ConAgra: free trade swindlers

by Suzanne Rose

The Omaha, Nebraska-based food conglomerate ConAgra typifies the Bush administration's commitment to "free trade." Historically, free trade has been the ability of an oligopoly of banks, cartels, and trading companies to control the institutions of society unfettered by government regulations, resulting in the impoverishment of the general population. ConAgra has grown over the past 15 years to become the nation's second largest food company, enjoying a virtual stranglehold over meat and poultry production. It achieved $20 billion in sales in 1990, recording a 4,000% increase in profits from the time it was known as a $3 million Nebraska flour milling company in the early 1970s.

The company was bankrupt in 1974 when Charles "Mike" Harper, a former Pillsbury company executive, was brought in as chief executive officer to turn it around. Harper's company has since become the number-one meat producer, the top flour miller, and one of the top three grain trading companies. It is today an international agri-business with 40 subsidiaries whose trading companies have offices in 25 countries and which trades in 80 different commodities.

'Short-weighing' charges upheld

Investment community sources say that broiler chicken production is ConAgra's most profitable area. According to 260 chicken growers who won a $13 million lawsuit against ConAgra in December 1989, this profit has been achieved by swindling the growers. In U.S. District Court in Dothan, Alabama, ConAgra was adjudged to have swindled farmers from all over the South by "short-weighing" chickens which farmers fed under contract with ConAgra. When farmers brought their chickens to be weighed, they found that ConAgra was manipulating the scales to short-change them. The farmers are paid according to the weight the chickens gain within a 45-day period.

Spokesmen for the poultry growers have charged that short-weighing is only one of the methods by which ConAgra cheats the farmer. They charge that ConAgra cheats them on the feed they provide, the prices they are paid, and by false promises of profits through which desperate farmers are encouraged to go heavily into debt to finance the buildings for a chicken farm. Because the contracts run from flock to flock—about 45 days—and can be terminated without notice, ConAgra can arbitrarily drop the price paid to the farmer, thus driving the heavily indebted farmer into bankruptcy. Generally, a farmer has only one chicken-processing plant to which it can sell because the three big cartels—Tyson's, Cargill, and ConAgra—have divided up the South so that each company's plants dominate in a particular geographic area. A farmer who objects to what have been termed "oppressively feudal" relations with the company, will be cut off and forced out of business.

Chicken growers believe that ConAgra has a fixed amount of money it intends to pay its farmers every week, which is determined in the board room by the profit margin the broiler division is expected to produce. The farmers' weights and production figures are adjusted according to the amount the company wants to pay out that week. Squeezing the farmers, whom the company considers only one of the "inputs" in the vertically organized chicken production industry, is one of the ways ConAgra fulfills its spectacular policy of 20% return on equity. The result of Harper's management philosophy, which is to transform industries from "production-driven" to "profit-driven," is what he proudly proclaims as "low-cost" agriculture.

Vertical industry control

ConAgra corporate strategy is to acquire businesses which stretch across the entire food chain, and to dominate each industry vertically by controlling all inputs at each stage of the production process. Giant food companies have been most successful in the poultry area, where they control the production of fertilizer, feed grain, hatcheries, processing plants, merchandising, distribution, transportation, and most importantly, the farmer, through contract feeding.

The company is now offering its "expertise" to help improve poultry and hog operations in the East bloc. Harper returned from a trip to Poland last summer and claimed in a July interview in *Financier* magazine that the Poles want the free market system. Harper's interpretation of the "free market" system is that ConAgra should have the right to come in and make investments without regard for the infrastructure requirements of the already looted Polish economy, such as transportation and energy. What kind of infrastructure does Harper think Poland needs? "The fundamentals—banking system improvement, legal system improvement, and accounting system improvement—they have to come along to make the free market system work," Harper said.

But ConAgra wiggled out of paying the costs of infrastructure in Nebraska by bullying the state government into giving them a $50 million tax break.

When it comes to paying U.S. farmers, Harper is all for the "free market" system as well. As a member of the National Commission on Agricultural Trade and Export, Harper was one of the people most responsible for writing the 1985 Farm Bill. The 1985 bill dropped the loan rate, which sets the floor price paid to farmers for major agricultural commodities, by 34%. The same bill gave huge export subsidies to the grain cartels through the Export Enhancement Program. The subsidies allow the cartels to steal the markets of European Community exporters.

