



# USDA INC.:

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## HOW AGRIBUSINESS HAS HIJACKED REGULATORY POLICY AT THE U.S. DEPARTMENT OF AGRICULTURE

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## EXECUTIVE SUMMARY

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**IN ITS EARLY DAYS**, the United States Department of Agriculture (USDA) was dubbed the “People’s Department” by President Lincoln, in recognition of its role in helping the large portion of the population that worked the land. Some 140 years later, USDA has been transformed into something very different. Today it is, in effect, the “Agribusiness Industry’s Department,” since its policies on issues such as food safety and fair market competition have been shaped to serve the interests of the giant corporations that now dominate food production, processing and distribution. We call it USDA Inc.

The reorientation of USDA has been occurring over many years, but it has now reached a dramatic stage. Thanks to its growing political influence within the Bush Administration, Big Agribusiness has been able to pack USDA with appointees who have a background of working, lobbying, or performing research for large food processing companies and trade associations. Conversely, there are virtually no high-level appointees at USDA with ties to family farm, labor, consumer or environmental advocacy groups.

The extent to which agribusiness has packed USDA with its people is apparent when looking at the biographies of the top officials of the Department, up to and including Secretary Ann Veneman. In addition to her time as a public official, Veneman served on the board of biotech company Calgene (later taken over by Monsanto). Many of Veneman’s key aides and the heads of various USDA agencies are political appointees who spent much of their career working for agribusiness companies and trade associations.

For example, Veneman’s chief of staff Dale Moore was executive director for legislative affairs of the National Cattlemen’s Beef Association (NCBA), a trade association heavily supported by and aligned with the interests of the big meatpacking companies, such as Tyson and Cargill. Deputy Secretary James Moseley was a co-owner of a large factory farm in Indiana. Floyd Gaibler, a Deputy Under Secretary, used to be executive director of the dairy industry’s National Cheese Institute. Assistant Secretary for Congressional Relations Mary Waters was a senior director and legislative counsel for ConAgra Foods, one of the country’s largest food processors.

These industry-linked appointees have helped to implement policies that undermine the regulatory mission of USDA in favor of the bottom-line interests of a few economically powerful companies. This paper documents USDA’s abandonment of its public mission from two perspectives. Through five case studies, it both reviews the questionable policies the Department has adopted in key areas and the background of the key officials who helped to determine those policies.

**BOVINE SPONGIFORM ENCEPHALOPATHY (BSE).** The assumption that the United States was immune to this livestock affliction, popularly known as “mad cow disease,” came to an end last year, when the first confirmed domestic case was found in a cow originating in Canada. Since that time, USDA has resisted imposing the strict safety measures and testing procedures recommended by most independent experts. At the same time, the Department has blocked an effort by a Kansas-based meatpacker called Creekstone Farms to install its own BSE testing lab, claiming that comprehensive testing by the company might lead consumers to think that meat from other providers

was not safe. The USDA Inspector General is now investigating the actions of agency officials who secretly allowed beef imports from Canada to resume shortly after a BSE outbreak in that country-while at the same time opposing country-of-origin labeling of meat. These reckless policies are best explained by the fact that numerous key positions in the Department are held by former staffers at NCBA, which, along with the dominant meatpacking firms, has also opposed stricter safety and testing measures as well as country-of-origin labeling.

**CAPTIVE SUPPLY IN MEATPACKING.** The handful of giant corporations that dominate meatpacking in the United States have used their economic muscle to deny livestock producers (ranchers) access to open markets and have forced them to enter into private contracts heavily weighted in favor of the packers. This one-sided arrangement is known as captive supply. Under legislation enacted in the 1920s, USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA) is supposed to oversee livestock markets and guard against anti-competitive practices. Instead, GIPSA has repeatedly downplayed the problem of captive supply and has all but abandoned its enforcement of fair competition rules. This "see no evil" approach has apparently been embraced by the current Administrator of GIPSA, Donna Reifschneider, who previously served as president of the National Pork Producers Council, a trade group closely aligned with dominant meatpacker interests.

**MEAT INSPECTION POLICIES.** Americans used to think that tainted meat was a problem that disappeared with the reforms of the Progressive Era in the early 20th Century. Recent years have seen a resurgence of E.coli bacteria, listeria and other hazards that are widely linked to a weakening of traditional slaughterhouse inspection practices. Bowing to the wishes of the major meatpackers, USDA has endorsed a system called Hazard Analysis and Critical Control Point (HACCP). But instead of using HACCP to supplement traditional inspection, USDA implemented a watered-down version of the system while at the same time allowing meatpackers to rely more heavily on questionable procedures such as irradiation to deal with contamination. The federal official most directly responsible for meat inspection policies is Dr. Elsa Murano, Under Secretary of Agriculture for Food Safety. Before joining the Bush Administration, Murano was an academic who strongly supported irradiation and who did research funded by Titan Corporation, a leading player in food irradiation through its creation of SureBeam Corporation.

**BIOTECH FOODS.** Resistance to genetically modified (GM) wheat among farmers has become so strong that Monsanto Co. announced recently that it was abandoning active efforts to develop GM wheat. USDA, nonetheless, remains one of the strongest proponents of agricultural biotechnology. Like her predecessor Dan Glickman, Secretary Veneman has promoted GM foods in



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international forums, downplaying the safety issues and charging that biotech critics are impeding efforts to reduce world hunger. As noted previously, Veneman once served on the board of a biotech company. Neil Hoffman, the Biotechnology Regulatory Services Director of USDA's Animal and Plant Health Inspection Service, formerly worked for the biotech firm Paradigm Genetics. Nancy Bryson, USDA's general counsel, was formerly a partner in the law firm of Crowell & Moring, where she co-chaired the firm's corporate biotechnology practice.

