AMBER WAVES OF GAIN:

How the Farm Bureau Is Reaping Profits at the Expense of America's Family Farmers, Taxpayers and the Environment

April, 2000

DEFENDERS OF WILDLIFE

DEDICATION

This report is dedicated to the memory of Joseph Y. Resnick, the two-term congressman from New York who first exposed the Farm Bureau as not being the organization of farmers it claims to be. Resnick launched an investigation of the Farm Bureau in 1967 and resumed it after leaving politics in1969. He died later that year, but the probe he initiated and funded continued, culminating two years later in the publication of the book *Dollar Harvest*, a major exposé about the Farm Bureau by former Resnick aide Samuel R. Berger. This report builds on the foundation laid by Resnick and resurrects his call for the dealings of the Farm Bureau to be closely examined on Capitol Hill.

Table of Contents

ACKNOWLEDGMENTS

PRINCIPAL AUTHOR:

Vicki Monks

CONTRIBUTING AUTHORS:

Robert M. Ferris, Vice President for Species Conservation Program, Defenders of Wildlife
Don Campbell

PROJECT MANAGER:

Robert M. Ferris

RESEARCH COORDINATOR:

Heather Pellet, Species Conservation Program Coordinator, Defenders of Wildlife

RESEARCH:

Scotty Johnson, Rural Outreach Coordinator, Grassroots Environmental Effectiveness Network (GREEN)
Roger Featherstone, Director, GREEN
Carol/Trevelyan Strategy Group (Dan Carol, Catharine Gilliam)
Rob Roy Smith, Species Conservation Program Intern, Defenders of Wildlife
William J. Snape III, Vice President for Law and Litigation, Defenders of Wildlife
Joe McCaleb

EDITING AND PRODUCTION:

James G. Deane, Vice President for Publications, Defenders of Wildlife
Kate Davies, Publications Manager, Defenders of Wildlife
Maureen Hearn, Editorial Associate, Defenders of Wildlife

DESIGN:

Cissy Russell

ABOUT DEFENDERS OF WILDLIFE

Defenders of Wildlife is a leading nonprofit conservation organization recognized as one of the nation's most progressive advocates for wildlife and its habitat. Defenders uses education, litigation, research and promotion of conservation policies to protect wild animals and plants in their natural communities. Known for its effective leadership on endangered species issues, Defenders also advocates new approaches to wildlife conservation that protect species before they become endangered. Founded in 1947, Defenders of Wildlife is a 501(c)(3) membership organization headquartered in Washington, D.C., and has nearly 400,000 members and supporters.

Visit our website at www.defenders.org and our children's website at www.kidsplanet.org.

Cover Illustration: David Chen/The Stock Illustration Source

Printed on recycled paper.

Foreword

Foreword

In December, 1997, Defenders of Wildlife heard deeply disturbing news. A federal district judge in Wyoming had ruled that Yellowstone and central Idaho wolf reintroductions carried out by the federal government in 1995 and 1996 were unlawful and that the thriving new wolf populations must be removed. Since their former territories in Canada were by then occupied by other wolves and there wasn't room for them in the nation's zoos, it appeared that the wolves would have to be killed.

The ruling threatened to erase years of hard work by the government and conservationists and to destroy what has been called the most popular and successful wildlife restoration effort of the 20th century, an effort in which Defenders had been a leader for two decades.

The most significant plaintiff in the lawsuit responsible for the court decision was the American Farm Bureau Federation (AFBF — or the Farm Bureau). AFBF and its state and county units regularly oppose not only measures to sustain and recover endangered species like the wolf but many important environmental protection efforts. The organization also is negative toward other widely accepted laws and public policies. Its 1998 policy manual, for example, advocated repeal of the Voting Rights Act of 1965, opposed registration and licensing of firearms and advocated abolishing the U.S. Department of Education.

From its name, one might suppose that the Farm Bureau exists to serve American family farmers. In reality the Farm Bureau is a gigantic agribusiness and insurance conglomerate. The majority of its "members" are not farmers, but customers of Farm Bureau insurance companies and other business ventures. Yet the organization's nonprofit status allows it to use the U.S. tax code to help build a financial war chest with which it pursues an extreme political agenda, while doing little for — and sometimes working against — America's family farmers.

We decided that we should try to find out more about this politically powerful organization and make what we learned available to the public. The result is the accompanying report. We would have liked to examine more of the Farm Bureau's operations but lacked the time and resources to do so. We believe the public deserves to learn the full facts about this huge financial conglomerate that purports to be the voice of America's family farmers.

Rodger Schlickeisen
President, Defenders of Wildlife

Foreword

Executive Summary

The American Farm Bureau Federation (AFBF) — with its roughly 3,000 constituent state and county farm bureaus — ranks among the richest and most powerful non-governmental organizations in America. AFBF claims to have more than 4.9 million members. It has artfully portrayed itself as the voice and champion of our nation's family farmers for nearly 80 years.

The vast majority of the Farm Bureau's members, however, are either policyholders of one of numerous insurance companies affiliated with state farm bureaus or are customers of other farm bureau business ventures. (At latest count there were some 54 farm bureau insurance companies.) Such members have no say in establishing or carrying out Farm Bureau policies and, in most cases, have no particular interest in agriculture.

AFBF spends a great deal of money and time opposing environmental laws such as the Endangered Species Act, the Clean Air and Safe Drinking Water Acts, wetlands laws and pesticide regulations. But the organization's views may have more to do with its own financial interests than with the views of its members or the needs of the family farmer.

AFBF is allied with some of the nation's biggest agribusinesses. It has large investments in the automobile, oil and pesticide industries, often supports factory farming rather than family farming and regularly opposes government regulation to reduce air and water pollution and pesticide use and to protect wildlife, habitat, rural amenities and food quality. It is critical of efforts to counter global warming. It has opposed the registration and licensing of firearms. It has advocated repeal of the 1965 Voting Rights Act, one of the nation's key civil rights laws. It has advocated abolition of the federal Department of Education and of the U.S. Fish and Wildlife Service. It has launched lawsuits to halt reintroduction of endangered gray wolves. It is allied politically with, and provides funding for, right-wing interests and the so-called wise-use movement, which works for the supremacy of private property ownership and against the protection and conservation of public lands.

The Farm Bureau's policies are set by voting delegates at its annual meetings. Many high officers of the national and state farm bureaus also serve as officers or directors of the insurance companies and of Farm Bureau cooperatives and other businesses.

Defenders of Wildlife first investigated the Farm Bureau because of the longstanding Farm Bureau lobbying campaigns against wildlife and environmental protections. We found, however, that the Farm Bureau not only opposes our core mission but also works actively against the interests of rural communities and mainstream America.

A significant problem facing rural communities in the last decade has been the rise in factory farms which produce hundreds of thousands of hogs every year. The Farm Bureau has sided with the corporations that own and operate these farms, often to the detriment of rural communities and local family farmers. Beyond significant pollution issues, these pig factories are putting family farms out of business.

Over the last decade, as market concentration has become an overwhelming force in American agriculture, hundreds if not thousands of family-owned farms have been forced out of business. The Farm Bureau supports, through investments and political clout, this concentration of the agricultural industry and, indirectly, the destruction of rural America.

When the cooperative farm bureau system was first set up in 1922, it empowered farmers and other rural residents to get the goods and services they needed while enabling them to sell their products at a better price. Unfortunately, what was once a beneficial arrangement for farmers and consumers has drastically changed. Many Farm Bureau-affiliated co-ops are now multibillion-dollar operations that compete directly with their farmer members. Furthermore, many of these cooperatives are partnering with the very companies responsible for the agribusiness megamergers that are putting smaller farmers out of business.

As can be expected, the Farm Bureau has taken positions that benefit its business interests or investments. Other lobbying priorities are more difficult to fathom. However, the theme that runs through all Farm Bureau policies seems to be less regulation and more power for business interests. To further this agenda, the Farm Bureau has developed close ties to the corporate-led property rights movement.

Plenty of farmers and ranchers see common ground with environmentalists. Some are Farm Bureau members who cannot make their voices heard. Others have dropped membership and are working for change in other ways. Yet the Farm Bureau has pursued a deliberate strategy of fostering enmity between farmers and environmentalists, two groups that could benefit from working together.

INTRODUCTION

The Farm Lobby Colossus

> *"...the Farm Bureau is far more than simply an organization of farmers, as it so often claims. The nation's biggest farm organization has been quietly but systematically amassing one of the largest business networks in America, while turning its back on the deepening crisis of the farmers whom it supposedly represents...."*
>
> — Samuel R. Berger, *Dollar Harvest*.

The majority of Americans may be only vaguely aware of the existence of the American Farm Bureau Federation (AFBF), although it is a huge and immensely powerful organization that claims to speak for farmers on many public policy issues and has a significant influence on decisions of government at all levels.

Surveys by *Fortune* magazine regularly rank AFBF as one of the top 25 most potent special-interest groups in Washington, D.C. The organization is no less formidable a presence in state capitals, county seats and rural communities. And its influence extends into business and financial circles, to which it has major and profitable ties.

With more than 4.9 million members and affiliated organizations in every state, AFBF — familiarly called simply the Farm Bureau — has colossal political clout in Congress, state legislatures and county commissions."They are an incredibly powerful lobby," says Sam Hitt of Forest Guardians, a Santa Fe, New Mexico, environmental group. Hitt has run up against the Farm Bureau time and again on environmental issues, such as protection of streamside ecosystems. "Legislators seem to go google-eyed when they see them walk through the door, and that's caused the loss of a lot of our wildlife heritage," he says.

One measure of the Farm Bureau empire's size is the $200 million or more that it takes in yearly in membership dues. The national, state and county farm bureaus also control insurance companies producing annual revenue of some $6.5 billion and cooperatives producing revenue of some $12 billion. And farm bureaus earn revenue from consulting, satellite TV and Internet services and a bank headed by AFBF's president.

AFBF spends considerable money and energy fighting such environmental initiatives as the Endangered Species Act, the Clean Water, Clean Air and Safe Drinking Water Acts, wetlands laws, pesticide regulations and efforts to curb global warming. But the Farm Bureau's views may have more to do with the organization's own financial interests than with the needs of family farms.

The Farm Bureau's emotionally charged attacks on environmental regulations seem intended at least partly to divert the attention of farmers from the real issues facing agriculture today. For years this strategy apparently worked. But interviews with cattle ranchers, hog producers and farmers across the nation suggest that many no longer believe these issues have anything to do with the troubles plaguing agriculture, and they no longer trust the Farm Bureau to act on their behalf.

The United States is in the midst of one of the worst agricultural crises in decades. Hog, cattle and grain prices for farmers have collapsed at the same time that food costs for consumers remain high. Food production at all levels is becoming more and more concentrated in the hands of enormous agribusinesses, including those of the AFBF network, while thousands of family farms go under. AFBF and its affiliates have not only advocated policies that have contributed to the crisis but are actively benefiting from the demise of family farms.

The Farm Bureau began its rise to power in 1911 when the Chamber of Commerce in Binghamton, New York, set up the first county farm bureau to sponsor an extension agent provided by the U.S. Department of Agriculture. From that time through the 1950s, a cozy relationship persisted between the private farm bureaus and federal agricultural agents — a relationship so close that many farmers mistakenly believed that the farm bureaus and the government were one and the same, according to a history of the Farm Bureau in *The Corporate Reapers: The Book of Agribusiness* by A.V. Krebs (Essential Books, 1992). In 1954, the Department of Agriculture ordered its agents to stop accepting free office space and gratuities from farm bureaus, but close connections between the two entities remained. Ironically, this association with the federal government — and the consequent access to federal crop programs and technical information — helped establish AFBF's dominance as a farmers' organization. These days, AFBF complains that the federal government is too intrusive, particularly in regard to environmental regulations, which AFBF claims are overly burdensome to farmers. But many of the causes that the Farm Bureau champions, including less pesticide regulation, relate at least as much to the financial interest of the Farm Bureau as to the needs of farmers.

Dean Kleckner, AFBF president from 1986 to January, 2000, reserved particular invective for the Food Quality Protection Act, which directs the Environmental Protection Agency (EPA) to set standards for pesticide residues in food at levels low enough to protect the health of infants and children. "Sane people do wonder what these kids will eat . . . when the government closes the produce department at our grocery stores," Kleckner wrote in a newspaper column in which he suggested that EPA's "bureaucratic madness" would result in bans on all agricultural chemicals. The Farm Bureau may genuinely fear that agriculture will suffer if farmers must reduce their use of chemicals, but Farm Bureau-affiliated companies also hold stock in corporations that manufacture pesticides, and presumably those investments might suffer as well.

WIDE-RANGING BUSINESS INTERESTS

Agricultural cooperatives under the direct control of state farm bureaus earn significant revenues from pesticides and market them aggressively. In addition, according to corporate documents, some 54 Farm Bureau-affiliated insurance companies earn a total of more than $6.5 billion annually in net premiums. The farm bureaus also have investments in banks, mutual-fund and financial-services firms, grain-trading companies and other businesses. Many of those businesses in turn own stock in oil and gas, pulp and paper, timber, railroad, automobile, plastics, chemical, steel, pesticide, communications, electronics and cigarette companies and even a nuclear power plant. The lists of stocks held by Farm Bureau companies read like a who's who of corporate heavyweights: Philip Morris, Weyerhaeuser, DuPont, Union Carbide, AT&T, Ford Motor, Raytheon (a leading manufacturer of tactical missiles), International Paper, CBS, Tyson Foods, Archer Daniels Midland (ADM) and many more. (*For a list of farm bureau insurance companies and other farm bureau business affiliations see Appendix 1, "Farm Bureau Connections."*)

In a 1998 interview, AFBF Washington lobbyist Dennis Stolte claimed ignorance of these financial interests and insisted that the insurance and other businesses have little to do with AFBF. "That's not the Farm Bureau," he said. "Our members are farmers for the most part. They're people who are interested in promoting agriculture." Nevertheless, comparisons of the boards of directors of Farm Bureau-affiliated businesses and Farm Bureau organizations themselves show substantial overlap. In many cases, the individuals and boards controlling the businesses also control the state farm bureaus. Frequently, much of the profit earned by these businesses reverts to the farm bureaus. The California Farm Bureau, for example, reported total revenue of $37 million in 1996. This and the examples that follow indicate just why AFBF would be inclined to function more like a big-business interest than the advocate of family farmers:

The Illinois Farm Bureau (also known as the Illinois Agricultural Association or IAA) is the majority stockholder in a group of investment funds run by IAA Trust Company, which manages stock, bond and money-market funds worth more than $356 million. Illinois Farm Bureau also owns 95 percent of IAA Trust Company. In 1998, the IAA Trust Funds earned $10.6 million in interest and dividends from stocks and other investments, and the value of IAA Trust's portfolio increased by more than $46 million for the year ending June 30, 1999. According to an October, 1999, report filed with the Securities and Exchange Commission (SEC), Illinois Farm Bureau president Ronald Warfield is also president of IAA Trust and serves on AFBF's board as well as the boards of several of AFBF's affiliated companies. According to the SEC report, nearly all of the top officers and directors of IAA Trust are also on the board of the Illinois Farm Bureau. Twenty-one board members serve both organizations. The IAA investment funds pay the IAA Trust Company more than $2 million a year to provide advice on which stocks to buy and when.

These same Farm Bureau officers are in charge of 52 companies directly owned by or closely affiliated with the Illinois Farm Bureau. The list includes Country Companies Insurance, real estate brokerage firms, credit and financial services companies, an export company headquartered in Barbados, West Indies, oil and gas companies and Growmark, an international agricultural cooperative with close business ties to the agribusiness giant Archer Daniels Midland (ADM).

Nationwide Insurance of Columbus, Ohio, with $74 billion in assets and $12 billion in annual sales, grew out of the Ohio Farm Bureau. Even though the insurance company split off from the Ohio bureau in 1948, connections remain close. According to the *Columbus Dispatch*, Ohio Farm Bureau presidents and past presidents routinely are elected to the board of Nationwide and the bureau nominates a majority of the board. Irv Bell, president of the Ohio Farm Bureau until early 1998, now sits on Nationwide's board. Nationwide's long-time chairman and chief executive officer, George Dunlap, was also an Ohio Farm Bureau director for 15 years and director of a county farm bureau for 25 years.

AFBF owns 42.7 percent of American Agricultural Insurance Company (AAIC). Thirty-three other Farm Bureau insurance companies own the rest of AAIC. AAIC sells reinsurance, insuring other insurance companies against the kinds of huge losses that might be caused by natural disasters — a risky but profitable business. According to financial reports, in early 1999 AAIC had assets of more than $575 million and a surplus of $285 million. The president of AFBF is also AAIC's president. AAIC employs AFBF's secretary and treasurer as secretary and treasurer of the reinsurance company. In fact, AAIC's entire board is chosen from among AFBF board members. On March 31, 1999, AAIC announced plans to purchase the reinsurance division of Nationwide Insurance. The terms were not disclosed. According to a news release, Nationwide's president Richard D. Crabtree said the sale to AAIC is a good fit because the two companies "share a cooperative heritage . . . ."

Other examples of overlapping farm bureau organizational and business interests include:

• New York Farm Bureau president John Lincoln serves as vice chairman of the board of Farm Family Insurance Companies. Farm Family also shares office space with the New York Farm Bureau.

• Kentucky Farm Bureau Federation executive vice president David S. Beck also is corporate secretary of Kentucky Farm Bureau Mutual Insurance Company.

• Farm Bureau Town and Country Insurance and Farm Bureau Life Insurance of Missouri are owned by Missouri Farm Bureau Services, Inc., which is controlled by the Missouri Farm Bureau.

• All directors of Western Farm Bureau Mutual Insurance are also directors of the New Mexico Farm and Livestock Bureau.

• Former Wyoming Farm Bureau Federation president and AFBF executive committee member Dave Flitner also served as president of Mountain West Farm Bureau Mutual Insurance and Farm Bureau Life Insurance. Flitner is better known for his close ties with former Interior Secretary James Watt and for his tenure as president of the Mountain States Legal Foundation, one of the nation's most active anti-environmental legal groups. Mountain States, a co-plaintiff in the Farm Bureau Yellowstone/Idaho wolf lawsuit, also provided legal representation for the

Farm Bureau in that lawsuit. Flitner once compared reintroduction of wolves to "inviting in the AIDS virus." He also proposed cutting agriculture programs to lower the federal deficit.

So vast is this web of interlocking companies with interlocking boards that it is nearly impossible to estimate the true extent of the Farm Bureau's financial power. It's equally difficult to gauge whether or how much individual farm bureau officers who sit on multiple boards of directors profit from these businesses, since individual holdings in the companies are never disclosed.

In addition to their other businesses, state farm bureaus are now providing digital television, satellite, advanced communication, long-distance and cellular telephone services and high-speed Internet access. Farm Bureau leaders seem reluctant to discuss these enterprises with outsiders. AFBF excluded members of the press from a 1998 communications conference in Santa Fe, New Mexico.

This exclusion of the press is not surprising. AFBF works hard to maintain its image as a grassroots advocate for family farms. Too much emphasis on AFBF's outside business interests might spoil that illusion. "There's an impression that this is a huge organization of farmers," says former Texas agriculture commissioner Jim Hightower, who now hosts a syndicated radio talk show. "But they are no more a family farmer organization than is State Farm Insurance. Just because you have the word farm in your name doesn't mean you really represent farmers."

As agriculture commissioner, Hightower had firsthand experience with the Farm Bureau's jealous protection of its financial interests. In the mid-1980s, when the European Community was considering a ban on imports of hormone-enhanced meat, Hightower tried to recruit Texas cattle producers to raise hormone-free beef for export. He figured that ranchers could take advantage of the new market for "organic" beef if they acted quickly. The Texas Farm Bureau interpreted Hightower's actions as disparagement of hormone-enhanced cattle and launched a successful campaign to drive him from office. After the smoke cleared, the *Dallas Times Herald* reported that Texas Farm Bureau-controlled companies owned $1.3 million worth of stock in Syntex, a cattle growth hormone manufacturer.

INFLATED MEMBERSHIP RANKS

> *"If these people lose their prestige as the spokesmen for agriculture, they're just another insurance lobby, and insurance lobbies are a dime a dozen. That's why they don't like to talk about how many of those members are actually farmers."*
>
> — Missouri farmer Scott Dye.

If proof is still needed that AFBF is not quite the grassroots farming organization that it represents itself to be, it would be found in the AFBF's own membership rolls. The Department of Agriculture estimates the number of full-time American farmers at just over 1 million, so clearly most of AFBF's 4.9 million members must come from outside agriculture. Numbers from the Texas Farm Bureau tell the story. In 1997, Harris County, which includes metropolitan Houston, had 4,675 members even though the Department of Agriculture listed only 551 full-time farmers there. Dallas County, with just 229 farmers, listed 2,332 Texas Farm Bureau members. Even in the unlikely event that every full-time farmer in both of those counties belonged to the Farm Bureau, around 90 percent of the Dallas and Harris county Farm Bureau members would have been non-farmers.

In fact, most urban members are nothing more than customers of Farm Bureau-affiliated insurance companies. The Farm Bureau requires these customers to purchase memberships in order to qualify for low-cost automobile, home, health or life insurance. These members do not necessarily support or even know about the Farm Bureau political activities that membership fees and insurance premiums are bankrolling. Chicago banker Sallyann Garner, for example, became a Farm Bureau member when she took out an insurance policy in 1991. Garner says she knew that a membership in the DuPage County, Illinois, Farm Bureau came with her policy. She cannot recall whether her insurance agent told her that all county members automatically become members of the national organization.

Garner learned in April, 1998, about AFBF's lawsuit to force removal of the Yellowstone wolves. "Wolf recovery happens to be one of my pet programs," she says. "I was extremely upset. I was appalled that I was forced to be a member of the American Farm Bureau just because of my insurance. I ought to be able to choose insurance based on the cost and the value and not unwittingly be part of a political action group that advocates policies I personally object to." A letter to DuPage County Farm Bureau president Michael Ashby brought a response saying that if Garner objected to the policy on "Wildlife Pest and Predator Control" she could vote with her checkbook and find other insurance.

Farm Bureau officials at the state, county and national levels alike generally seem reluctant to give straight answers to questions about how many actual farmers belong to the organization. "We feel like we represent eight out of ten American farmers," says Dick Newpher, executive director of AFBF's Washington, D.C., office. But he admits he actually has no idea whether that statement is true because, he says, AFBF does not keep a central membership list that identifies who is a farmer and who is not. However, AFBF bylaws clearly spell out two categories of membership: full members actively engaged in agriculture or retired from farming and associate members, defined as anyone else with an "interest" in agriculture. Newpher says county and state farm bureaus keep those records, but queries to several state farm bureaus did not produce answers, either. Texas Farm Bureau spokesman Gene Hall says Texas membership records make no distinction between farmers and other members.

The heavy dependence on insurance customers as the bulwark of the organization suggests that AFBF might become increasingly inclined to focus more on building its business interests than on speaking for individual farmers. This is supported in AFBF publications. For example, in a recent on-line essay, New York Farm Bureau executive Bill Stamp spelled out the importance of adding as many insurance customers as possible to the Farm Bureau's membership rolls: "This year, New Jersey Farm Bureau made a bold effort to increase membership with the support of their farm family agents. The membership increase was made largely with associate members. New Jersey Farm Bureau provided a wonderful marketing brochure for the non-farm consumer of insurance. This practical initiative creates a larger membership base . . . . This boosts the financial foundation that Farm Bureau needs to achieve success of their policy efforts. This is a shining example of success!" Despite paying dues, Farm Bureau associate members aren't allowed to vote at the organization's conventions and thus have no say in policy matters.

Unlike the average farmer, AFBF has escaped paying taxes on its hefty income from membership dues because it is a nonprofit organization (although some state affiliates are set up as for-profit groups). However, after an Internal Revenue Service (IRS) survey of associate members found that only five percent joined AFBF because of an interest in agriculture, IRS in 1993 ruled that dues from these non-farming associate members — customers of Farm Bureau insurance companies and other businesses — should be taxed as business income. The IRS ruling could have cost AFBF and state affiliates $62 million in annual taxes. By 1996, IRS was suing farm bureaus in 11 states for back taxes.

A group of members of Congress led by Representative David Camp (R-Michigan) came to the Farm Bureau's rescue. Legislation reversing the IRS decision won congressional approval in 1996 as part of the tax-relief package under House Speaker Newt Gingrich's "Contract With America." Congressman Camp explained that he wanted to shield the organization from "unwarranted and potentially devastating audits." Senator Phil Gramm (R-Texas) argued during floor debate that "the IRS is trying to force the Farm Bureau to pay taxes they do not owe" and said the IRS action was "indefensible in the opinion of the vast majority of the American people." After all, Gramm insisted, "being part of the Farm Bureau is being part of agriculture." *(For a detailed discussion of the 1996 tax relief package see Appendix 2, "Tax Treatment of Unrelated Business Income for Agricultural and Horticultural Organizations.")*

During 1995 and 1996, Farm Bureau-affiliated political action committees (PACs) contributed $109,824 to many of the 126 congressional sponsors of the Tax Fairness for Agriculture Act, including $16,480 to Camp. In 1996 the Texas Farm Bureau PAC gave Senator Gramm $5,000.

This report will examine the Farm Bureau's multibillion-dollar financial empire and show how AFBF's pursuit of policies beneficial to its wide-ranging business interests has undercut the well-being of America's family farmers as well as the interests of consumers and efforts to protect the environment.

CHAPTER ONE

Emphasizing the Bottom Line

> *"Farm Bureau businesses sustain and preserve the organization. In terms of money, policy and power, they dominate the organization."*
> — Samuel R. Berger, *Dollar Harvest.*

In 1967, U.S. Representative Joseph Resnick (D-New York) launched an inquiry into AFBF's already sizable commercial ventures. As chairman of the House Subcommittee on Rural Development, he wanted to investigate whether profits from AFBF-controlled businesses were being transferred to the tax-exempt organization. But when he moved for hearings, his subcommittee balked. Most of those committee members belonged to AFBF and had benefited from AFBF help in their campaigns. The subcommittee refused to authorize the investigation. Resnick conducted hearings anyway, gathering enough information to fill in a rough outline of the Farm Bureau's inscrutable business domain. Before he could complete the process, however, he died, at the age of 45.

Samuel R. Berger, who had served as a Resnick aide, picked up the threads of the investigation and in 1971 produced the most comprehensive analysis of the AFBF empire written to date. His book *Dollar Harvest* (Heath Lexington Books) explains in detail how the nonprofit farm bureaus benefit from relationships with their for-profit business partners. Berger, now national security adviser to President Clinton, described the Farm Bureau insurance network as "one giant company" clearly controlled by AFBF.

According to Berger, the relationship works like this: The insurance companies give AFBF organizations "sponsorship fees," which amount to percentages of insurance company earnings. "Putting aside the fascinating tax consequences of these transactions, other ticklish problems arise," Berger wrote. Part of the insurance customer's premium goes directly into the pocket of the Farm Bureau without the customer's knowledge, he pointed out.

Especially interesting are cases where Farm Bureau and insurance company boards of directors are exactly the same people. Berger described a 1947 Ohio Insurance Department investigation into the relationship between the Ohio Farm Bureau and Nationwide Insurance. The insurance examiners weren't too happy with the concept of overlapping boards. Quoting from the examiner's report, Berger wrote that every time the insurance company board offered the Farm Bureau fees, "the same men rushed around to the other side of the table to say 'Okay, we accept those fees.' The examiners said they felt people should not negotiate with themselves."

Frequently, the insurance companies rent their office space from state farm bureaus and employ the farm bureaus' in-house advertising, public relations and communications divisions. In many states, the nonprofit farm bureaus also own all or most of the stock of the insurance companies. And those stocks pay dividends to the state organizations. The farm bureaus also benefit from using insurance customers to inflate their membership numbers, since everyone who buys a policy must join the bureau. The insurance companies also benefit from the alliances. Farm bureau lobbyists use their considerable political clout to lobby on bills affecting their partners in the insurance business. For instance, state farm bureaus have lobbied hard for limits on medical malpractice damage awards. And AFBF is pushing for privatization of Social Security, which could bring a profit windfall to insurance company and financial investment firm ventures. Relating any of those issues to agriculture is a far stretch, but they certainly affect the Farm Bureau's bottom line.

INSURANCE AT A PREMIUM

> *"The purpose of this program is to provide the best insurance products to Farm Bureau members at the lowest possible cost and provide excellent policyholder service."*
>
> — AFBF insurance brochure.
>
> *"Farm Bureau member Nathan Baxley has cancer and his daughter has muscular dystrophy; the Farm Bureau insurance plan hit him with a premium increase of $1,950 a month or an option for drastically reduced coverage."*
>
> — *Arkansas Democrat-Gazette,* January 20, 1994.

State farm bureaus have always promoted their insurance lines as an important service to their members, and in many cases customers do have trouble finding any other insurance for a reasonable price. Farm bureau insurance rates generally compare favorably with other carriers and often are lower. Despite these advantages, Farm Bureau insurance falls far short of providing the best service to its customers. For example, state officials and consumer groups have accused some farm bureau-affiliated companies of insuring only those who pose the least risk and therefore are least likely to file claims. As the following examples illustrate, the Farm Bureau has a long history of using exorbitantly high rates to dissuade or exclude altogether those who need insurance the most:

- In 1961, as the East Germans were build-

WHILE FAMILY FARMS FLOUNDER, THE FARM BUREAU FLOURISHES

Family farmers are going broke, but the Farm Bureau and many of its state affiliates are amassing wealth and spending it as the following list and examples illustrate:

10 WEALTHIEST STATE FARM BUREAUS (Based on 1996 tax revenues)

1. California Farm Federation	$37,596,117
2. Illinois Agricultural Association	28,780,046
3. Ohio Farm Bureau Federation	11,122,260
4. Michigan Farm Bureau	10,134,866
5. Georgia Farm Bureau Federation	8,356,010
6. Texas Farm Bureau	8,244,374
7. Tennessee Farm Bureau Federation	8,107,782
8. North Carolina Farm Bureau Federation, Inc.	8,075,741
9. Iowa Farm Bureau Federation	7,479,588
10. Kentucky Farm Bureau Federation	7,020,080

- Forty-one farm bureau affiliates had enough surplus funds to open their own bank in 1999 with assets of approximately $135 million.
- Southern Farm Bureau Insurance sponsors the Southern Farm Bureau Classic, an annual stop on the Professional Golfers Association Tour.
- In 1985, the height of the farm crisis in America, the Farm Bureau held a million-dollar annual convention in Hawaii.
- FBL Financial Group, Inc., a publicly held company with special marketing arrangements to sell farm bureau insurance in 15 states, did so well in 1999 it had to readjust its operating income four times.

ing the Berlin wall at the height of the cold war, 24-year-old Iowa corn farmer Larry Moore decided to answer President John F. Kennedy's call to service by joining the Army. Moore had been a farmer all his life and a loyal Farm Bureau member. But as the young man prepared for his tour of duty he got a notice from his Farm Bureau insurance agent that the company would double his auto insurance premium. "That's just not the kind of thing you'd do to show support for America's troops," says Moore's wife, Mary Ellen. Moore immediately quit the Farm Bureau and has refused to rejoin. Mary Ellen is still a member, although she does not want to be. She owns a separate farm across the border in Illinois and says she has no choice but to deal with farm bureau cooperatives, which offer the only market for her grain. "They've got you in a noose, so what are you going to do?" she asks. "I sure don't agree with their policies."

• In the 1960s, after a series of rate hearings, South Carolina Chief Insurance Commissioner Charles Gambrell accused Southern Farm Bureau Casualty Insurance Company of attempting to persuade other insurance carriers "to lead the way in raising farmers' rates, so that Farm Bureau could follow suit and avoid the stigma of being the first to do so."

• In 1994, Nathan Baxley was one of 1,400 ailing Farm Bureau members in Arkansas who got rate-hike notices from Arkansas Farm Bureau Insurance, which gave them less than 30 days to find other insurance or pay the company thousands of dollars extra in annual premiums. According to Arkansas newspaper accounts, state legislators accused the company of manipulating the rate increases to purge sick members from the rolls. "These members have been paying 20 and 25 years and didn't need you until two or three years ago," Arkansas state representative Lloyd George said at a hearing. George suggested that the company had lowered rates for other health insurance customers in order to attract more new members. Baxley's brother-in-law added, "The Farm Bureau will attract you with the new low premiums, then cut you out the moment you get sick."

• In Texas in 1994, regulators ordered Southern Farm Bureau Life Insurance Company to pay a $250,000 fine for overcharging Medicare patients for prescription drug insurance. The Texas insurance department said Southern Farm had charged elderly patients deductibles as high as $3,000 on prescription drug claims after advertising that the policies would cover 100 percent of prescription drugs with no deductibles.

In addition, lawsuits have been filed and regulators in several states have fined Farm Bureau-affiliated insurance companies for engaging in redlining, the practice of refusing insurance to people because of age or race or because they live in low-income or minority neighborhoods. Redlining can mean that insurers refuse to write policies in certain neighborhoods — they literally draw red lines on maps to mark off excluded areas. But more often, redlining takes subtler forms. In many cases, regulators have found that insurance companies discourage minorities from buying policies by quoting substantially higher rates than the companies offer to people who live in similar but largely white neighborhoods.

In 1994, the Missouri insurance department brought formal administrative charges against Farm Bureau and Country Insurance Companies for redlining the entire city of St. Louis. Examiners found a map in a Farm Bureau underwriting manual with the whole predominantly minority city outlined in yellow and labeled "ineligible property." At the time, the Farm Bureau was the ninth largest homeowners' insurer in the state. A spokesman for the company claimed that urban residents were excluded because the Farm Bureau is "traditionally a rural insurer" and confines business to counties with local farm bureaus.

Nationwide Insurance has been particularly troubled by redlining lawsuits filed by fair-housing groups around the country. While the Ohio Farm Bureau no longer owns Nationwide, it still exerts considerable influence over the insurance company through its role in hand-picking board members for Nationwide. The company and the Farm Bureau continue to share office space in Columbus. The insurance company pays the Ohio Farm Bureau a generous fee on each policy sold through the bureau. The farm bureaus in California, Maryland and Pennsylvania have similar agreements with Nationwide.

More examples:

• In 1997, Nationwide Insurance agreed to pay Toledo residents $3.5 million to settle a civil rights lawsuit over redlining, although the company did not admit doing anything wrong. In that same year, Nationwide without admitting guilt settled a Justice Department redlining lawsuit by agreeing to spend more than "$26 million in minority neighborhoods nationally."

• One of Nationwide's own agents accused the company in 1997 of refusing to let him sell insurance in minority neighborhoods of Pittsburgh, Pennsylvania. Now, more than 20 Nationwide agents in other states have come forward with allegations that the company promotes redlining.

• In February, 1998, Nationwide settled a racial discrimination lawsuit brought by the Cincinnati NAACP. The suit accused the insurance company of charging higher premiums in neighborhoods with high concentrations of non-white homeowners. Later that year, the Texas Department of Insurance found that Nationwide's tightly controlled marketing strategy, which is overseen from its home office in Columbus, Ohio, "systematically exclude[s] minority customers from the market in which [they] operate. Such a pattern of operations shows that Nationwide has engaged in a practice of unfair discrimination."

• In October, 1998, a Richmond, Virginia, court ordered Nationwide to pay $100 million in punitive damages and $500,000 in compensatory damages for redlining. The verdict followed a jury trial in which fair-housing advocates presented evidence that Nationwide had denied home insurance to black applicants and had imposed higher rates in Richmond, a predominantly black city, than in Richmond's largely white suburbs. The $100 million judgment was the largest ever imposed in a redlining case — and a judge who reviewed the jury's decision ruled in December, 1998, that the award was not excessive. Nationwide denied wrongdoing. In December, 1999, the case was still on appeal.

CORPORATIONS OVER FAMILIES

> *"The purpose of Farm Bureau is to make the business of farming more profitable, and the community a better place to live.... Farm Bureau is the voice of farmers and ranchers in local meetings, at state legislatures and in the nation's capital."*
>
> — This Is Farm Bureau, AFBF website.
>
> *"They had 70 or 80 years to speak out on behalf of the small farmer and if they had done their job, we wouldn't be in the mess we're in now, where we're losing farmers in astronomical numbers."*
>
> — Martha Stevens, Missouri farmer.

Two Missouri controversies illustrate how out of step the Farm Bureau can be with the family farmers it purports to represent. Both cases involve the efforts of small farmers and rural communities to protect their environment and quality of life, and in both cases the Farm Bureau has come down squarely on the side of polluters. The first example involves efforts to protect the imperiled Topeka shiner, a tiny minnow that can live only in cool, clear-running streams and cannot tolerate pollution. At a 1998 U.S. Fish and Wildlife Service hearing in Bethany, Missouri, Farm Bureau lobbyist Dan Cassidy testified against a proposal to add the shiner to the federal endangered species list. Listing the minnow could require farmers to take special care to keep sediments, pesticides, manure and other pollutants out of the water.

The Farm Bureau had alerted its members, and dozens of farmers showed up at the hearing. "Cassidy had this big old Cheshire-cat grin on his face when he saw all of these farmers come filing into the room," recalls one farmer who attended. Cassidy testified first, arguing that the listing would lead to onerous and burdensome regulations that could put family farmers out of business. But then farmer after farmer got up to say that the Farm Bureau did not speak for the farmer. According to a head count taken by the Sierra Club, 69 of the 87 farmers and rural residents at the meeting disagreed with Cassidy and supported listing the shiner.

Martha Stevens, who has farmed for 45 years and is nearing retirement, says she is proud that Topeka shiners still survive in northern Missouri streams. "It means we've been doing something right," she says. "If the water kills the fish, it can't be good for us. The Topeka shiner is a darn good indication of when your water is polluted, and I believe we ought to be able to coexist and not pollute to the point that it destroys them and eventually destroys us." Stevens says the degree of support for listing the Topeka shiner appeared to take the Farm Bureau men by surprise, but if they had been paying attention to the concerns of small farmers, she says, the bureau would have realized that family farmers see pollution from big agribusiness as a far greater threat than government regulation.

The second example underscores Stevens's point. For several years now, small farmers and other rural residents in a three-county area of northern Missouri have been locked in what is so far a losing battle over pollution from confined animal-feeding operations (CAFOs). These megahog farms house as many as 140,000 animals at one time. Rolf Cristen's 600-acre farm is sandwiched between two of these operations. "It stinks at our house continuously," he says. People who have worked around livestock all their lives say they sometimes wake up in the middle of the night and vomit because the stench is so bad.

In 1982, Missouri's legislature enacted a "right-to-farm" law whose provisions made it difficult for the Missouri Air Conservation Commission (MACC) to act against sources of agricultural odors. Subsequently the commission exempted farms from laws that require other businesses to keep smells under control. The intent was to protect farmers when city people move out to the country and then object to normal farm smells. The exemption never contemplated, however, the intense, all-pervasive stench that comes from hundreds of thousands of hogs all housed together. In 1998, Missouri Attorney General Jay Nixon petitioned MACC to revoke the odor exemption for the state's 20 largest livestock producers. Although there was no intention of dropping the exemption for family farmers, the Missouri Farm Bureau attacked the proposal, arguing that the odor regulations were not based on sound science and would trample private property rights. In 1999, MACC approved the change, however.

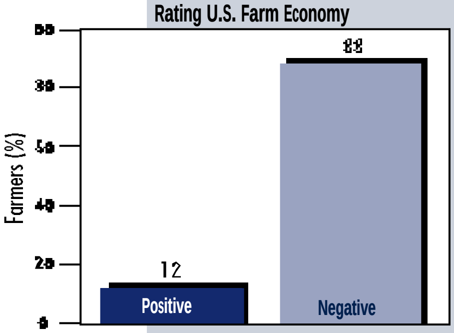
Farm Bureau spokesman Estil Fretwell says the bureau worried that if regulations were imposed on the biggest farmers, they would soon trickle down to family farms. "I think we've been very clearly on the side of concerns of the average farmer in the state," he says. But AFBF's position on private property rights, one of the group's national priorities, suggests otherwise. The Farm Bureau wants the federal government to compensate farmers or others who lose money or have to spend it in order to comply with environmental regulations. "When society makes such demands, it is only fair that society share in the cost," reads an AFBF release. At first blush, that policy may sound like something farmers might see in their interest to support. But that is not how the issue played out in northern Missouri, where an agribusiness giant with ties to the Farm Bureau used a property rights lawsuit to force a small rural community into accepting a corporate hog farm that has essentially destroyed the town's quality of life.

In January, 1994, when residents of Lincoln Township got wind that Premium Standard Farms (PSF) wanted to build an 80,000-hog farm on the outskirts of their community, they organized a petition drive to let the company know that the town did not want the megahog farm built there. That was before PSF had purchased any land in the area. When the petitions did not work, community leaders tried to keep the corporate farm away by adopting new zoning rules. As a result, Premium Standard sued Lincoln Township for $7.9 million, alleging violations of its corporate property rights.

With only 146 registered voters, Lincoln Township could hardly afford to defend itself against PSF's claim. PSF is the fifth-largest hog producer in the nation, right behind Cargill and Tyson Foods. This battle was truly a David-and-Goliath conflict, except that in this round, Goliath won. After a three-year legal battle, the Missouri Supreme Court ruled in 1997 that

WHAT FARMERS THINK

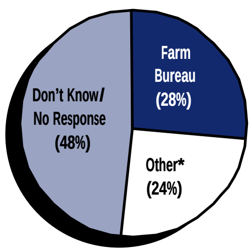
Rating U.S. Farm Economy



About the U.S. Farm Economy

Asked to rate the overall farm economy in the United States today, most farmers (88 percent) rate it negatively (54 percent say it is "poor," 34 percent say it is "not so good"). The overwhelmingly negative view of their own economic condition puts farmers in direct contrast to Americans as a whole. National polls show more than 60 percent of Americans are positive about the U.S. economy.

What one organization or individual do you think most strongly advocates for the interests of the American family farm today?



* Mentions: Department/Secretary of Agriculture, Congress/specific member, Farmers Union, government, specific state organization

About the Farm Bureau as an Advocate for Family Farmers

Fewer than one in three farmers (28 percent or 45 percent of Farm Bureau members) mention the Farm Bureau when asked to volunteer the organization or individual that most strongly advocates for the interests of the American family farm today. Nearly half (48 percent) say they don't know or give no response, while one in four (24 percent) mention groups or individuals such as the Department of Agriculture or Secretary of Agriculture, Congress or a specific member, the Farmer's Union or government.

OPINION ON FARM BUREAU

		Farm Bureau Member?		Size of Farm (acres)		
	Total %	Yes %	No %	<500 %	1,000 %	1,000+ %
Positive	49	71	29	50	47	47
Neutral	25	20	30	25	21	30
Negative	16	7	23	14	21	16
Net Positive	+33	+64	+6	+36	+26	+31

About the Farm Bureau in General

Farmers are three times as likely to have a positive (49 percent) as a negative (16 percent) opinion of the Farm Bureau (19 percent have a "very" positive opinion). One in four (25 percent) have a neutral opinion.

Farm Bureau members are particularly likely to have a positive opinion (71 percent), while nonmembers are evenly divided (29 percent positive, 30 percent neutral, 23 percent negative).

Those farmers negative toward the Farm Bureau perceive it to be unresponsive to the needs of family farmers or simply more interested in Farm Bureau business ventures than in farm advocacy.

Source: Telephone poll of 500 randomly selected U.S. family farmers conducted by Frederick Schneiders Research for Defenders of Wildlife in December, 1998.

townships have no authority to impose any kind of zoning regulations on farm buildings. The court rejected Lincoln Township's argument that the planned PSF operation was a massive meat-production factory, not a farm. The ruling left the town with no options, so the hogs moved in.

The community had good reason to fear what PSF's hogs might do to its environment. In fact, PSF's record of contamination problems has been so abominable that the U.S. Environmental Protection Agency (EPA) singled out PSF as the bad example to illustrate the need for stricter regulations on CAFOs. In congressional hearings in April, 1998, EPA assistant administrator Robert Perciasepe described a nightmare of manure spills, sewage leaks, fish kills and continued improper handling of waste. To begin with, he told the Senate Committee on Agriculture, Nutrition and Forestry, PSF's hogs generate more waste every day than many entire cities. Perciasepe's testimony is worth quoting at some length:

"PSF operates 15 hog farms in Mercer, Putnam and Sullivan counties in northern Missouri. The Whitetail Hog Farm alone raises 1.6 million hogs each year, approximately two percent of the national total. The 15 operations generate 31 times more wastewater each year than a city the size of Columbia, Missouri.

"From August through December in 1995, seven separate incidents at Premium Standard Farms in northern Missouri released hog urine and manure into northern Missouri waters. Six of the releases totaled more than 55,000 gallons. The Department of Natural Resources reported that more than 178,000 fish in Spring Creek, Mussel Fork Creek and Blackbird Creek were killed, and the Department of Conservation indicated that the spills killed all aquatic life along miles of Missouri's waterways.

"On December 26, 1995, at the Whitetail Hog Farm, a crack in a pipe designed to carry waste from a hog-raising building to a sewage lagoon released more than 35,000 gallons of wastewater. The wastewater flowed into nearby Blackbird Creek, killing fish and flowing into neighboring farmland.

"In addition to these waste containment problems, in January, 1996, state inspectors reported a widespread pattern of improper animal waste disposal at Premium Standard Farms. Missouri's Department of Natural Resources cited Premium Standard for failing to comply with permit requirements for land application of wastewater at all of its 15 farms. State inspectors determined that Premium Standard's wastewater flow was about 10 million gallons more than the approved maximum flow of 84 million gallons. In addition, the Department of Natural Resources found that one of the August, 1995, fish kills had been caused by improper land application at Premium Standard's Green Hills Farm."

After more spills were reported in 1997, the Missouri attorney general's office and a group called Citizens' Legal Environmental Action Network (CLEAN) filed legal actions claiming that PSF violated clean air and water laws. The attorney general also sued a PSF meatpacking plant for discharging raw sewage. In May, 1999, a jury agreed with CLEAN that the hog farms are a nuisance and ordered PSF (now owned by Continental Grain Co.) to pay $100,000 each to the

52 families living nearest the farms. Three months later, PSF agreed to spend $25 million on treating hog waste before spreading it on land. The treatment will be overseen by a court-appointed panel, and Scott Holste of the Missouri attorney general's office says PSF is being pressed to use "next generation" technology. "We're very proud of what we won in this case," he says.

Scott Dye, CLEAN's leader, says his small group has never gotten any help from the Farm Bureau in its fight with the corporate farms. According to Dye, the Farm Bureau has consistently sided with PSF on the contamination problems. Not that he expected anything different. Dye's own family has farmed in Missouri for 118 years, but Dye says he has never belonged to the Farm Bureau and will never join because he believes the organization does not truly represent family farms. "They've sold me up the river as far as I'm concerned," he says.

> There's never been a farmer put out of business by environmental laws. They're put out of business by factory farms that skew markets and deflate prices.

In 1993, the Missouri Farm Bureau lobbied in favor of the legislation that allowed the corporate farms to move into the state in the first place. When the legislature revisited the issue in 1998, the Farm Bureau once again used its clout to help push through an extension of the 1993 law so the megahog farms could not only continue to operate but could expand.

The Missouri Farm Bureau has continued to fight stricter odor regulations and any other new rules that might force the big hog operations to become better neighbors.

The Farm Bureau's support of property-rights claims especially rankles Missouri farmers. "Property rights stop at your fence line," Dye says. "Just because you call yourself a farmer doesn't give you any right to fog out your neighbor with the stink of hog manure and doesn't give you any right to pollute the water. Believe me, you get a snout full of 80,000 hogs and it will clarify your thought processes real quick."

If the Farm Bureau succeeds in persuading Congress and state legislatures to approve even stronger property-rights laws, environmentalists warn that few communities will be safe from the kind of damage PSF has inflicted on Lincoln Township. "The hog issue is a perfect example of how this ideology can cause obvious and direct damage to rural residents, including Farm Bureau members," says Ken Cook of the Environmental Working Group, a research and advocacy organization based in Washington, D.C. "Does the Farm Bureau seriously mean that communities should pay corporations when towns adopt regulations to protect themselves?" he asks.

Former AFBF president Dean Kleckner owns a hog farm himself. At the national level AFBF has fought EPA's initiative to tighten Clean Water Act regulations on large animal-feeding operations. Although AFBF says it is trying to protect small farmers from burdensome regulations, Dye says his experience suggests that farmers have nothing to fear. "There's never been a farmer put out of business by environmental laws," he declares. "They're put out of business by factory farms that skew markets and deflate prices. We've lost 5,000 independent swine producers in Missouri in the last five years — family farms — and they're gone forever. The Farm Bureau has stood on the sidelines and let that happen."

Dye's friend Rolf Cristen, active in the Sullivan County Farm Bureau for more than a decade, says he firmly believes in the bureau's mission and in working to influence its policies from the inside. The Farm Bureau has so much clout in Missouri, he says, that it is important to have it on your side. On the hog issue, however, Cristen has been getting more help lately from the Sierra Club. "If you would have told me six years ago that I would have a meeting with Sierra Club, I would have told you you are totally off your rocker," he says. The Sierra Club's Missouri program director, Ken Midkiff, adds, "I would suspect this is causing some concern for the Farm Bureau. When family farmers start aligning with the Sierra Club, that should be sending up some kind of signal."

Scott Dye sent a very strong signal by going to work for the Sierra Club. Instead of looking to the Farm Bureau for help on contamination problems, he used the Sierra Club as a base to begin his own investigation of PSF. In the process, he learned that Southern Farm Bureau Annuity Insurance Co. owns 18,872 shares of PSF. The farm bureau federations in Alabama, Arkansas, Kentucky, Mississippi and Texas set up this insurance company, which now offers insurance in 11 states. According to financial records, the PSF stock is just part of more than $5 billion in assets that Southern Farm Bureau Insurance owns. The Farm Bureau tie to PSF that Dye discovered is not an isolated case. Through its insurance companies and an extensive network of agricultural co-ops, AFBF's financial interests are intertwined with the biggest of agribusinesses.

In this case, the connections extend all the way to Cargill, a mammoth corporation with annual revenue of more than $50 billion. In January, 1998, Continental Grain, an international agribusiness and financial services company based in New York, took control of PSF. The following November Cargill announced plans to buy Continental Grain. Cargill completed a scaled-back purchase of Continental's grain business in July, 1999, with approval from federal regulators even though the Department of Justice had charged that the merger would "substantially lessen competition for purchases of corn, soybeans and wheat . . . enabling it unilaterally to depress the prices paid to farmers." How the deal will affect Southern Farm Bureau Annuity Insurance's 18,872 shares of PSF stock remains to be seen. As this report will explore, these relationships create incentives for the "nonprofit" farm bureaus to lobby for policies that benefit corporations at the expense of family farms.

CHAPTER TWO

Plumping for Factory Hog Farms

"I don't know these people who are saying Farm Bureau is anti-small farmer or anti-family farmer, or that Farm Bureau is only for the big guys. I don't know what they're talking about."

— Dean Kleckner, AFBF president, 1986-2000.

"The Farm Bureau basically represents a very small minority of their membership and then claims to be a friend of the farmers. All we want is on any given day to be able to step outside our door and take a deep breath regardless of which direction the wind is blowing."

— Donna Buss, Illinois Farm Bureau member.

Donna Buss lives just down the road from the Durkee Swine Farm, a confined animal-feeding operation with a record of pollution problems so serious that Illinois's attorney general at the request of the Illinois Environmental Protection Agency last year sued the owner for water quality and odor violations. A state inspector had found concentrated runoff from a waste lagoon flowing directly into a creek where fish kills had been reported.

Buss and her husband have lived in this Henderson County farming community for more than 20 years. "We'd never had problems with any of our neighbors' farming practices before," she says, until the hog operation started up in 1995. "The stench from this place is unbelievable," she says. "You'd think the Farm Bureau would be a little concerned about maintaining the quality of rural life." But the Illinois Farm Bureau gave exactly the opposite response. In March, 1998, its board voted to offer Durkee Swine Farm legal assistance. And when Buss and other neighbors, including several Farm Bureau members, filed complaints and wrote letters to local newspapers, she claims a delegation from the county farm bureau paid them a visit to pressure them to back off. "I don't know if this was scare tactics or what," Buss says.

If Buss is angry about the Farm Bureau's failure to take a stand against agricultural polluters, she is not alone. With the exponential growth of huge hog farms in recent years, rural residents in hundreds of communities across the nation have watched their quality of life deteriorate. Yet in nearly every state that has tried to curb the size of these mostly corporate farms or to control the pollution from them, the Farm Bureau has actively worked to defeat new laws or regulations.

Farm Bureau leaders insist they do not side with the interests of corporate agribusiness over family farmers. "We're taking the side of growth in the livestock industry," says Illinois Farm Bureau communications director Dennis Vercler. "We have to have a good political climate, a favorable public climate, a positive regulatory climate to allow this industry to grow. We've said we need to concentrate on making sure we have the ability to expand the size of the industry regardless of the size of individual operations."

That policy may not deliberately oppose the interests of small farmers, but one result has been a precipitous decline in the number of family hog farms and an unprecedented concentration of hog production in facilities controlled by a handful of huge corporations. Some of those megahog farms are run by agricultural cooperatives with direct ties to state farm bureaus.

PIG POLLUTION

Traditionally, the techniques used by small hog farmers for manure disposal are simple and sustainable. These farmers usually grow crops in addition to raising livestock, and manure from several hundred hogs can be plowed into the soil for fertilizer as needed. That option does not apply, however, when animal-feeding operations involve tens of thousands of hogs in one confined location. Hog waste from these huge facilities is piped into enormous lagoons that too often leak and nearly always stink.

According to EPA, livestock operations are now producing a staggering 1.4 billion tons of manure annually. Leaking lagoons can contaminate water supplies with nitrogen, phosphorus, sediment, pathogens, heavy metals, hormones, antibiotics and ammonia. And as production becomes more concentrated, the pollution threat escalates. Examples:

• In 1994, manure that spilled from a hog operation in western Illinois killed 160,000 fish, according to the U.S. EPA.

• In 1995, 22 million gallons of hog waste burst through a lagoon dike at a North Carolina confined animal-feeding operation and spilled into the New River. The spill was twice the size of the *Exxon Valdez* oil spill.

• In 1996, 40 manure spills — double the number reported in 1992 — killed 670,000 fish in Iowa, Minnesota and Missouri, according to a report prepared for U.S. Senator Tom Harkin (D-Iowa).

• In 1997, Illinois EPA inspectors found hog waste in 68 percent of the streams they surveyed.

• On the east coast, where the microorganism *Pfiesteria piscicida* was blamed for killing more than a billion fish and for sickening fishermen, scientists suggested that *Pfiesteria* overgrowth could be linked to runoff from livestock operations. In 1998, medical researchers published studies showing that watermen exposed to *Pfiesteria* were suffering from long-term visual disorders and memory loss. According to the

Centers for Disease Control, *Pfiesteria* also can cause muscle cramps, nausea, vomiting, diarrhea and abdominal cramps.

Pfiesteria is not the only dangerous pathogen associated with livestock waste. According to the National Institute for Environmental Health Sciences, people can be exposed to *Salmonella*, *Shigella*, *E. Coli*, *Cryptosporidium*, *Giardia* and other disease-causing organisms just by fishing or swimming in contaminated waters. Three years ago, the Centers for Disease Control confirmed that six miscarriages among women in LaGrange County, Indiana, were caused by nitrate contamination from a leaking hog-manure pit.

People living downwind of hog operations become tense, angry and depressed. A 1995 study published in the *Brain Research Bulletin* by Duke University Medical Center psychiatrists also found that these people are more tired and confused than normal. Such medical effects are not surprising, given that manure lagoons emit a variety of airborne toxic compounds, including ammonia and hydrogen sulfide, that can contribute to respiratory problems.

Contamination problems caused by confined animal-feeding operations also have begun affecting farm animals. In California's Central Valley, dairy cows have aborted calves after they drank water from wells contaminated with nitrates. Farmers now are forced to dig deeper wells to find safe water.

In October, 1998, in a news release responding to EPA efforts to impose new water-quality regulations on hog producers, then AFBF president Dean Kleckner announced a "call to arms" to fight the proposed rules. "If unchecked, regulations on agricultural land use and day-to-day management will blanket the nation, targeting farms that are alleged, without scientific basis, to be water quality threats," Kleckner said. His stance put the Farm Bureau directly at odds with rural residents fighting for stricter pollution controls on factory farms. A sampling of recent news coverage illustrates the nature of the problems:

• "Peosta, Iowa. One hundred thirty years ago, the Irish monks at New Melleray Monastery began raising the graceful Gothic-style limestone church . . . . Now, [the] monks find themselves reluctant soldiers in a holy war that they and fellow Catholics have begun waging against a rapidly growing trend in American agriculture — the "hog factory". . . . Last December, the National Catholic Rural Life Conference called for a moratorium on new and expanded confined animal-feeding operations (CAFOs), calling them an urgent environmental and social threat . . . ." — *Chicago Tribune*, September 20, 1998.

• "Sioux Falls, South Dakota. Ralph Duxbury can barely contain himself as he talks about the changes in hog farming in South Dakota, where his family has lived for 120 years. The 71-year-old retired farmer. . . heaps scorn on corporations coming into the state, building huge "pig factories" in environmentally sensitive areas and signing on farmers as contract workers. "They're trying to take us over, and farmers are becoming modern-day serfs," he said. "It's what our forefathers came here to escape. It's against everything we stand for." — *Chicago Tribune,* November 23, 1998.

• Milford, Utah. Milford will end up with something like 1.2 million pigs. Five years ago, this high desert outpost, eager for some 400 promised jobs, invited Circle Four Farms to set up what will be the world's largest hog operation. Now Milford is chock full of pigs and awash with problems. A hog manure spill has raised fears of contaminated ground water. . . . And Milford, once renowned for its pristine, sage-scented desert air, is in fact becoming famous for something else. . . ." — *The Wall Street Journal*, November 28, 1997.

• Guymon, Oklahoma. Imagine that you are sitting on the front porch of your farmhouse on the prairie, surrounded by four Washington Monuments, each filled to the top with pig manure. And then there are all the dead pigs lying about. . . . Sometimes dead hogs are piled up beside barns, sometimes at the side of the road. And sometimes they lie about so long that the flesh rots away. . . . In all, the Seaboard [Corporation's hog plant] death toll reached 48 hogs an hour in 1997 — 420,000 for the year. And the carcasses are picked up only once a day — assuming the dead-pig truck is on schedule. Sometimes it isn't. . . ." — *Time* magazine, November 30, 1998.

THE PROPERTY RIGHTS EXCEPTION

For years, the Farm Bureau has championed the cause of private property rights, even endorsing the notion that government should pay property owners to comply with environmental regulations whenever those regulations interfere with how property can be used. However, the Farm Bureau does not always consider private property rights deserving of protection, at least not when the rights in question are those of neighbors to hog farms. Until recently, a 1982 "right-to-farm" law in Iowa had protected farmers from public-nuisance lawsuits. As long as the farmers abided by state regulations, neighbors could not sue them over odors, contaminated runoff or other problems. In September, 1998, the Iowa Supreme Court struck down that law as unconstitutional. The court found that a bad stench from hog manure can be the equivalent of a physical invasion and therefore a violation of property rights. In essence, the court said, the government had been allowing hog farms to take odor easements across their neighbors' property without compensation or due process.

The Iowa Farm Bureau joined the hog operator in appealing the decision to the U.S. Supreme Court. In January, 1999, the Supreme Court declined to hear the case. The Farm Bureau saw this preservation of the small farmer's right to protect the quality of his or her property as a potential evil. "This has opened a Pandora's box, and it does not bode well for Iowa's farmers," commented Iowa Farm Bureau president Ed Wiederstein.

In Illinois, neighbors of hog farms in several counties have petitioned for and in some cases won reduced property tax assessments. The petitioners claimed that their proximity to confined animal-feeding operations substantially lowered their property values. County farm bureaus have objected to this trend and in one case took extraordinary measures to counter neighbors' claims.

Deanna Belz had won a 37 percent property tax reduction because of a poorly run confined animal-feeding operation near her home in McLean County. She had told the assessor that the stink was so bad her family frequently could not even go outdoors. Belz says she was not thinking about the tax case when she caught a stranger videotaping her two young daughters at play in her front yard. “He was standing across the street, behind his car, but it was obvious he was taping my girls,” Belz said in an interview. Belz called the sheriff. When officers caught up with the man, they discovered he was a well-known Illinois Farm Bureau lobbyist who had been active on hog regulation issues. Belz figured the man was trying to gather evidence that the hog farm stench wasn’t bad enough to keep her children indoors. “That’s ridiculous,” she says. “The stink gets better or worse depending on which way the wind is blowing.”

In an interview during the January, 1999, American Farm Bureau Federation annual convention in Albuquerque, New Mexico, Farm Bureau president Kleckner maintained that AFBF supports reasonable regulations. “We’re all for clean water,” he said. “My own view is that farmers that pollute, particularly if they pollute on purpose, should be made to stop, and prosecution is warranted in some cases.” AFBF policy calls for local control rather than “one size fits all” regulations mandated by Washington, he added. Yet in nearly every instance when states, counties or municipalities have attempted to tighten restrictions, the Farm Bureau has worked against those efforts. In many cases it has helped bankroll opposition campaigns.

On the opposite side in these battles, other farming groups, including the National Farmers Union and the National Family Farm Coalition, have joined forces with environmentalists in sometimes successful efforts to curb the worst abuses of factory farms. For example:

• In the fall of 1998, South Dakota voters approved a ballot initiative prohibiting corporate agribusiness from setting up operations in the state. Tyson Foods and other out-of-state corporations had planned high-volume hog factories there. Although the South Dakota Farmers Union joined the South Dakota Wildlife Federation in promoting the ballot initiative, the South Dakota Farm Bureau allied itself with a consortium of banks and chambers of commerce to fight the measure. The South Dakota Farm Bureau also took a shot at eliminating local control over hog farms, suing Hyde County over an ordinance establishing setback distances between new hog operations and existing homes. A state court, ruling against the farm bureau, affirmed the right of counties to regulate the siting of South Dakota agricultural operations.

• In the fall of 1998, the Colorado Farm Bureau teamed up with corporate hog farmers who spent nearly $500,000 trying to defeat a ballot initiative to regulate hog farms. The initiative included measures to minimize odor and water pollution from manure. Ray Christensen, director of legislative and governmental services for the Colorado Farm Bureau, argued that the initiative threatened agriculture and rural jobs and “would impose costly mandates on hog farms such as animal fees, lagoon covers, financial assurances, citizen lawsuits, monitoring and other requirements.” The Farm Bureau’s stance did not seem to sway the opinions of small farmers who live near the giant operations. The *Denver Post* reported on October 18, 1998, that "more than 100 ranchers and farmers testified before lawmakers that they were worried hog farms would pollute groundwater, upon which they depend for survival." Rocky Mountain Farmers Union president Dave Carter told the *Post*, "There are some who are trying to cast this whole movement as an effort to destroy economic development. This is an issue about being good neighbors, and that's what we're all about in eastern Colorado." Nearly two thirds of the voters approved the initiative.

• More than 160 new Illinois factory farms have started up in only the last two years. The Illinois Farm Bureau brags of "maintaining a positive environment for growth in the state's livestock industry through the defeat of a moratorium on new facility construction or expansion." The bureau also opposed legislation to require annual state inspections of waste lagoons on big farms, odor control and a quarter-mile setback between dead animal compost and homes. The legislature approved the legislation anyway, along with a measure allowing county boards to hold public hearings on new hog farms.

Farm Week Journal reported in February, 1998, that the Farm Bureau and others "emphasized the entire agriculture industry is threatened by proposed legislation that would give local governments authority on siting of livestock operations." These efforts to interfere with local control run counter to longstanding AFBF policy. AFBF usually insists that county governments deserve final authority over local land-use decisions. For instance, the AFBF policy manual calls for giving county governments the right to veto proposed wilderness areas on federal land. But apparently state farm bureaus feel county governments cannot be trusted to make wise decisions about hog farms. "A decision about either siting or not siting a new or expanded facility should not be made by local government," Illinois Farm Bureau communications director Dennis Vercler declared in an interview. "The state is the political entity that has the expertise to deal with the final decision." County involvement would be "a duplication of regulatory authority that already exists at the state level," he said.

• The Idaho Farm Bureau opposed a bill in the state legislature that would give counties more control over CAFOs. According to a Farm Bureau alert, "Such things as setbacks, expansion, odor control, nutrient management and animal units are defined in the bill and will have a profound effect in Idaho."

The Illinois Farm Bureau also opposed legislation to require annual state inspections of waste lagoons on big farms, odor control and a quarter-mile setback between dead animal compost and homes.

• The Maryland Farm Bureau helped push through the Water Quality Improvement Act of 1998. The act eliminated provisions for odor control, water-quality permits, local control and public hearings and reduces penalties for violations of manure-management plans.

• EPA has found groundwater contamination from animal factories in Oklahoma as well as 16 other states. One Oklahoma lagoon covers 11 acres and holds more than 42 million gallons of hog manure. Nevertheless, in 1998 the Oklahoma Farm Bureau went on record strongly opposing more regulations on animal-feeding operations. In fact, the bureau opposes “any government regulation of agriculture.” The bureau says it opposes all regulations “that limit a person’s right to use their property as they see fit.”

SCARE TACTICS AND DIRTY SECRETS

When EPA in March, 1998, announced a new Clean Water Act enforcement strategy for the largest confined animal-feeding operations, it pointed out that excessive nutrient levels from livestock waste have been responsible for lower oxygen levels in surface waters throughout the nation, including the “Dead Zone” in the Gulf of Mexico, an oxygen-starved area off the Louisiana coast that develops each summer and at times has been as large as the state of New Jersey. When oxygen levels drop, fish and other aquatic species cannot survive.

AFBF immediately responded to EPA’s proposal with a strategy apparently intended to scare already hard-pressed small farmers into believing that the new regulations would force them out of business. The new regulations, however, apply only to farms with more than 1,000 “animal units.” That means 1,000 cattle, 2,500 hogs or 100,000 chickens. Only farms with more than 10,000 animal units must comply by 2003. Other large farms can wait until 2005. Nevertheless, AFBF president Kleckner declared in a news release, “Of all the ways government regulations impact the lives of family farmers, arbitrary water quality regulations will likely turn out to be the most harmful. Smaller farmers in particular will find it difficult to meet new requirements.”

The Nebraska Farm Bureau suggested that if the government wants clean water, the government should pay for it. “Improvements for water quality protection must be supported with federal and state financial assistance, as the financial burden of unfunded mandates ultimately comes back to the producer,” said a Nebraska Farm Bureau release.

The Farm Bureau’s strong opposition to the proposed regulations persisted even as EPA moved to compromise. At the behest of AFBF, EPA worked out a deal with the National Pork Producers Council allowing “independent” inspectors to check hog farms for violations. Any problems “that are promptly disclosed and corrected under this program” will be eligible for greatly reduced penalties. More than 10,000 of the largest pork production facilities are expected to participate. The Sierra Club, an outspoken critic of factory hog farms, says the deal would allow pork producers to pick their own inspectors, arrange the inspection date, and let the operator of the facility conduct the inspection tour. To top it off, inspection reports will not be made public, a “dirty secrets” concept of regulation, the Sierra Club complains.

Even with EPA’s generous compromise, however, speakers at the 1999 AFBF convention blasted the new regulations, claiming that the rules pose a serious threat to small farmers. AFBF president Kleckner called for an immediate moratorium on all regulations, not just those directed at CAFOs. Referring to the “added urgency of a crumbling agricultural economy,” he blamed American farm woes on “regulations that are cutting deeply into the pocketbooks of the nation's farm and ranch families."

The 4,000 or more Farm Bureau members attending the convention applauded Kleckner's remarks, but a good many of the nation's family farmers are no longer fooled by such rhetoric. Record numbers of independent hog producers have gone out of business in recent years, but not because of excessive regulations. Factory farms are turning out so many pigs that hog prices received by independent farmers have plummeted to Depression-era lows.

THE HOG CRISIS

In November, 1998, the Nebraska Farm Bureau radio service reported that hog prices had

VERTICAL INTEGRATION AND THE FARM BUREAU

Vertical integration is a business term that refers to the practice of companies merging with or purchasing other companies in the same supply chain. For example, an auto manufacturer that buys a car radio or tire company has vertically integrated. While this practice may seem to increase economic efficiency, the value of that efficiency to society diminishes greatly when companies become so highly integrated that consumers and small producers are affected through monopolistic pricing, elimination of competition, insulation of significant portions of the supply chain from market forces or alteration of the market structure to force integration on small and midsize operators.

In agriculture, when market prices are down, putting family farmers in dire straits, a vertically integrated company can do well. Just how well was described in an August 30, 1999, *Washington Post* article on Smithfield Foods, largest of the integrated pork producers: "Surprisingly, packers make more money when prices are low — because raw material prices fall more than supermarket prices — so with hog prices at their lowest in five decades, Smithfield has had three record years in a row," the article stated. In the latest fiscal year, revenue was down nine percent, but tonnage was up more than ten percent. Profit grew almost 40 percent to $94.9 million."Ordinarily, the odds would be against another strong year," the article continued. "The corn-hog cycle is a classic example of how the interplay of supply and demand for inputs and outputs creates equilibrium in markets. Low hog prices sooner or later lead to production cuts that push prices up. But by vertically integrating, Smithfield makes more money on the growing side when hog prices are high, and wins on the packing side when prices are low."

Keeping hog prices low through overproduction is in the best interests of the big conglomerates. Just the opposite is true of small producers and the environment. Moreover, as these "dirt to shelf" systems become more integrated, consumers' interests are jeopardized because the ability of markets to impact shelf prices by competition diminishes as more supply chain elements become part of the vertically integrated company. In other words, without exposure to market forces, downswings are more likely to result in windfall profits for the integrator rather than price cuts at the supermarket.

Agricultural cooperatives are perhaps the best example of the Farm Bureau's active participation in vertical integration. Owned wholly or partly by the Farm Bureau, multibillion-dollar agricultural co-ops such as dropped to a 30-year low while grocery pork prices had stayed the same or increased. The service said that in May farmers were getting about 42 cents a pound for hogs but in November only 17 cents. Compare that with the price of a pound of bacon, selling for $1.69 in May, 1998, and $2.69 in November. Nebraska Farm Bureau president Bryce Neidig suggested that "somebody is making megabucks" and blamed the crisis on factory farms. "Right now there's no way for a family farmer or an average producer to compete with megahog operations," he said in a radio broadcast. "They've got deep enough pockets they can survive even with losses; smaller producers can't."

Neidig's comments strike an odd note con-

Countrymark and Growmark increasingly are integrating the process of farming. Purportedly farmer-owned and operated, these super co-ops are marketing multinationally and have usurped a large portion of the nation's agricultural supply chain.

Selling raw materials and equipment such as seeds, fertilizer, pesticides, fuel and tractors as well as services such as consulting, marketing, communication and insurance, the co-ops have eliminated much choice and opportunity for farmers. The co-ops benefit from overproduction and low prices in much the same way as the pork processors and producers. Established to protect individual producers from large corporations, co-ops have evolved into a system that does just the opposite.

Professor William Heffernan of the University of Missouri has documented market concentration and integration for the National Farmers Union. He examined large-scale/global integration and identified three food chain clusters or loose alliances among grain trading and processing, meat production and processing and biotechnology. In the first two — Cargill/Monsanto and ConAgra — all necessary parts are contained within the global corporations and their innumerable subsidiaries, partnerships, side agreements and contracts.

The third food chain cluster, in which the Farm Bureau co-ops are involved more prominently, consists of Novartis, a Swiss biotech conglomerate that has been gobbling up other biotech firms, and Archer Daniels Midland (ADM), the self-proclaimed "supermarket to the world."

These key players lacked the constituent parts to form a fully integrated food chain cluster but have solved that problem by aggressively pursuing arrangements with farmer co-ops. "First, ADM, with its vast network of processing facilities, lacked access to farmers, a problem the firm remedied through a longstanding joint venture with Growmark and the more recent ones with Countrymark, Riceland and United Grain Growers," Heffernan asserts. "The Growmark and Countrymark joint ventures, for instance, give ADM access to 50 percent of the corn and soybean market region and 75 percent of Canada's corn and soybean market region."

The Farm Bureau and its co-ops and other affiliates are part of a system that favors big agribusiness over small and midsize operations. As Samuel Berger so aptly pointed out in his 1971 book *Dollar Harvest*, "With the vertically integrated meat industries, co-ops and food clusters flourishing and family farmers suffering, it is clear which master the Farm Bureau has chosen to serve."

sidering the extent to which the Farm Bureau has gone to protect the special advantages of corporate farms. He is one of the few Farm Bureau leaders to acknowledge the harm that mega-operations have done to small farmers.

Dennis Vercler, the Illinois Farm Bureau spokesman pushing for continued expansion of the livestock industry, admits the current crisis resulted from too much growth. "We've faced a tremendous economic squeeze because of overproduction in hogs," he says. "Part of that was overenthusiasm for markets in Asia. A lot of things came together to punish the whole industry."

However, according to University of Missouri livestock economist Glenn Grimes, pork exports rose by 18 percent in 1998. "Our exports are doing fine," says Grimes. "We're just being overwhelmed with hogs." During the last decade investors pumped more than $1 billion into new hog operations in North Carolina alone. By last fall, the number of hogs on farms soared to a record 62.9 million, according to the Knight Ridder/Tribune Business News Service. Megafarms accounted for nearly all of this growth.

U.S. Department of Agriculture statistics show that 86,520 hog producers went out of business between 1993 and 1997. Most of these were small, independent farmers who raised fewer than 500 hogs a year. Over the last decade North Carolina lost nearly three fourths of its independent hog producers. In the same period, North Carolina hog factories tripled production. Other states show similar trends, with bigger and bigger factory farms producing more and more hogs while small farmers called it quits.

The problem is not that family farmers are inefficient, says University of Missouri rural sociologist William Heffernan. Independent producers simply lack the resources to hang on when prices for hogs drop below the cost of production. Heffernan and several colleagues recently completed a study of concentration in agribusiness for the National Farmers Union, a 300,000-member organization frequently at odds with the Farm Bureau. The study concluded that farmers are no longer earning reasonable returns because competition has all but disappeared from much of the food production industry.

According to Heffernan's analysis, four companies control more than half of the hog market. Three out of every five hogs slaughtered in the nation go to those firms. Factory farms get special deals from slaughter and packing houses as well as discounts on feed. This arrangement occurs partly because many factory farms are vertically integrated. The same company that raises pigs also sells feed-grain, slaughters the hogs, packages the meat and delivers the finished products to stores. These agribusinesses can afford to take lower prices for live hogs, says Missouri farmer and activist Scott Dye, because they make up the difference at the grocery store. "They're not selling hogs," he says, "they're selling pork chops, so what do they care?"

As economist Grimes sees it, consolidation of slaughterhouses is one of the reasons prices dropped so dramatically when too many hogs hit the market. Concentrated slaughtering operations lack the flexibility to handle excess production. In the past, slaughterhouses were smaller and routinely ran one shift a day. "It used to be they could add two hours or a Saturday shift and increase capacity by 50 percent to handle big bulges in numbers," Grimes explains.

Today, bigger slaughterhouses that already run double shifts cannot adapt so easily, so live hogs end up bottlenecked at the gates. And when the same company owns the slaughterhouse and the hog farms, that company's hogs usually get priority over those from independent producers.

In Washington hearings in February, 1999, on the impacts of agricultural concentration, Leland Swenson, president of the National Farmers Union, accused corporate agribusiness of predatory practices. "Industries can afford to operate at a loss in one area in order to eliminate the competition," he told the House Agriculture Committee. "Once the competition is gone, the company is able to earn higher returns." Few independent hog farmers will remain in business by the end of 2000 if prices remain low, he predicted.

When hog prices crashed in 1998, big producers saw another opportunity for expansion. The trade magazine *Successful Farming* reported that "the best producers are holding tight and eyeing acquisitions. The industry has too many pigs and no structure for quick liquidation. One thing's for sure: only the strong will survive." An analysis by the Federal Reserve Bank of Chicago found that if today's rate of growth of large operations continues, only 50 producers will be needed to provide all the nation's pork.

Such extreme consolidation of food production could have profound consequences in higher consumer prices, damage to rural communities and elimination of family farms. Yet as the next chapter will detail, the Farm Bureau continues to promote policies promoting agricultural monopoly.

CHAPTER THREE

Changing Rural America

> *"The very soul and spirit of this nation has always resided in the countryside of America, the agriculture sector. You are the core, the glue, the leadership, the passion that keeps this nation together."*
>
> — U.S. Senator Chuck Hagel (R-Nebraska) addressing the 1999 AFBF convention.

Farm Bureau leaders have always been quick with platitudes about the nobility of farmers, and speakers at the 1999 convention had plenty to say on this theme. What they did not address, however, were the ways in which concentrated agribusiness is changing the nature of rural America. They also did not mention the Farm Bureau's ties to farm cooperatives that take farmers' money and use it to start businesses, including overseas enterprises, that compete with farmers.

Former AFBF president Dean Kleckner has written that "in the past 50 years, farm numbers have dropped from 7 million to less than 2 million. The drain is still occurring, a result of low prices for virtually all of our commodities and worsened for some by natural disasters." But he acknowledges no connection between that trend and the emerging dominance of factory farms and takes a position that downplays the contrast between corporate farms and family farmers. "I don't know that we're at a point in this country where we're saying just because you're big you're bad or just because you're small you're good or vice versa," he said in an interview during the AFBF convention. "I happen to think you can be big and good, or you can be big and bad, or you can be small and bad."

Corporate agribusiness does hurt rural communities, says University of Missouri sociology professor William Heffernan, because corporate profits do not stay in the local economies where the goods are produced. Family farmers, on the other hand, traditionally spend most of the money they earn in the local community, Heffernan says, so money gets multiplied by a factor of three or four. That means every dollar the farmer earns can generate three or four dollars in income for other local businesses, which in turn creates more jobs. A corporation, however, sends most of its profits to distant company headquarters.

Visit any town where factory farms have moved in and the implications for rural America become obvious. Farmers now struggle to support their families on a typical factory farm salary of around $16,000. Many are working two or three jobs. On top of that, working conditions at the hog factories are so poor and the pay is so low that owners often recruit hundreds of immigrants from Asia and Central America to fill the jobs. And the new arrivals fill country schools with children who speak only Vietnamese, Laotian or Spanish. In Guymon, Oklahoma, for example, where Seaboard Corporation opened a plant with the capacity to raise and slaughter 4 million hogs a year, the employee turnover rate is running close to 100 percent, according to a *Time* magazine investigative report. Schools there have become seriously overcrowded, and 21 percent of the students can't speak English. People who once themselves farmed can't make a living and can't sell their land because no one wants to live near the hog factory.

A DISSENTER SILENCED

The Farm Bureau is quick to defend factory farms despite the negative impacts they are having on family farmers, as Rod Thorson, former host of a farm radio show on station WCMY in Ottawa, Illinois, discovered. Most of the farmers calling in to Thorson's show last year were not all that concerned about the environmental costs of factory farming. They saw the corporate takeover of agriculture as a threat to their livelihoods and way of life, and many were angry. "We were talking about why that kind of hog farming doesn't make economic sense," Thorson said in a recent interview. "It tears apart the fabric of local communities. People wanted to talk about that. We were getting a lot of response. "

The discussions went on until two Illinois Farm Bureau representatives paid a visit to WCMY's general manager. The station is a Farm Bureau radio-network affiliate; the Illinois Farm Bureau produces a daily statewide show broadcast on local stations. The Farm Bureau program funnels advertising revenue to the local affiliates. The Illinois Farm Bureau executives had taped a few hours of Thorson's program and apparently didn't like what they heard. According to Thorson, when he arrived at the station to do his show at 5:30 the next morning, the general manager was there waiting to tell Thorson that he was fired effective immediately.

Thorson says he was not particularly surprised. The Illinois Farm Bureau has been pushing the conversion of agriculture to factory farming, Thorson says, and Farm Bureau leaders don't want that story told. "Farm Bureau leadership sold us on the idea that bigger is better, and that philosophy has empowered companies to exploit independent farmers. You have to ask the question, 'Why?' Is it to promote a higher standard of living for family farmers or to control the supply of pork?"

THE COST TO CONSUMERS

Mary Ellen Moore's farm in Bonaparte, Iowa, is one of the casualties of the hog crisis. She and her husband Larry bailed out of the hog business four years ago. Her cousin's hog farm went under in 1998. "It doesn't take long for losses like we've had to eat up everything you've got," she says. But what will happen, she asks, when no independent producers are left?

"People might not care much about what happens to farmers, but one of these days when it's all in the hands of just a few producers, people are going to find out how high food prices in this country can go," she said.

As things stand now, consumers are seeing very little benefit from the record low prices that farmers have been getting for their hogs. That apparently is fine with former AFBF president Kleckner, who wrote in an October, 1998, column that U.S. food prices are a great bargain. "Americans now pay about ten percent of their income for food, a ludicrously low amount compared to prices paid in most other countries," the column says. During a later interview he repeated the point, declaring: "We may complain for good reason about taxes, but we should not complain about the cost of food. It is really very, very low."

To their credit, delegates at the 1999 AFBF convention raised concerns by inserting language in resolutions about monopolistic trends in agribusiness. But they did not bring up the fact that AFBF is in big agribusiness itself and even competes with family farms in some arenas.

INVESTMENTS IN BIG PORK

Why the Farm Bureau defends factory farms and corporate agriculture becomes clear when the bureau's business interests are examined. For example, when Continental Grain and Premium Standard Farms (PSF) merged in 1998, the combined company became the third largest pork producer in the nation, with 162,000 sows each producing 20 pigs a year. That comes out to 3.24 million hogs a year in Missouri, North Carolina and Texas, "with more growth planned at some point," according to CEO John Meyer. Continental Grain is also America's biggest beef feedlot operator, annually moving 405,000 head of cattle through six lots, and the company ranks second in the grain-trading business. And with its 18,872 shares of stock in PSF, Southern Farm Bureau Annuity Insurance now has a stake in one of the biggest agribusinesses in the world.

Southern Farm is not the only Farm Bureau insurance company investment in big pork. Farm Bureau Mutual Insurance Corp. of Idaho and Western Community Insurance Co., both affiliated with the Idaho Farm Bureau, own more than $500,000 in bonds from Archer Daniels Midland (ADM), according to annual reports. ADM, one of the country's largest agribusinesses, is also an emerging powerhouse in the pork industry. ADM owns 13.5 percent of IBP, the nation's largest pork packer, and according to the magazine *Successful Farming*, ADM is planning an even larger presence in the pork business. In addition, the Idaho Farm Bureau's insurance

People might not care much about what happens to farmers, but one of these days when it's all in the hands of just a few producers, people are going to find out how high food prices in this country can go.

companies hold 3,000 shares of stock in Tyson Foods, the nation's seventh largest pork producer with 2,470,000 pigs a year. Arkansas-based Tyson Foods also is the nation's top chicken producer, turning out 155 million pounds (live weight) of chicken every week, according to *Feedstuffs* magazine.

The Farm Bureau's ties to the giants of the pork industry do not stop with insurance company investments. Farm Bureau affiliates are allied in joint ventures or direct partnerships with major players in the pork business. For instance:

• Cooperatives associated with the farm bureaus of Illinois, Iowa, Wisconsin, New York, Ohio, Indiana and Michigan jointly own two businesses with Farmland Industries. Farmland is the nation's fifth largest pork packer and 16th largest pork producer.

• In 1997, Nationwide Insurance, with close ties to the Ohio Farm Bureau, merged with Farmland Industries Cooperative Service Co., a Farmland-owned insurance company. According to a news release, Farmland now has a representative on the board of Nationwide Insurance.

• Land O' Lakes, the 14th largest pork producer, with 1.2 million pigs a year, merged with Countrymark Cooperative in the fall of 1998. Countrymark is affiliated with the Ohio, Indiana and Michigan farm bureaus.

• Growmark, a cooperative controlled by the Illinois, Iowa and Wisconsin farm bureaus, has agreed to joint ventures with Land O' Lakes to market oil, gas, feed, seed, pesticides and fertilizer.

• In Cass County, Illinois, where the Land O' Lakes cooperative runs a 90,000-pig operation, citizens filed a lawsuit after the co-op built a hog manure lagoon that extended into the water table. Illinois's attorney general asked Land O' Lakes to develop a groundwater monitoring plan.

• Growmark (Illinois, Iowa, Wisconsin farm bureaus) merged its grain terminal division with ADM in 1985. Growmark traded its grain facilities for stock in ADM. Glenn Webb, chairman of the board and president of Growmark, sits on the ADM board.

If these connections seem hard to follow, they are only a small sampling of the intricate web of agribusiness corporations and cooperatives that control much of the nation's food and fiber production, a web in which the Farm Bureau is firmly anchored. Understanding these relationships is crucially important, says the University of Missouri's William Heffernan. Yet information often is difficult to obtain and even harder to piece together. According to Heffernan, people who say we must adapt to change don't really understand "the magnitude of the changes and the implications of them for agriculture and for the long-term sustainability of the food system."

CHAPTER FOUR

Cooperating With Conglomerates

"It's all become one big ball of snakes. It's a disgusting mess of cooperation among these big entities to exploit the market and to exploit farmers and consumers. I don't know of a co-op in existence today that is really benefiting the farmer. Most of them are exploiting the farmer."

— Mike Callicrate, Kansas rancher,
Cattlemen's Legal Foundation.

"You cannot be a little guy any more and compete in the world market. I'm glad that our affiliated companies are able to help us by being able to compete with the giants of the world."

— Dean Kleckner,
former AFBF president.

In 1922 when conglomerates controlled much of agribusiness in the United States, two crusading members of Congress, Senator Arthur Capper (R-Kansas) and Representative Andrew Volstead (R-Minnesota), won passage of legislation intended to give struggling farmers more bargaining power in the marketplace. The Capper-Volstead Act authorized farmers to form cooperatives in order to negotiate more effectively with big grain traders and meatpackers. The law permitted farmers to make deals as a unit, joining forces to set prices for their goods without being subject to prosecution under antitrust laws. In a sense, the cooperatives functioned as labor unions for farmers, giving growers "the same right to bargain collectively that is already enjoyed by corporations," said Senator Capper during debate.

The cooperative movement played a crucial role in enabling farmers and rural communities to thrive. But what began as a populist response to domination by big agribusiness has become today an entirely different beast. Cooperatives themselves have become an integral part of big agribusiness — worth billions and virtually indistinguishable from agribusiness corporations.

The local and statewide cooperatives set up by farm bureaus during the 1920s have merged and consolidated into regional, interregional and even multinational businesses. Today these co-ops not only market grain and other commodities but also manufacture and sell pesticides, fertilizer, tires, batteries, gasoline and other petroleum products and run refineries, banks and international financial-service networks. And the Farm Bureau cooperatives have formed partnerships and joint ventures with some of the world's richest corporations, including agribusiness giant Archer Daniels Midland (ADM) and the world's largest pesticide manufacturer, Novartis.

Because of the antitrust exemptions and special tax advantages that Congress has granted to cooperatives, the co-ops have even gained some advantages over corporations. Co-ops are not subject to the same reporting requirements as publicly traded companies, so financial transactions are more difficult to track. The co-ops can use tax-free capital for investment and expansion, and in some cases they have used this money to expand production into areas that compete with their own members.

The cooperatives all brag that they are farmer-owned, and indeed, at the local level, farmers do make up co-op membership. These local co-ops comply with the legal requirement that each member get only one vote. But the voices of these local farmer-members become so diluted at each progressive step — from county, to state, to regional, to interregional, to joint venture, to international — that the farmers have no impact at the levels where decisions are made.