Waging an export war is one of the ways the cartels hope to pressure the European nations to submit to the U.S. demands at the General Agreement on Tariffs and Trade (GATT) negotiations, that every nation reduce the income supports to independent farmers. Bankrupting the independent farmer increases the power of the cartels over agriculture. Not surprisingly, Harper is on the U.S. advisory committee of GATT. Harper's view of the successful completion of the GATT process is expressed in the interview in *Financier:* "We can run the Common Market off the face of the earth if we were to compete on that level playing field."

However, farmers all over the world find themselves competing against each other for the enrichment of the cartels like ConAgra. In Australia, ConAgra is in the process of acquiring the giant meatpacking company Australia Meat Holdings, a division of Elders, which accounts for over 50% of all meat slaughtering capacity in the nation. This megadeal is illegal under the Australian security laws, but it is expected that the government's Foreign Investment Review Board will waive any objections, in deference to the imperial demands of ConAgra. The Australian Cattlemen's Union and others are waging last-minute protests.

When the barriers to free trade are eliminated through the GATT negotiations, Australian meat producers controlled by ConAgra will be competing against U.S. meat producers controlled by ConAgra. Clayton Yeutter, a ConAgra board member for five years, was brought into the Bush administration as secretary of agriculture to oversee the U.S. negotiations at GATT.

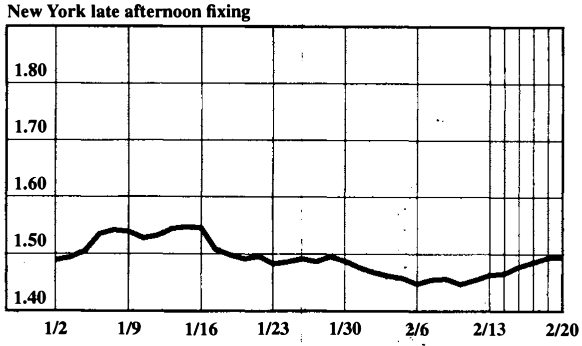
Picking over the bones

In its drive under Harper's command to become the top food producer in the nation, ConAgra has taken over and restructured scores of food companies. It specializes in buying up companies which have been stripped through previous leveraged buyouts, at bargain-basement prices, which include generous stock swaps. Investors are enticed because ConAgra offers 30-35% of its earnings in dividends. Then, the labor force, whether it be the farmer, the packing house employee, or the food-processing worker, is quickly put throught the ringer. After its takeover of Armour foods in 1983, which had been the victim of a previous takeover by the Greyhound Corp., ConAgra reduced the salaries paid to workers by half.

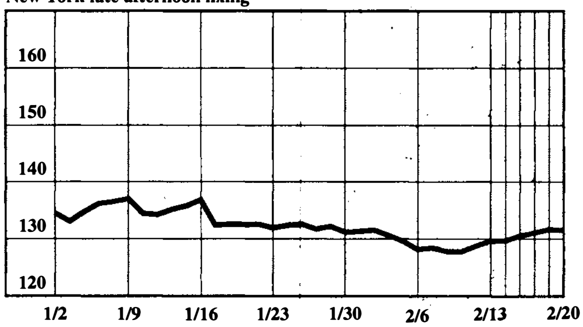
As the proponents of free trade have discovered, you don't need the government when you control the government. Harper's friends in the U.S. Department of Justice Anti-Trust Division have refused to act against the food cartel, despite numerous complaints that three companies—ConAgra, Excel (Cargill), and Iowa Beef Processors—now dominate 70% of U.S. meat production.

Currency Rates

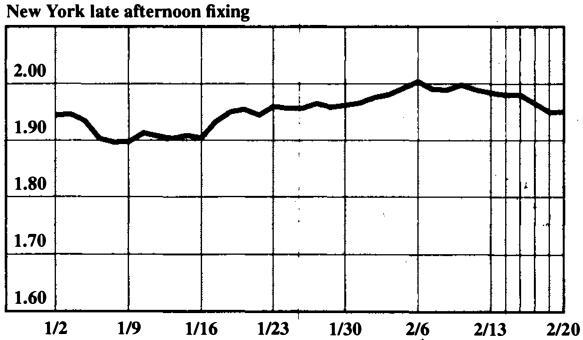
The dollar in deutschemarks
New York late afternoon fixing



The dollar in yen
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing