“

- **Stolen Harvest: The Hijacking of the Global Food Supply**  
by Vandana Shiva

According to UN numbers, as free trade grew, the income gap between the world's richest 20 percent and its poorest 20% went from 30-to-one in 1960, to 74-to-one in 1999.

Corporate controlled globalization will destroy food security, self reliance, and reduce all food producing countries to third world status.



Folly: "The pursuit by governments of policies contrary to their own interests, despite the availability of feasible alternatives."

# What can be done?

1. Eliminate corporate personhood.
2. Restore competition - break up the biggest agribusiness firms including Tyson/IBP, ConAgra, Cargill, Smithfield, ADM, etc.
3. Break up large wholesale and retail firms like Wal-Mart, Krogers, Safeway, Nestle, RJR, etc.
4. Suspend all mergers that include any of the large firms.

5. Ban big packer ownership and control of livestock.
6. Make the markets totally transparent. Make contract terms and conditions public.
7. Repeal Illinois Brick, giving indirect injured sellers relief from predatory retailers like Wal-Mart.
8. Promote and financially support more localized, non-global food systems that give both small and commercial size farms market access.
9. Make global trade fair – People over profits.



## **Corporate rule and tyranny –**

**The East India Company, created in December of 1600, with Queen Elizabeth as CEO, was the world's first multinational corporation.**

**In 1776 the East India Company held a virtual stranglehold on commerce and politics in North America and used British troops as its enforcers.**

**"Let it be told to the future world, that in the depth of winter, when nothing but hope and virtue could survive, that the city and the country, alarmed at one common danger, came forth to meet and repulse it."**

- Thomas Paine, December 23, 1776

**"Tyranny, like hell, is not easily conquered... What we obtain too cheap, we esteem too lightly: it is dearness only that gives every thing its value. Heaven knows how to put a proper price upon its goods; and it would be strange indeed if so celestial an article as FREEDOM should not be highly rated."**

- Thomas Paine, December, 1776

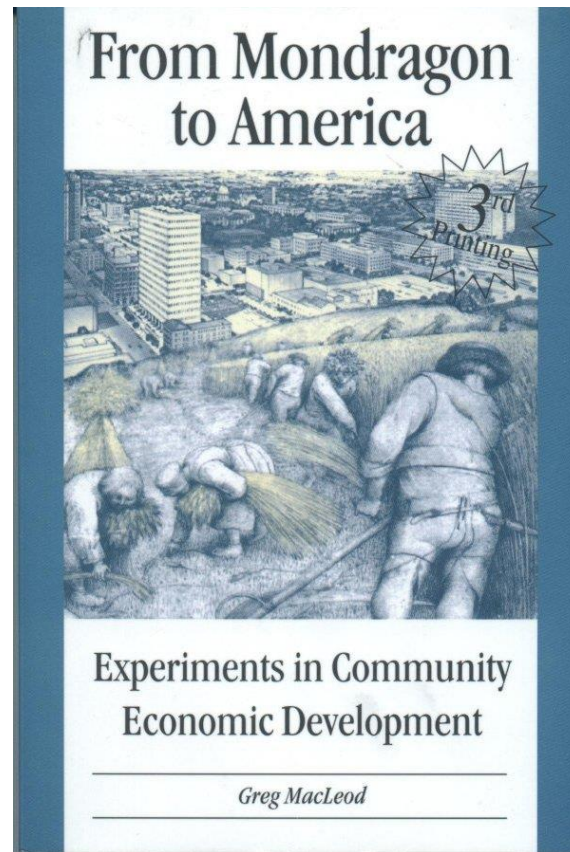
**"The condition upon which God hath given liberty to man is eternal vigilance; which condition if he break, servitude is at once the consequence of his crime, and the punishment of his guilt."**

- John Philpot Curran, Irish lawyer and politician, July 10, 1790

# **Officials of Porter Township move to end corporate rule and tyranny in their community...**

Porter Township, Pennsylvania, has fired the first shot in the New American Revolution with this first binding law denying corporate personhood. It's a revolution that will be fought not with guns but in the courts, in the voting booths, and on the battlefield of public opinion.

- December 9, 2002



“Professional management and efficiency can be instruments to impoverish communities or they can be instruments to enrich communities...The Priority of People Over Capital.”

Greg MacLeod  
University College of Cape Briton  
Box 5300  
Sidney, N.S., Canada B1P 6L2



Casey Criswell, 8th grade student,  
2002, Snowmass, CO

**Mike Callicrate**  
**St. Francis, Kansas**  
**[www.nobull.net](http://www.nobull.net)**