

A Rancher's Crusade Against a Modern Monoploy

Breaking the Cattle Trust

Mike Callicrate



Mike Callicrate is a farmer, rancher, businessman and co-founder of the Organization for Competitive Marketing. After graduating from Colorado State University with a degree in animal science, Callicrate moved to northwest Kansas to farm and ranch. Recognizing a need for a feed-yard in the area, he built the first of two local commercial feeding operations in 1978. About 10 years ago, he

began a drive for price discovery reform, after becoming disgruntled with the formula agreement his local buyer was using to buy cattle. Since that time, he has spoken out against consolidation of the packing, processing and retail segments of the beef industry, and the devastating effects of captive supply. In 1996, he testified before Secretary of Agriculture Dan Glickman's 21-member concentration panel in Washington, D.C. He is a supporter of the Cattlemen's Legal Fund, which was established to raise money for litigation to correct the problem of lost competition and the unfair distribution of beef dollars.

ACRES U.S.A. Cow-calf operators, backgrounders and feeders all tell us that "They" are wrecking prices and making it impossible for the primary producer to enjoy solvency — who are They?

MIKE CALLICRATE. "They" are the big meat packers and retailers in the country who have basically worked together in a kind of alliance, an arrangement, to control the markets. Today, we have four packers that control over 80 percent of the total steer and heifer slaughter in the United States, with IBP being the largest of those packers. IBP is in a partnership with Wal-Mart, the largest retailer in America — the largest in the world, in fact — and together they are able to put downward pressure on cattle prices. Being their largest input expense, it's very important for them to try to reduce their cost of cattle as much as possible. They've done that through their basic market power, which derives precisely from the fact that they are so large — and there are so few bidders in the market — that they seem to be able to coordinate their effort. I mean, when IBP comes out

on a Monday or Tuesday to the feed-yards and bids a low price, the other packers know immediately what they're bidding, and they all bid the same. As a result, we've lost about \$400 of the producer share of the consumer beef dollar here in the last several years, since these packers have come to the point where they can control these prices.

ACRES U.S.A. To what extent do the fast-food chains figure in all this?

CALLICRATE. Fast food figures in significantly, and as we have seen, the big fast-food chains go nationwide and become very large buyers of product, meat and other ingredients that they use in their fast-food outlets, they have asked for larger packers to supply their needs, and in fact it becomes a problem that only the large packer can supply the kinds of volume they demand. So it's really been driven by — initially — driven by the big fast-food chains like McDonald's, Burger King, and Wendy's and others. This has fueled the whole concentration problem here in America.

ACRES U.S.A. Is the old Yellow Sheet we used to have in the '60s and '70s still operative in setting these prices?

CALLICRATE. Well, today it's called the Blue Sheet, but the problem with it is that the packers only report what they want to report. They often report lower prices than what the market is actually reflecting. So much of the meat today is traded outside of the USDA data that they just don't have any idea what the real prices of beef are out there. IBP, for example, has had exclusive dealings with certain wholesale grocery companies, like Affiliated out of Nebraska. We've got many alliances now between the packer and distributors, meaning there is no negotiation on price — IBP simply publishes a weekly price and sends it out to their customers, and that's the price they pay. Many of those customers never look at the USDA price. So we have a totally separate market from what's reported to USDA, which is no doubt higher than those USDA prices that are being reported, and it seems that the USDA now only reports the prices on a residual market, not the main market itself.

ACRES U.S.A. Doesn't any of this violate anti-trust law?

CALLICRATE. It all violates anti-trust law. The problem we have is a lack of will within our USDA to enforce the laws.

ACRES U.S.A. Could that extend to the Attorney General?

CALLICRATE. It extends into the Justice Department as well as the USDA, and to the Attorney General, absolutely. But what we've got is this ridiculous idea that globalization, "free trade,"

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“We’ve got our leadership promoting this globalized market where a few big companies dominate our food supply and control it.”

is important and good, rather than local, strong communities with a safe and secure food supply, and a safe local source of food. We’ve got our leadership promoting this globalized market where a few big companies dominate our food supply and control it. Dan Glickman was asked the question when he was Secretary of Agriculture: “why don’t you enforce the Packers and Stockyards Act as it was intended in 1921 when it was legislated?” Back then, we had five packers that controlled less than 50 percent of the market.

ACRES U.S.A. About 40 percent, right?