Although cooperatives originally were set up to market the goods produced by their members and to provide fertilizer, seed and the like at lower prices than individuals might get on their own, co-op businesses today extend well beyond that mission. Co-ops run convenience stores and sell products, including oil and gasoline, to the general public. In fact, Farm Bureau-affiliated Growmark bragged about this in its 1997 annual report. "The proportion of non-agricultural Growmark energy customers continues to grow," the report declared. "Growmark's presence in the retail fuel market grows through promotion and the addition of new retail sites. There are currently 136 sites."

THE PATRONAGE REFUND DILEMMA

The law allows co-ops to accept outside investors. According to Department of Agriculture cooperative specialist John Wells, some states limit the amount of profit those investors can be paid to eight percent. But co-ops also may merge with regular stock companies or even foreign corporations. All of these arrangements make for an exceedingly complicated tax structure, yet co-ops enjoy one critical tax advantage. They pay no taxes on profits earned in transactions with their farmer-members. For instance, a co-op pays no tax on profit from selling fertilizer to a member or from marketing that farmer's grain.

Those profits are not tax-free, however. Individual farmers pay the taxes for the co-ops, and all too often those farmers get little benefit in return. By law, co-op profits are supposed to be returned to farmer-members on the basis of how much business each farmer did with the co-op during the year. These are called patronage refunds. The farmers themselves are required to pay taxes on the refunds even if they never actually see the money. In order to qualify for tax exemptions, the co-op is required to give farmers only 20 percent of their patronage refunds in cash. The co-op can and usually does keep the remaining 80 percent itself to use for investments, expansion or any other purpose. The farmers must pay income taxes on the full 100 percent. In return for keeping part of the farmer's patronage refund, the co-op issues equity shares that build up over the years. In theory, farmers should be able to trade that equity for cash whenever they like, but legally a co-op does not have to redeem any equity until it is ready to do so.

According to Department of Agriculture economist Bob Rathbone, the midwestern grain co-ops usually hold onto the refunds for 16 or 17 years before paying back the farmers. In some cases, Rathbone says, he has seen co-ops hold the money for as long as 25 years. During that time, the farmers' shares of equity earn no interest. They cannot be sold or traded like stock, and they have no cash value on the open market. If a farmer needs money from the equity for his own purposes, he is out of luck. The farmer has no control over when the equity will be paid. Neither does the local co-op. Equity built up by local members usually never filters down to the county co-op. Most of it stays at the highest levels in the cooperative cascade. The multibillion-dollar multinational cooperatives end up keeping most of the cash. That cash gives these giant co-ops a vast pool of working capital.

Consider the case of the Great Rivers Cooperative of Iowa and the Sawyer Cooperative of Kansas versus Farmland Industries. Ten years ago, after most of the farmers in these two small-town co-ops had gone out of business, the Great Rivers and Sawyer co-ops decided to close up shop and liquidate all the equity held by their members. The trouble was, Farmland had control of the money and would not give it back.

Farmland Industries advertises itself as the nation's biggest farmer-owned cooperative. It is a Fortune 200 company that did $11.9 billion in sales in 1998 and does business in a dozen countries. Farmland is not a Farm Bureau co-op, but Farmland's business interests are linked tightly to those of cooperatives that are Farm Bureau affiliates. For instance, Farmland, Growmark (Illinois, Iowa and Wisconsin farm bureaus), Countrymark (Ohio and Indiana farm bureaus) and Agway (New York Farm Bureau) share ownership of Universal Cooperatives, an even more enormous cooperative conglomerate, with annual sales in excess of $30 billion.

Farmers in Sawyer, Kansas, had $480,000 of equity in Farmland's hands, says Sawyer Cooperative president Matt Novotny. Not a lot of money for Farmland, but all the money in the world to the farmers who owned the equity. "Farmland used to call it 'savings' in their literature," says Novotny. "You built an account there and it would be yours. A lot of people were thinking this is a nest egg I've put away. This is what they were counting on. Farmland basically said that there was no plan for any type of redemption of our money. That's why we had to sue."

In Great Rivers, Iowa, the same thing had happened. Novotny's friend Dan Webb had been such a died-in-the-wool co-op supporter that he used to say, "If you'd cut me, I'd bleed co-op blue." Webb had counted on his co-op equity as his savings account. "He thought that whenever you quit doing business you got your money back," Novotny recalls. But when Webb became too ill to work and asked for his equity, Farmland said no. "We spent a lot of time on the phone where he would alternate between anger and tears," Novotny relates. "Dan passed away with a bitter taste in his mouth."

In 1994, the Great Rivers and Sawyer co-ops filed a class-action lawsuit in federal district court in Des Moines, Iowa, alleging fraud and federal securities violations and asking the court to require that Farmland pay co-op members the money they were owed in equity. A year after the lawsuit was filed, Farmland began to redeem some of the equity. It now has a schedule for paying back the rest. These payments might never have been made if Farmland had not been forced to do so by the lawsuit. Novotny believes that without the courts, the farmers probably would have lost their money.

Such equity refund problems are widespread, longstanding, unresolved and unfair. University of Missouri professor Heffernan says his own parents never got their equity back from FS Cooperative, part of Growmark, an Illinois Farm Bureau-owned cooperative. "They'd been co-op members all their lives," he says. "They always thought they'd get something back, but the local co-op told us the money just wasn't there." Co-op members might have expected the Farm Bureau to help them in these equity disputes. Instead, AFBF has fought changing the law to remedy the injustice.

Three decades ago when New York Representative Joseph Resnick investigated Farm Bureau cooperatives, he heard from dozens of farmers with stories similar to those of Novotny and Webb. Resnick sponsored a reform package that would have given farmers the choice of whether to take their refunds in cash or in equity shares. The House passed Resnick's proposals on August 7, 1969. But according to *Dollar Harvest*, the book by former Resnick aide Samuel R. Berger, the Farm Bureau worked successfully to kill the measure in the Senate. In a letter to the Senate Finance Committee, AFBF said that the proposed changes "are unwarranted" and would "represent further involvement of the federal government into the fiscal affairs of private enterprise. . . ." Since then all suggestions of reform have failed.

The problems created by the patronage refund dilemma go beyond the financial difficulties created for individual family farmers. The co-ops are using capital gleaned from farmers' equity to invest in businesses competing directly with their own members. Millions of dollars in co-op equity money are flowing into the megahog farms that are taking over the market from small producers. Co-ops have even used the capital to finance cattle and grain operations in South America. "For the life of me, I don't think it's right, and I can't understand why the co-ops are going into ventures outside the U.S," says Novotny. "Basically, they are taking our dollars to do it, and it sure follows that South American production competes with American production."

"The co-ops brag about being farmer-owned, but they don't behave that way," says John Crabtree of the Center for Rural Affairs, a nonprofit research and advocacy group based in Walthill, Nebraska. "Frequently you'll find them working against the interests of their members. When the co-op directly competes with its own members, it doesn't serve the members' interests. So to that extent the original mission of the co-ops gets lost in the shuffle," he said in an interview. "The big co-ops feel they have to behave like corporations in order to compete in the corporate world."

The alliances between co-ops and for-profit corporations are also raising questions about whose interests are being served. Considering that one of the original missions of the co-ops was to get better prices for farmers by taking on corporate commodities traders, it seems more than a bit incongruous to see joint ventures such as the one between ADM and the Farm Bureau co-op Growmark. Here we have a co-op supposedly representing the interests of 250,000 farmers tying its financial future to one of the world's biggest grain dealers.

THE TIES THAT BIND

> *"In essence, greed, simple greed, replaced any sense of corporate decency or integrity."*
> — Joel Klein, assistant attorney general for antitrust, commenting on a price-fixing case against ADM.

One of the most shocking aspects of the Farm Bureau is how its financial ties and business interests have led it into policies and procedures that are harmful to the family farmer. Consider, for example, the Farm Bureau's convoluted ties to ADM.

ADM, which bills itself as the "supermarket to the world," ranks as one of the world's largest grain traders and food processors, a manufacturer of products ranging from corn syrup to amino acids that are marketed on a global scale. When ADM was convicted in 1996 of fixing prices for lysine and citric-acid products, the company paid a record $100 million fine. The punishment did not hurt much considering that ADM does more than $14 billion a year in sales. Wall Street had expected a much higher penalty, so ADM stock quickly rose. Farmers, on the other hand, lost considerably. Citric acid is used as a food supplement and preservative and in detergents and other agricultural products. Lysine is an important feed supplement that spurs growth in chickens and pigs. Purdue University agricultural economist John Connor figured that farmers who had been cheated on the price of lysine paid an extra $165 million to $180 million over three and a half years.

Growmark, the cooperative owned by the Illinois, Iowa and Wisconsin farm bureaus, entered into a joint venture with ADM in 1985 that continued through and beyond the years when ADM was overcharging farmers for lysine. As mentioned earlier, when Growmark and ADM merged their grain businesses, the cooperative traded its river grain terminals for stock in ADM and the partnership became ADM/Growmark. Growmark president Glenn Webb took a seat on the ADM board. Interlocking Farm Bureau board members from Iowa, Illinois and Wisconsin sit on Growmark's board with Webb. In 1996, Countrymark, the cooperative affiliated with the Ohio, Michigan and Indiana farm bureaus, also joined the alliance with ADM.

ADM is not the only agribusiness giant with which the Farm Bureau collaborates. In 1998, Growmark formed a new partnership with Novartis, a Swiss company that operates in 142 countries on six continents, grossing $21.6 billion in annual sales. Under the partnership agreement, Growmark will sell Novartis seeds, pesticides and other products through the co-op's FS outlets and will share in profits. The farm bureau affiliate Countrymark has a similar agreement with Novartis.

Novartis is the world's second-largest pharmaceutical manufacturer and largest pesticide maker. It brags that its pesticides and herbicides "are used on well over 100 million acres of cropland in the United States." The company owns Gerber baby food, Ciba Vision and Ex-Lax. It also makes atrazine, a weed-killer that has contaminated groundwater throughout the Midwest.

According to the Environmental Working Group, atrazine has contaminated the tapwater of 374 midwestern towns, with levels ten times above benchmark standards in the water supplies for 60 towns, high enough to raise cancer risks. Novartis disputes this, claiming that the cancer risks are negligible. Nevertheless, the groundwater contamination problems have prompted EPA to conduct a special review of atrazine to determine whether use should be restricted. The review is expected to be completed this year.

During the 1999 AFBF convention, Novartis hosted lavish cocktail receptions for delegates and the press. Afterward, delegates approved a resolution urging EPA to reach a favorable conclusion on atrazine by reauthorizing its use "without further restriction." No mention was made of the financial ties between Novartis and Farm Bureau cooperatives.

WELL-OILED CONNECTIONS

As with the Farm Bureau's anti-farmer policies, an examination of the organization's business ties explains some of its anti-environmental positions. For example, at their 1999 convention AFBF delegates approved resolutions calling for opening the Arctic National Wildlife Refuge to oil drilling, reinstating special tax advantages for oil companies, including the infamous oil depletion allowance, and getting rid of "excessive environmental regulations" on oil drilling. The rationale offered spoke of energy self-sufficiency and the importance of ensuring adequate fuel supplies for farmers. Nothing was said of AFBF"s extensive investments in oil and gas..

Farm Bureau affiliate Countrymark produces petroleum products that Farm Bureau affiliate Growmark then sells to Land O' Lakes customers in a joint venture called Mark II Energy. In 1996, Countrymark's oil refinery in Mount Vernon, Indiana, ranked in the top 20 percent of Indiana polluters in terms of air and water releases of toxic chemicals known to be harmful to human developmental and reproductive health. EPA accused the Countrymark refinery of failure to monitor air emissions properly. Countrymark agreed to pay a $32,000 fine without admitting wrongdoing and to install pollution-control equipment costing about $700,000.

Growmark set up a joint operation with Sunoco of Canada in another petroleum venture. Growmark is also part-owner of the National Cooperative Refinery Association (NCRA), a business that conducts oil exploration, production and distribution throughout the nation. According to *Kansas City Business Journal*, NCRA was formed 50 years ago to give midwestern co-ops a guaranteed source of petroleum products. Now Growmark sells much of its fuel directly to the public. NCRA's refinery in McPherson, Kansas, produces more than a million gallons of gasoline and other fuel each year. That refinery also has had pollution problems. In 1996, it released 977,545 pounds of toxic chemicals, making it one of the nation's biggest polluters. According to the EPA, this refinery is in the top 20 percent in terms of cancer hazards and the release of toxicants into the air.

Farmland, a corporation involved in joint businesses with Farm Bureau co-ops, runs even dirtier refineries. One in Jefferson City, Missouri, became a Superfund site. Coffeyville, Kansas, citizens filed a $7.5 million lawsuit against another Farmland refinery, saying they were tired of breathing foul air. The lawsuit cited Farmland's own reports to the Kansas Department of Health and Environment listing more than 30,000 violations of the Clean Air Act in the last five years. EPA ordered Farmland to pay civil penalties totaling $1.45 million and to install pollution-control equipment costing $4.2 million. Farmland violations at the facility, EPA said, included repeated disposal of hazardous wastes on the ground and failure to report immediately seven accidental releases of hydrogen sulfide gas. Farmland, which produces 100,000 barrels a day at the Coffeyville refinery, also operates a lube oil plant in Texas and a grease plant in Missouri.

A refinery operated by the Cenex cooperative in Yellowstone County, Montana, is the fourth biggest polluter in the state, according to EPA's toxic-releases inventory. Minnesota-based Cenex is independent of the Farm Bureau but has substantial overlapping business interests. Cenex and Farm Bureau affiliates Agway, Growmark and Countrymark are co-owners of Universal Cooperatives. They all also own shares in CF Industries, an interregional co-op that manufactures and sells fertilizer. Cenex operates several divisions jointly with Land O' Lakes, which last year merged with Countrymark.

In addition to refinery troubles, Cenex and other cooperatives have had their share of problems with toxic waste. For instance, Cenex has agreed to clean up a toxic-waste pond across the street from a Quincy, Washington, high school. The pond was contaminated with heavy metals, radioactive materials and telone, a potato bug killer suspected of being carcinogenic. A cleanup begun in 1998 is still unfinished. And this is not the only trouble Cenex has had in Quincy.

TOXIC FERTILIZER

Farmers in Quincy were "wondering aloud why their wheat yields were lousy, their corn crops thin, their cows sickly. . . . They discovered something they found shocking and that they think other American farmers and consumers ought to know: Manufacturing industries are disposing of hazardous wastes by turning them into fertilizer to spread around farms. And they're doing it legally."

— Duff Wilson, *Seattle Times* reporter.

Patty Martin was mayor of Quincy,

Washington, in 1997 when she first went to the *Seattle Times* with a story about poisoned cropland and deliberate use of toxic industrial waste in fertilizers. After several farmers in this small community 150 miles east of Seattle began to suspect that their crop failures were related to bad fertilizer, they had a few tests run. In fertilizer tank residue, chemists found arsenic, beryllium, lead, titanium, chromium, copper and mercury. The tank belonged to Cenex.

In a recent interview, Martin recalled her frustration at discovering that the practice of recycling industrial waste as fertilizer was widespread and completely legal. Environmental officials seemed unconcerned. "The people doing this are putting entirely unsuspecting communities at risk from pollutants that are known to be harmful to human health," she said. "There's not enough information out there to say that the practice is safe."

Safe or not, when reporter Duff Wilson of the *Seattle Times* looked into the matter, he discovered that industries nationwide have converted millions of pounds of hazardous waste into fertilizer. Among his findings:

• Toxic byproducts from two Oregon steel mills are stored in silos at the Bay Zinc Company. When the material is taken out of the silos, it is used as a raw material for fertilizer. "When it goes into our silo, it's a hazardous waste," Bay Zinc president Dick Camp told Wilson. "When it comes out of the silo, it's no longer regulated. The exact same material. Don't ask me why. That's the wisdom of the EPA."

• Lead-laced waste from a pulp mill is hauled to southwestern Washington farms and spread over crops grown to feed livestock.

• Other fertilizers contain waste from smelting, mining, cement kilns, wood-product slurries and a variety of other heavy industries and from the burning of medical and municipal wastes. These wastes may contain a potpourri of hazardous chemicals, including cadmium, lead, arsenic, radionuclides and dioxins.

• Limestone fertilizer laden with heavy metals killed more than 1,000 acres of peanuts in Tifton, Georgia. The fertilizer was called "Lime Plus." Regulation is left entirely up to states, and most have no requirement that toxic wastes be listed as ingredients. Most fertilizer labels lump toxics into the broad category of unspecified "inert" ingredients.

The Farm Bureau defends the practice of using such industrial "raw materials" in fertilizer. In 1998, the Maryland Farm Bureau lobbied against a bill in the legislature to require labeling of fertilizers containing hazardous or toxic waste. According to the bureau, that bill "could have limited the availability of necessary fertilizers due to the classification of materials used in making such fertilizers."

In 1999, the Montana Farm Bureau fought legislation to prohibit the sale of commercial fertilizer "if analysis by the Department of Agriculture reveals the presence of a heavy metal, arsenic, or organochlorine . . . at a level that presents a threat to the public health." The bureau objected that "at this point in time there is no way to measure organochlorine and no standard set by the federal government to determine what amount presents a threat to the public health, safety or welfare." In reality, organochlorines can be measured easily, and several government agencies have established maximum exposure standards for most of the toxic chemicals added to fertilizer.

Former Quincy, Washington, mayor Patty Martin says the Washington Farm Bureau always defended the fertilizer companies during meetings of the Governor's Fertilizer Work Group, inactive since the legislature set standards for contaminants in fertilizer in 1999. Farm Bureau representative Greg Richardson has never challenged the practice of using industrial waste, she asserts, declaring, "He didn't see any problem with it. You'd think that any entity that represents agriculture would have some interest in protecting its members, not just their crops — protecting their soils and their health."

Richardson did not return phone calls seeking comment. Washington Farm Bureau lobbyist Linda Johnson says no one has shown that anything in the Cenex fertilizers has harmed people or crops. "Farm Bureau has no problems with what was being used on the fields," she says. "We believe that the fertilizer being used was fine."

Cenex has not acknowledged that any industrial wastes have ever been added to its products. Cenex spokeswoman Lani Jordan told the *Seattle Times* that the company has "always followed the industry recommendations, as well as the government regulations, where these products were concerned." Two Quincy farmers independently sued Cenex in federal court. One charged that the company made money "by disposing of highly toxic industrial waste by adding it to fertilizer." The suit also contended that Cenex failed to disclose that its fertilizer contained heavy metals and that using them resulted in poor crops and ill health. One suit was settled out of court. In the other, a jury agreed with the farmer's claims but did not award him monetary damages. That case is on appeal. Meanwhile, Martin is now out of office. In the last election, she says, Cenex sent employees door to door to campaign against her.

The Washington Farm Bureau joined an industry coalition that tried to intervene in the Pulitzer Prize selection process so Duff Wilson, the reporter nominated for his story about toxic wastes in fertilizer, would not win. Together with a group called the Far West Fertilizer and Agrichemical Association, the bureau wrote the Pulitzer selection committee charging that Wilson had misrepresented the facts. "The Farm Bureau was part of a coalition that submitted information to the Pulitzer committee," says lobbyist Johnson, and in her mind the campaign was successful. "The committee reviewed the information and pulled him off the list," she says.

That is not exactly what happened, however. Disregarding the Farm Bureau letter, the Pulitzer committee chose Wilson as one of three finalists for its public service prize. Wilson ultimately didn't win, but most journalists consider selec-

> "You'd think that any entity that represents agriculture would have some interest in protecting its members, not just their crops —protecting their soils and their health."

tion as a finalist to be a great honor in itself. "This is a highly competitive prize," Wilson pointed out in an interview. "I was proud that I made it to the finals." The Farm Bureau has never given Wilson a copy of its letter, he says. "If they believe I got facts wrong, let's see it. They still have not come forward with anything in my articles that they can show is untrue."

MERGER MANIA

> *"These finance companies offer credit lines to pay for the farm products their companies sell, which in Growmark's case includes fertilizer, feed, seed and petroleum fuels. A main attraction to the customer is the convenience of a one-stop shop for the product and financing."*
> — *American Banker* magazine.

You might call it a new twist on the old company store, or the ultimate in vertical integration. Co-ops have moved into nearly every aspect of agricultural production, selling seeds, fertilizer, pesticides, crop advice, market news, livestock feed, antibiotics, additives, growth hormones, oil, gas, tires and batteries; marketing produce, grain and livestock on behalf of farmers; buying grain on behalf of traders, buying and raising livestock, slaughtering hogs and cattle, packaging meat, transporting products and advertising all this. Everyone involved needs plenty of cash to ensure the smooth flow of these business transactions.

Nearly all the large cooperatives now operate their own financial-services divisions. Growmark, for instance, lends through FS Agri-Finance, which operates under an alliance agreement with John Deere Credit. In 1998, the finance company loaned out $112 million. "This is the eighth consecutive year of record loan volumes," says an FS brochure. "Expanded loan programs such as full line operating loans and three-year revolving loans make FS Agri-Finance more convenient and flexible to customers." It is also convenient to the financier. The co-op loans farmers money to buy co-op products — everything from tractors to seeds, feed, pesticides and antibiotics — and earns profits on both the sale of the merchandise and finance charges.

Growmark finances large capital ventures. In 1993, Co-Bank opened an office in Mexico City. In 1997, it set up shop in Singapore to "facilitate export financing in Asian markets." In 1998, 21 state farm bureau organizations and 19 farm bureau-affiliated insurance companies pooled investment money to form a bank holding company called Farm Bureau Bancorp. That corporation opened up shop in 1999, doing business as the Farm Bureau Bank. The Farm Bureau Bank is offering a full line of financial services in 39 states, and bank officers figure that gives them a potential 3 million customers. AFBF's new president, Bob Stallman, who won election at the Farm Bureau's January, 2000, convention, was the initial chairman of the bank holding company. A Texas rice farmer and former president of the Texas Farm Bureau, he stepped down in March, 2000, but continues as a bank advisory board member.

The extent of the vertical integration of the co-ops might tend to worry anyone concerned about monopoly and concentration, especially considering the ever-changing mixtures of partnerships, alliances, mergers and joint ventures involved. Add to that the fact that much of this cooperative activity is protected from scrutiny by the antitrust exemptions of the Capper-Volstead act of 1922, and it's easy to see room for abuses.

At the 1999 AFBF convention, delegates approved new language calling for an "immediate investigation into the mergers that are occurring in the agricultural industry" and for "action that will protect producer interests." The resolution declared that "the continued mergers of agribusiness firms" threaten "the free enterprise system that is based on competition."

The Farm Bureau, however, does not want to see its own co-ops investigated, even though the co-ops clearly have been as deeply engaged as private corporations in mergers and concentration. When an Iowa delegate offered an amendment calling on Congress to "examine antitrust laws to determine if changes are needed to more effectively protect farmers," Farm Bureau leaders quickly shot the idea down. "Mr. Chairman, I have a terrible time with those additional lines there — that whole 'examine antitrust.' Think about Capper-Volstead for a minute, where we're at there," said Wisconsin Farm Bureau president Howard Poulson. "I urge that we defeat this additional language." The amendment was defeated on a voice vote with a chorus of loud "no's."

Perhaps it should come as no surprise that in spite of the formal Farm Bureau policy positions calling for immediate investigations of mergers and strong enforcement of antitrust laws, AFBF has actively lobbied against legislation that could put the brakes on what Senator Paul Wellstone (D-Minnesota) calls "merger mania." Wellstone's bill, introduced in 1999, would put an 18-month moratorium on mergers between big agribusinesses and set up a commission to review the issues of concentration and market power in agriculture. That sounds like just exactly what Farm Bureau members voted to support at their last convention — so AFBF did not at first publicly acknowledge its opposition. Instead, Farm Bureau lobbyists quietly circulated a letter to members of Congress asking them to oppose the bill. In an apparent effort to obscure its lobbying efforts, AFBF posted an article on its website headlined, "President Will Not Back Bill to Stop Farm Mergers." The article reported that President Clinton had not endorsed the legislation. It did not mention AFBF's opposition.

Unfortunately for the Farm Bureau, Mike Callicrate of the Cattlemen's Legal Fund obtained a copy of the AFBF letter and posted it on his website, "nobull.net."

Forced to admit that it had opposed the Wellstone bill, the Farm Bureau now offers the argument that a moratorium would delay better antitrust enforcement. In an article on AFBF's website posted November 16, 1999, Cheryl Stubbendieck of the Nebraska Farm Bureau called the Wellstone proposal dangerous, saying that "a moratorium can result in nothing of consequence happening until the time out is nearly over. American farmers can't wait 18 months for concrete action on an issue that so greatly affects their livelihoods."

Stubbendieck's piece did not explain how allowing mergers to go forward over the next year and a half could speed antitrust-law reform. AFBF governmental relations specialist Tim

Cansler offered no clarification on that point in an interview on a Farm Bureau radio program. He simply asserted that the issue “strikes right to the heart of the constitution, and the capitalistic system that we have in America,” without explaining precisely what he meant.

Even some state farm bureaus aren’t buying those arguments. In December, 1999, the Mississippi Farm Bureau unanimously approved a resolution condemning AFBF for opposing the merger moratorium. “The national Farm Bureau policy book is full of statements expressing concern about concentration of market power and monopoly in agribusiness,” said Mississippi Farm Bureau member Fred Stokes, who introduced the resolution. “Yet AFBF President Dean Kleckner and the national staff consistently sell out their members and jump in bed with agribusiness.” Stokes went on to characterize AFBF’s lobbying activity as “a gross breach of faith and detrimental to the interests of producer members.”

This challenge from the Farm Bureau’s grassroots failed to shake AFBF’s stance on the regulation of big business. At the January, 2000, convention in Houston, Texas, the voting delegates again approved resolutions calling for investigations of mergers. The language used was nearly identical to that of the 1999 policies. But delegates also adopted a new policy opposing any moratorium on mergers.

The Farm Bureau’s financial interests in cooperatives and other big businesses may help explain why AFBF’s leadership has held so stubbornly to policies that appear to run counter to the interests of family farmers. Those policies embrace a variety of conservative causes that frequently serve as cover for actions that would benefit the bottom lines of big business.

CHAPTER FIVE

Taking Care of Business

"What's the influence in Farm Bureau? It's zilch. They don't talk to me. They don't pressure me. If they tried to I would say 'buzz off.' They don't drive us. They don't help us pay the bills. Our dues pay the bills. Farm Bureau membership fees pay the bills, so there's no connection."

— Former AFBF president Dean Kleckner commenting on the influence of Farm Bureau businesses on bureau policy.

For years, AFBF has fought laws designed to protect wetlands, wilderness areas, drinking water and streams. It has lobbied aggressively to weaken pesticide regulations and the Endangered Species Act and has been instrumental in blocking Senate ratification of international treaties to safeguard biodiversity and counteract global warming. Although these issues may have at least some bearing on agriculture, AFBF also has used its clout to push policies that have no apparent connection with farming.

Why would a supposed farmers' organization oppose higher fuel-efficiency standards for automobiles or fight Clean Air Act provisions that apply almost exclusively to urban areas? Why would farmers care about easing restrictions on mining or deregulating telecommunications? Understanding the Farm Bureau's business ties offers some clues. Seemingly odd policy positions are easier to fathom in the light of the business connections outlined in previous chapters of this report, including Farm Bureau links to insurance, oil, chemical, automobile, timber, paper, communications and other industries. For example:

• The Farm Bureau has lobbied to privatize Social Security and to put limits on legal damage awards for product liability and medical malpractice — steps that could substantially benefit insurance and financial businesses.

• AFBF is a member of the Coalition for Vehicle Choice, which helped defeat legislation to raise fuel-efficiency standards for automobiles. FBL Financial Group, which controls Farm Bureau insurance affiliates in 12 states, also owns stock in Ford Motor Co., Texaco and other oil and gas producers, according to FBL financial reports. The Iowa Farm Bureau owns 63 percent of FBL. IAA Trust, headed by Illinois Farm

Bureau president Ronald Warfield, owns millions of dollars worth of stock in Ford Motor Co. and half a dozen oil companies. In addition, Farm Bureau-affiliated co-ops hold substantial stakes in oil refineries and retail gas stations.

Farm Bureau leaders insist that the organization's business ties have no influence over policies whatsoever. Policies are developed at the local level and move up through state farm bureau conventions to the national meeting, where voting delegates choose which resolutions to support. According to former AFBF president Kleckner, all policies "must have some connection with agriculture, even indirectly, or we wouldn't be involved." The Farm Bureau takes no position on most of the thousands of bills that move through Congress, he says, "because they are not directly enough related to farming."

With some AFBF polices, however, the connections to agriculture are hard to figure. Even the Farm Bureau's known financial interests do not fully explain why the organization even cares about certain issues. For instance:

• AFBF policy calls for restoring provisions in the 1872 Mining Act "that guarantee the rights and freedom of prospectors and miners." This law has allowed foreign corporations to extract billions of dollars in precious metals from public lands without paying more than minimal royalties to the government. It contains no requirements for land reclamation and elevates mining above all other interests on public land, including wildlife habitat, clean water and grazing rights.