**CONCENTRATED ANIMAL FEEDING OPERATIONS (CAFOs).** These overgrown livestock facilities, which house and feed 1,000 or more animals in a confined area, are among the biggest contributors to agricultural pollution. Also known as factory farms, CAFOs produce enormous quantities of manure that contaminate water supplies and cause other environmental problems. USDA has promoted the growth of CAFOs with little or no regard to their public health consequences. Specifically, USDA has supported the misguided policy of using conservation dollars out of its Environmental Quality Incentives Program to subsidize CAFOs' attempts to solve their manure problems. The official who oversees the day-to-day activities of USDA, Deputy Secretary James R. Moseley, has been described by the Chicago Tribune as "a champion of industrial-style hog production." Before taking office, he was a partner in Infinity Pork LLC, an Indiana CAFO that raised 50,000 hogs annually.

Each of these case studies demonstrates an alarming correlation between controversial policies adopted by USDA and the financial interests of the companies and trade associations that previously employed many key Department officials. Rapidly disappearing from USDA is a diversity of perspectives, particularly those that give priority to family farmers and consumers. There is no longer any balance between USDA's traditional dual roles of promoting the agriculture industry and protecting food safety and the livelihood of family farmers. USDA Inc. now appears to slavishly follow the wishes of Big Agribusiness.

This paper concludes that until there is greater stakeholder representation inside USDA, a substantive movement toward more balanced farm and trade policies is impossible. Excessive industry influence is the central obstacle to redirecting U.S. agriculture in a more sustainable and fair direction. The paper thus calls for broad collaboration on an alternative agenda for addressing the problems at USDA, including:

- Reappraisal of ethics rules to prevent government officials from overseeing policies that directly affect the interest of their former employers;
- Enhancement of Congressional oversight over regulatory appointees;
- Evaluation of whether USDA can continue to serve both as a promoter of U.S. agricultural products and a regulator of food safety; and
- Further research on revolving-door conflicts of interest at USDA.

Progress on these measures will begin to turn USDA Inc. back into an arm of government that represents the public interest.

# INTRODUCTION

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**“WE PROVIDE LEADERSHIP** on food, agriculture, natural resources, and related issues based on sound public policy, the best available science, and efficient management.”<sup>1</sup> This is the official mission statement of the United States Department of Agriculture (USDA), one of the largest entities of the federal government, with an annual budget of more than \$70 billion and a workforce of more than 100,000.

Despite this noble statement of public purpose, there is ample reason to question whether USDA's vast resources and expertise are serving the best interests of consumers, farmers and the environment-or the narrow interests of large agri-food corporations that wield enormous economic power and political influence.

This paper explores the extent to which the food industry has shaped USDA decision-making over the past decade. It suggests that increasing market concentration in the food system may well be exacerbating industry influence at USDA. The result of ongoing mergers and acquisitions is that there are fewer and larger companies that face less competition in advancing their policy prescriptions. To shed more light on these issues, the paper briefly reviews the mission and history of USDA, as well as the rise of the food industry oligopoly. It then explores in more detail a series of issues in which positions adopted by USDA are much more closely aligned with the interests of industry than those of consumers, small farmers and the environment.

In each of the cases studied, high-level political appointees at USDA have had strong ties to companies and industry sectors with much at stake in the Department's policies. The paper therefore concludes that a great deal more attention must be paid to conflicts of interest in the formulation of food and agriculture policy, and that there is a need for greater balance in access to key decisionmakers to ensure that the public interest is not always trumped by food industry insiders.

USDA is a vast bureaucracy with a wide range of responsibilities in its portfolio. For example, it:

- conducts and sponsors agricultural research;
- expands markets for U.S. agricultural products;
- administers a financial safety net system for farmers;
- manages 192 million acres of national forests and rangelands;
- carries out anti-hunger efforts such as the food stamp and school lunch programs;
- promotes rural economic development; and much more.

USDA is also a regulatory agency. It is responsible for protecting the nation's food supply from contamination and animal or plant diseases and infestations. Meat inspectors employed by the USDA's Food Safety & Inspection Service are stationed directly alongside production lines in packinghouses. The Department is also responsible for enforcing certain antitrust-like laws in order to ensure fair market competition and the viability of smaller agricultural producers.

This paper is concerned only with the food-related regulatory functions of USDA, and our conclusion is that the Department has been an increasing disappointment. The U.S. food supply, once considered the envy of the world, is plagued by outbreaks of E.coli, salmonella and listeria that many observers attribute to the spread of factory farming and production speed-ups by the big food processors. USDA has been widely criticized for its handling of the recent appearance of so-called mad cow disease in domestic livestock. The Department (along with the Food and Drug Administration) has also been called to task for promoting agricultural biotechnology without adequately assessing the economic and environmental impacts on farmers or the public health consequences for consumers. In addition to performing poorly in the food safety arena, USDA has fallen short in its responsibility to protect family farmers from the effects of economic concentration. Particularly in the meat sector, the Department has stood by while small producers have been squeezed by the handful of giant corporations that have taken control of beef, pork and poultry processing.

The regulatory failures of USDA cannot be attributed simply to bureaucratic inertia. There is growing evidence, documented in part in this paper, that the Department has been deliberately transformed from a servant of the public interest into a vehicle for promoting the narrow interests of large producers and major food processing and input (seed, fertilizer, etc.) corporations, i.e. Big Agribusiness. This transformation has been carried out not only by a shift in policy orientation but also by a change in the composition of the Department itself. Many of the top positions in USDA are now held by individuals who previously worked for Big Agribusiness.

This special interest takeover, which parallels developments in other branches of the federal government,<sup>2</sup> poses a serious threat to the safety of the U.S. food supply and the viability of family farms. We have produced this report to highlight this alarming development and to offer recommendations for reorienting the agricultural regulatory system to the needs of the country as a whole, not just the most powerful corporate players.

## THE RISE AND FALL OF THE “PEOPLE’S DEPARTMENT”

The bill creating USDA was signed into law on May 15, 1862 by President Abraham Lincoln, who later referred to the agency as “the people’s department,” given that the group it was designed to serve—farmers and their families—made up roughly 50 percent of the population at the time.<sup>3</sup> USDA’s original mission focused on providing information to farmers to improve agricultural production.

The phrase took on added significance in the 1880s, when USDA began to protect the well-being of the population as a whole by researching the problem of food adulteration. During the same period, Congress gave USDA responsibility for overseeing the transportation and importation of livestock—a significant expansion of the Department’s role into the then-embryonic field of government regulation. USDA’s Bureau of Animal Industry was also given responsibility for implementing the first federal meat inspection act, passed by Congress in 1890.

That role was expanded when the law was strengthened in 1906 after the uproar caused by the publication of Upton Sinclair’s muckraking book *The Jungle*. That same year, Congress passed the Food and Drugs Act, largely as a result of research on food safety that had been conducted by USDA’s Bureau of Chemistry (a precursor of the Food and Drug Administration). The Bureau was so zealous

in its research that it had assembled a group of volunteers within USDA who consumed meals containing potentially harmful substances to determine the health effects. The press dubbed these human guinea pigs the Poison Squad.<sup>4</sup> In the 1920s the Department was given additional regulatory functions as part of an effort by Congress to control the effects of concentration of ownership in meatpacking with the passage of the 1921 Packers and Stockyards Act. Later regulatory duties included enforcement of the 1957 Poultry Products Inspection Act and the 1968 Perishable Agricultural Commodities Act.

Today, USDA is a very different entity from the one lauded by Lincoln. It is instead an agency that seems determined to weaken or dismantle much of the regulatory framework that has been developed over the past century. In areas such as nutrition advice (the food guide pyramid), analysts such as Prof. Marion Nestle of New York University have shown that the Department has ignored scientific evidence in favor of placating industry interests.<sup>5</sup> As described in the case studies below, USDA takes decisive action in favor of public health only when forced to by a public scandal, and even then it seeks ways to protect the interests of large producers and major processing companies.

The idea that a regulatory agency would abandon its public mission in favor of a narrow one is not a new concept. In fact, it is a common view of analysts on the left and on the right. The left critique of regulation originates with the work of historian Gabriel Kolko, whose 1963 book *The Triumph of Conservatism* argues that the regulatory reforms of the Progressive Era were really a response to demands by big business that the federal government rationalize ruinous competition. George Stigler, a leading figure in the conservative Chicago School of Economics, wrote a widely cited 1971 article in which he argues that industries seek regulation in order to control entry into the field and otherwise restrict competition.<sup>6</sup> Critiques such as these have made the principle of “regulatory capture” a standard element of contemporary economics.



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## PACKING USDA

What has happened in USDA goes beyond a process of capture intended to restrict competition. Thanks to its political influence, Big Agribusiness has been able to pack USDA with appointees who have a background of working in the industry, lobbying for it, or performing research or other functions on its behalf. These appointees have helped to implement policies that undermine the regulatory mission of USDA in favor of the bottom-line interests of agribusiness. In other words, public health and livelihoods are at stake.

To see that agribusiness has packed USDA with its apparent representatives, one has only to look at the biographies on the Department's website of its roughly 45 top officials, including the Secretary, Deputy Secretary, Under Secretaries, Assistant Secretaries, Deputy Under Secretaries, Deputy Assistant Secretaries and heads of key offices. Many of the biographies cite previous work with agribusiness companies and their trade associations, lobbying firms and research arms, including university research centers bankrolled by the food industry. Additional research makes clear that there are approximately as many industry people among the appointees as there are career civil servants. Here are some examples of appointees with past industry ties (unless otherwise noted, the source for each affiliation is the individual's biography on the USDA website):

- Secretary **ANN M. VENEMAN** served on the board of biotech company Calgene.<sup>7</sup>
- Secretary Veneman's chief of staff **DALE MOORE** was executive director for legislative affairs of the National Cattlemen's Beef Association (NCBA), a trade association heavily supported by and aligned with the interests of the big meatpacking companies.
- Veneman's recently named Deputy Chief of Staff, **MICHAEL TORREY**, was a vice president at the International Dairy Foods Association.<sup>8</sup>
- Director of Communications **ALISA HARRISON** was formerly executive director of public relations at NCBA.
- Deputy Secretary **JAMES MOSELEY** was a partner in Infinity Pork LLC, a factory farm in Indiana.<sup>9</sup>
- Under Secretary **J.B. PENN** was an executive of Sparks Companies, an agribusiness consulting firm.
- Under Secretary **ELSA A. MURANO** conducted industry-sponsored research while a university professor (see below).
- Under Secretary **JOSEPH JEN** was director of research at Campbell Soup Company's Campbell Institute of Research and Technology.
- Deputy Under Secretary **FLOYD D. GAIBLER** was executive director of the National Cheese Institute and the American Butter Institute, which are funded by the dairy industry.
- Deputy Under Secretary **KATE COLER** was director of government relations for the Food Marketing Institute.

- Deputy Under Secretary **CHARLES LAMBERT** spent 15 years working for NCBA.
- Assistant Secretary for Congressional Relations **MARY WATERS** was a senior director and legislative counsel for ConAgra Foods.

Industry infiltration also extends to USDA's non-food areas. For example, Mark E. Rey, the Under Secretary for Natural Resources and the Environment, who oversees the Forest Service, was previously a vice president of the American Forest and Paper Association.<sup>10</sup> By contrast, there are virtually no associations with family farm, consumer or environmental groups to be found among the appointees. The allies of Big Agribusiness have a tight lock on the main food policy arm of the federal government.

## CAPTURED PRODUCER GROUPS

In addition to previous affiliations with food processing giants such as ConAgra, many of USDA's top appointees used to be affiliated with producer groups such as the National Cattlemen's Beef Association and the National Pork Producers Council (NPPC). These organizations have close ties with the big agri-food corporations. Such corporations can join NPPC through the Council's Pork Alliance, which is represented on NPPC's board of directors.<sup>11</sup> NPPC acknowledges that the dues paid by corporate members (among which are Cargill and Monsanto) "are used to fund critical industry priorities in the legislative and regulatory areas." NCBA has an Allied Industry Partners program with several categories of membership, depending on the level of financial support provided by a company. Bigger contributors (which here, too, include Cargill and Monsanto) and are eligible to join the Allied Industry Council, which has representation on NCBA's board of directors.<sup>12</sup> NCBA, in fact, was created in 1996 through the merger of the National Cattlemen's Association and the National Livestock and Meat Board (including its Beef Industry Council), which put producers and processors under the same roof.<sup>13</sup>

Given these relationships, it is not surprising that groups such as NPPC and NCBA consistently side with the interests of the big processors and ignore the interests of small producers. This rift between small and large producers has been most apparent in the controversy over mandatory federal promotion and



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research programs, better known as the “check-offs.” Under these programs, producers have been forced to pay fees on each head of livestock to help finance marketing programs such as the “Beef: It’s what’s for Dinner” advertising campaign. Check-off fees also fund the political worker and regulatory advocacy of groups like NCBA and NPPC, including support for positions that disproportionately favor large producers and the meatpacking industry.

Small producers argue that they can’t afford the fees and that the marketing efforts provide little direct benefit for them. In a 2000 referendum, a majority of pork producers voted to terminate the check-off program, but USDA refused to comply with the vote. Instead, NPPC and NCBA have gone to court (with the support of USDA) to preserve the check-offs, and the cases have dragged on for years. In the fall of 2004, the U.S. Supreme Court will hear a case on the beef check-off dispute.

Another example of the rift concerns the debate over country-of-origin labeling. Despite strong support among small producers and the public for mandatory labeling, NPPC and NCBA joined with food processing and retailer groups in supporting a weaker voluntary system.<sup>14</sup> In many ways, the leading producer groups have been taken over by industry influence in the same way that USDA has been captured.



**"The result of concentration is that direct food production is increasingly done by large factory farms, and giant corporations dominate the subsequent phases of the food chain."**

## THE IMPACT OF CONCENTRATION

The increasing dominance of USDA policymaking by agribusiness interests and personnel can be traced to two sources: the growing concentration of ownership in food production and processing, and the growing political influence exercised by the large players in the industry.

It is worth noting some of the key findings of research on concentration in the agri-food industry conducted by William Heffernan and his colleagues at the University of Missouri for the National Farmers Union. Heffernan points out that economists generally consider that there is potential for market distortion when the top four firms have combined market share of 40 percent or more. His research found that the top four firms typically control 60-80 percent or more of the market in sectors such as beef packing, pork packing, broiler production, flour milling and soybean crushing.<sup>15</sup>

Moreover, Heffernan points to evidence that the food system is increasingly vertically integrated as companies on the input (pesticides, fertilizers and seeds) side of food production form partnerships and strategic alliances with firms in the processing, food manufacturing and retail phases of the food chain to expand their capacity to influence prices and product specifications. Concentration in the agri-food system, as evidenced by anti-competitive market distortions and vertical integration, raises a series of important questions about antitrust enforcement, the future of American farming, and the rise of transnational food cartels.

The result of concentration is that direct food production is increasingly done by large factory farms, and giant corporations dominate the subsequent phases of the food chain—including inputs such as seeds and fertilizer (DuPont, Monsanto, etc.); initial processing (Cargill, Archer Daniels Midland, etc.); meatpacking (Tyson, Smithfield, etc.); dairy (Dean Foods, etc.); and packaged food manufacturing (Kraft, ConAgra, etc.). Growing concentration is also seen in food wholesaling (Sysco), retailing (Wal-Mart) and foodservice (Compass Group, Sodexo and ARAMARK).

Another consequence of growing concentration is that the remaining few corporate players and their executives are in a good position to exercise political influence through campaign contributions. According to compilations by the Center for Responsive Politics, the agribusiness sector increased its aggregate federal contributions from \$20.6 million in the 1990 election cycle to \$54.4 million in the 2000 cycle, when the current administration was seeking office. By devoting 74 percent of the contributions to Republicans in the latter year, agribusiness interests were in a good position to reap the rewards when George W. Bush was elected.<sup>16</sup>

These generous contributions have, of course, also given Big Agribusiness substantial influence in Congress. One example concerns the country-of-origin labeling issue mentioned above. Strong farmer and public support for the idea forced Congress to include a provision for labeling in the 2002 farm bill. Processing companies, which want to be able to keep the public in the dark about their use of imported foodstuffs, have been waging a campaign against implementation of the provision ever since. In 2003 agribusiness allies in Congress, with support from the Bush Administration, moved to delay implementation of the program until 2006, and President Bush readily signed legislation to that effect earlier this year.

The fact that agribusiness allies in Congress and the Administration succeeded in derailing a program that enjoyed overwhelming public support (a January 2004 National Farmers Union poll found 82 percent of consumers favored labeling) and was already the law of the land shows just how powerful industry has become.<sup>17</sup> Not only did USDA fail to stand up to Congress; it tried to bolster the industry's case against mandatory labeling by estimating the costs of the system at a high level that the General Accounting Office called "questionable and not well supported."<sup>18</sup>

The case studies that follow describe other examples of the way in which food-sector regulatory policy has been hijacked by agribusiness interests. We have chosen to focus our presentation on USDA, but the problem extends to other federal agencies that have some jurisdiction over food safety matters, such as the Food and Drug Administration. In 1993 FDA ignored substantial evidence about the risks of using recombinant bovine growth hormone in milk production and approved Monsanto's heavily promoted product Posilac. The FDA official responsible for the agency's labeling policy was Michael R. Taylor, a former partner of the law firm King & Spaulding, which represent-

ed Monsanto.<sup>19</sup> A decade later, in July 2003, FDA proposed to loosen rules about the health claims food processors can make for their products; the New York Times described the Grocery Manufacturers of America as “pleased with the agency’s decision.”<sup>20</sup> The case study below on confined animal feeding operations notes agribusiness influence over the Environmental Protection Agency as well as USDA.

Clearly, the problem of excessive industry influence over federal policymaking is widespread. This paper seeks to highlight one aspect of that problem—revolving door appointments at USDA—and to outline some reforms that can help restore some balance to the Department’s regulatory operations. Only then would USDA cease to function as an arm of Big Agribusiness and return to its original role as a guardian of the interests of family farmers and consumers.

# CASE STUDY: BOVINE SPONGIFORM ENCEPHALOPATHY

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## THE PROBLEM

Since the late 1980s, the world beef industry has contended with a threat called bovine spongiform encephalopathy (BSE), more popularly known as mad cow disease. The problem was originally concentrated in Britain, where at least 141 people have died since a variation of the disease spread to humans.<sup>21</sup> For more than a decade, Americans thought that BSE was mainly a European problem. U.S. consumers continued to consume prodigious quantities of beef and accepted assurances from federal officials that everything was being done to prevent the disease from infecting domestic herds.

That confidence began erode in May 2003, when a BSE-infected cow was found in the Canadian province of Alberta, prompting the U.S. government to suspend beef imports from our neighbor to the north. Japan and South Korea demanded that all beef they bought from the U.S. be labeled as born, raised and processed in the United States. USDA refused such labeling, insisting to those countries, as it had to U.S. consumers, that existing rules were sufficient for safety and confidence in the food supply.

The bigger shock came in December 2003, when the first cow in the United States tested positive for BSE. For several days, during which the beef market crashed, USDA withheld the fact that the cow was from Canada. Countries such as Japan and South Korea wasted no time in banning U.S. imports, yet Agriculture Secretary Ann Veneman and other department officials insisted that the diseased Holstein in Washington State was an isolated case and that they were acting quickly to address the issue for the “North American” herd. Veneman made a show of saying that she intended to serve beef to her family at Christmas.

About a week after the BSE discovery, USDA announced that it would impose some of the stricter rules that independent analysts had long been advocating. These included a prohibition on the use of downer cows (those unable to walk because of injury or illness) and a ban on the use of certain body parts (such as brains and spinal cords, which are most likely to harbor BSE). The latter applied only to cows older than 30 months. The downer cow policy came as a surprise to most Americans, who had no idea that their hamburgers may have come from crippled animals. Yet, for more than a decade, the beef processing industry had successfully thwarted efforts in Congress to ban the practice.



**"At a time when [USDA] should be bending over backward to reassure customers, it keeps taking actions that suggest more concern with protecting the financial interests of the beef industry than with protecting public health...No one can be confident if the department remains so blatantly protective of the American meat industry."**

Despite the level of public concern in the wake of the Washington State BSE discovery, the industry was not prepared to accede to new rules, such as the testing of all cattle for BSE, country-of-origin labeling and a ban on using cattle remains in the production of animal feed. In early January the chief lobbyist of the National Cattlemen’s Beef Association (NCBA) declared: “We’re not about to let the federal government come in here and overregulate at a time when they think they ought to do something.”<sup>22</sup>

As it turned out, the NCBA had little to worry about. USDA wrapped up its investigation of the Washington State BSE case in only seven weeks, after having failed to find almost two-thirds of the 80 cattle that entered the United States from Canada with the infected Holstein. W. Ron DeHaven, chief veterinary officer of USDA, declared: “It’s time to move on.”<sup>23</sup>

The rigor of USDA’s investigation came under Congressional scrutiny shortly thereafter, when a report by the House Committee on Government Reform, citing three eyewitnesses, disputed USDA’s claim that the infected cow was a downer. Committee Chairman Thomas M. Davis III (R-VA) and ranking Democrat Rep. Henry Waxman of California wrote to Secretary Veneman, stating that the new evidence “could have serious implications for both the adequacy of the national [mad cow] surveillance system and the credibility of the USDA.”<sup>24</sup> Under pressure such as this, USDA reluctantly agreed to expand its testing program a bit more, but it still resisted the more aggressive measures that were widely advocated outside the Department and the beef industry.

USDA also continued to deny that country-of-origin labeling would help re-establish export markets and consumer confidence—despite the certification requested by Japan and South Korea. Consumer surveys showed a strong preference for country-of-origin labeling. World Animal Health Organization rules state that a country can maintain “BSE free” status if an infected animal is proven to be imported. But Tyson, Cargill, and Swift—which have large meatpacking and production operations in Canada, Australia, Argentina and other countries—did not want to identify the source of the meat they sold to consumers. USDA, as a result, adamantly refused to change its position on labeling.

USDA’s inclination to put the interests of the big meatpackers ahead of public safety was so strong that the Department went on the attack against a small maverick beef company. Kansas-based Creekstone Farms operates what is reputedly an ultramodern plant and has sold premium meat to customers in places as far away as Russia. Realizing that its business would be crippled unless foreign customers were assured that its product was free of BSE, Creekstone spent more than \$500,000 to install its own BSE testing laboratory—the first in a U.S. slaughterhouse—to test every head of cattle it slaughtered. The company hired seven chemists and biologists to operate the facility.

Rather than praising Creekstone for its initiative, USDA prevented the company from operating the lab by refusing to sell it necessary testing materials, domestic distribution of which is controlled by the federal government. In a position that was supported by NCBA,<sup>25</sup> USDA insisted that its own policy of limited testing was the only acceptable one and that allowing Creekstone to do comprehensive testing might lead consumers to think that meat from other companies was not safe. USDA also claimed that false positive results for BSE could have a negative impact on cattle and beef markets.

The inadequacy of USDA’s regulatory approach has become even clearer with some recent events. In May there were reports that a cow with evidence of neurological problems (which is considered to be a marker of higher risk of BSE) was discovered at a Lone Star Beef slaughterhouse in Texas, yet it

was not tested for BSE. The animal was removed from the meat production line but was sent to a rendering plant to be made into animal feed, which could allow a BSE infection to return to the human food supply. USDA could not explain how this animal slipped through its supposedly strengthened testing program.