CALLICRATE. Yes — and today we have four packers that control well over 80 percent of the market, and Dan Glickman said that he doesn’t enforce the Packers and Stockyards Act because “it is different now.” He said that now we are working in a global market, and we need big, big companies to compete in a global market. The problem with that is that we don’t sell — as producers and cattle feeders and farmers — we don’t sell in a global market. We only have, in many cases, one choice of where to sell our product, whether it’s Cargill, or ADM, or IBP — oftentimes the producer has no choice. There is no competition in agriculture left at all today.

ACRES U.S.A. How can you get competition if the government doesn’t interdict what’s going on?

CALLICRATE. Well, you know, the whole point of competition and capitalism in a free democracy is that you must have a framework of laws, that all of this operates from within in order to preserve the freedom of the marketplace, the transparency of the marketplace. We have had total ignorance among our government officials, who are charged with enforcing these laws about how important it is to maintain competition, to maintain a fair distribution of wealth among all sectors in your economy. These people have basically been bought and paid for, or brainwashed, or run roughshod over, but one way or the other, these people don’t do their jobs. I met last week with Doug Ross — the Department of Justice’s ag person in Billings, Montana, recently appointed Special Counsel for agricultural antitrust issues — and he sees no problem with the IBP-Tyson merger, even though it now makes one company the biggest meat company in the world, controlling poultry, beef and pork, in the meat counter of the largest food retailer in the world, and that’s Wal-Mart. They don’t see any problem with the fact that now one company can manage both supply and demand in the biggest food retailer in America. They can’t see the market power that this company has over both consumers and producers.

ACRES U.S.A. And this market power is regulated to some extent, but their ability to import is not.

CALLICRATE. Absolutely. Imports are big. We can search the globe for the hungriest people who will work the cheapest — I call them “economic refugees.” These big companies with U.S. addresses go around the globe, and they find these desperate people who will work for nothing. They take that production, whether it’s beef, lamb, or Nike tennis shoes, and they import it into the highest and best-consuming market in the world — the U.S. Today we’ve got meatpackers importing live cattle, boxed beef, and other meat from several countries around the world, even though it puts our country and our people at risk from a food-safety perspective, even though it drives producers, ranchers and farmers in this country out of business, because they can’t compete with slave labor and low-cost production from around the world that doesn’t have the mandated costs that we have in the United States. Even though it destroys our economy, we look the other way, and these big corporations with U.S. addresses who deal globally are destroying the very basis of economics in our country, and that’s the farm and the ranch, and the raw-material production, whether it be oil, cattle or grain. They are also putting out of business the steel worker, the textile worker, the automotive worker — they are simply destroying our country, and I view it as a national security issue — I think it is just as important, just as threatening, as bombs being dropped on New York City.

ACRES U.S.A. This of course is the big question many of us have asked for a long time — does it make much sense to defend the country militarily and leave it undefended economically?

CALLICRATE. Absolutely — the economic attack is so much more discreet, yet so much more insidious. Our population is being brainwashed every day about the benefits of Wall Street. Wall Street supposedly is the economy. It represents these global corporations with U.S. addresses that search the world and cause hate and discontent around the globe, and we think that is the economy because that’s what we’re told by CNN and Fox News and every other news network. The President stands right up there in his State of the Union Address and tells us how important global free trade is, how important it is to get a fast-track bill through and legislated to give him more authority to trade for the American public, but what he should say is that it’s so he can trade for the best interests of those big corporations that paid his way into the presidency.

ACRES U.S.A. At the primary-production level back in the old NFO days, the ’60s and ’70s, the statement was being made that there were more taxes on a steer in Johnson County, Kansas, than the entire cost of production in countries like Australia and New Zealand, from whom we were importing. Is that still true?

CALLICRATE. I think it’s absolutely true. All the tax that we pay — for the most part, as long as we can control our prices, which cattlemen, of course, can’t, and farmers can’t — but taxes do reflect in the cost of production because it is a cost of

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“The President stands right up there in his State of the Union Address and tells us how important global free trade is, how important it is to get a fast-track bill through and legislated to give more authority to trade for the American public, but what he should say is that it’s so he can trade for the best interests of those big corporations that paid his was into the presidency.”

doing business that has to be incorporated somewhere. Either you’re going to consume your asset to pay those taxes, or you’re going to reflect the cost of those taxes in the cost of production. We know today that in Australia, you can put a pound of gain on a steer on grass for 9 cents. It costs 35 cents to put a pound of gain on on grass today, or on wheat pasture, in Oklahoma. We know that in Brazil, they can ship to our country at less than half of what our break-evens are.

