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Bill Rhea, Nebraska Cattlemen and NCBA marketing committee chairman told the crowd at the livestock price crisis meeting in Omaha last Saturday that the NCBA had formed a task force, a price discovery think tank with four objectives:

1. To inform producers of marketing options
2. Increase the information flow between industry sectors
3. Evaluate commodity futures contracts
4. Provide forums

Summed up, it is talk, talk, talk and more talk, signifying absolutely nothing. This is what you do when your intention is to do nothing while avoiding the appearance of doing nothing. This NCBA think tank will be, to use Chuck Grassley's word, an exercise in "subterfuge." The NPPC once used a similar ploy commissioning a task force on integration that not unsurprisingly validated all their pre-conclusions.

This group will use the Sparks Report, commissioned by the NCBA and the NPPC as its Bible to evaluate the Johnson amendment and captive supply. In other words, we already know the NCBA think tank's outcome before it begins. Fair producer prices will remain undiscovered in public markets and the NCBA will maintain its image, taking months to accomplish nothing, precious time lost. I'm sure they'll conclude that producers need to get more efficient or some other magnanimous statement.

Efficiency is one of the vaguest terms in economics. Market power is often mistaken for efficiency. Is Wal-Mart efficient? Or is it's market power unchallengeable due to its scale and depth. Agriculture is not a contest of efficiency; it's a contest of structure and market power. Auburn University economist, Dr. Robert Taylor outlined the packer's game plan at Saturday's meeting:

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 [and captive] supply
- This will depress cash price for slaughter animals
- The preferential price for the Chosen Few is enough to maintain 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; Department of Justice will not enforce predatory pricing and other antitrust laws, 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

(Smithfield bought Murphy Farms after 8 cent hogs put Murphy out of business)

The hog industry is late in the 4th quarter in the packer's game plan. Packers are running up the score. We've seen most all of the things described by Dr. Taylor occur although not in any particular order. Producers no longer have any leverage in the hog industry. The cash market is gone except for the remaining sliver of production that packers can steal. Contract producers have already been squeezed. Independent producers are virtually all gone. Contract producers are being kept in business, barely. Average producer margins have shrunk to slim pickins'. Smithfield Foods picked up Carroll Foods and Murphy Farms at bargains. More wounded mega-producers will eventually become packer acquisitions.

Two things are astounding about this. First, it was allowed to happen without government intervention with passive USDA enforcement of Packer's and Stockyard's regulations and no scrutiny from the Justice Department. The other thing that's astounding is that producer's still want to be let into the industry. Building permit applications have soared as a result of impending environmental regulations. All you can see is the fintail of a sinking ship and these guys are still fighting to get on board. It's half time in the packer's game plan for the beef industry. If beef producers can't see how the game is being played and change their strategy, they will deserve the outcome.

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