Revelations such as these prompted the New York Times to editorialize: “At a time when [USDA] should be bending over backward to reassure customers, it keeps taking actions that suggest more concern with protecting the financial interests of the beef industry than with protecting public health...No one can be confident if the department remains so blatantly protective of the American meat industry.”<sup>26</sup>

It then came to light that, in September 2003, USDA had allowed meatpackers to resume imports of some meat products from Canada that were prohibited by an August 2003 regulation that responded to the discovery of BSE in that country. Over a six month period, more than 30 million pounds of ground beef and other high-risk beef products were brought into the country. The willingness of USDA to take this reckless secret action can only be interpreted as another example of an agency totally subservient to the interests of industry. Senator Kent Conrad (D-ND) was so outraged that he urged President Bush to ask for the resignation of Secretary Veneman (whose spokeswoman claimed the Secretary knew nothing about the imports), adding that the public “deserved to know who may have benefited from favored treatment, and why.”<sup>27</sup> At the written request of U.S. Senators Tom Daschle (D-SD), Tom Harkin (D-IA) and Mark Dayton (D-MN), the USDA Inspector General agreed to review the agency’s authorization of the Canadian beef imports.

USDA’s wrong-headed BSE policies have put U.S. consumers at risk while jeopardizing the livelihood of ranchers. Despite the position of NCBA, it is not in the best interests of cattle producers to resist comprehensive testing or country-of-origin labeling. The domestic meat market may have stabilized after last year’s scares, but beef exports have plunged in the face of foreign skepticism about the safety of U.S. cattle. If USDA continues on its current course, there is a serious risk that a crisis of confidence will emerge in this country as well.

## THE USDA-FOOD INDUSTRY CONNECTION

USDA’s inclination to defend the interests of major meatpacking companies comes as no surprise when one considers the background of some of the Department’s key officials. USDA is overflowing with meat industry veterans.

- **DALE MOORE**, Secretary Veneman’s Chief of Staff, was previously the executive director for legislative affairs of the National Cattlemen’s Beef Association (NCBA).<sup>28</sup> After taking office Moore said he would recuse himself from matters involving his former employer, but it is unclear how far that position extends into meat safety issues and how diligent Moore has been in observing it.
- **DR. CHARLES “CHUCK” LAMBERT**, Deputy Under Secretary for Marketing and Regulatory Programs, spent more than 15 years in various positions at NCBA.<sup>29</sup> In a June 2003 Congressional hearing the former beef lobbyist was asked whether it was possible that a case of BSE could occur in the United States. He replied: “No, sir.” When asked whether

he would bet his job on that statement, he replied: “Yes, sir.” He later admitted to a reporter: “I overstated my case.”<sup>30</sup>

- **ALISA HARRISON**, USDA Director of Communications, was formerly executive director of public relations at NCBA.<sup>31</sup> Harrison has defended the BSE policy of USDA and Secretary Veneman to the press, and she was the spokesperson who tried to justify the Department’s position on the Creekstone Farms controversy. On the latter issue, Harrison made the following dubious statement: “We are looking at what the consensus of international experts is when it comes to testing, and that consensus is that 100 percent testing is not justified.”<sup>32</sup>
- **J.B. PENN**, Undersecretary for Farm and Foreign Agricultural Services, used to be a senior vice president of Sparks Companies, a consulting firm that works closely with the meat industry and other parts of agribusiness.<sup>33</sup> In April, Penn led a USDA delegation that went to Tokyo to try to reassure Japanese officials about the safety of U.S. beef. Penn strongly hinted that his aim was to persuade the Japanese that the 100 percent testing approach that Creekstone Farms wanted to pursue was not necessary. Speaking of planned follow-on negotiations, Penn told reporters: “I think part of what we’ll be discussing in these technical talks is, are there different ways to get to the same level of consumer safety, to the same assurance of a level of some consumer safety of beef?”<sup>34</sup>
- **MARY WATERS**, Assistant Secretary for Congressional Relations, used to serve as a Senior Director and Legislative Counsel for ConAgra Foods, which until 2002 was a major packing company for beef and pork.<sup>35</sup> In 2002 the company was forced to recall 19 million pounds of beef shipped from a plant in Colorado because of E.coli contamination.
- **SCOTT CHARBO**, Chief Information Officer, was formerly president of mPower3 Inc., a wholly-owned subsidiary of ConAgra Foods.<sup>36</sup> Secretary Veneman assigned Charbo responsibility for creating a national animal identification program to help deal with problems such as BSE. Charbo seemed to be downplaying the importance of the project. He stated: “It is important to note that no animal identification program by itself will prevent an introduction of animal disease, ensure safe food or prevent a recall.”<sup>37</sup>

It is difficult to avoid the conclusion that officials such as these are going out of their way to minimize the regulatory burden on their former employers in the beef industry, even in the face of marketplace and food safety threats as potentially disastrous as BSE. The industry mindset seems to be so ingrained that these officials have become oblivious to common sense or simple prudence.

## CASE STUDY: CAPTIVE SUPPLY IN MEATPACKING

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If Hasbro Inc., the current owner of the board game “Monopoly,” wanted to be up to date, it would bring out a new game called Monopsony. A monopoly, of course, is a situation in which a single seller dominates a market and thus can command an artificially high price. A monopsony is a situation in which a single buyer dominates the market for raw materials or wholesale goods and thus can compel suppliers to accept an artificially low price.

In the U.S. economy today, the increasing domination of certain industries by a small number of companies is moving those sectors in the direction of monopsony. One of the key examples of this phenomenon is meatpacking, where a handful of giant companies now wield enormous market power. Two of the most powerful are Tyson Foods (annual revenues: about \$25 billion) and Smithfield Foods (\$8 billion). After conquering the poultry business, Tyson bought IBP Inc. in 2001 and became the dominant player in beef, processing more than 12 million cattle a year. Thanks to a string of some 30 acquisitions over the past two decades, Smithfield is now the undisputed king of pork, processing about 20 million hogs a year. Excel Corp.—a subsidiary of Cargill Inc., a \$60 billion agribusiness conglomerate—is also a major force in beef and pork.