ACRES U.S.A. Of course, that’s been the name of the game since day number one, hasn’t it? Back in the 1930s, the beef was coming from Cuba, so cheap that it could even undercut Depression prices in the United States.

CALLICRATE. Yes. We’ve got to put a limit on this globalization and this trade. In my opinion, we cannot work within the rules of the WTO, NAFTA and GATT, we have got to revoke these agreements if we are going to restore peace of any kind around the world. The trade agreements that have been put in place are strictly to the benefit of big multinational corporations, as they rape countries all around the world and extract the wealth from those countries, and then sell it in the U.S. as well as selling it back to these countries at a value-added, higher price, which they cannot afford. We’ve got an ongoing repeat of exactly what happened in Ireland 170-some years ago with the famine and starvation there, where the big corporations, royalty and the elite literally held a gun to those Irishmen, and stole their production for export and to generate more cash.

ACRES U.S.A. How do we get competitive markets as long as we can’t seem to make a dent between the ears of the American people, who are buying into this terrorist paranoia as a public policy?

CALLICRATE. I think what you do is you start small with a new food system. I think you’ve got to give people an alternative to the food system that is so concentrated and industrialized. We know the food that comes out of this industrialized system is not healthy; it’s based on a ridiculous USDA food pyramid that looks more like a hog-finishing diet than it does a good, healthy human diet — it’s too high in carbohydrates, it’s causing obesity, it’s causing childhood diabetes in record levels — we’ve got to inform the American public how dangerous it is to eat this fast food, how

dangerous it is and how economically destructive it is to shop at Wal-Mart — we’ve got to start spreading that word. But at the same time, we simply have to give them an alternative. One of the things I work hard on every day is a company called Ranch Foods Direct, which wants to be part of a new food system in this country that promotes a more localized approach: if you produce it in Kansas, you can consume it in Kansas, and likewise in any other state in this country. There’s no reason why we have to produce and raise cattle in Oregon, then ship them to Kansas to be fed and processed, only to have the meat sent back to Oregon. All we’ve done is worn out highways and burned diesel fuel and worn out tires on trucks. It is ridiculous that we have allowed the bankrupting of good, independent meatpackers in Oregon by this big meatpacking cartel that roams this whole country like a predator, consuming and putting out of business all of their competition.

ACRES U.S.A. Cattlemen tell us that most of the cow-calf operations are 20 head or so around the country. There are big operators, of course, but most cattle are in the hands of small operators to start with, isn’t that correct?

CALLICRATE. That’s right. Probably the average size cow-herd is around 25 head.

ACRES U.S.A. The elimination of the small packing plant, and even the locker plant, has played right into the hands of this cartel, has it not?

CALLICRATE. Absolutely. It has put people in a position where they have no choice. So you’ve got even the small locker in Benkelman, Nebraska, or some small town in rural America that used to slaughter cattle locally and provide food for local people — because of regulations, they cannot sell any beef that they slaughter, particularly across state lines. They can only “custom kill,” so they custom kill these cattle and then they pick it up and use it as locker beef, but they can’t sell it, because they’re not federally inspected. Now, if those choices are taken away from these small locker plants, they have no choice but to buy from the big meatpacker, the big, federally inspected meatpacker that sells them boxed beef. This boxed beef is unacceptable, it’s low quality, it’s the worst beef in America — now we’re going to make this small locker who used to be able to kill local cattle and process them for local consumption, we’re going to force him to buy from IBP. He has no other choice.

ACRES U.S.A. You have a poultry situation which is producing birds that are really not fit to eat, and yet when the producers try to slaughter on-scene, they are starting to run into some of the same problems from the government.

CALLICRATE. Yes, it’s all a matter of limiting the consumer’s choice and giving preference to the big meatpacker, who in my opinion controls Washington — through campaign contributions and lobbying efforts, they control Washington. Of course, we’ve seen the culmination of those kind of efforts with the recent Enron case, with the huge bank-

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ruptcy. We’ve seen it with ADM, where they are convicted of price-fixing and fined \$100 million, only to have Secretary of Agriculture Dan Glickman go to work for them after he leaves office. Those guys have got Washington bought and paid for and control it, and will pull any strings necessary to eliminate competition and to increase their profits.

