Food cartels: Will there be bacon to bring home?

by Marcia Merry Baker

The wave of big-time mergers, acquisitions, and joint venture deals sweeping the farm and food sectors in the United States and abroad, is portrayed as a modernizing "structural evolution" from family farms to factory farms, that will still somehow guarantee food for the table. If you like to eat, don't believe it.

As farmers now shut down en masse in the U.S. farm belt, the economic landscape is shutting down along with them—supply stores, hospitals, schools and churches, gas stations, airports, and train and bus stations. In other words, part of the economic base of the nation is closing down. The picture in other countries is the same—or worse. In its place are internationally located factory farms and processing operations—the modern equivalent of 17th- and 18th-century British and Dutch East India Company colonial plantations. The result of this transformation is decline in per-capita food supplies and diets for people, on the scale of famine. For a while, you may see food appear "cheap" on the shelves of Wal-Mart or your supermarket. But beware: Now you see it. Now you don't.

A drumbeat for even more cartelization takeovers, called globalized "free-trade," is sounding now for the new round of the World Trade Organization negotiations, which will start in Seattle this November. If WTO "free trade" continues, famine is assured—even without weather disasters or wars. Even now, 840 million people worldwide, by conservative UN estimates, are not getting enough to eat.

This 'level playing field' is all uphill

Why not stop this in its tracks? One of the biggest blockages to taking emergency measures to restoring family farms, national food security, and sound economic policies generally, is the public and farmer gullibility for cartel rhetoric about "level playing fields," "fair" free trade, and so on. On June 23, Agriculture Secretary Dan Glickman played to the bleachers, when he told a House of Representatives Agriculture Committee hearing, that Agriculture Department "listening sessions" around the country show Americans having "a real desire for a more level playing field in the world trading environment."

The truth is, free trade is rigged trade, and the "fairness" question is diversionary propaganda for deluded lawmakers, farmers, and the public. The cartel interests control the "slope" of the playing field, who plays, and the rules of the game. With this in mind, look more closely at the case of one basic food sector—hogs and pork.

Smithfield Foods is headquartered in Virginia, and takes it name from the old meat market district of 16th-century London, the Smithfield section. After an acquisition spree, it now stands as the largest hog producer company in the world, and the largest processer of pork for the U.S. market as well. It is a Wall Street success story of "vertical integration"—from farrowing to the frying pan.

Smithfield's purchases of sow operations include Western Pork Production Corp. in Colorado, in January 1999, and the giant Carroll's Foods of North Carolina, in May 1999. Now, Smithfield's sow operations total an estimated 345,000, which gives it 5% ownership of the U.S. yearly hog slaughter. This means that it slaughters well more than 20 million hogs a year.

Table 1 shows that only seven companies account for 20-25% of all the hogs marketed annually in the United States. Fully *half* of all hogs marketted in the United States come from only 50 producers.

Smithfield is already the largest packer of pork for the U.S. market, following a similar buy-out spree of packing companies. The U.S. brand names owned by Smithfield point to the chain of takeovers: Gwaltney, Esskay, John Morrell (bought in 1995), Patrick Cudahy, and Lykes (1996). As of this winter, 75% of all U.S. pork processing was done by these six companies, in order of size: Smithfield, IBP, ConAgra (Swift), Cargill (Excel), Farmland Industries, and Hormel Foods.

TABLE 1
Seven companies produce 20-25% of hogs marketed annually in the United States, June 1999

Rank	Company, head office	Location of sow operations	Number of sows
1.	Smithfield Foods, Smithfield, VA	NC, VA, UT, Mexico, Iowa*	345,000
2.	Murphy Family Farms, Rose Hill, NC	NC, MO, OK, IL	337,000
3.	ContiGroup Companies, Kansas City, MO	MO, NC, TX	162,000
4.	Seaboard Corp., Shawnee Mission, KS	KS, CO, OK	125,500
5.	Prestage Farms, Clinton, NC	NC, MS	116,100
6.	Cargill, Minneapolis, MN	NC, AR, OK	115,000
7.	Tyson Foods, Springdale, AR	AR, NC, MO, OK, AL	115,000
Total			**1,315,600**

* State law requires Smithfield to sell off its 7,200 sows in Iowa, per conditions of Smithfield's purchase of Carroll's Foods in May 1999.
Source: *Successful Farming,* May-June 1999.