Tyson, Smithfield, Excel and the other major packers use their economic power to make sure they are buying livestock from ranchers and farmers on the most advantageous terms. Over the past few decades, they have increasingly done this by limiting their purchases in open markets (such as auctions) and instead have forced producers to enter into contracts well before animals are delivered. These contracts are weighted in favor of the packers. The result of these arrangements is that ranchers and farmers become captive suppliers and tend to receive less for their output than they would in a competitive market.

The danger of unchecked market power on the part of big meatpackers was recognized back in the early 20th Century. During the Woodrow Wilson Administration, the federal government took antitrust action against the leading companies, which in 1920 signed a consent decree to settle the case. Its provisions required the large packers to end their involvement in retailing and to divest their interests in public stockyards, railroad terminals and market outlets. Additional reforms were codified in 1921, when Congress passed the Packers and Stockyards Act. The main results of the Act were



**"GIPSA officials find it hard to think that packers could act in an anti-competitive manner, preferring to believe that economic forces or random factors are always the explanation for suspicious market trends."**



**"The government has sat by as the packing industry has steadily become more concentrated in fewer and fewer hands with greater and greater political clout."**

that packers could not apportion territories, that stockyards had to post their rates and that market agencies and brokers were subjected to rules barring unfair, discriminatory or deceptive practices.

The Act created the Packers and Stockyards Administration (PSA) within the Department of Agriculture. PSA was given authority to oversee matters such as prompt payment to livestock sellers, bonding of livestock buyers and accuracy of weighing equipment. It was also empowered to collect data on the industry and to investigate complaints of anti-competitive practices. PSA—which joined with the Federal Grain Inspection Service in 1994 to form the Grain Inspection, Packers and Stockyards Administration, or GIPSA—was authorized to bring administrative proceedings against parties that broke the rules, but it had to refer more serious matters to the Justice Department.

As meatpacking has grown ever more concentrated over the past few decades, groups representing family farmers and ranchers have been warning that the increased use of captive supply arrangements is undermining fair competition. Although this is an area in which GIPSA is mandated to act, the agency has been reluctant to do so. Instead, the agency focuses mostly on that part of its mission related to marketing. In its annual report for fiscal year 2003, GIPSA reports that, of the 1,522 investigations completed by the Packers and Stockyards Programs, only eight related to competition issues. In six of the eight cases, the agency found no violation had occurred.<sup>38</sup>

GIPSA has bent over backward to avoid the conclusion that packers are colluding to restrict competition. Noting allegations that packer behavior led to low hog prices at certain times or that packers deliberately refused to bid on cattle at certain times and places, a GIPSA report stated: "These circumstances do not necessarily suggest that firms are acting in concert to restrict competition and instead may be attributable to normal supply and demand forces, competitive bidding processes, or personal relationships that have developed over time between packers and livestock sellers."<sup>39</sup> In other words, GIPSA officials find it hard to think that packers could act in an anti-competitive manner, preferring to believe that economic forces or random factors are always the explanation for suspicious market trends.

GIPSA also adopts a sanguine approach toward the spread of captive supply arrangements. While acknowledging the concerns of family farm groups, the agency says that there are other observers who contend that captive supplies do not affect market prices and that they play a beneficial role. GIPSA avoids taking a strong position of its own by saying that "concerns about the possible effects of captive supplies are complicated by questions about the accuracy of publicly available captive supply statistics."<sup>40</sup>

The truth was put more bluntly in a New York Times editorial last February: “The government has sat by as the packing industry has steadily become more concentrated in fewer and fewer hands with greater and greater political clout.”<sup>41</sup>

With the failure of GIPSA to act against monopsony, family farm groups have sought relief in Congress and the courts. Both Republicans and Democrats from major cattle-producing states have introduced legislation that would bar some of the most unfair practices associated with captive supply arrangements. Prospects for the legislation in Congress are unclear.

As for court action, in February 2004 a federal jury in Alabama found that Tyson’s beef operation (the former IBP) was guilty of manipulating cattle prices by using illegal supply contracts. The jury awarded damages of about \$1.3 billion. The judge in the case (Pickett et al. v. Tyson Fresh Meats), who seemed to be leaning in favor of Tyson throughout the case, later threw out the verdict for technical reasons. His action is being appealed.

Despite being vacated, the jury’s verdict in the Pickett case helped to dramatize the problem of captive supply and gave an indication of how much economic damage is being done to small producers. It makes GIPSA’s failure to act all the more egregious.

## THE USDA-FOOD INDUSTRY CONNECTION

The Administrator of GIPSA is Donna Reifschneider. There is currently no biography of Reifschneider posted on the USDA website, but a press release issued when she was appointed in 2002 indicated that she was previously a member of the executive committee of the Meat Export Federation and, prior to that, president of the National Pork Producers Council.<sup>42</sup> The Federation and the Council are agribusiness trade associations that have not been critical of growing concentration in the meat industry. Reifschneider participated in a Council task force that came out against a ban on packer ownership.<sup>43</sup> Reifschneider’s family owns and operates a hog and grain farm in southern Illinois. In 2000 *Successful Farming* magazine reported that the Reifschneider farm was where multinational agribusiness giant Bunge Ltd. “had its main genetic nucleus herd.”<sup>44</sup>

GIPSA’s Deputy Administrator for Packers and Stockyards Programs, JoAnn Waterfield, does not come from an industry background, but she has apparently adopted much of the meat processing industry’s point of view. According to a September 2003 article in a publication of the Illinois Farm Bureau, Waterfield “recognizes packers enjoy the right to ‘grow their business.’ She emphasizes [that] neither livestock market concentration nor consolidation are prohibited under the agency’s guiding Packers and Stockyards Act.”<sup>45</sup> Speaking to a 2002 meeting of the National Cattlemen’s Beef Association, Waterfield made it sound like enforcement of the unfair competition provisions of the Packers and Stockyards Act was all but impossible, claiming that the Act provides “an extremely difficult threshold” to prove there is a violation.<sup>46</sup>

Apparently, GIPSA has given up trying.