ACRES U.S.A. The organization you founded, the Organization for Competitive Marketing —

CALLICRATE. I’m one of the founding members — there were several of us who all agreed that such an organization was needed.

ACRES U.S.A. Shouldn’t it be an organization for law enforcement?

CALLICRATE. Well, we work on that. In fact, we wrote the bill for a ban on packer ownership of livestock, which has currently passed the Senate and is going to conference committee. If we can take this a step at a time and ban the packers’ ownership of livestock, pork and beef, that is a major step. That will cause the biggest corporate divestiture in the history of this country, as these big pork companies and cattle-beef companies have to divest of their ownership of livestock and reenter the competitive market. We wanted to do it for poultry, as well, but the problem is that there’s no alternative system for poultry — it is totally integrated, it is totally controlled by the processor, the packer and the distributor, so that the poultry grower is in the position of being a slave for these big companies. There is no alternative system that can raise, process, and distribute poultry. So, we’ve let that system go too far. It has lacked enforcement of the anti-trust laws, specifically the Packers and Stockyards Act. Our government should never have allowed that, but because Tyson, in particular, is so powerful in Washington, our legislators have ignored those anti-trust laws and let these systems get to the point that they have, of enslaving these people.

ACRES U.S.A. What steps are you taking with your organization to carry this message into the political arena?

CALLICRATE. OCM has people working in Washington. We have a large following among legislators in Washington right now, and also a big following at the state level, for example in Iowa, Nebraska, Missouri, Colorado, Kansas and the Dakotas. We’re drafting legislation and introducing it — it’s well written, well thought out — and we are becoming a very dependable source of credible infor-

mation to support whatever legislation we may propose. We are becoming a group that a lot of people have been able to coordinate efforts with. We’ve got a pretty good tent right now — we’ve got about 80 organizations that have signed on for the ban on packer ownership, for example. So, we’re really becoming a focus, a nucleus, for a movement to try to restore competition and a new alternative food system that fairly rewards the producer on the land and also delivers the very best possible product at a fair price to the consumer.

ACRES U.S.A. How far do you think competitive markets can take this situation, in view of the fact that we have so much unregulated international trade?

CALLICRATE. Well, I think we’ve got to fight the trade agreements. I think in that, of course, you see a sweep across the world — I mean, look at the hell-raising that’s been going on in Seattle, and Qatar, and soon to come to New York City with the WTO meetings. People around the world know that what we’ve done with these treaties is bad; they know it only benefits big corporations at the expense of people. It’s about private interests rather than public good. So, I think we must continue to spread that word, and work with those people around the world who are upset, and try to localize food systems everywhere.

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What you do is convince people that it’s better to support the producer who is on the land, and it’s better to buy from those people on the land if possible, and certainly to patronize stores that feature production from local farmers and ranchers. We see these ideas starting to catch on around the country, and you make it the right thing to do: you advertize, you promote, you spread the word among consumer groups, and you simply have to convince them how bad it is to support a Wal-Mart. That wipes out Main Street rural America and wipes out the farmers and ranchers across the countryside.

ACRES U.S.A. Unfortunately, many communities have participated in this wipe-out by giving TIF (Tax Increment Financing) assistance to corporations like Wal-Mart.

CALLICRATE. Absolutely, but hopefully they will become more informed, and of course any community that has leadership that would encourage a Wal-Mart in that community, that leadership needs replacing — you’ve got to get them out of office. You’ve got to get these legislators replaced in Washing-

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ton and throughout the state legislatures that have supported fast track, that have supported anything to do with any kind of a NAFTA, WTO or GATT kind of arrangement. You've got to get rid of these guys who are bought and paid for by these big multinational corporations. We've got a situation in Goodland, Kansas, where Wal-Mart came in with a "Super Center." We had three locally owned grocery stores in Goodland — none of them exist today. The meat-market manager at Wal-Mart has reported to me that the day they closed Jubilee Foods — the last independent grocery store in Goodland, Kansas — Wal-Mart raised meat prices 8 percent. So, the community is starting to see what a big mistake it was. I think it's important to recognize the difference between economic development and community development. A new Wal-Mart coming into the community might be considered economic development by some people. Economic development according to the USDA is a job for a bankrupt farmer. Is that community development? Community development would be where farmers receive a fair price for what they produce, and have the money to spend on Main Street, at independent, locally owned businesses that generate a 7-times multiplier effect in that community, and generate the wealth that is critical for the survival of this entire nation. That's community development. Many forms of so-called economic development are actually destructive to our economic system.