• The Farm Bureau played a leading role in efforts to delay tighter standards on ground-level ozone and particulate matter, an issue that primarily relates to urban areas. Public health officials had found that in many cities these pollutants were contributing to serious respiratory illnesses such as asthma, especially among young children. EPA blamed the pollution primarily on auto and diesel engine exhaust and industrial emissions. From the outset, EPA made it clear that agriculture was not a target and the proposed regulations would not require farmers to change the way they operate. Nevertheless, the Farm Bureau went out front in a public relations and lobbying campaign to delay implementation of new standards for four years.

For whatever reason, AFBF and its state affiliates have chosen to ally themselves with coalitions that include many of the most powerful trade associations in the country. AFBF has worked closely with the National Association of Manufacturers, American Petroleum Institute, National Mining Association, Association of International Automobile Manufacturers, Steel Manufacturers Association, National Asphalt Pavement Association, Associated General Contractors and many others.

In addition, AFBF and these industrial associations have formed alliances with conservative political groups, including the inappropriately named wise-use organizations. AFBF has contributed funds to many of these groups, including coalitions that are seeking to eviscerate the Endangered Species Act, roll back wetlands protections, lower clean air and water standards and thwart steps to reduce global warming.

THE WISE-USERS

> *"The Farm Bureau has become, in an odd way, a very attractive group to put in the forefront of all kinds of environmental fights that industry doesn't fight very well on its own."*
>
> — Ken Cook,
> Environmental Working Group.

Over the last decade, some of the greatest threats to environmental protection have taken shape among a conglomeration of so-called wise-use groups. The common thread among these diverse organizations seems to be the belief that private property rights must always take precedence over the public good. Farm Bureau leaders have been active in the wise-use movement since its inception. In 1988, when wise-use leaders convened for the first time at a conference in Reno, Nevada, Farm Bureau representatives from Oregon and California participated. That meeting set an agenda for the movement focused on the goal of protecting private property while exploiting public resources. Among the specific goals, conference participants pledged to campaign for opening all public lands, "including wilderness and national parks," to mining and energy development; increasing logging of old-growth forests and allowing oil development in the Arctic National Wildlife Refuge.

Since then, the American Farm Bureau Federation (AFBF) and state farm bureaus have participated actively in and helped to fund wise-use coalitions. According to records compiled by the Clearinghouse on Environmental Advocacy and Research (CLEAR), a watchdog group based in Washington, D.C., AFBF is a member of the most prominent wise-use group, the Alliance for America, which sponsors an annual "Fly In For Freedom" rally in Washington. The Farm Bureau has contributed funds to more than a dozen other wise-use organizations. Among them:

• ECO, the Environmental Conservation Organization, set up as the grassroots wing of the Land Improvement Contractors Association. ECO concentrates on property-rights issues. Members include representatives of the timber, pulp and paper, oil, mining, real estate, building, fur trapping and coal industries as well as AFBF and several state farm bureaus.

• Foundation for Clean Air Progress, which campaigns against stricter clean-air standards. Members include the National Asphalt Pavement Association, American Road and Transportation Builders Association, Petroleum Marketers Association of America, American Petroleum Institute, Asphalt Institute and AFBF.

• Air Quality Standards Coalition, which lobbied to delay implementation of tighter restrictions on ozone and particulate pollution. This coalition includes the National Association of Manufacturers, Geneva Steel, National Mining Association, American Electric Power Co., Mobil and Ford Motor Co.

• Global Climate Information Project, an industry alliance that includes auto makers, oil companies, manufacturers and AFBF. In 1997, this group spent more than $3 million on an advertising campaign alleging that a proposed international treaty to curb global warming would hamstring the U.S. economy.

• National Wetlands Coalition, set up by real estate developers, utilities and mining and oil companies to lobby for less restriction on commercial development of wetlands. The coalition also has lobbied for laws requiring taxpayers to compensate property owners whenever wetland regulations prevent development.

• National Endangered Species Act Reform Coalition was set up primarily by southwestern electric utilities. The coalition wants Congress to require that economic factors be considered in any plans to protect endangered species. It also has lobbied for new policies to make it more difficult to add species to the endangered list.

In addition to helping to finance these organizations, AFBF has contributed money to conservative think tanks and legal foundations, including the Cato Institute, Reason Foundation and Pacific Legal Foundation. Pacific Legal Foundation has used the funds to challenge clean water regulations, hazardous-waste cleanup requirements and wilderness designations.

The Farm Bureau also has ties to other anti-environmental legal groups. From 1985 to 1989, former Wyoming Farm Bureau president Dave Flitner was also president of the Mountain States Legal Foundation (MSLF), set up by arch-conservative beer magnate Joseph Coors primarily to challenge environmental restrictions on public lands. Former Reagan administration Interior Secretary James Watt served as the first MSLF president. Amoco, Chevron, Exxon, Ford Motor Co., Phillips Petroleum and other corporations provide funding. MSLF represented the Farm Bureau in its Yellowstone-Idaho wolf lawsuit.

Former AFBF president Kleckner served as vice chairman of the National Legal Center for the Public Interest (NLCPI). According to CLEAR, NLCPI is an umbrella for other legal foundations, including Pacific and Mountain States. NLCPI gets money from AT&T, Exxon, Ford Motor Co., Gulf Oil, Kimberly-Clark, the Sara Scaife Foundation and Union Carbide. Ultra-conservative former Judge Robert Bork and Kenneth Starr, special prosecutor for the Clinton-Whitewater case, are listed as legal advisers to NLCPI.

FRIENDS HELPING FRIENDS

AFBF's own nonprofit, the American Farm Bureau Federation Foundation for Agriculture, has benefited from the Farm Bureau's close connections with the nation's business elite. In 1997, the foundation received more than $10,000 apiece from Philip Morris, ADM, Nationwide Insurance, American Agricultural Insurance Corp., Asgrow Seeds and Kraft. Pharmaceutical, seed and pesticide giant Novartis contributed more than $5,000. In 1993 and 1994, RJR Nabisco, maker of Winston, Camel and Salem cigarettes, contributed at least $80,000 to agriculture sciences programs sponsored by the North Carolina and Kentucky farm bureaus.

Because of these links to the tobacco industry, it comes as no surprise that farm bureaus often are allied with big tobacco. For example, in 1998 the Maryland Farm Bureau lobbied against legislation for a tobacco tax to support a children's health and learning program. The bill included a tobacco crop conversion program and a health protection fund. It died in committee.

AFBF would like to see taxpayers foot the bill anytime its business associates are faced with expenses for compliance with environmental regulations. AFBF policy states that "businesses, industries and farmers who have to expend sums of money to implement or prove they are meeting environmental regulations should be reimbursed for their expenditure." Such a policy could save businesses — and cost taxpayers — billions. If the tab ran too high, the Farm Bureau's reasoning implies, the government could simply dispense with environmental protection. This is clearly an option most Americans would not support, but the Farm Bureau's views are generally given great weight by lawmakers even when those views are at odds with those of the majority of American citizens.

POLITICAL POWER

> *"I remind Congress that our proposal is not a 'wish list.' It is a 'must do' directive."*
>
> — AFBF then-president Dean Kleckner commenting in October, 1998, on Farm Bureau-backed proposals, including fast-track international trade authority and elimination of capital gains and estate taxes.

Of the more than 10,000 organizations that lobby Congress, few would presume to issue so brazen an ultimatum as the Farm Bureau's "must do" directive. But AFBF president Kleckner's demand was not mere chutzpah. The Farm Bureau wields enormous power with Congress and state legislatures. "It's extremely difficult to get anything through without them on board," says a Capitol Hill insider who asked not to be identified. Through the years, Farm Bureau leaders have had close ties with conservative politicians. In 1991, Kleckner was on the short list of candidates for Secretary of Agriculture under President George Bush.

In compiling its annual list of organizations with the most clout in Washington, *Fortune* magazine surveys members of Congress, senior congressional staff and prominent lobbyists. The survey, called "The Power 25: The Influence Merchants," professes to tell "what Washington insiders already know: who are the true masters and who the mere pretenders." In 1998, the survey ranked AFBF 14th; in 1999, 21st. No conservation or environmental group has ever made the list .

In an article accompanying the 1998 survey results, Jeffrey H. Birnbaum wrote about that year: "Bills that should have been sure-fire failed, including ones designed to reduce teen smoking and improve the service of HMOs. . . . How could this be? The answers lie far from public view in a region inhabited only by lobbyists, interest groups and the lawmakers whose votes they seek. It's where some of the nation's most powerful people play an extraordinarily high-stakes game of persuasion, where backs are scratched, arms twisted, favors granted and redeemed. This is where the business of politics really gets done."

Part of the Farm Bureau's power stems from the presumption that the organization does indeed speak for the nation's farmers. But as this report illustrates, that impression may be mostly illusion. Those who have watched the Farm Bureau's maneuvering at close quarters speak of an organization in lockstep with business allies, pushing for causes that could never be classified as part of a family-farm agenda. The Farm Bureau also has won friends on Capitol Hill through the traditional means of entertaining politicians and helping them finance their campaigns. In 1998, AFBF spent $4.56 million on lobbying in Washington. State farm bureaus spent another $250,000 on lobbying, according to documents compiled by the Center for Responsive Politics, a Washington-based public interest group. From 1989 to 1997, 18 state-affiliated farm bureau political action committees (PACs) contributed a total of $1.2 million to federal candidates. While the Farm Bureau does not support a national PAC, from 1989 to 1997 AFBF contributed $38,000 in "soft money" (donations not regulated by campaign finance limits) to the national political parties — mostly to the Republican National Committee. In addition, employees of the Farm Bureau and related businesses contributed to individual campaigns.

With a few exceptions, the beneficiaries of Farm Bureau largesse have some of the worst records in Congress on conservation and environmental issues, according to scorecards of the League of Conservation Voters (LCV). LCV evaluates legislators on the basis of their votes on such issues as wetlands preservation and pollution control. For the most part, the Farm Bureau has been spending its money on politicians who generally side against environmental protection.

In making a pitch for contributions to its PAC, the Arizona Farm Bureau advertised its activities as "Lobbying that carries power with punch." It told members their assistance was critical to counter labor unions and environmental groups that are trying "to create self-serving legislative regulation aimed at putting you out of business . . . and they are only two of the many groups looking to put farmers and ranchers in the unemployment line."

AFBF has lobbied for legislation to bar labor unions from using membership dues for political purposes without express consent from individual members. AFBF also has supported restrictions on lobbying by other nonprofit groups. Agricultural organizations, including the Farm Bureau, were specifically exempted from these proposals. It would be interesting to see what might happen if the Farm Bureau had to abide by the rules it wants to impose on labor unions. Labor union members at least get to vote within their organizations. Much of the money the Farm Bureau uses for its political activities comes from membership dues paid by insurance customers who are not allowed to vote in Farm Bureau elections and have no say in Farm Bureau policies. Those insurance customers constitute the majority of Farm Bureau members. By some estimates they make up as much as 80 percent or more of the organization's "members." As this report points out, many of those insurance-customer members are not even aware of how the Farm Bureau is spending their money.

Tony Dean is one Farm Bureau insurance customer who has made it his business to find out. "They are opposed to wetland acquisition, regulations — anything that means a good environment," says Dean, an outdoor writer and popular South Dakota television and radio show host. "If the average person saw what their policies were, the Farm Bureau wouldn't exist. But they don't operate at that level. They are very

PAC CONTRIBUTIONS AND ENVIRONMENTAL VOTING RECORDS

Recipients	1989-1999 AFBF PAC contributions* ($)	League of Conservation Voters National Environmental Scorecard Ratings					
		1993	1994	1995	1996	1997	1998
Steve Buyer (R-IN)	25,000	20%	12%	0%	31%	6%	7%
Jim Lightfoot (R-IA)	23,746	10%	4%	0%	0%	–	–
Charles Stenholm (D-TX)	22,250	25%	12%	15%	15%	6%	10%
David McIntosh (R-IN)	20,000	–	–	0%	15%	–	14%
Greg Laughlin (D-TX)	19,099	30%	19%	0%	0%	–	–
Tim Roemer (D-IN)	18,700	70%	73%	46%	62%	50%	55%
Frank Riggs (R-CA)	18,250	–	–	0%	23%	13%	7%
Ike Skelton (D-MO)	17,650	50%	31%	23%	31%	19%	21%
David Camp (R-MI)	16,480	20%	8%	8%	38%	13%	17%
Mike DeWine (ROH)	15,500	–	–	31%	31%	29%	13%
Lee Hamilton (D-IN)	15,400	70%	65%	54%	62%	63%	62%
Dianne Feinstein (D-CA)	14,930	63%	77%	85%	85%	100%	100%
Gary Condit (D-CA)	14,760	25%	19%	31%	31%	50%	34%
John Doolittle (R-CA)	14,420	15%	4%	0%	0%	13%	7%
Richard Lugar (R-IN)	14,250	6%	31%	15%	15%	0%	7%
Bill Emerson (R-MO)	13,500	10%	0%	0%	0%	–	–
Chet Edwards (D-TX)	13,000	50%	35%	31%	38%	25%	31%
Wally Herger (R-CA)	12,242	15%	4%	0%	0%	13%	7%
Kika de la Garza (D-TX)	12,073	60%	54%	31%	23%	–	–
Henry Bonilla (R-TX)	12,000	15%	4%	0%	8%	13%	7%
Richard Chrysler (R-MI)	11,750	–	–	8%	46%	–	–
Christopher Bond (R-MO)	11,629	6%	15%	0%	0%	14%	7%
Kay Bailey Hutchison (R-TX)	10,807	0%	0%	15%	15%	0%	0%
Jim Nussle (R-IA)	10,693	20%	19%	8%	8%	13%	21%
Earl Hillard (D-AL)	10,631	60%	62%	69%	62%	31%	48%
James Talent (R-MO)	10,440	25%	23%	8%	23%	19%	17%
Phil Gramm (R-TX)	10,250	6%	0%	8%	8%	0%	0%
Charlie Rose (D-NC)	10,250	60%	54%	38%	54%	–	–
Vic Fazio (D-CA)	10,100	55%	62%	77%	62%	50%	66%
Jill Long (D-IN)	10,000	60%	65%	–	–	–	–
Ed Pease (R-IN)	10,000					38%	31%
Lamar Smith (R-TX)	10,000	15%	0%	0%	8%	6%	7%

*Source: Center for Responsive Politics

close to the upper echelon of decision-making in the state and federal government."

The South Dakota Farm Bureau was not happy when Dean, a registered Republican, circulated a list of Farm Bureau-endorsed policies in a campaign brochure for the Democratic candidate in the race for South Dakota public lands commissioner. The Republican candidate for land commissioner was a board member of the South Dakota Farm Bureau. Dean says he thought the public ought to know exactly what the Farm Bureau supports. "I lifted the policies straight out of the Farm Bureau's manual," he says. Two days after the brochure hit the mail, Dean says he got "steaming" letters from Farm Bureau officers and board members, along with phone calls accusing him of being a Communist and left-wing radical.

The Farm Bureau candidate lost. Perhaps South Dakota voters sensed that someone representing an organization that consistently opposes protection of public resources might not be the best person to put in charge of state-owned lands. A close look at Farm Bureau policies reveals a radical agenda with little concern for protection of treasured national resources.

NO NET LOSS OF PRIVATE PROPERTY

> *"We strongly urge that no more private property be acquired by state or federal governments for wilderness, national preserve or any other nonproductive, non-economical use without first conducting a binding referendum of property owners in the county or counties directly affected."*
>
> — AFBF 1999 policy manual.

Perhaps the Farm Bureau did not intend that such anti-democratic language sneak into its policy manual, but the provision on federal land-acquisition clearly harkens back to a time before the principle of one-man-one-vote, when only the landed gentry were allowed a voice in affairs of state. But if property owners alone will not be allowed to decide the fate of public land, the Farm Bureau has a fallback position. "County governments should have the right to ratify or reject any proposed wilderness area," the AFBF policy manual declares. This would give county governments veto power over decisions involving lands that belong to all Americans.

The Farm Bureau opposes all expansion of wilderness areas and is urging reevaluation of all existing wilderness designations. In addition, AFBF wants the National Park Service to "cease efforts to condemn and acquire privately owned farmland and ranch land within the boundaries of national parks." At the same time, the Farm Bureau would like the government to improve roads through national parks to allow more motorized access.

Furthermore, the Farm Bureau would like to prohibit the government from acquiring additional land for any purpose, whether to protect sensitive watersheds from development or to protect endangered species habitat. AFBF has adopted a policy of "no net loss of private property," meaning that government agencies could not purchase land without first selling off property to private buyers. "What happens when the federal government gobbles up land?" asks a Farm Bureau website essay. "First, more and more land becomes inaccessible to the public."

That's an odd concept, since generally it is private landowners who forbid trespass and public land that most people are allowed to use. But AFBF takes the bold position that Congress should sell off all federal public domain and national forest lands to private individuals. The sales should include all subsurface oil and mining rights, AFBF's policy manual says. If Congress is not willing to go that far, the Farm Bureau wants ownership of such federal lands transferred to the states.

For a number of years it appeared that the Farm Bureau's public lands agenda might prevail in Congress. Now, however, popular demand for protection of our shared national resources has become so great that even long-time Farm Bureau allies in Congress appear to be listening. "Sensing widespread support for programs to preserve open spaces, lawmakers from both parties have offered competing proposals that exceed even the Clinton administration's record $1.1 billion request to protect open land from development," the *New York Times* reported on March 11, 1999. "But the differences serve mainly to underscore the political popularity of spending more on conservation, demonstrated by the success across the country of ballot measures to buy open space and preserve it for the public good."

Part of the money for these projects would come from the Land and Water Conservation Fund, a program that taxes offshore oil production to pay for conservation. AFBF policy calls for repeal of the Land and Water Conservation Act, which established the fund. This policy comes as no surprise. The Farm Bureau has repeatedly opposed measures that offer protection for land, water or wildlife. For example:

• The New Mexico Farm and Livestock Bureau adopted a resolution requesting the state attorney general to "investigate the activities of The Nature Conservancy in New Mexico to determine whether conspiracy exists between it and government entities." The Nature Conservancy has been active in negotiating with New Mexico landowners for conservation easements to prevent development of open land.

• The Idaho Farm Bureau pushed a joint memorial in the 1998 legislature opposing designation of "any river, watershed or river segment within the state of Idaho" as an American Heritage River. The memorial passed the house but not the senate.

• The Oklahoma Farm Bureau has tried to block protection of the Red River, which delineates the border between Texas and Oklahoma. According to its policy manual, the bureau opposes all proposals "for potential wildlife habitats, parks, 'wetlands' preserves, hiking/biking recreational areas, wilderness designations, game preserves and Wild and Scenic River designation on the Red River. All land should remain in private ownership."

AFBF opposes expanding the national wild and scenic rivers system and wants land already acquired under the national program to be "returned to the original owners." (Presumably this excludes the Native American tribes who owned the land before the arrival of white settlers.) AFBF opposes a national policy of "no net loss of wetlands" and believes isolated wetlands such as vernal pools and prairie potholes should not be protected under the Clean Water Act.

AFBF opposes any legislation to regulate the sale and use of nitrogen fertilizers even where they have been found to pollute lakes, streams or estuaries. And AFBF insists that fertilizer runoff is not contributing to the "dead zone" at the mouth of the Mississippi River, scientific evidence to the contrary notwithstanding.

COMPENSATION FOR COMPLIANCE

> *"We oppose any action that infringes on an individual's right to own and manage private property, including stream beds, stream banks, water rights, wetlands, mineral rights and adjacent private lands. . . . We support legislation protecting the rights and property of private property owners against animal rights activists and environmental activists."*
>
> — Oklahoma Farm Bureau policy manual.

The Farm Bureau supports a broad interpretation of private property rights that would require taxpayers to compensate property owners for the costs of compliance with environmental regulations. AFBF takes the definition of property rights even further by classifying private use of public land as a property right. AFBF's policy manual insists that taxpayers should compensate ranchers whenever grazing permits on public land are revoked or ranchers are required to reduce cattle numbers on public land.

Federal courts disagree. The Tenth Circuit U.S. Court of Appeals in Denver recently rejected a claim of New Mexico rancher Kit Laney that the Forest Service acted illegally when it revoked his grazing permits in the Gila National Forest.

Federal scientists had concluded that the statutory wilderness areas where Laney held leases had been seriously damaged by overgrazing. Laney claimed that his grazing leases constituted vested property rights. The court ruled that ranchers do "not now hold and have never held a vested private property right to graze cattle on federal public lands. At the time plaintiffs' predecessors began ranching, grazing on the public domain was a privilege tacitly permitted by the government by an implied license."

Nonetheless, AFBF continues to argue that federal agencies should be prohibited from taking any action to protect public land in areas where ranchers hold grazing permits. For example, the Farm Bureau argues that the government has no right to fence off streamside riparian zones within grazing allotments even though biologists have concluded that cattle grazing has been a major factor in the destruction of these fragile ecosystems throughout the West. Riparian zones provide critical habitat for hundreds of species, including many that are endangered.

The Farm Bureau's opposition to protection of critical streamside habitat fits a pattern that the organization has followed throughout its history. As detailed in Chapter Six, whenever policy questions involve protection of species with no immediate commercial value, the Farm Bureau nearly always assumes an adversarial position.

CHAPTER SIX

Pushing an Anti-Wildlife Agenda

"The ruling is a major victory for Farm Bureau. This ruling culminates more than three years of litigation on this issue. The ruling vindicates the Farm Bureau position that the wolf reintroduction program failed to address the concerns of farmers and ranchers, and represented overzealous regulation by the government."

— Dean Kleckner, AFBF president, December, 1997.

In December, 1997, a federal district judge in Wyoming dismayed wildlife conservationists across the nation with an unexpected ruling. The judge ruled that the reintroduction of wolves by the federal government in 1995 and 1996 in Yellowstone National Park and on federal lands in central Idaho had been unlawful and that the new and thriving wolf populations must be removed.

The ruling, which was later overturned by a higher court, was chiefly the result of a lawsuit brought by the American Farm Bureau Federation (AFBF) and three state farm bureau federations.

The Farm Bureau has made battling wolf recovery a cause célèbre. Virtually everywhere wolf reintroduction has been proposed, AFBF's leaders or those of its state affiliates have voiced opposition.

Farm Bureau leaders claim that the wolves represent a land grab by federal bureaucrats using wolf recovery as a pretext for booting cattlemen off public lands where they have grazed their livestock for generations. In an essay posted on the Farm Bureau's website, Montana Farm Bureau executive vice president Jake Cummins argued that environmental leaders "don't care whether the wolves live or die" and claimed that "the whole wolf program was a fraud. The real goal was to use the Endangered Species Act to expand federal land use control. Neither the federal government nor the leaders of the major environmental groups have ever really cared a hoot about the welfare of the wolves." Environmentalists simply want to "redistribute wealth by consolidating power in the federal bureaucracy," he said, suggesting that such people still admire "the Communist ideal."

WHY SAVE WILDLIFE?

> *"We believe that modern society cannot continue to operate on the basis that all species must be preserved at any cost. All state and federal actions designed to protect alleged threatened and/or assumed endangered and threatened species pursuant to the ESA must demonstrate that the benefits to humans exceed the cost to humans."*
>
> — AFBF 1999 policy manual.
>
> *"Many predators such as the grizzly bear and some wolf species are contributing very little tangible benefit to the American people, and the extinction of the dinosaur, brontosaurus, pterodactyl, sabertooth tiger and countless other species is not hindering the occupation of earth by the human race. Therefore be it resolved NMFLB strongly urge that the endangered species act be reworded...."*
>
> — New Mexico Farm and Livestock Bureau 1999 policy manual.

AFBF's effort to stop wolf reintroduction is only one aspect of a much broader anti-wildlife agenda. AFBF has been urging Congress to rewrite the Endangered Species Act (ESA) so that species could be protected only if doing so satisfies a strict cost-benefit economic analysis. Under the AFBF proposal, modification of endangered-species habitat would no longer be prohibited. Furthermore, the Farm Bureau says no U.S. species should be listed if it can be found in another country.

The Farm Bureau would also like to put conservation groups at risk if they propose animals or plants for listing under the act. The Farm Bureau suggests that anyone proposing a listing should "be required to post a bond for damages incurred if the species are subsequently not found to be endangered or threatened." In the event that this altered version of the ESA might still protect any plants or animals, the Farm Bureau wants taxpayers to compensate landowners for any resulting "reductions in property values or for the loss of use of property."

At AFBF's 1999 convention, delegates adopted a wildlife pest and predator control policy calling for legislation "which would require the control of wildlife including endangered species" that damages crops or kills livestock. The policy recommends that property owners "have the right to control predators in any way possible" if the animals cause damage on private land — meaning that ranchers legally could kill wolves, grizzlies or other protected species. Delegates also voted to petition for dropping wolves and grizzly bears from the endangered species list and to oppose further introductions of bison on federal land. Another resolution called for abolishing the U.S. Fish and Wildlife Service. Other policies on wildlife approved at the convention ran the spectrum from the improbable to the downright bizarre:

• A resolution on wildlife management objected to the "federal policy" of allowing wildlife to graze rent-free on federal lands. This policy "is discriminatory to other grazing users who pay for forage on an animal-unit-month basis," the resolution said. The same resolution called for renaming prairie dogs "prairie rats" so that people will no longer think of them as "comparable to poodles."

• Another resolution supported everyone's right to own a reindeer regardless of race, creed or national origin. Currently only native Alaskans are allowed to keep reindeer.

• To help salmon recover, the Farm Bureau favors eliminating or controlling such salmon predators as sea lions and seals. AFBF would also like to "privatize salmon fisheries for stronger fish." The bureau did not explain exactly how private hatcheries might produce stronger stocks of salmon — and little scientific evidence exists to back up that conclusion. The National Marine Fisheries Service, the Idaho Fish and Game Commission and organizations representing university biologists have all agreed that breaching some dams on western rivers would give endangered salmon the best chance of survival. But AFBF strongly opposes that option.

Over the years, AFBF has regularly opposed plans to aid wildlife regardless of the impact on agriculture. And state farm bureaus seem to be doing all they can to interfere with species protection and recovery. For example:

• The Idaho Farm Bureau opposed designation of the Snake River Birds of Prey National Conservation Area which protects the habitat of North America's densest concentration of raptors.

• The Idaho Farm Bureau also pushed a bill in the state legislature to require the federal government to obtain the legislature's permission before any species could be reintroduced. "We love this bill," said a Farm Bureau legislative alert, "and even though preservationists will argue that the ESA gives the Feds the right to trample all over the State of Idaho, this bill sends the message that we don't necessarily like it."

• The Wyoming Farm Bureau staked out a position against reintroduction of endangered black-footed ferrets.

• The Illinois Farm Bureau listed "delay in the introduction of wild elk into rural areas of Illinois" as one of its major accomplishments for 1998.

• The Missouri Farm Bureau worked against a ballot initiative to outlaw bear wrestling. Animal fighting had been illegal in Missouri for 112 years until the state supreme court overturned the law in 1985 as too vague. A 1998 initiative reinstated penalties for baiting or fighting animals. The bureau argued that the initiative "could unintentionally call into question the use of live fishing bait, prohibit common rodeo practices by subjugating to a national rodeo association the authority to determine what local rodeo events are legal, and interfere with traditional quail and raccoon hunting practices." But voters approved the bear wrestling ban by a 62.6 percent majority.

PRAIRIE DOGS/PRAIRIE RATS

The South Dakota Farm Bureau is urging the federal Bureau of Land Management and U.S. Forest Service to control prairie dogs by any means necessary. Prairie dogs are keystone species, that is, their presence in the ecosystem is critical to many other species. In 1989, Defenders of Wildlife sued the Environmental Protection Agency (EPA) to stop the use of above-ground strychnine baits against prairie dogs, ground squirrels, meadow mice and other animals. Defenders argued that these pesticides also killed some 60 nontarget, federally protected species, including 15 threatened or endangered species. The Farm Bureau unsuccessfully intervened in the lawsuit, arguing for continued use of the poisons.

The Colorado Farm Bureau is fighting attempts to list black-tailed prairie dogs as threatened. The bureau contends that if the prairie dog is listed, all hunting and poisoning programs would have to be discontinued and landowners might be required to develop habitat conservation plans. Prairie dog numbers have declined radically in recent years as the animal's habitat has been converted to other uses. This dwindling species is the sole food source for endangered black-footed ferrets, arguably the rarest mammal in North America.

LYNX CONSPIRACY

Efforts to reintroduce the lynx in Colorado could mean the end of agriculture in the state, according to the Colorado Farm Bureau. In a letter to the U.S. Fish and Wildlife Service, the bureau insisted that listing the lynx as threatened in Colorado could stop agricultural use of public lands. "This is just a misguided attempt to halt economic development in struggling rural areas," wrote Buford Rice, executive vice president. "If the lynx is listed, it could effectively terminate every agricultural activity, existing or proposed, in Colorado."

The Colorado Farm Bureau also says it is concerned that reintroduction of a predator would put more pressure on livestock, although the lynx is not known to prey on sheep or cattle. The lynx is already on Colorado's endangered species list. In 1998, the bureau tried unsuccessfully to stop the state's reintroduction of the lynx in the Rio Grande/San Juan National Forest. Bureau president Roger Bill Mitchell voiced fear that introduction of an additional predator might "place other species in jeopardy of becoming endangered."