Recently, Smithfield launched its expansion into Europe by acquiring Société Bretonne de salaisons, France's largest private-label maker of hams and bacon, and by major purchases in Poland. Smithfield is expanding facilities in Mexico, outside of U.S. pollution laws. In Canada, in 1998, Smithfield made an agreement to acquire Schneider, a major meat processor, which deal has been contested by Canada-based giant Maple Leaf Foods, which is also building mega-pork facilities.

There are similar "big names" dominating all other major food and agriculture sectors, even down to the seeds and breeding stock, from Cargill/Continental in grains, to ADM/Cargill in corn oils and sweeteners.

The largest pig-breeding stock company in the world is PIC (Pig Improvement Co.), owned by the gigantic British food/farm firm, Dalgety. The pre-eminent member of Dalgety's board of directors is Lord Peter Walker, the infamous Agriculture Secretary of Margaret Thatcher in the 1980s, who presided over the spread of "Mad Cow Disease" throughout British herds, and abroad! (Smithfield uses its own "NPD hog" lean-meat type, which it acquired from another British firm.)

In physical production terms, the implications of mammoth sow and processing factories are a nightmare of mass waste disposal dangers, hog epidemic disasters, and the biggest disaster of them all—the shutdown of the productive, diversified system of family farming, governed by the ingenuity and commitment of citizens. Independent hog farmers have been hit with wide prices swings, and a general price for hogs far below 50% of parity—the price needed to ensure that farmers will be around in the future, which is the only guarantee of national food security.

It's time to revive Roosevelt's Reconstruction Finance Corp.

by Nancy Spannaus and Richard Freeman

One of the primary examples of directed government credit for rebuilding the U.S. economy was the Reconstruction Finance Corp. (RFC), an agency established by President Herbert Hoover in 1932, and revamped by Franklin Delano Roosevelt in 1933. During the 1930s, the RFC became the largest single investor and biggest bank in the United States. In the early 1940s, it played a major role in financing the war effort. During 1933-45, the RFC played a crucial contributory role in getting America out of depression, stopping its financial slide, helping provide employment, preventing massive farm and home foreclosures, and leading the nation, through a Hamiltonian economic mobilization that brought great economic growth. In part, the dirigistic RFC took the decision of which direction America would go, out of the hands of Wall Street and the City of London. Yet, today, this agency is virtually written out of the history books, along with the American System tradition of dirigistic credit for industry, agriculture, and infrastructure.

While the RFC was only a piece of the broad sweep of FDR's legislative agenda, and was by no means given the powers of a National Bank (the Federal Reserve System was still intact), its functioning should be studied, as an example of when the United States had the sense to buck "markets," when they got in the way of saving the economy and the people.

The RFC versus the banks

Under President Hoover, the RFC's function was to make loans to banks, railroads, insurance companies, farm mortgage associations, and municipalities. The basic idea was to shore up these institutions, which were going under, with short-term financing. The inherent problem with this mission, however, was that it often saved the financiers, without benefitting the public the institution was established to serve.

From the beginning, there was a battle with the Democratic Congress, which wanted to expand the scope of lending. For example, the City of Seattle applied for a loan to build a power plant, but was turned down by the RFC on the basis of "no competition with private enterprise."

But even under Hoover, the RFC was not a small operation. Created with a capital stock of $500 million, and the right to issue up to $1.5 billion in debentures, the bank made loans of more than $1 billion within its first six months of existence, to a total of 4,000 banks, railroads, credit unions, and mortgage loan companies.

When Roosevelt came into office, he immediately appointed a new director, Jesse Jones of Texas, and moved to expand the charter of the RFC. As opposed to short-term financing, the RFC was now empowered to purchase preferred stock in banks. The idea behind this shift was to help the banks establish a secure capital base so that they could