

In its April and May issues, *Alberta Beef* magazine ran two columns by Roy Rutledge attacking the NFU and its recent report on packer and retailer profit-taking at the expense of cattle farmers. Those two Rutledge columns contained many, many inaccuracies. *Alberta Beef* initially agreed to run the article reprinted below to set the record straight. But after the magazine saw the NFU response, it reversed its decision and refused to print our article. We offer you now an opportunity to read that article that *Alberta Beef* lacked the courage to print.

Who is Roy Rutledge and why is he attacking the NFU?

By Darrin Qualman, NFU Director of Research. He helped write the NFU's report "The Farm Crisis and the Cattle Sector: Toward a New Analysis and New Solutions." (See www.nfu.ca or call 306-652-9465.)

When I heard that Roy Rutledge was attacking the National Farmers Union and its report on beef packer and retailer profiteering, my first thought was: Who's Roy Rutledge?

To find out, I leafed to the end of Mr. Rutledge's *Alberta Beef* column—the place in an editorial where there's often a description of the author. I was in luck; I found a short bio. Mr. Rutledge identifies himself as a "broken down old cowboy who ranches about forty miles from Dog River, SK."

But that description didn't ring true; I dug deeper. Sixty seconds on Google revealed Mr. Rutledge's links to a company called 324007 Alberta Ltd. Intrigued, I soon found that 324007 Alberta is owned by Nilsson Brothers Inc., which also owns XL Foods. Mr. Rutledge is tightly tied to Canada's largest beef packing corporation.

Several years ago, Mr. Rutledge sold his Assiniboia Livestock Auction to Nilsson-owned 324007. Rutledge was paid to stay on as manager. As an aside, Nilsson Brothers Inc. and its holding companies own (wholly or in part) most of the major auction facilities in Western Canada: Heartland Livestock Services Virden, HLS Lloydminster, HLS Moose Jaw, HLS North Battleford, HLS Prince Albert, HLS Regina, HLS Swift Current, HLS Yorkton, Saskatoon Livestock Sales, Assiniboia Livestock Auction, Weyburn Livestock Exchange, Burnt Lake Auction, Grande Prairie Livestock, Nilsson

Brothers Clyde, Nilsson Brothers Vermillion, and Provost Livestock.

One begins to doubt the credibility of someone who titles his column "The truth hurts" but clouds the truth about his own identity—failing to disclose intimate business ties to a major packer. And please don't misunderstand, this is not what university professors call an "ad hominem" attack—questioning Mr. Rutledge's character rather than responding to his criticisms. No, I'll deal with Mr. Rutledge's criticisms of the NFU report in detail. What I want to establish right off the bat, however, is that Rutledge's editorials are not a case of some "broken down old cowboy"—not some independent cow-calf producer or even the owner of an independent auction barn—trying to discredit the NFU's analysis: he's an employee of Canada's biggest cattle buying corporation. This is relevant to what Mr. Rutledge has to say, and to how cattle producers should interpret his wild allegations. How we see the world depends on our vantage point and our economic interests. The NFU report reflects the vantage point and economic interests of our thousands of members—farmers and ranchers. Mr. Rutledge's vantage point is very different.

The NFU is not surprised that a Nilsson Brothers employee would attack our work. "The Farm Crisis and the Cattle Sector" reveals much that packers want kept quiet: profiteering, lack of competition, and the use of captive supplies to depress prices.

The NFU report shows that after remaining relatively high for nearly 50 years, since 1989 cattle prices have moved sharply downward. That 1989 price downturn came when Cargill arrived in Canada and, with IBP/Tyson, rapidly

consolidated our packing sector. Compared to the 1980s, today there are fewer packers, fewer plants, fewer bidders, and *much* lower prices.

Our report is clear: *farmers make too little because packers and retailers take too much.* That's something no cattle or farm organization in Canada has said before. And it's a message that threatens packers.

But back to the Nilsson's Mr. Rutledge. He makes several points about the NFU and its report. Every one of his points is wrong. Most are complete fabrications. Here's a sampling of his many, many errors.

The first point Rutledge takes up, in his very first paragraph, is our organization's opposition to the Nilsson/XL purchase of the Tyson plant. The NFU told the Competition Bureau that having three companies—Tyson, Cargill, and XL—control nearly 100% of fed cattle slaughter was bad enough, but approving the Tyson/XL sale would reduce that number to *two*. The NFU wrote letters to the Bureau and government urging two alternatives:

1. block the proposed sale and ensure the continued operation of Tyson's plant until a sale can be arranged to: A. a farmer-controlled co-operative, or B. a buyer who has significant food processing assets but no North American cattle processing facilities; or
2. allow the packing plant sale but require XL to divest 100% of its cattle production, finishing, and marketing assets—its cattle on feed, feedlots, and auction rings.