PANTHER FLIP-FLOP

The Florida Farm Bureau in 1998 went on record opposing reintroduction of endangered Florida panthers in the northern part of the state, citing alleged threats to domestic livestock and private-property-rights restrictions. Panthers have nearly disappeared from southern Florida, in part because of inbreeding and highway deaths. Scientists have also discovered that toxic chemicals from agricultural runoff and other sources may interfere with the panthers' ability to reproduce. It was hoped that bringing panthers into northern Florida would improve their chances for survival.

The Florida Farm Bureau's opposition was a slap in the face, says Florida Panther Society president Stephen Williams, because the Farm Bureau, ironically enough, had won and spent a $180,000 state grant it had received for a panther education program. The money came from the Environmental Education Trust Fund, a voluntary program that collects extra fees on auto license plates to support research and education programs benefiting panthers and endangered manatees. The Farm Bureau used the grant to print brochures and mount panther-protection exhibits around the state.

Bureau president Carl Loop, who is also a vice president of AFBF, says the Farm Bureau believes agriculture can share land with panthers. "We were in favor of saving the panther, and they were looking at taking a lot of land for panther habitat," he said in an interview. "We weren't sure what our position should be, and we thought an education program would be the best way to do it." Loop justifies the later decision to oppose reintroduction by the fact that northern Florida is more populated than the south. "I don't see it as a contradiction," he said. "We were trying to preserve them in their habitat in south Florida."

Despite the change of heart, Loop says the education program "was a good experience for us. We got a lot of support out of Audubon and other groups and it helped to build a relationship.... We find we have a lot in common. Where there's problems, there's got to be a best way to solve them, to work together." Even so, the Panther Society feels betrayed. In November, 1998, the Florida Game and Fresh Water Fish Commission said it would abandon efforts to reintroduce panthers in north Florida because of strong local landowner opposition.

ANIMAL DAMAGE CONTROL

"As wildlife numbers grow by leaps and bounds, conflicts with humans are increasing," wrote AFBF broadcast services director Stewart Truelsen in a 1998 web posting. AFBF apparently is satisfied that "wildlife numbers are much higher than in the past" and believes that the greatest wildlife challenge today is controlling pest species.

Because of the Farm Bureau, the federal agency responsible for killing predators on behalf of ranchers will continue operating with a fat budget. AFBF lobbyist Jon Doggett acknowledges that the Farm Bureau was instrumental in reversing a funding cut for the Department of Agriculture's Wildlife Services (formerly called Animal Damage Control), whose agents trap and poison predators on public and private land. The House of Representatives voted in June, 1998, to cut $10 million from the Wildlife Services appropriation. After intense lobbying by Farm Bureau representatives in several states, the House reversed its decision the next day.

In the West over the last five years, Wildlife Services has killed or trapped mountain lions, black bears, coyotes, foxes and golden eagles — a total of 90,814 predators in 1997 — even in designated federal wilderness areas, including the Santa Teresa Wilderness in Arizona and the Apache Kid Wilderness in New Mexico. Ranchers had complained that these predators attacked their calves. "You'd think if there was one place that should be predator-friendly, it would be the wilderness," says John Horning of the conservation group Forest Guardians. "It boggles the mind that on the cusp of the 21st century we are paying federal employees to kill predators on federal land for the benefit of a handful of people."

GRAY WOLVES AND SPOTTED OWLS

When the New Mexico Farm and Livestock Bureau and other ranching groups asked a federal court in December, 1998, to bar further releases of endangered Mexican gray wolves, bureau attorneys argued that the wolves would take food away from spotted owls from which ranchers "derive substantial aesthetic enjoyment." The *Albuquerque Journal* chastised the ranching groups in an editorial saying the court should consider sanctions for filing frivolous pleadings. "Crocodile tears over the fate of the spotted owl are so contrary to the track record of ranching groups as to be bereft of credibility," the editorial said. "Ranchers and their lawyers probably enjoyed a good guffaw or two over that bit of 'cowboy biology,' but it should be no laughing matter to the court." Apparently the court didn't buy the farm bureau arguments. It dismissed the lawsuit.

Attacks such as these on wildlife protections are just one part of a comprehensive anti-environment, anti-labor agenda that the Farm Bureau continues to pursue. And as the next chapters will illustrate, when it comes to arguing its point of view, the Farm Bureau doesn't necessarily rely on truth or scientific validity.

CHAPTER SEVEN

Spinning the Global Warming Issue

"Our own president and vice president are embarrassed and ashamed by our warlike heritage and our unabashed economic success. Hence they seek every opportunity to give up our national sovereignty to world bureaucratic bodies like the United Nations . . . [giving them authority] to scold and punish us for our faults and then redistribute our wealth to the sick, lame and lazy nations who have suffered so from our overachievement."

— Jake Cummins, Montana Farm Bureau executive vice president, writing about treaties on climate change.

The anti-environmental campaigns pursued by the Farm Bureau may be all about business, but often the rhetoric used takes on an emotional tone. Farm Bureau speeches and literature on these issues seem designed to inflame. The information provided is sometimes misleading or downright false. Consider the issue of global climate change.

At its 1999 convention, AFBF gave members a videotape titled, "Kyoto in Perspective: A Flawed Treaty Impacts America." The title refers to the Kyoto Protocol, a treaty negotiated in December, 1997, that commits nations to reducing emissions that contribute to global warming. The United States has not signed the Kyoto Protocol, and AFBF has bragged about its influence in preventing ratification by the Senate.

In the video, Senator Chuck Hagel (R-Nebraska) warns that "devastating economic consequences to agriculture families would ensue" if the United States signs the treaty. Even more frightening, Hagel says, the Kyoto Protocol would give "United Nations bureaucrats the ability to go into Nebraska and close down a farm or a ranch" because "that farmer's soil might not comply with the Kyoto treaty. He might have too much nitrogen in the soil. This is real," Hagel says on the tape. "This is in the protocol."

In reality, this is not in the protocol. The protocol gives the United Nations no such power. Nothing in the treaty suggests that anyone could shut down an individual farm against an owner's will. Senator Hagel's interpretation "is absolutely incorrect," says Robert Watson, who chairs the Intergovernmental Panel on Climate Change. To begin with, Watson says, the treaty makes it clear that all decisions regarding greenhouse gas reductions are entirely up to individual nations. If the United States ratified the protocol, "no one could tell the U.S. how to meet its reduction targets," Watson said in an interview.

If the United States does ratify the treaty, the nation must reduce emissions of carbon dioxide and other greenhouse gases by seven percent by the year 2012. Most greenhouse gases come from burning fossil fuels, and analyses published by Consumers Union and others show that simply improving gas mileage in automobiles could go a long way toward meeting the target. Other conservation and efficiency improvements also would help, and several economists have argued that taking these steps actually would make the United States more competitive in the world market by reducing the amount of energy needed to produce goods and services.

The Farm Bureau videotape fails to address any of these arguments, which is not surprising considering that the tape was produced by the Global Climate Information Project, an industry alliance consisting of auto makers, oil companies and others. The tape, of course, does not reveal who is behind this Information Project.

As mentioned earlier, the Farm Bureau and these same industries have worked hard to roll back requirements for better gas mileage in cars. Improved mileage would save consumers, including farmers, a lot of money and might also help reduce global warming. But fuel efficiency in American cars has been dropping since this industry coalition went to work.

Instead of contributing to potential solutions, the Farm Bureau seems intent on scaring farmers into believing that efforts to reduce global warming will mean that energy prices will rise so high that they will be unable to run their machinery. A 1997 analysis by AFBF economists predicted that the climate treaty would cause at least a 24 percent loss in net farm income. According to that analysis, "net profits for corn growers could be slashed by 23 to 51 percent. . . . Net profits for hog producers could be reduced 40-85 percent. . . . Smaller farmers and younger farmers . . . would find their farms unprofitable and abandon agriculture." Farm Bureau leaders were still quoting this study in 1999 — without pausing to note that the predicted profit losses have already taken place, not because of higher energy prices, but because of monopolistic trends in agribusiness.

The Farm Bureau insists that evidence of global warming is lacking and that no scientific consensus exists about the process. "If you look at some of the scientific data, there's nothing that really proves that dramatic climate changes have taken place," Louisiana Farm Bureau president and AFBF board member Ronnie Anderson said during the 1999 convention. On the videotape distributed there, Representative Jo Ann Emerson (R-Missouri) implies that reports of scientific consensus are bogus. "People heard we've got 2,600 quote-unquote scientists who say global warming is a problem," Emerson tells viewers. "But if you look at who's who, you find just a few geologists, a physician, an OB-GYN! Psychologists. Two climatologists. They don't know any more about global warming than I do."

"That's absurd," says Robert Watson, chairman of the Intergovernmental Panel on Climate Change and a former NASA atmospheric chemist. "Our working groups are made up of the best scientists in the world in their fields." Indeed, the lists of climate scientists who have contributed to or reviewed the panel's studies comprise many pages of names from the world's most prominent institutions. Agriculture specialists, economists and scientists from other disciplines are also on the panel, Watson says, because the panel is looking at the potential consequences of global warming as well as atmospheric processes. "But I can assure you that none of them are psychologists or OB-GYNs," he says.

At a 1998 House subcommittee hearing, a group of scientists told Representative Emerson she was mistaken and was mixing up two different groups. In one case, a public-interest group had recruited 2,600 people from all walks of life to sign a petition expressing their concerns about global warming. The climate change panel, on the other hand, consists of 2,500 scientists. In 1995 this panel stated unequivocally that because of continued greenhouse gas emissions, the Earth had entered a period of climatic instability likely to cause "widespread economic, social and environmental dislocation over the next century." Even so, the Farm Bureau has continued to distribute the misleading video. And all the while, evidence of climate change continues to build:

• On January 11, 1999, while Senator Hagel was telling the AFBF convention that the Kyoto Protocol "threatens the liberties of individual Americans and U.S. industry," the National Aeronautics and Space Administration (NASA) and the National Oceanic and Atmospheric Administration (NOAA) were releasing reports showing that the 1990s were the hottest decade ever, 1998 was the hottest year and the pace of warming has accelerated. Higher temperatures pose a variety of threats to agriculture, including increases in insect and plant pests and harmful shifts in rainfall.

• On January 28, 1999, the American Geophysical Union issued a policy statement saying that there is a "compelling basis for legitimate public concern" about human-induced climatic change and that scientific uncertainty "does not justify inaction" in coping with it. The union is this nation's most broadly based professional organization representing earth and space scientists.

• On March 2, 1999, the *New York Times* reported that "separate studies using different methods in the last three years have found that as the Earth's atmosphere warms, spring warmth is arriving earlier and autumn coolness is coming later in the Northern Hemisphere."

• On March 5, the *New York Times* reported that highly sophisticated NASA aerial surveys had found that "the southern half of the Greenland ice sheet, the second largest expanse of land-bound ice on earth after Antarctica, has shrunk substantially in the last five years."

• On March 15, the journal *Geophysical Research Letters* published results of a University of Massachusetts and University of Arizona study finding that the Northern Hemisphere was warmer in the 20th century than in any other century of the last thousand years. The study concluded that man-made greenhouse gases were primarily responsible. If estimates that the Earth will warm by 3.5 degrees Celsius during the 21st Century are correct, the Earth will become warmer than it has been for millions of years.

THE FORECAST FOR FARMERS

> *"Even if it is proved that global warming will occur, who's to say such a phenomenon would be detrimental? There are those who argue that global warming could benefit — not harm — the environment."*
>
> — C. David Kelly, assistant director of news services, AFBF.

In its 1995 report, the Intergovernmental Panel on Climate Change detailed what is likely to happen as the planet warms. Intensified storms, widespread flooding and crop-destroying droughts were listed. Texas farmers have some experience with all of those, and whether recent conditions are related to global warming or not, the bad weather seems to be getting worse. In February, 1999, Texas A&M economists reported that Texas farmers and ranchers lost $2.4 billion in income because of a 1998 drought. Farm-dependent businesses in small rural towns lost another $8 billion. If global warming adds to these drought problems, it does not bode well for Texas agriculture.

Scientists in Colorado also have found that warmer nighttime temperatures are already killing off grasses that ranchers depend on to feed their cattle during dry summer months. As Farm Bureau delegates were gathering for the 1999 convention, the highly respected journal *Science* published a study by Colorado State University ecologist Richard Alward showing that exotic plants and noxious weeds are taking over where blue grama grass used to flourish. Blue grama thrives during hot summers and is tolerant of drought but needs cool night temperatures to survive. It can get cattle through times when no other nutritious grasses survive.

The Farm Bureau obviously has chosen to ignore these studies and other credible scientific evidence of the threat that climate changes pose for farmers. Instead, Farm Bureau rhetoric on global warming appears to be driven by the organization's own financial interests. As the next chapter will show, the same pattern is repeated on issues related to human health.

CHAPTER EIGHT

Putting Pest Control Before Human Health

> *"Tell your members of Congress that they must regulate the regulators. Bureaucratic handiwork takes $20 billion a year straight off of our net farm income.... This law gives the EPA virtual free rein to pursue their anti-chemical agenda."*
>
> — Dean Kleckner,
> former AFBF president.

The Food Quality Protection Act of 1996 requires EPA to reevaluate all pesticides and herbicides used on food to establish a "reasonable certainty of no harm." EPA must pay special attention to the effects of these toxic chemicals on children and consider all sources of exposure, including drinking water and household bug sprays. Although AFBF supported the legislation, subsequent implementation has inspired Farm Bureau leaders to make wild predictions about the end of agriculture as we know it. "As a farmer and a father, I'm outraged! And, you should be, too!" writes Arkansas Farm Bureau president Andrew Whisenhunt on the bureau website. "The EPA intends to ban hundreds, maybe thousands, of the most widely used, most successful pesticides we have and in the process ban food safety and abundance. Americans young and old may not get the nutrition we need to stay healthy. The EPA will be banning the affordability and availability of wholesome food!"

In reality, EPA is considering whether about 40 organophosphates should be restricted or taken off the market. Organophosphates are neurotoxins developed originally during World War II as nerve gas agents for chemical warfare. They work by paralyzing muscles, and they can kill humans and other species in exactly the same way they kill bugs. Organophosphates are widely used as roach and termite killers, and since they are also used on such crops as cotton, soybeans, potatoes, corn, carrots, rice, bananas and other fruit, human exposure is a concern.

EPA has accelerated its review of new, less toxic alternatives to organophosphates, and several are already on the market. But development of these new pesticides has not stopped the Farm Bureau's vitriolic rhetoric. "EPA is moving quickly and not so secretly to eliminate many of our most important crop protection tools," Kleckner wrote in a 1998 column. "Organophosphates are in the agency's sights now. If the agency continues on the course it has set, farmers will see their control costs skyrocket, product quality deteriorate and crop volumes decline."

On the Arkansas Farm Bureau website, Whisenhunt goes further, putting the scare into farmers by telling them that the Food Quality Protection Act "is being wielded carelessly by the EPA in a way that will not just put American farmers out of business, it will endanger the safety of fruits and vegetables.... There are serious questions about the 'science' the EPA has used to determine that these pesticides are unsafe. It's not allowing input from outside scientists ('peer-review') that ensures its 'data' is [sic] valid. Overzealous and careless banning of the most widely used, safe pesticides will cause a major disruption of agricultural production and weaken our nation."

Again, as with global warming, the Farm Bureau pitch distorts the facts. To begin with, says EPA's senior pesticide science adviser Penny Fenner-Crisp, most of the studies EPA relies on were provided by pesticide companies. The evaluation process is subject to extensive outside peer review. University, government and chemical industry scientists sit on an independent science advisory panel that checks EPA's work. Another 52-member panel representing everyone from environmentalists to the Farm Bureau advises EPA on every step. Former AFBF president Kleckner even sat on that panel. "We have been bending over backwards to involve all of the interested parties as we go through this process," says Fenner-Crisp. "We've been cranking out new chemicals at a fairly brisk pace. What else would they have us do?"

If anything, says World Resources Institute epidemiologist Devra Davis, EPA is giving chemical companies too much of a break at the expense of protecting children's health. Davis objects to EPA's practice of keeping pesticide industry studies secret. Outside scientists are allowed to see only summaries. And Davis raises an even more disturbing concern: EPA has been accepting industry studies of pesticides tested directly and deliberately on human beings.

HUMAN GUINEA PIGS

When Dow Agrosciences wanted to find out how much of the organophosphate chlorpyrifos humans could tolerate before suffering serious nerve damage, the company asked for employee volunteers to consume measured doses of this highly toxic chemical. EPA considered the results of the experiment in setting "safe" limits for chlorpyrifos exposure.

Although questions have been raised about the ethics of using human test subjects, a coalition of farm, food, pest management and manufacturing groups has encouraged chemical companies to test their wares on humans more often. The coalition, called the Implementation Working Group, says it "joined together to address and respond to the requirements of the Food Quality Protection Act." AFBF is a member of the group.

In 1998 this group took the position that pesticide makers "will find it increasingly undesirable" to rely on animal testing "since this customarily requires the application of a tenfold uncertainty factor to account for interspecies variations.... For this reason, there probably will be an increased reliance by registrants on data from human studies on acute or short-term toxicity of organophosphates that could avoid the need for that tenfold uncertainty factor."

In other words, EPA might allow higher pesticide levels in food and water if testing is done on humans rather than mice. Of course, feeding pesticides to healthy adult males says nothing about the effects these chemicals might have on children or pregnant women. Nor does it shed light on the effects of long-term, low-dose exposures. Nevertheless, says Ken Cook of the Environmental Working Group, "pesticide companies have a huge financial incentive to test people instead of other animals. They know that U.S. regulations on pesticides are finally being tightened. Human tests enable chemical companies to eliminate safety factors that have long been applied when nonhuman animals are used for testing."

EPA is only now beginning to grapple with the issue. An announcement of a task force meeting late in 1998 said "the Agency is particularly interested in exploring the issues raised when private companies choose to test pesticides in humans, and submit the results of such research to EPA. Because EPA neither encourages nor requires research on pesticide effects in humans it has not set standards for such studies. A central issue is how the Agency should assess the scientific and ethical acceptability of these studies when they are submitted for its consideration."

Whatever EPA decides with regard to human testing, former AFBF president Kleckner said Farm Bureau lawyers stand ready to file lawsuits if Farm Bureau leaders do not like the outcome of the pesticide reviews. AFBF is also asking legislators to impose a moratorium on EPA regulations and cut the agency's budget.

Although it may be a coincidence, at least one Farm Bureau-linked company manufactures several organophosphates. Novartis (the multinational corporation now in partnership with a Farm Bureau-affiliated cooperative) makes organophosphates such as profenofos, a chemical on EPA's initial hit list. EPA put profenofos on the list because the compound is considered one of the most hazardous insecticides on the market. "We decided to reevaluate the worst pesticides, the most dangerous ones first," says Fenner-Crisp. "That's why we're looking at organophosphates."

The Farm Bureau maintains that dangers from pesticide residues have never been proved, even for the chemicals EPA considers the greatest threat to children's health. "Farm Bureau is absolutely in favor of protecting children from the higher risks of pesticides if and when they do exist — that's a no-brainer," says Dennis Stolte, AFBF deputy director of government relations. "We think EPA right now is overreaching in applying the full tenfold margin of safety for children before we have data to show there are actual health risks there.... Most food experts would agree that the health risks from food pesticide residues, if not nonexistent, are certainly very, very small."

Pediatrician Philip J. Landrigan of Mount Sinai Medical Center in New York takes issue with that conclusion. Landrigan chaired a panel of the National Academy of Sciences that concluded in 1993 that EPA regulations systematically underestimated children's risk from pesticides. The academy's study and similar research led to passage of the Food Quality Protection Act, which requires EPA to err on the side of caution to protect infants and children.

According to Consumers Union, the research and advocacy group that publishes *Consumer Reports* magazine, two out of every five toddlers who eat an American-grown peach are getting too much of the organophosphate methyl parathion. A Consumers Union analysis of government data found that apples, grapes, green beans, peaches, pears, spinach and winter squash all have unacceptably high levels of pesticide residues. Consumers Union stresses that these residue levels are not acutely toxic. They are not poisonous in the sense that a child could be sickened from one meal. But over time, if young children eat food with residues at these levels, it could raise the risk of cancer and other health problems.

The Farm Bureau argues that restrictions on pesticides will lead to a scarcity of wholesome, affordable food. But according to Consumers Union policy analyst Jeannine Kenney, "Many safer pest-control alternatives exist." Parents should be able to feed their children nutritious fruit and vegetables without exposing them to potentially unsafe levels of harmful pesticides. "Phasing out a small fraction of high-risk insecticide uses would substantially reduce children's risk while maintaining a productive, sustainable agriculture," says Kenney.

Because of consumer demand for safer produce, organic farming has emerged as an important segment of American agriculture. Small farmers, especially, have discovered that they can increase per-acre profits dramatically by growing higher-priced organic food. Yet the Farm Bureau has done little to foster such development. And in Iowa, some organic farmers are accusing the Farm Bureau of making it difficult to keep organic farms chemical-free.

DRIFTING POISON

> *"I cannot imagine why the Iowa Farm Bureau wants to protect farmers and applicators who violate the law. The Farm Bureau talks about how they want to be good neighbors. If that's true, I can't understand why they are so upset about raising penalties for farmers who allow pesticides to drift onto their neighbors' property."*
>
> — Dennis Fett, Iowa organic farmer.

Nearly two decades have passed since Dennis Fett began raising organic vegetables and peacocks on his Minden, Iowa, farm. In that time, he has never used herbicides or insecticides, but Iowa Pesticide Bureau investigators in 1998 found significant levels of chemicals on his land, including atrazine and the highly toxic herbicides acetochlor and 2,4-D, a major component of Agent Orange.

Fett has filed complaints with the state year after year alleging that pesticide applicators spraying neighboring farms allow the chemicals to drift onto his property. A nationally recognized peafowl breeder, Fett blames the death of one of his prize peacocks on the chemicals. Other Iowa farmers have blamed pesticide drift for killing animals and contaminating organic crops. In 1998, the Iowa Pesticide Bureau received 146 such complaints. Fett believes penalties for this offense are too low to motivate applicators to be more careful.

For the last six years, Fett has campaigned for a tougher law that would raise fines from the current $500 maximum to $1,500. Other midwestern states impose fines of as much as $7,500 per offense, but a bill to raise penalties died in a subcommittee after the Iowa Farm Bureau raised objections. Says Fett, “We’ll push for the bill again next year, but I honestly don’t think it will go through. The Farm Bureau holds way too much power here.”

Farm Bureau leaders contend that organically grown foods are no more healthful than the chemically assisted kind. They are ready to challenge anyone who says pesticide residues in food cause harm. In more than a dozen states, farm bureaus have helped to win passage of anti-disparagement laws making it illegal to report that chemical residues or other contaminants in food are harmful unless those claims can be proved scientifically.

VEGGIE LIBEL

> *“You might remember the Alar debacle. The same kind of junk science that sent mothers scurrying to dump apple juice and snatch apples out of lunch bags is again staring us in the face.”*
>
> — Dean Kleckner, former AFBF president.

Equating Alar with junk science is one of the most enduring myths of environmental debate. The Farm Bureau, along with a coalition of well-heeled industrial associations, has helped convince journalists and the public that the Alar scare was a hoax — that the chemical never posed any health risks and that apple farmers lost a great deal of money as the result of public hysteria over a nonexistent threat.

The Farm Bureau is wrong on all counts. Alar was taken off the market in 1989 because credible peer-reviewed scientific studies found that the chemical posed an unacceptable cancer risk, especially to young children. The American Academy of Pediatrics had urged EPA to ban Alar in 1986. Since then, EPA’s independent science advisory board has reviewed the evidence on Alar three times and each time has reached the same conclusion: Alar residues pose a significant health risk and the chemical should not be used. The World Health Organization’s International Agency for Research on Cancer and the National Toxicology Program of the U.S. Public Health Service both confirmed Alar’s carcinogenicity. Further evidence about Alar’s dangers can be found in numerous studies published in respected peer-reviewed scientific journals with exacting standards. To call this work “junk” debases the very notion of sound science that the Farm Bureau claims to cherish.

The Farm Bureau also exaggerates the impact that the Alar controversy had on growers. Alar was never critically important for producing healthy apples. It was used to make orchards ripen on schedule. After a 1989 CBS “60 Minutes” broadcast raised questions about EPA’s delay in taking action on Alar, Washington apple growers claimed to have lost $100 million in sales and sued CBS for damages. The Farm Bureau says "the real loss was close to $450 million." But according to the Department of Agriculture, apple sales only stumbled momentarily and were back to normal within four months. A federal court dismissed the growers' lawsuit, finding that the "60 Minutes" broadcast had been substantially correct. In 1996 the U.S. Supreme Court upheld that ruling.

Why the Farm Bureau has chosen to ignore these facts remains unclear, but the organization has taken advantage of the misunderstandings about Alar to help silence critics who raise concerns about pesticides or food-borne illness. In every state where farm bureaus have lobbied for so-called "veggie libel" laws, the organization consistently raises the specter of Alar and "junk science." The tactic has been successful. Farm bureaus have persuaded legislatures in 13 states to approve such laws.

Most of these laws remain untested. In one well-publicized case, cattle growers sued television personality Oprah Winfrey under the Texas veggie libel law, but the court ruled that the law did not apply to Winfrey's reports on mad-cow disease. A jury found in Winfrey's favor on other counts. Regardless of that outcome, current postings on the Montana Farm Bureau's website refer to the Winfrey case as proof of "why anti-disparagement laws are necessary to protect agricultural products."

AFBF has even tried to get the federal government involved in squelching reports of food-related risks. It has urged the Department of Agriculture to investigate "unsubstantiated" media reports and to help producers challenge them. This position seems ironic for an organization that is usually so vocal in criticizing the intrusiveness of the federal government. Even the trade magazine *Feedstuffs* considers it a bad idea. In an editorial titled, "Absolving Farmers Worst Step in Food Safety," *Feedstuffs* says, "Although the AFBF means well, such an arrangement would compromise the USDA's role as intermediary between producers and consumers."

The New Mexico Farm and Livestock Bureau would simply cut off all information about which pesticides are used on which crops, or which microorganisms are found in whose processing plants, or how much manure has run into which streams, by exempting all agricultural activities from right-to-know laws. The New Mexico Farm and Livestock Bureau approved a resolution calling for such an exemption at its 1998 state convention.

At that same convention, New Mexico delegates adopted a resolution opposing field reentry regulations that the Farm Bureau considers "unreasonable." Those rules prohibit growers from sending workers back into fields immediately after they are sprayed. They are based on manufacturer estimates of how long insecticides and herbicides remain acutely toxic. The resolution is just one example of Farm Bureau resistance to even minimal protections for farm workers.

FARM WORKERS AT RISK

> *"The new regs weren't anything major that would be a substantial disruption or expense to employers, but you should have heard the screaming and howling. You would have thought somebody had burned their barns and run off their stock."*
>
> — David Hall,
> Texas Rural Legal Aid attorney.

In the early 1980s, when the Texas Agriculture Department adopted regulations to prevent growers from spraying pesticides while farm workers were in the fields, the Texas Farm Bureau nearly succeeded in getting the state legislature to revoke those rules. "The Farm Bureau acted as though an asteroid had struck Texas," says Jim Hightower, then state agriculture commissioner. "To hear them talk, you'd think that this was the end of civilization as we knew it," he reflected during a recent interview.

Hightower's agriculture initiatives, including his efforts to protect workers, so angered the Texas Farm Bureau that it tried to persuade the legislature to convert Hightower's job from an elective to an appointive position. Bureau spokesman Gene Hall acknowledges that the bureau wanted to get rid of Hightower, no matter how. "I wouldn't agree that it was an undemocratic move," Hall said in an interview. "It was part of a strategy to change the leadership of the Texas Department of Agriculture." The bill failed by one vote.

AFBF lobbyist Dennis Stolte maintains that the Farm Bureau certainly does not approve of spraying pesticides on workers. "That's a totally indefensible practice," he says. "Farm Bureau supports the strongest possible penalties for producers who openly violate the law." But he says he is not convinced that pesticide exposure has seriously harmed farm workers. "From the worker safety data that I've seen, it's very unclear whether we can document any deaths from pesticide use," he said in an interview.

The case of Zacarias Ruiz is well documented in the medical literature, however. Ruiz was a Texas field hand in the early 1980s when he died a few hours after exposure to the extremely toxic herbicide Dinoseb. Although it had been well established that Dinoseb can be absorbed through the skin, Ruiz was given no gloves or protective clothing when he was told to treat a field using a backpack and hand-held sprayer. His death helped prompt the Texas Agriculture Department's new pesticide regulations. In another case, Ciba Corp. took one of its organophosphates off the market "after several farmers using the products were reported to have died or been hospitalized due to accidental poisoning," according to a 1995 report in *European Chemical News.* (One year later Ciba merged with Sandoz to create Novartis. As mentioned earlier, Novartis and the Farm Bureau's Growmark and Countrymark cooperatives have since formed partnerships to sell pesticides, seeds and other products to co-ops.)

Pesticide safety rules are not the only farm worker protections the Farm Bureau has opposed. A posting on the Farm Bureau web site boasts that last year "Farm Bureau worked to decrease the regulatory burden on thousands of farm employers, due to the Migrant and Seasonal Worker Protection Act, the Fair Labor Standards Act, the Worker Protection Standard, the Occupational Safety and Health Act, as well as numerous state and local laws."