ACRES U.S.A. That's a powerful statement! Let's discuss parity for a minute. USDA pretends that it's an obsolete idea. Do you think it's obsolete?

CALLICRATE. Is it obsolete that a person should recover his costs of business, is that an obsolete idea? Is it obsolete that we should be able to go in arbitrarily and mandate a person to pay higher costs but not be able to recover those costs? On one hand, we have a farmer who is helpless, a farmer who has no way to price his product in such a manner that it will cover his costs. Yet we are telling him that he is not entitled to recover those costs — we're telling him that he has to become "more efficient," that he has to lower his costs, that he has got to work his family members and pay them nothing, that he's got to essentially adopt a slave-labor practice for his family. Does that make sense? At the same time, we're going to offer him a price below cost-of-production, and at the same time, we're going to adopt a "Freedom to Farm" bill that makes him compete with slave labor in the global market. Is that fair? Is it fair to legislate bankruptcy for farmers and ranchers? No, I don't think it is. I think you've got to take the food system and the farm and ranch production across the country, and you have got to do whatever it takes to keep them in business. If you're going to legislate laws that put them out of business, you have got to compensate them accordingly. Food is a national security issue; it is the most important thing known to man throughout history. Food must be preserved through a sovereign type of food production system. We cannot depend on foreign countries to provide our food supply, as we have oil and gas.

ACRES U.S.A. But this is exactly what they're pretending that we should be doing. In his book *The End of Agriculture in the American Portfolio*, Steven Blank said that we can import the food and free the land for better uses in the United States, presumably for urban sprawl.

CALLICRATE. Steven Blank sounds like a Chicago-school economist who doesn't balance economics with social issues. You know, food that a person eats each day, that keeps them alive, may not be an economic issue, but it's most certainly a social issue. Like the issue of economic development versus community development, I think it's very important that we balance all of this with a social agenda, as well, and paying a farmer a fair price is critical — it's keeping him or her on the land. This idea that you bait him with government programs to try to keep him out there isn't really realistic, because he never knows in advance what he's going to be receiving, he can't plan, and he's told by all the Land Grant colleges that he has to get bigger to survive.

ACRES U.S.A. Even the ones who have put the land into "a few strong hands" have gotten so big that they can't survive without the government bailout every year. Would you elaborate on that?

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CALLICRATE. In Cheyenne County, for example, where I live, from 1996 to 2000, we have taken in \$59 million in government money to keep our farmers in business. Where would Cheyenne County be without \$59 million? We would look like a ghetto in a Third World country. We would look like many communities across the United States right now, where we've seen the big hog factory farms go in and wipe out the countryside, kill the towns, import economic refugees to work in their plants, externalize their costs onto the community by paying people less than living wages, like Wal-Mart does. This is the kind of country we're going to end up with if we don't get a fair price to farmers. If we don't pay the farmer a fair price through competitive markets, then we have to pay him a fair price somehow. Whether through parity or some other approach, the farmer receives his cost of production plus a profit — that has to happen. One way or the other. The other alternative is that we pay the farmer his shortfall in a government bailout type of system.

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ACRES U.S.A. But when you pay the farmer with a bailout type of system, you lose the effect of the multiplier.

CALLICRATE. Absolutely, absolutely, and also, you lose the tax dollars, which are merely transferred, passed through the farmer’s pocket on their way to the big corporations, the bankers and everyone else who is preying on the farmer. Any money that’s paid to a farmer today is sucked off by these big grain companies that are keeping these prices low, because they’re also in livestock production, and input costs in livestock production are grain, and the cheaper they can keep the grain, the more money they make. I’m convinced that there’s a cartel in grain that has to be broken up, a cartel in beef that has to be broken up — we’ve basically come forward 100 years, but we’ve ended up right back where we were 100 years ago, with monopolies in many areas of our economy, including food, railroads, oil, banking, etc.

ACRES U.S.A. So, we’ve come full circle.

CALLICRATE. Exactly.

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