The NFU never advocated government ownership, as Mr. Rutledge alleges. He simply made that up. Rutledge even fabricates a quotation, saying that the NFU wants “farmer owned, publicly funded” packing plants [his quotation marks]. He made up that quote.

By trotting out the old bogeymen of state ownership and communism, Rutledge tries to steer the debate away from reality: two corporations control Canada's packing sector. If Rutledge could recognize irony, he might smile

to realize that all this fighting for “free markets” has brought us darn close to a centrally-planned (beef) economy.

Next, Rutledge accuses the NFU of distorting statistics. He gives few examples, but one he does give is this:

“The NFU analysis starts out by adjusting cattle and beef prices to inflation. That sounds plausible until you ask yourself: What agricultural products have kept up with inflation?”

Mr. Rutledge must not have read the NFU report. Had he, he would have seen two things:

1. Cattle prices *did* keep pace with inflation for nearly 50 years—all through the 1940s, '50s, '60s, '70s, and '80s. Only since 1989 did cattle prices fall behind.
2. *Retail beef prices* have kept up with inflation. Had packers and retailers not relentlessly increased their percentage take from the consumers' beef dollars, cattle prices would likewise have kept pace with inflation.

In another error, Rutledge links the NFU to R-CALF. We've been clear: The NFU is not working with R-CALF, we have never worked with R-CALF, and we will not work with them in the future. NFU officials have only spoken with R-CALF officials once—as participants in a 14-organization 3-nation meeting in Montana in March. We had no contact with that organization before, none since. Nothing could be clearer.

Mr. Rutledge comments on captive supply. The NFU report is blunt: packers use cattle they own (and other forms of captive supply) to drive down prices for fed cattle and, thus, prices for feeder cattle and calves. The NFU's top priority is a law banning captive supply.

Amazingly, Rutledge has this to say about captive supply:

“As far as the cow/calf people or grasser guy like me goes, it is not a

concern. When I have a bunch of cattle coming in off grass in the fall I have always enjoyed Lakeside Feeders and others bidding on them, driving the price up.”

First, captive supply *does* matter to cow-calf producers and “grassers”—it drives down the price of their cattle. Second, Rutledge’s comment about “enjoying” the feedlots “driving the price up” on his cattle doesn’t sound like something a cow-calf producer would say: it sounds like something an associate of Canada’s largest packer (and largest holder of captive supply) would say.

Rutledge states, repeatedly, that the NFU wants to get hold of cattle check-off money. False. The NFU is nearing its 40th Anniversary; not once in four decades has it applied to receive commodity check-off dollars.

Rutledge defends packers, saying, that if the sector is profitable, “there should be plants springing up all over.” His error in logic is clear when we consider this: Home Depot and Staples are profitable, but we don’t see independent office supply stores and lumberyards “springing up all over.” The lack of start-up competitors does not indicate that the dominant companies are profitless, it merely indicates they dominate.

Rutledge concocts the crazy idea that the NFU wants to “limit producers to 140 head each.” As one author of the NFU’s report, I can’t stop laughing. What the report says is:

“Though the objectives and strategies for any plan would have to be worked out democratically by farmers and others, the following goal, or one like it, could serve to focus discussion: We should aim for a Canadian cattle sector wherein a well-managed 140-cow cow-calf operation (with some cattle finishing, if desired) provides the lion’s share of a dignified living to a farm family. Similarly, we should also aim for a sector wherein smaller herds on mixed farms can be significant economic contributors to the overall financial well-being of those farms.”

The report is saying a farmer shouldn’t have to run 250 cows just to have a chance at making a living. A key measure of whether we have our cattle policies and economics right is whether a medium-sized cow-calf operation can pay its bills and support a growing family. That Rutledge tries to pervert that point into something about capping animal numbers merely demonstrates his desperation.

For the first time in years, there’s a discussion in Canada about retailer and packer power, who’s pocketing consumers’ beef dollars, captive supply, and effective strategies to raise cattle prices. That discussion threatens the powerful. The NFU report concludes with a prediction: “There will be near-hysterical attacks on those who threaten the status quo.” Mr. Rutledge’s columns are perfect examples of that hysteria. We thank him for proving our prediction correct, and for raising the profile of our report.

The NFU is leading the fight for effective, price-increasing solutions for independent cattle ranchers and farmers. Please read the NFU’s report “The Farm Crisis and the Cattle Sector,” available at www.nfu.ca . To become part of a growing movement intent on changing the way business is done in the cattle sector, become an NFU member. You can utilize our secure credit card sign-up option at <http://nfu.ca/store/membership.html> .