In his 1992 book *The Corporate Reapers*, agribusiness historian A.V. Krebs details the Farm Bureau's extensive record of anti-farm-labor activity. According to Krebs, the Farm Bureau played "a major role in excluding agriculture and farm labor from the provisions of the 1937 National Labor Relations Act." The significance of that action is critical to understanding the Farm Bureau's attitude toward family farmers, the people AFBF leaders routinely laud as the backbone of America. In 1937 many of the nation's farm workers had quite recently been family farmers themselves.

The year 1937 marked the height of the Dust Bowl, a 14-year drought that culminated in dust storms that destroyed crops and pastureland throughout the Great Plains. By then, many thousands of family farmers in Oklahoma, Texas, Kansas, Colorado and New Mexico had lost their farms. Because their skills were primarily in farming, many became farm workers. The Farm Bureau opposed nearly all measures that would have given these new farm workers legal protections, higher wages and better working conditions. By doing so, the Farm Bureau helped to ensure that these former farming families would remain in poverty.

Today, the Farm Bureau continues to fight against farm worker benefits. The organization has worked against including farm workers under Social Security and unemployment insurance and has tried to block minimum wage laws and workers' compensation insurance coverage. For example:

• For years the Farm Bureau successfully blocked Idaho legislation to require workers' compensation insurance for farm labor. According to the *Idaho Statesman*, Idaho Farm Bureau president Tom Geary argued that the insurance was "a socialistic and Communistic system." After turning down farm worker coverage eight times, the Idaho legislature finally adopted the requirement in 1996. That was after farm worker Javier Tellez Juarez lost both arms and a leg when his clothing caught in a power post-hole digger. The burden of his medical costs went to taxpayers. Now, Idaho Farm Bureau Mutual Insurance sells workers' compensation insurance itself through its subsidiary, Western Community Insurance Company.

• In Ohio, the Farm Bureau worked to retain an exemption from the National Labor Relations Act for large corporate farms. As a result of this exemption, workers on egg farms with millions of laying hens have no protection from firing or harassment by their bosses if they try to organize labor unions. The exemption has worked to the benefit of companies such as Buckeye Egg, one of the nation's largest producers, with annual sales of $100 million. In 1998, Buckeye agreed to a $425,000 settlement with the U.S. Occupational Safety and Health Administration over substandard working conditions and migrant housing. Neighbors aren't happy with Buckeye, either. They've complained about enormous swarms of flies and about manure problems.

• The Texas Farm Bureau opposed legislation in the 1980s to ban the short-handled hoe. Growers prefer that workers use this tool because it enables them to be more precise in chopping weeds. Unfortunately, the stooped position required to use this hoe can lead to serious back trouble. In 1999, the New Mexico Farm and Livestock Bureau successfully opposed legislative efforts to ban the short-handled hoe. The tool was already off limits under state regulations, but bill sponsors wanted to add the force of law by specifically making the practice illegal.

CHILD LABOR

> *"The child labor provisions of the Fair Labor Standards Act are outmoded and should be modernized. Young people 10 to 12 years of age should be able, with parental consent, to do certain kinds of safe work on farms during non-school hours and those aged 12 to 13 should be allowed more latitude in working on farms with parental consent."*
>
> — AFBF 1999 policy manual.

Family farms are already exempt from the child-labor provisions of the Fair Labor Standards Act; work restrictions do not apply to the children of farmers. The child labor restrictions the Farm Bureau wants to change apply to hired help. Under the Farm Bureau proposal, 12-year-olds could be employed full time on farms as long as parents approve.

In the Rio Grande Valley of south Texas, where big fruit and vegetable growers dominate agriculture, the U.S. Department of Labor is called in every now and then to investigate employment of children. "And sure enough, they find six-, seven- and eight-year-olds working with mommy and daddy," Texas Rural Legal Aid attorney David Hall says.

Hall and other legal-aid attorneys who have called attention to the number of children working on farms instead of attending school have landed on the Farm Bureau's enemies list. Both AFBF and the Texas Farm Bureau advocate cutting back or eliminating the Legal Services Corporation, a federal organization that provides legal-aid attorneys like Hall to assist low-income clients. "Legal aid lawyers typically have greater resources to pursue a technical or frivolous claim under laws governing the employment of migrant farm workers," says the AFBF policy manual.

On labor and a multitude of other issues, the Farm Bureau has aligned itself with groups on the far right of the political spectrum. Farm bureau leaders insist that the organization runs on principles of fair-mindedness. But the next chapter will show that the record says otherwise.

CHAPTER NINE

Aligning With the Extreme Right

"We are probably the least selfish occupational group that there is in America. I don't see us taking strong legislative positions where we set out to be of harm to other parts of our society. I don't think we take extreme positions that hurt other people. We try not to."

— Dick Newpher, executive director, AFBF, Washington, D.C., office.

"The district attorney should be required to institute a dependent and neglected action against any unwed mother filing a second application for benefits under Aid to Families with Dependent Children (AFDC). No AFDC payments should be made beyond the first child."

— Oklahoma Farm Bureau 1999 policy manual.

"We favor repeal of the Voting Rights Act of 1965, as amended."

— AFBF 1999 policy manual.

At the 1999 AFBF convention, faces of color were scarce. A few African-American staff members were present, but black or Hispanic voting delegates were notably absent on the convention floor, even though the convention was in New Mexico, a state with a significant Hispanic population.

By voice vote without debate, delegates approved a resolution calling for repeal of the Voting Rights Act of 1965, the cornerstone of the nation's civil rights protection. In an interview during the convention, AFBF'S then president Kleckner claimed to know nothing of that policy plank even though Voting Rights Act repeal has been part of AFBF policies for years. "I've heard of the Voting Rights Act, but I don't know that we have a position on it, either for or against it," he said. At a news conference later, he said he could not explain why AFBF was opposed to the act or how repeal might benefit agriculture. "I'm guessing it didn't get any discussion at all," he said. "It usually doesn't, and I can't answer the question of why we have it in there, but it probably came from a state farm bureau some years ago, and it has been in there ever since."

Herman Cain, president of the National Restaurant Association and the only African-American to address the full convention, said he had been unaware of AFBF advocacy of repeal of the Voting Rights Act and would look into the matter.

In agreeing to a $300 million settlement with black farmers in 1998, the U. S. Department of Agriculture acknowledged that discrimination against minority farmers is longstanding and widespread. The department agreed to pay damages to settle a lawsuit brought by thousands of black farmers who claimed the department had systematically denied them loans and other services available to white farmers.

In a chapter of his book *Dollar Harvest* titled "The Right Wing in Overalls," Samuel Berger writes about a link in the late 1940s between the Arkansas Farm Bureau and Pappy O'Daniel's Christian American Association, an extreme right-wing organization known for racist views. O'Daniel's group was permitted to send literature to members of the Arkansas Farm Bureau, which worked with O'Daniel's association to support anti-labor laws. In his book *The Corporate Reapers*, A.V. Krebs reports: "When questioned about its support of such work, (Arkansas Farm) Bureau President Ed O'Neal told a congressional committee that it wasn't such a bad idea if farmers joined the Ku Klux Klan since every farmer should join something."

Farm Bureau association with right-wing groups continued. Again from Berger: "In 1967, the *New York Times* reported that 'In several states . . . there is an increasing identity of interest and an apparent overlap in membership between the Farm Bureau and the Birch Society.'"

In 1995 the Farm Bureau joined forces with Rogelio Maduro, a crony of ultra right-wing conservative Lyndon LaRouche, to try to block Senate ratification of the global biodiversity treaty. Negotiated in Rio de Janeiro in 1992, the treaty had widespread support until the Farm Bureau stepped in to oppose ratification. As a result, the United States remains the only major nation in the world that has failed to ratify.

For whatever reason, the national and state farm bureaus have supported an extensive list of conservative policies, many with no apparent connection to agriculture or even to Farm Bureau business affiliates. For example:

• In 1983, the North Carolina Farm Bureau opposed increasing penalties against individuals who hold workers in involuntary servitude — in other words, for people who keep slaves. Ten people had been convicted on slavery charges in North Carolina during the previous three years.

• The Texas Farm Bureau sought repeal of the federal minimum wage and wanted the government to cut food stamps for poor families whose children also get free lunches at school.

• The Oklahoma Farm Bureau has pressured the state to prevent teachers from discussing "so-called animal rights." The group also called for abolition of the state's Advisory Commission on the Status of Women. Oklahoma and other state farm bureaus and AFBF also oppose the Equal Rights Amendment.

• The Montana Farm Bureau lobbied to require that schools teach creationism on an equal basis with evolution. The bureau also wanted the state to ship convicted criminals to Mexico and promoted a resolution urging the United States to withdraw from the United Nations.

• The Maryland Farm Bureau supported a bill designating English as the state's official language.

In New Mexico, the Department of Public Safety withdrew a police training manual after the Farm Bureau objected to a passage that included wise-use groups among organizations that advocate violence. The manual, titled "The Extremist Right," was designed to educate officers about potential terrorist threats following the bombing of the Murrah federal building in Oklahoma City. It pointed out, "Like other western states, New Mexico has major land use issues. Wise-use groups, anti-environmentalists and land grant activists may prove to be the most volatile and pose the greatest threat to law enforcement." The wise-use movement was defined as "a coalition of ranchers, loggers, miners and others who want federal environmental regulations repealed and who want more control of public lands given to local authorities."

The Department of Public Safety's concern was not unfounded. New Mexico is home to one of the original county-supremacy movements. Catron County's government was the first to adopt ordinances aimed at seizing control of federal land. The ordinances require federal officials to get local approval for any action affecting grazing and make it a crime for Forest Service officials to enforce federal laws without first getting permission from the county sheriff. More than 45 western counties have followed suit. In some areas where county-supremacy and wise-use movements are active, Forest Service employees have been attacked and federal property has been damaged.

The county-supremacy movement is heir to at least parts of the philosophy of the militant Posse Comitatus, which means "power of the county." That movement, launched in the late 1960s, proclaimed county government as the highest authority in the land. According to the police training manual, Posse Comitatus took advantage of the farm crisis of the 1970s and 1980s to win recruits among bankrupt farmers. The organization advocated violent resistance to the government. In 1983, according to the manual, Posse leaders were involved in shootouts in which several federal marshals were killed or injured and a local sheriff was killed.

Wise-use groups are supporters of today's county-supremacy movement, and some have been associated with militant militia movements. Yet the New Mexico Farm and Livestock Bureau said it was outraged by the police training manual's reference to that movement and used its influence with the governor and state lawmakers to put pressure on the state police. The New Mexico farm bureau did not let up until the Department of Public Safety agreed to withdraw the manual and recall all copies. By defending its wise-use friends, the farm bureau may have deprived law-enforcement agencies of important information about potential terrorist activities.

According to police, two recent attacks on the offices of environmentalists in Santa Fe, New Mexico, may have been linked to one of the militant organizations described in the training manual. On March 19, 1999, a potentially deadly pipe bomb was discovered in the mailbox of Forest Guardians, a group advocating protection of wildlife and public lands. The bomb failed to go off and later was detonated by a Santa Fe police bomb squad. Police say the ball-bearing-filled pipe bomb was powerful enough to kill or seriously injure anyone nearby.

The next day, a drawing was mailed to Forest Guardians showing the name of the organization centered beneath the cross-hairs of a rifle scope. The drawing was signed with the initials M.M., which police believe to stand for the Minute Men. This shadowy group has claimed credit for other attacks, including a 1998 nighttime shotgun blast that shattered windows at the Santa Fe offices of Animal Protection of New Mexico. Before that attack, Animal Protection received a letter also signed M.M. warning, "You are approaching a point where we will hurt you. We are going to make a concerted effort to kill any wolf reintroduced into the wild and poison bison as long as you interfere with wildlife issues."

Both targeted environmental groups have supported wolf reintroduction. Forest Guardians also has filed a number of successful lawsuits leading to curbs on grazing, logging and water use on public lands and better protection of endangered species. There is no evidence that the Farm Bureau has been involved with any of the militant anti-environmental groups. But some observers believe that the bureau's extreme rhetoric may encourage attacks. "The Farm Bureau sows the seeds of violence with its hateful rhetoric and antagonistic stance on wildlife issues," says Forest Guardians president Sam Hitt. "The Farm Bureau has created a bigoted and intolerant atmosphere in which acts of violence thrive." And nowhere is that attitude more apparent than on the issue of predator reintroduction.

RANCHERS AND WOLVES

> *"We just don't want 'em. We don't think we need 'em. We think our technology today, with our jet planes and our transportation routes and all of the things that we've developed over 200 years, certainly prohibits the reintroduction of a specie [sic] that lived in the wildlands long ago.... It's my feeling and pretty much the Farm Bureau's that there is a place for these wolves whether it be in a zoo or a wild animal park, but certainly not out on the public range. And I don't think we should sacrifice our food supply of America being beef cattle."*
>
> — Norm Plank, New Mexico Farm and Livestock Bureau executive vice president.

Despite the many pressing issues in agriculture and the current economic crisis for family farmers, the Farm Bureau continues to rank opposition to wolf reintroduction as one of its top ten priorities. Defenders of Wildlife and other groups hoped to persuade the Farm Bureau to change its policy on wolves at the 1999 AFBF convention, but delegates there adopted a new resolution calling for return of the Yellowstone wolves to Canada. That plan was never a viable option, however. Interior

Secretary Bruce Babbitt told Congress in 1998 that Canada would not take the wolves back. Norm Plank's suggestion that all the wolves be placed in captivity would not work, either. According to Sydney Butler, executive director of the American Zoo and Aquarium Association, zoos and wildlife parks could accommodate only a few of the wolves at most.

Defenders of Wildlife ran newspaper advertisements asserting that removing the more than 200 Yellowstone wolves would be "tantamount to a death sentence" because there is no place for the wolves to go. The Farm Bureau disputed this contention. "Farm Bureau has never advocated killing any wolves," said former AFBF president Dean Kleckner. But Montana Farm Bureau executive vice president Jake Cummins acknowledged that the wolves probably would be killed if the Farm Bureau prevailed in its legal challenge. The government "should round [the wolves] up right now and ship them back to Canada where they came from," Cummins wrote in an essay. "But they won't. They'll avoid obeying the law as long as they can by stringing out the appeal. The wolves will keep killing livestock. In the end federal agents will have to shoot the wolves they brought in and all their offspring."

At a news conference during AFBF's 1999 convention in Albuquerque, New Mexico, Defenders of Wildlife president Rodger Schlickeisen accused the Farm Bureau of exaggerating the threat wolves pose to ranchers. "They picked the wolf as a particular target for their rhetoric, and they have tried to inflame the farming and ranching community well beyond any reasonable measure of the problems that the wolf represents," Schlickeisen told reporters.

AFBF'S former president Kleckner insisted that wolves and other predators cause ranchers grave economic harm. Losing even a few calves can make a huge difference in a rancher's ability to survive, Kleckner said. To hear Farm Bureau officials tell it, these predators could destroy the ranching economy. "Our membership really wonders why the federal government is spending millions of dollars putting predators into rural areas where farm and ranch families are having a real difficult time hanging on to the family ranch," said AFBF lobbyist Jon Doggett.

Although Defenders of Wildlife in the last decade has paid more than $100,000 to compensate ranchers for livestock losses to wolves, Doggett says ranchers do not believe they can always prove, or even know for sure, that a calf has been killed by a wolf. But Defenders' northern Rockies representative, Hank Fischer, says determining whether livestock has been killed by wolves is not difficult. "Wolf kills are way down on the list of things that harm livestock, way below being struck by lightning or hit by automobiles," he adds. In fact, wolves killed only seven head of cattle in 1996, according to government reports. Domestic dogs killed nearly twice as many cattle as mountain lions, bobcats, bears and wolves combined. "We are talking about a small level of predation," Fischer says, "and if that's enough to tip the livestock industry over the edge, it has a pretty uncertain future anyway."

Department of Agriculture statistics show that in 1996, the last year for which figures are available, all predators combined killed about 117,000 head of cattle — a small number compared to the 417,000 lost to bad weather and more than 2 million felled by respiratory and digestive problems. The magnitude of health-related cattle deaths surprised Farm Bureau leaders. “I’ve never heard that before,” AFBF’s then president Kleckner said in a radio interview during the 1999 convention, “and frankly, I don’t believe it.”

BRIDGING THE CHASM

> *“It’s kind of like the old saying that you take stumbling blocks and make them stepping stones. We’re the only ranch in New Mexico that came out in favor of reintroduction of the Mexican wolf because frankly we see it as more of an opportunity than a threat. I feel that the interest the wolf would bring to this area would far outweigh the dangers of it, and anyway, we’re used to getting along with coyotes and mountain lions, so I don’t see that wolves would be that much of a threat to us.”*
>
> — Jim Winder, New Mexico rancher.

Fourth-generation rancher Jim Winder runs cattle on 100,000 acres of public and private land in southwestern New Mexico, a region where reintroduced Mexican wolves are likely to expand. And that’s just fine with Winder. “You know, they were here first, and they’re part of the land, part of the ecology,” Winder explained during a tour of his ranch. “I think we can adapt. That’s the whole idea with the wolf. You learn to live with them.”

That isn’t talk you would expect from a rancher, but Winder is convinced that his approach to predators and to land conservation has made his ranch more profitable than others around him. Mountain lions and hundreds of coyotes inhabit the territory. Winder quit killing predators 15 years ago, and since then, he says, he has lost only two calves to coyotes. To figure out the best ways to deter attacks, Winder studied bison herding patterns. He uses herd dogs to keep cattle in larger groups so calves are better protected. Calving season is timed for spring, when cougars and coyotes have plenty of natural prey. And before the calves are born, cattle are moved away from coyote denning areas.

Winder’s Heritage Ranch is the first to win authentication from Defenders of Wildlife for predator-friendly practices. He has signed a memorandum of understanding pledging that no predators will be killed. In exchange, meat from the ranch carries an Authentic Wolf Country Beef label and sells for a premium. But more is at stake here than a few extra cents per pound for ground beef. Winder looks at what he is doing as a chance to help bridge a chasm. “We’re a very traditional lot, ranchers,” he says. “Years ago I kind of looked at where we were on our ranch and saw that every year we were doing worse financially. I saw the environmentalists as a threat.” But instead of fighting, Winder decided he would rather try to communicate. Through that experience, he came to understand that protecting the ecosystem might help save the ranch. Restoring wetlands and riparian areas, for instance, means more water available for livestock, a greater abundance of vegetation and less spent on cattle feed.

Winder now believes this ecological approach to ranching is the only way to survive. "A lot of ranchers are seeing that now is the time to make some changes," he says. "They realize that environmentalists are not our enemies."

During AFBF's 1999 New Mexico convention, several hundred Farm Bureau members attended a country dance and barbecue sponsored by Defenders and featuring Winder's Wolf Country Beef. Many were skeptical about prospects for coexistence with wolves. But most agreed with what North Dakota rancher Bill Gackle said: "The predators are just a minor problem compared to the prices that we're currently receiving. The predators are in no way running the farmers off the land, whereas the prices, the economy, are."

People are eating less beef these days. A lot of ranch land has been damaged by overgrazing and other abuse and cannot sustain as many cattle as in the past. On top of that, the beef market is controlled by near-monopolies. Ranchers are in trouble, says Rocky Mountain Farmers Union president Dave Carter, but not because of wolves. "We do have some concerns about the wolf reintroduction," he says, "but on the whole we're more concerned about the wolves in the marketplace than the wolves up in Yellowstone."

The National Farmers Union competes directly with the Farm Bureau but is smaller and takes a much different approach to agricultural and environmental issues. The Farmers Union is heir to an agrarian populist tradition that began around the turn of the century as a fight against usurious banking practices, unscrupulous grain dealers and market speculators. Back then, in the 1920s, Farm Bureau leaders railed against the "radicalism" of these populists and pledged to work against any policies that might help them. Some of that old enmity still lingers. Rocky Mountain Farmers Union legislative coordinator Melissa Elliott says she has been disappointed that the Farm Bureau has not helped more with issues that make a real difference in the West. "The market is definitely a bigger problem because every independent producer is affected, and it's literally driving people out of business," she says. "The wolf isn't doing that. Unfortunately we're always on opposite side of the coin [from the Farm Bureau], and I wish that weren't so. We're all in the same boat. We need to be rowing in the same direction."

FREE-TRADE FACADE

> *"The FB is essentially lying to their producers about what the real issues are, so they are fueling the problem rather than helping to address the problem. . . . The issues of private property rights, the environment, the wolves in Yellowstone Park, do not matter if we lose our farmers and ranchers because of price fixing and predatory practices by major global corporations."*
>
> — Mike Callicrate, Cattlemen's Legal Foundation.

When Mike Callicrate came to speak in Ft. Pierre, South Dakota, in 1998, more than 2,000 ranchers showed up at the town hall. Callicrate's topic was corporate monopolies and international trade agreements that he says are undercutting U.S. cattlemen and forcing many out of business.

Callicrate runs the Cattlemen's Legal Fund, a rancher group that has taken monopolistic agribusinesses to court. The Kansas rancher says he took on the activist role reluctantly but didn't see much choice. As huge corporations took over more and more of the beef market, independent ranchers were feeling the squeeze, and Callicrate says the Farm Bureau failed to offer ranchers any help. "I think it is sinful what the Farm Bureau has done," he said in an interview. "To me, it's almost a fraud to even call it a farm organization."

Callicrate's group has petitioned the U.S. International Trade Commission for an investigation into unfair trading practices by both Canada and Mexico. It also has sought an investigation of alleged price manipulation by big meat packers. Callicrate says the Farm Bureau refused assistance in both cases.

New Mexico Farm and Livestock Bureau executive vice president Norm Plank agrees that the time has come for the Farm Bureau to take a hard look at ways to break up agricultural monopolies. But in an interview he complained, "We're limited on how much court time we can spend. It's very, very costly. . . . We are limited on our funding, so we have to pick and choose."

"You've got to be very careful when you start monkeying with the free-enterprise system," adds the New Mexico Farm and Livestock Bureau's Erik Ness. "There are some things wrong with it, and this may be one of them. And we are working to get the cattle industry more spread out."

Just as in the hog business, Farm Bureau agricultural cooperatives are closely tied to the nation's biggest beef packing corporations. Farm Bureau affiliate Growmark is in business with ADM, which owns 14 percent of IBP, the nation's largest beef packer. ConAgra, the second largest packer, runs a joint export facility with ADM. Farmland National Beef, the fourth largest, is part of Farmland Cooperative, which has extensive ties to several Farm Bureau-linked co-ops. Together, these four largest packers control 79 percent of the nation's beef supply.

Bill Christisen, president of the National Family Farm Coalition, echoes Callicrate's frustration in dealing with the Farm Bureau. The coalition, which represents 100,000 farming families in 35 states, often finds itself on the opposite side of issues from AFBF. "We're concerned that the Farm Bureau continues to antagonize environmental groups rather than focusing on the causes of low farm prices," Christisen told reporters at a news conference during the 1999 ABFB convention. The coalition has made a number of proposals to break up corporate agricultural monopolies, Christisen says, but all have failed. "AFBF leaders lobbied to kill those measures," he says. "The truth is, whenever we try to implement better agricultural policies, our worst opponent is almost always the AFBF."

The Farm Bureau's primary response to the economic difficulties faced by ranchers and farmers can be summarized in the words "free trade." Aggressive export strategies are seen as the key. According to AFBF leaders, increased demand "is the future of the U.S. cattle and beef industry." The Farm Bureau has become such a strong believer in free trade that in January, 1999, AFBF took the unprecedented step of calling for normalized trade relations with Cuba. The Texas Farm Bureau followed up in September, 1999, by sending a trade mission to Cuba. "If full trade could be developed quickly, or allowed with Cuba, it could be a billion dollars in sales very quickly with another billion in sales down the road in a few more years," said AFBF president Kleckner at a convention news conference. On top of that, AFBF delegates agreed to a proposal for expanded trade with China and Vietnam. Curiously, they also reaffirmed support for a longstanding Farm Bureau condemnation of Communism.

Besides opening trade with Communist nations, the Farm Bureau also pins great hope on "fast-track" negotiations aimed at speeding up the process of concluding free-trade agreements with other governments. But whether these aggressive free-trade strategies will help independent producers as much as they help multinational agribusinesses remains unclear. Several family-farm groups oppose fast-track negotiations, contending that free-trade agreements have hurt farmers. Senator Byron Dorgan (D-North Dakota) contends that this country's free-trade agreements with Canada turned a $1.1 billion agricultural surplus into a $400 million deficit.

CONCLUSION

A Call to Common Ground

"The Farm Bureau has tried to drive a wedge between the environmental community and the family-farming community, which really should be natural allies. Family farmers help protect the land, and we want to promote their continuation. I wish the Farm Bureau would focus attention on bridging the gap, because we'd be the first ones to get up on that bridge and meet them halfway."

— Rodger Schlickeisen, Defenders of Wildlife president.

Judging from dozens of interviews conducted for this report, plenty of farmers and ranchers see common ground with environmentalists. Some are Farm Bureau members who cannot penetrate the entrenched structure of the organization to make their voices heard. Others are former members working for change through other means. As this report illustrates, the Farm Bureau has pursued a deliberate strategy of fostering enmity between farmers and environmentalists, two groups that could benefit each other considerably by working together. Ranchers like Jim Winder and Mike Callicrate and farmers like Scott Dye and Bill Christisen have seen past the Farm Bureau's facade. They believe it is time to put antagonism aside and concentrate on the common goals of protecting the environment and preserving the tradition of family farms.

Attacking the wolf, environmental-protection laws and the federal government diverts attention from the more important and complicated questions about who controls agriculture in this country and how that control is sustained.The Farm Bureau has successfully dodged these questions since Representative Joseph Resnick first raised them 33 years ago. By joining forces, perhaps family farmers and environmentalists can finally get some answers.

APPENDIX ONE

Farm Bureau Connections

INSURANCE COMPANIES

The following insurance companies are affiliated with state farm bureaus:

American Agricultural Insurance Co.
American Agricultural Insurance Agency
American Farm Bureau Insurance Services
Colorado Farm Bureau Mutual Insurance Co.
Country Companies (IL, NV, OR)
- Country Life Insurance Co.
- Country Mutual Insurance Co.
- Country Medical Plans, Inc.
- Country Casualty Insurance Co.

Farm Bureau Annuity Co. (MI)
Farm Bureau General Insurance Co. of Michigan
Farm Bureau Mutual Insurance Co. of Michigan
Farm Bureau Life Insurance Co. of Michigan
Farm Bureau Life Insurance Co. of Missouri
Farm Family Holding Co. (VT, NY, CT, NH, WV, ME, MA, NJ, RI)
- United Farm Family Insurance Co.
- Farm Family Casualty Insurance
- Farm Family Insurance Co.
- Farm Family Life Insurance Co.

Farm Bureau Insurance of North Carolina
Farm Bureau Mutual Insurance Co. of Arkansas
Farm Bureau Town and Country Insurance of Missouri
Farm Bureau Insurance Co. of Nebraska
Farm Bureau County Mutual Insurance Co. of Texas
Farm Bureau of Idaho Group
- Farm Bureau Mutual Insurance Co. of Idaho
- Farm Bureau Finance Co.
- Western Community Insurance Co.

FBL Financial Group/Farm Bureau Group of Iowa (UT, IA, ID, AZ, SD, ND,)
- Farm Bureau Life Insurance Co.
- Western Farm Bureau Life Insurance Co.
- Farm Bureau Mutual Insurance Co.
- South Dakota Farm Bureau Mutual Insurance Co.
- Utah Farm Bureau Insurance Co.
- Western Agricultural Insurance Co.
- Western Farm Bureau Mutual Insurance Co.
- EquiTrust Life Insurance Co.
- Universal Assurors Life Insurance Co.

Florida Farm Bureau Casualty Insurance Co.
Florida Farm Bureau General Insurance Co.

Georgia Farm Bureau Mutual Insurance Co.
Indiana Farm Bureau Insurance Co.
Kansas Farm Bureau Life Insurance Co.
Kentucky Farm Bureau Mutual Insurance Co.
Louisiana Farm Bureau Mutual Insurance
Missouri Farm Bureau Insurance Brokerage
Nodak Mutual Insurance (ND)
North Carolina Farm Bureau Mutual Insurance Co.
Rural Mutual Insurance Co. (WI)
Southern Farm Bureau Group (AL, AR, FL, GA, KY, LA, MS, NC, SC, TX, VA)
- Southern Farm Bureau Property Insurance Co.
- Southern Farm Bureau Annuity Insurance Co.
- Southern Farm Bureau Casualty Group
- Southern Farm Bureau Casualty Insurance Co.
- Southern Farm Bureau Life Insurance Co.
- Southern Farm Bureau Universal Life Insurance Co.

Tennessee Farmer's Life Insurance Co.
Tennessee Farmer's Mutual Insurance Co.
United Farm Bureau Family Life Insurance Co.
United Farm Bureau Mutual Insurance Cos. (IN)

OTHER BUSINESS AFFILIATIONS

The following companies are majority owned by the AFBF or its state affiliates as noted in parentheses:

American Agricultural Marketing Assoc. (53.5% - AFBF)
American Farm Bureau, Inc. (100% - AFBF)
Colorado Farm Bureau Consumers Corp. (100% - CO)
Colorado Farm Bureau Marketing Assoc. (100% - CO)
Community Service Acceptance Co. (100% - MI)
Connecticut Farm Bureau Service Co. (100% - CT)
Connecticut Agricultural Cooperative Assoc. (91.7% - CT)
Corporate Services, Inc. (60% - MI)
Farm Bureau Equity Sales Corp. of Michigan (100% - MI)
Farm Bureau Investment Corp. (100% - SC)
Farm Bureau Management Corp. (100% - IA)
Farm Bureau Service Co. (100% - ID)
Farm Bureau Service Co. (100% - IN)
Farm Employers Labor Service (100% - CA)
Farmers Petroleum Cooperative (67% - MI)
Florida Farm Bureau Agency (100% - FL)
Florida Farm Bureau Enterprises (100% - FL)
Florida Farm Bureau Holding Co. (100% - FL)
Georgia Farm Bureau, Inc. (100% - GA)
Georgia Farm Bureau Marketing Assoc. (100% - GA)
Georgia Farm Bureau Holding Co. (100% - GA)
Georgia Farm Bureau Real Estate Co. (100% - GA)
Georgia Farm Bureau Service Co. (100% - GA)
*Illinois Agricultural Holding Co. (100% - IL)

** Illinois Agricultural Holding Co. has a major interest in 53 companies. See note and list on next page.*

Indiana Agricultural Marketing Assoc. (100% - IN)
Kansas Farm Bureau Services (100% - KS)
Kansas Agricultural Marketing Assoc. (98% - KS)
Kentucky Farm Bureau Investment Corp. (100% - KY)
Kentucky Farm Bureau Development Corp. (100% - KY)
Louisiana Farm Bureau Investment (100% - LA)
Louisiana Farm Bureau Service (99.6% - LA)
Maine Farm Bureau Service (92.25% - ME)
Maine Farm Bureau Building (100% - ME)
Maine Farmer's Service (88.83% - ME)
Maine Agricultural Marketing Assoc. (51.74% - ME)
Maryland Farm Bureau Service Co. (100% - MD)
Media West, Inc. (100% - UT)
Michigan Farm Bureau Financial Corp. (100% - MI)
Michigan Agricultural Cooperative Marketing Assoc. (57% - MI)
Michigan Farm Bureau Group Purchasing, Inc. (100% - MI)
Missouri Farm Bureau Services, Inc. (100% - MO)
Nebraska Farm Administration Corp. (100% - NE)
New York Farm Bureau Member Services, Inc. (100% - NY)
North Carolina Farm Bureau Investment Corp., Inc. (% - not available)
North Carolina Farm Bureau Service Co., Inc. and Subsidiaries (100% - NC)
North Dakota Farm Bureau Trade Development and Service Corp. (100% - ND)
Ohio Agricultural Marketing Assoc. (53% - OH)
Ohio Farm Bureau Synfuels (100% - OH)
Ohio Farm Bureau Development Corp. (100% - OH)
Oklahoma Farm Bureau Building Corp. (OK)
Salina Marketing Services (54% - UT)
South Carolina Farm Bureau Marketing Corp. (100% - SC)
South Dakota Farm Bureau Service Co. (100% - SD)
Synfuels Capital Corp. (100% - OH)
Tennessee Farm Bureau Federation Corporation (100% - TN)
Texas Farm Bureau Building Corp. (100% - TX)
Texas Farm Bureau Investment Corp. (100% - TX)
Texas Farm Bureau Management Corp. (100% - TX)
Utah Farm Bureau Service Co. (100% - UT)
West Virginia Farm Bureau Service Corp. (100% - WV)
West Virginia Agricultural Marketing Assoc. (100% - WV)
Wisconsin Farm Bureau Service Corp. (100% - WI)
Wyoming Farm Bureau Management, Inc. (100% - WY)

Note: Illinois Agricultural Holding Co., 100% owned and controlled by the Illinois Farm Bureau, has a major interest in the companies listed here:
1105433 Ontario Inc.
ABC Dairy, Inc.
Alliance Agency, L.L.C.
American Quality Pork, L.L.C.
CC Services, Inc.
Country Capital Management Co.
Country Casualty Insurance Co.
Country Preferred Insurance Co.
Country Life Insurance Co.
Country Investors Life Assurance Co.
Country Medical Plans Inc.
Country Mutual Insurance Co.
East Side Jersey Dairy, Inc.
FS Energy, Inc.
FS Financial Services Corp.
FS Structures of Iowa, L.L.C.
FS Credit Corp.
FS Export Services, Inc.
FS Services Ontario Ltd.
GMS Transport Co.
Growmark, Inc.
Henry Foods, L.L.C.
Hoosier Dairy, Inc.
IAA Federal Credit Union
IAA Trust Growth Fund, Inc.
IAA Trust Tax Exempt Bond Fund, Inc.
IAA Trust Asset Allocation Fund, Inc.
IAA Trust Co.
IAA Trust Taxable Fixed Income Series Fund, Inc.
Ice Cream Specialties, Inc.
Illinois Agricultural Auditing Assoc.
Illinois Agricultural Service Co.
Illinois Livestock Marketing Co.
lllinois Milk Producers Assoc.
Interstate Producers Livestock Assoc.
Lakeland FS, Inc.
Mid-America Brokerage, Inc. (Oklahoma)
Mid-America Services of Alaska, Inc.
Mid-America Services of Nevada, Inc.
Mid-America Services of Oregon, Inc.
Mid-America Services of Washington, Inc.
Mid-CO Commodities, Inc.
Middlesex Mutual Assurance Co.
Midfield Corp.
Mo-Kan Express, Inc.
Muller-Pinehurst Dairy, Inc.
P.F.D. Supply Corp.
Prairie Farms Dairy, Inc.
Project Explorer Corp.
Project Explorer Mark II Corp.
Southwest FS, Inc.
UCO Petroleum, Inc.
TRI-FS, Inc.

WISE-USE MOVEMENT CONNECTIONS

According to the Environmental Working Group's Clearinghouse on Environmental Advocacy and Research (CLEAR), the following farm bureau organizations are wise-use groups:
Alabama Farm Bureau
Albany County (NY) Farm Bureau
American Farm Bureau Federation
California Farm Bureau
Carroll County (TX) Farm Bureau
Colorado Farm Bureau
Delaware Farm Bureau Federation
Elko County (NV) Farm Bureau
Farm Bureau News (Olympia, WA)

Florida Farm Bureau
Idaho County (ID) Farm Bureau
Idaho Farm Bureau
Indiana Farm Bureau
Kansas Farm Bureau
King County (WA) Farm Bureau
Maine Farm Bureau
Massachusetts Farm Bureau Federation, Inc.
Minnesota Farm Bureau
Mississippi Farm Bureau Federation
Modoc County (CA) Farm Bureau
Montana Farm Bureau Federation
Nevada Farm Bureau
New Hanover County (NC) Farm Bureau
New York Farm Bureau
Ogle County (IL) Farm Bureau
Oklahoma Farm Bureau
Oregon Farm Bureau
Pike County (IL) Farm Bureau
Polk County (AR) Farm Bureau
Ravalli County (MT) Farm Bureau
Rhode Island Farm Bureau
Riverside County (CA) Farm Bureau
San Bernardino County (CA) Farm Bureau
San Diego County (CA) Farm Bureau
Santa Clara County (CA) Farm Bureau
Siskiyou County (CA) Farm Bureau
Texas Farm Bureau
The Farm Bureau of Snohomish County (WA)
Utah Farm Bureau Federation
Vermont Farm Bureau Federation
Virginia Farm Bureau
Washington State Farm Bureau
Wyoming Farm Bureau

According to CLEAR, the following wise-use groups are supported by farm bureau organizations:

Alliance Defense Fund
Cato Institute
Coalition for Vehicle Choice
Council for Agricultural Science and Technology
National Endangered Species Act Reform Coalition
National Wetlands Coalition
Pacific Legal Foundation
Reason Foundation
Environmental Conservation Organization (ECO)
Oregon Lands Coalition
Wilderness Impact Research Foundation
Western States Coalition
Environmental Issues Council
Foundation for Clean Air Progress
Air Quality Standards Institute
Heartland Institute
Global Climate Information Project
Center for the New West
People for the U.S.A. (Formerly People for the West!)
Pennsylvania Landowners Association
American Land Rights Association
National Inholders Association
Multiple Use Alliance

APPENDIX TWO

Tax Treatment of Unrelated Business Income For Agricultural and Horticultural Organizations

Congress quietly slipped the farm bureau system a lucrative gift in the 1996 Tax Act.[1] It was tucked in as Section 1115, which gives tax exemption for farm bureau income from virtually any kind of "membership dues."

This seemingly arcane provision props open a huge back door through which the farm bureau system draws in tens of millions of tax-free dollars from unrelated business activities — and from individuals who have little connection with farm bureau objectives. When enacting that provision, Congress brushed aside growing Internal Revenue Service (IRS) concerns that farm bureaus, along with other tax-exempt organizations, were creating artificial membership categories primarily to circumvent the tax laws.

Enactment of Section 1115 is a case study of how the farm bureau system parlays its "small farmer" image into big-time political power and financial gain.

TAX EXEMPTION

The federal income tax has always exempted certain nonprofit organizations to (1) help these organizations perform functions for which government would otherwise have to pay, (2) provide a subsidy for solving societal problems in ways unavailable to government, and (3) compensate nonprofit organizations for restraints on their ability to raise capital.

Section 501(c) of the U.S. Tax Code specifies 25 categories of organizations eligible for tax exemption.

The American Farm Bureau Federation (AFBF) and its affiliates are exempt under Section 501(c)(5), which applies to labor and agricultural organizations[2]. To qualify, an organization must have one or more of the following exempt purposes: (1) bettering the conditions of persons engaged in the pursuits of labor or agriculture, (2) improving the grade of their products, or (3) developing a higher degree of efficiency in their occupations.[3] In its annual returns to IRS, AFBF states that its purpose is "to promote and advocate the economic, social, and educational interest of its members, and to promote agriculture in general."[4]

Farm bureaus are given unusual latitude

under the tax code. Section 501(c)(5) does not limit farm bureau membership to persons actually engaged in agricultural pursuits.[5] And, unlike most other tax exempt organizations, a 501(c)(5) organization may engage in (1) lobbying that is germane to its exempt purposes and (2) some political activity, so long as that is not the organization's primary activity.

The farm bureau system has turned tax laws into a unique license to make money and wield political influence.

POTENTIAL FOR ABUSE

Since tax-exemption creates strong temptations for abuse, Congress and IRS have been especially concerned with (1) preventing legitimately tax-exempt organizations from unfairly competing against tax-paying businesses, and (2) preventing essentially commercial enterprises from obtaining Section 501(c) exemption to evade taxation.

The tax-exempt sector issue has far-reaching consequences for the private economy and the federal budget. This sector is large and, for decades, has grown almost three times faster than the rest of the economy.[6] Between 1975 and 1995, the financial resources of 501(c) organizations reporting to IRS more than tripled to $1.9 trillion in assets and $899 billion in annual revenues. IRS estimates that in 1995 the total revenues of exempt organizations equaled about 12.4 percent of gross domestic product (GDP) — more than double the percentage 20 years earlier.[7]

Moreover, more than two thirds of the exempt sector's financial resources are controlled by a small number of large organizations that can wield substantial financial clout when entering into competition with tax-paying businesses.[8]

Because of its decentralized structure, the farm bureau system is able to camouflage its large size.[9] The AFBF's Form 990 reported 1997 revenues of only $18.6 million — $17.1 million of which was from membership dues. AFBF does not provide aggregate financial reports for its affiliated state and county farm bureaus. Farm bureau operations receive very little congressional scrutiny. In early 1995, the General Accounting Office (GAO) noted that press reports and congressional hearings had focused on charitable organizations but had not given the same level of scrutiny to other categories of tax-exempt organizations. Nevertheless, when GAO itself studied these other categories — reviewing 285 exempt organizations, of which 46 were Section 501(c)(5) organizations — it included only one agricultural organization, a farm bureau in one state.[10]

UNRELATED BUSINESS INCOME TAX

The Tax Code does not prohibit tax-exempt organizations from generating profits from activities in which they are engaged. In fact, tax-exempt organizations have long derived most of their revenues from profit-making activities. A 1998 IRS report states that Section 501(c) organizations received about 69 percent of their 1995 revenues from income-producing activities.[11]

Prior to 1950, all revenues of tax-exempt organizations went untaxed. But after taxpaying businesses protested that tax-exempts were increasingly moving in as their direct competitors, Congress enacted the Unrelated Business Income Tax (UBIT) as part of the Revenue Act of 1950.[12]

Under current law, an activity of an exempt organization is subject to UBIT if the activity is:

• A trade or business, that is carried on for the production of income from providing the services;

• Regularly carried on; and

• Not substantially related to the organization's exempt purpose.[13]

IRS regulations provide that a trade or business is "related" to the organization's exempt purpose only if the activities have a direct causal relationship to the achievement of exempt purposes. It is not sufficient that these activities produce income needed to carry out those exempt purposes.[14]

The variety of profitable activities and the creativity of tax-exempt organizations have kept IRS and the courts busy trying to maintain a clear line between what is and what is not subject to UBIT.

The farm bureau system has been an aggressive leader in unrelated business activities, as defined by IRS. A nationwide network of farm bureau insurance companies sells life insurance, retirement annuities, car insurance, home insurance, business insurance, health and disability insurance and more.[15] In 1998, the farm bureau system began expanding into direct banking.[16]

While these for-profit subsidiaries have turned the farm bureau membership base into a lucrative commercial asset, farm bureaus present themselves as local or regional membership organizations that derive little revenue from income producing activities. AFBF's IRS returns for the tax years 1995 through 1997 claim that member dues accounted for about 95 percent of its total reported revenue.[17] AFBF reported that only 0.2 percent of its revenues come from program service income.

An IRS summary report, which relies on that information, suggests that labor and agricultural organizations benefit much less from income-producing activities than do other classes of exempt organizations.[18]

That public image is quite at odds with the true extent of the farm bureau system's for-profit corporate reach.

ASSOCIATE MEMBER DUES

The peculiar way the tax laws treat their member dues makes it easy for the farm bureaus to understate their unrelated business income.

Dues are a handy device for tax avoidance. Since a 501(c) membership organization's dues income is generally not subject to taxation, the organization has a clear incentive to characterize income as nontaxable membership dues – even when the income is derived from the sale of unrelated business products or services marketed beyond the organization's regular members.

An easy way to accomplish that task is to establish artificial classes of "membership" for purchasers of those unrelated business products.

Farm bureaus, for example, have created a class of "associate members" who cannot vote or hold office in the organization but pay "dues" primarily to gain access to unrelated business services, such as insurance.[19]

To see how this can be a very lucrative subterfuge, consider two cases with identical cash flows to a farm bureau. In the first case, an insurance company pays a farm bureau, say, $80 whenever it issues an insurance policy to a nonmember. That payment is income to the farm bureau from unrelated business and thus subject to UBIT.

In the second case, the farm bureau (1) has its insurance subsidiary issue policies only to farm bureau members and (2) requires each nonmember insurance applicant to pay the farm bureau $80 in dues to join as an "associate member."[20] Now the farm bureau does not pay UBIT on this "dues" income.

This second method enables the farm bureau system to tap large amounts of tax-free income from customers of its unrelated businesses, while restricting farm bureau voting membership to individuals who are most likely to support the leadership's established political objectives and operating methods.

Although the farm bureau system does not release information on the amount of income it derives from associate member dues, the amount is very large. One typical state farm bureau reported that "associate members" accounted for 51 percent of its total membership and 63 percent of its new members in 1998.[21]

Other available evidence suggests that most farm bureau revenue growth is coming from "associate memberships." Creation of the Farm Bureau Bank greatly expands the number of potential associate members.

"Associate membership" in a farm bureau is sold with little regard to an individual's interest in or support for the organization's tax-exempt activities or policy agenda. As noted, most "associate members" pay dues to gain access to farm bureau insurance. Farm bureau materials emphasize that the cost of membership can be more than recouped through such other benefits as free-death benefits and discounts on automotive parts, medication, lube jobs and other products.

An IRS technical advisory memorandum stated the following: "A random survey conducted in August 1990 indicates that accessibility to insurance programs offered by [the farm bureau's] affiliates is the major reason that associate members join [the farm bureau]. The report reveals that 96 percent of those associate members surveyed were aware of [the farm bureau's] insurance programs; 95 percent of those who were aware actually purchased insurance; and 91 percent of associate members have one or more insurance policies.

"Although all of [the farm bureau's] benefit programs are available to associate members, those associate members surveyed cite insurance programs (45 percent), lower rates (33 percent) and their insurance agent (12 percent) as their primary reasons for being members of [the farm bureau]. According to the study, this correlates with the high percentage of associate members who own one or more insurance policies. In contrast to regular members, only five percent of associate members surveyed indicate they had purchased a membership because of an interest in agricultural activities."[22]

In 1983, under the Reagan administration, the IRS held that, while an exempt organization's income from insurance activities was taxable, associate member dues were not taxable if associate members received member benefits other than eligibility for the insurance.

Farm bureaus were not, of course, the only exempt organizations to exploit this opportunity. By the late 1980s the "associate membership" problem attracted much closer IRS scrutiny.[23]

The issue gained momentum in 1991 when two circuit courts held that postal unions would have to pay UBIT on associate member dues if the dues were paid primarily to obtain lower cost group insurance.[24]

In 1994, when auditing a state farm bureau, IRS issued a revised position on associate member dues.[25] IRS now focused, not on the variety of member benefits, as in 1983, but on the associate member's reasons for paying the dues. The revised position held that associate member dues are subject to UBIT because:

"[P]roviding access to insurance coverage available from a subsidiary is not consistent with the purposes of tax-exempt agricultural organizations. [The state farm bureau] promotes and administers its program as would any private, commercial entity. … [I]ndividuals who are not bona fide members of an exempt organization are required to make a payment to the organization in order to obtain insurance."[26]

IRS found that associate members could not vote, represent their counties as voting delegates at annual meetings or serve on the board of directors. They could serve as officers, but the only ones who did so were also full-time employees of the farm bureau. The revised IRS position was consistent with the findings in several other court cases that turned on the nature of these associate memberships.[27] IRS applied this policy across the country and pressed lawsuits for payment of back taxes against farm bureaus in 11 states — Alabama, Florida, Georgia, Illinois, Kentucky, Michigan, Missouri, North Carolina, Tennessee, Texas and Washington. The farm bureaus promptly took their case to Congress.

CAMP-PAYNE BILL

On February 1, 1995, Congressmen David Camp (R-Michigan) and L.F. Payne (D-Virginia) introduced "The Tax Fairness for Agriculture Act" (H.R. 783), which was designed explicitly to overturn the revised IRS position and reinstate the 1983 policy for finding of the previous year. In summary, the bill provided special aid to agricultural organizations by:

• Exempting from UBIT any portion of annual membership dues that did not exceed $100 in calendar 1996, adjusted for inflation annually thereafter; and

• Prohibiting IRS from collecting UBIT on prior year membership dues if the organization had a "reasonable basis" for not treating the dues as income from an unrelated trade or business.

Of the 38 original cosponsors, 28 were Republicans and ten were Democrats. The bill eventually attracted 126 House cosponsors.

IRS REVENUE PROCEDURES 95-21

Less than two months after H.R. 783 was introduced, IRS revised its standard for determining the tax exemption of associate member dues.[28]

In Revenue Procedure 95-21, IRS announced it would no longer consider why individuals chose to become associate members of an agricultural organization. For future years, "other than where the statute or regulation specifically provides a method for allocating a portion of dues payments to unrelated business taxable income, the Service will treat dues payments from associate members as not [subject to UBIT] if the associate member category has been formed or availed of for the principal purpose of furthering the organization's exempt purposes" — rather than producing unrelated business income.[29]

IRS seemed to be retreating to a more easily defended position. It dropped its concern with an associate member's reasons for paying dues. And it agreed not to assume automatically that associate member dues are subject to UBIT. However, it was trying to retain its right (1) to pursue collection of UBIT payments for prior years, (2) to determine on a case-by-case basis whether an organization was using associate memberships primarily to produce unrelated business income, and (3) to establish specific methods for subjecting a portion of the associate member dues to UBIT. The IRS motives cannot be known with certainty, but experienced observers believe the tactical objective was to ward off legislative intervention that would set costly and disruptive precedents.

SMALL BUSINESS JOB PROTECTION ACT

Nevertheless, Congress took up the farm bureau's associate member cause when it acted on the 1996 tax bill, "The Small Business Job Protection Act" (H.R. 3448). Several aspects of the legislative action are particularly revealing. Tax exemption for associate member dues was a major farm bureau priority in the 1996 tax bill. However, farm bureau lobbyists and congressional supporters kept the effort low-profile — out of media attention.

During 1995 and 1996, farm bureau affiliated political action committees (PACs) gave $109,824 to many of the cosponsors of this bill, including $16,480 for Camp. The Texas Farm Bureau PAC gave $5,000 in 1996 to Senator Phil Gramm (R-Texas), a key supporter of the provision in the Senate.

IRS continued to press strongly behind the scenes to limit the impact of congressional intervention. During negotiations with senators, including Chairman William V. Roth (R-Delaware) and ranking member Daniel P. Moynihan (D-New York) of the Senate Finance Committee, IRS stated that it had decided, in accordance with Rev. Proc. 95-21, not to treat associate member dues as subject to UBIT in the future. However, IRS would not agree to drop pending litigation to recover back taxes.[30]

Non-farm organizations found themselves in an uncomfortable position. They had little hope of stopping or significantly changing this special-interest legislation — but its enactment would weaken the farm bureaus' incentive to ease IRS enforcement.

The American Society of Association Executives (ASAE) tried to strike a balance in its testimony before the House Ways and Means Committee. ASAE's official position was that it opposed "any abridgment of tax exemption for associations including, but not limited to, taxation of dues income." ASAE stated, however, that the pending legislation was not broad enough because it only benefited agricultural organizations. ASAE favored making all membership dues tax-free unless income generation was the organization's principal purpose for having the class of members.[31]

Surprisingly, the Joint Tax Committee, which provides technical analysis of pending tax legislation, advised Congress that the farm bureau dues provision would have negligible revenue impact. If that were the case, it is unlikely IRS would be taking farm bureaus to court.

Subsequently, the committee staff has given two reasons for its estimate, both of which are questionable.

One reason given is that Revised Procedure 95-21 would exempt agricultural membership dues from UBIT in the future. The IRS regulation did not, however, provide the blanket exemption provided in the bill.

Another reason given is that farm bureaus could avoid UBIT law by simply converting their associate members to voting members. But, as noted above, the farm bureau leadership could never do that since it would overthrow the power relationships within the established system.

The Joint Tax Committee staff may simply have overlooked this issue. But experienced observers believe it is more likely that farm bureau advocates in Congress actively pressed for a revenue estimate that would make Section 1115 more easily accepted.

Most members of Congress accepted the farm bureau's self-projected image as the "voice of farming." Staff recall that Section 1115 had broad, bipartisan support and was generally considered a noncontroversial, pro-farming vote.

Important also was that Section 1115 gave members of Congress an easy opportunity to side with taxpayers against the IRS[32] House floor action. Section 1115 was not mentioned on May 22, 1996, during House floor debate on the tax bill.

The committee report states blandly: "The Committee believes that it is appropriate to clarify the treatment of certain limited dues payments from associate members of organizations described in section 501(c)(5) to curtail expensive and time-consuming controversies regarding the treatment of such payments for purposes of the UBIT and to facilitate administration of the Code."[33]

The House-passed bill provided UBIT exemption for all agricultural organization member dues up to $100 starting in tax years after 1995, with adjustments for inflation thereafter. Only one dues payment per member would be so exempted.

Senator Gramm was the only senator to mention Section 1115 during floor debate. He stated that the provision would stop IRS from "trying to force the Farm Bureau to pay taxes they do not owe."[34] In his floor remarks, Senator Gramm said: "[B]eing part of the Farm Bureau is being part of agriculture.... The position of the IRS is indefensible in the opinion of the vast majority of Members of Congress and is indefensible in the opinion of the vast majority of the American people. We not only want the IRS to stop doing this in the future, we want them to go back to these old lawsuits and end this harassment once and for all." The Senate unanimously accepted a package of amendments including one that applied the farm bureaus' UBIT exemption all the way back to 1986, thus pulling the rug out from under pending litigation.

IRS regulations currently reflect this "safe harbor" exemption for all membership dues paid to agricultural organizations.

A SHARP CONTRAST: AARP

The kid-glove treatment the farm bureaus received from Congress in this instance is rarely extended to other nonprofit organizations — even politically powerful ones.

A starkly different reception was given the American Association of Retired Persons (AARP), which is generally considered one of the more influential organizations in Washington.[35] In June of 1995, AARP practices were exposed to two days of aggressive hearings by the Senate Finance Committee's Subcommittee on Social Security and Family Policy, chaired by Senator Alan Simpson (R-Wyoming).

Senator Simpson in his opening statement said, "People know something is wrong when an organization that gets more than half of its income from commercial business activities simultaneously spends millions annually to lobby, with a claim that they represent the interests of seniors and the elderly."[36] That logic evidently does not apply to the Farm Bureau.

NOTES

1 The Small Business Job Protection Act of 1996 (H.R. 4338; P.L. 104-188).

2 In this paper, the term "agricultural organization" refers to an agricultural organization or a horticultural organization, as defined in the Tax Code.

3 IRS Handbook 7.8 - Exempt Organization Handbook, Chapter 5.5.

4 American Farm Bureau Federation Form 990 for tax years 1995, 1996 and 1997 provided for public inspection in accordance with IRC 6104(b).

5 IRS Handbook 7.8 op. cit.

6 Testimony of Natwar M. Gandhi on behalf of the U.S. General Accounting Office, Hearings before the Senate Finance Committee, Subcommittee on Social Security and Family Policy, June 13, 1995, Washington, D.C.

7 A 20-year Review of the Non-profit Sector, 1975-95, Alicia Meckstroth and Paul Arnsberger, Statistics of Income Bulletin, IRS, Fall of 1998. pp. 149 ff.

8 Competition between Tax-Exempt Organizations and Taxable Businesses, GAO/GGD-87-40BR, Feb. 27, 1987. Followup analysis by GAO found that the financial concentration continued in 1989 (Gandhi, op. cit, p. 78).

9 The interlocking structure of the farm bureau system is described in other analyses prepared by Defenders of Wildlife.

10 Competition, op. cit. p. 61.

11 Meckstroth and Arnsberger, op. cit. p. 164.

12 P.L. 81-814, September 23, 1950; IRC 511(a)

13 IRC 512(a)(1), 513(a).

14 IRS Reg. 1.513-1(d)(2).

15 The complex corporate and financial relationship between the farm bureau system and its insurance affiliates is described elsewhere in analyses by Defenders of Wildlife.

16 On April 21, 1999, FB BanCorp received formal approval from the federal Office of Thrift Supervision to establish a de novo federal savings bank. FB BanCorp is a Nevada corporation whose stock is owned by 21 state farm bureau federations and 19 of their affiliated insurance companies. The Farm Bureau Bank is headquartered in Sparks, Nevada, and has its operations center in San Antonio, Texas. The bank currently offers consumer banking services to 3 million Farm Bureau members in 39 states. It has assets of more than $150 million.

17 American Farm Bureau Federation Form 990 for tax years 1995, 1996 and 1997, made available by AFBF for public inspection in accordance with IRC 6104(b).

18 Meckstroth and Arnsberger, op. cit. p. 164.

19 Farm bureau associate members usually pay the same dues as voting members.

20 In actual practice, farm bureau insurance companies collect these "associate membership" dues in conjunction with initial premiums and forward payment to a farm bureau. State, local and national affiliates share the revenue.

21 Wisconsin Farm Bureau, 1998 Annual Report.

22 ibid. "Facts."

23 TAM 83-02-009 and TAM 83-02-010.

24 American Postal Workers Union, AFL-CIO v. United States, 925 F.2d 480 (D.C. Cir. 1991) and National Association of Postal Supervisors v. United States, 944 F.2d 859 (Fed. Cir. 1991).

25 TAM 94-16-002.

26 ibid "Rationale."

27 National Association of Life Underwriters, Inc. v. Commissioner, 64 CCH Tax Ct. Mem. 3779 (1992); Hunt v. Washington Apple Advertising Commission, 432 U.S. 333 (1977); Health Research Group v. Kennedy, 82 F.R.D. 21 (1979); FEC v. National Right to Work Committee, 459 U.S. 197 (1982).

28 Rev. Proc. 95-21, 1995-1 C.B. 686, 1995-15 I.R.B. 22. Published March 23, 1995.

29 ibid.

30 Letter to Senator Phil Gramm from Donald C. Lubick, Acting Assistant Secretary (Tax Policy) June 24, 1996, 104 C.R. p. S7426f.

31 House Ways and Means Committee Hearings on H.R. 3448.

32 ibid.

33 H.Rept. 104-568.

34 op. cit 104 CR.

35 After being audited by IRS, AARP in 1994 agreed to pay $135 million in lieu of taxes to resolve disputes for the years 1985 through 1993. At issue were AARP revenues from the sale of insurance and other services, not associate membership dues. The dispute was finally settled in June, 1999. cf. *Wall Street Journal*, June 29, 1999.

36 Business and Financial Practices of the AARP, Hearings before the Subcommittee on Social Security and Family Policy of the Committee on Finance, U.S. Senate, 104th Congress, First Session, June 13 and June 20, 1995. S. Hrg. 104-109, p. 4.