# CASE STUDY: MEATPACKING INSPECTION POLICIES

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## THE PROBLEM

When social studies textbooks in the United States mention Upton Sinclair and his 1906 novel *The Jungle*, they give the impression that unsanitary conditions in meatpacking plants are a thing of the past. Yet there is evidence suggesting that, over the past two decades, the meat consumed by Americans has been getting increasingly dirty.

The consequences of tainted meat became quite apparent in 1992, when four children died and 500 people became ill as a result of eating hamburgers at Jack-in-the-Box restaurants that contained a virulent strain of *E. coli* bacteria. Then, in 1997, a Nebraska packing plant owned by Hudson Foods had to recall 25 million pounds of ground beef because of bacterial contamination.



**"Yet, as was documented in a report titled *The Jungle 2000* by Public Citizen and the Government Accountability Project, the adoption of HACCP served to weaken rather than strengthen the inspection process. The report, based on a survey of federal meat inspectors, concluded that, under HACCP, companies were gaining control of the inspection process and were letting dirtier meat get distributed to consumers."**

In the wake of the Jack-in-the-Box scandal, there was strong public pressure to tighten the meat inspection system, yet the industry had a different agenda. Meatpacking had become increasingly concentrated, dominated by a handful of corporations obsessed with maximum productivity in order to achieve maximum profits. These companies sought to replace the long-standing inspection regime, based on direct observation by federal employees, with a system that impinged less on output.

The industry united behind a system known as Hazard Analysis and Critical Control Point (HACCP), which was presented as a modern science-driven, risk-based approach. HACCP was not a new concept. It had been used in manufacturing since the 1970s and was supported by consumer groups with the understanding that it would supplement existing inspection procedures. There was thus no uproar in 1996 when the Clinton Administration adopted HACCP as federal policy for meat and poultry, with the new system to be phased in over several years.

Yet, as was documented in a report titled *The Jungle 2000* by Public Citizen and the Government Accountability Project, the

adoption of HACCP served to weaken rather than strengthen the inspection process.<sup>47</sup> The report, based on a survey of federal meat inspectors, concluded that, under HACCP, companies were gaining control of the inspection process and were letting dirtier meat get distributed to consumers. Inspectors, who joked that HACCP really stood for “Have A Cup of Coffee and Pray,” reported that they felt pressured to “let the system work” and not to shut down the line, even in cases of serious contamination.

Disturbing conclusions were also reached in a General Accounting Office report released in August 2002.<sup>48</sup> The GAO found that the USDA’s Food Safety and Inspection Service (FSIS) was not ensuring that all plants’ HACCP plans met regulatory requirements; that FSIS was not consistently identifying repeated violations; and that FSIS was not ensuring that plants took prompt and effective action to return to compliance after a HACCP violation had been identified.

The HACCP program was supposed to provide for comprehensive pathogen testing, yet what was put into effect was a requirement for routine microbial testing only for salmonella, with limited random testing for other pathogens. It was also left ambiguous as to whether government inspectors would have access to the results of testing done by the company. At the same time, HACCP has allowed meatpackers to rely on questionable procedures such as irradiation to deal with contamination, rather than preventing the problem in the first place. Irradiation serves only to mask sanitary problems in slaughterhouses, and the process forms new chemicals in food that are known or suspected carcinogens.<sup>49</sup>

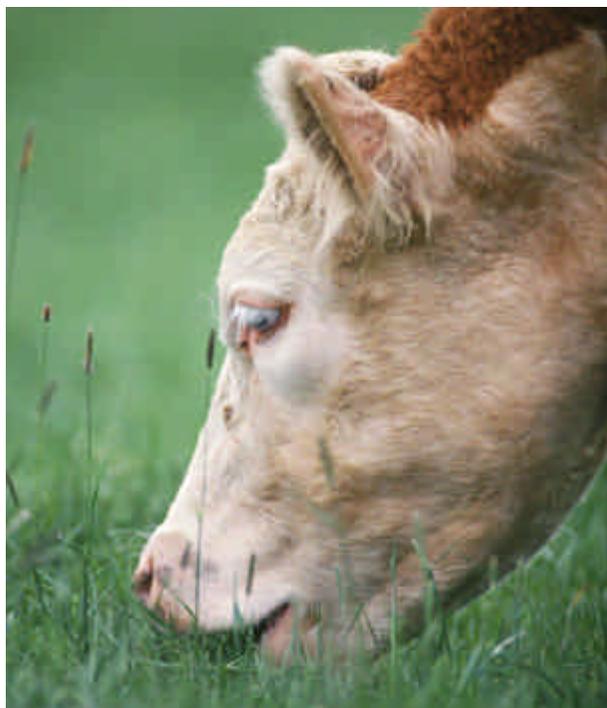
HACCP has now been fully implemented in processing (from carcass to package) but not in slaughter (from live animal to carcass.) FSIS is trying to implement HACCP in slaughter through something called the HACCP-based Inspection Models Project, or HIMP. As proposed by FSIS, the change would end the policy of having a government inspector examine every carcass, as mandated by the Federal Meat Inspection Act. The inspectors’ union sued the agency to stop this, and in response the agency reinstated an inspector at the end of the line to comply with the requirement of continuous government inspection. HIMP is currently in place as a pilot project, mostly in poultry plants with high line speeds.

Since HACCP was implemented, there have been several high-profile food safety problems. In 2002 ConAgra (where, as noted above, Mary Waters, USDA Assistant Secretary for Congressional Relations, used to work) was forced to recall 19 million pounds of beef shipped from a plant in Colorado because of E. coli contamination. Also in 2002, in the wake of several deaths and dozens of hospitalizations, Wampler Foods recalled more than 27 million pounds of cold cuts shipped from a plant in Pennsylvania because of listeria contamination. In the Wampler case, there were reports that inspectors had found dozens of violations in the months before the listeria outbreak, but “corrective actions were either not implemented or ineffective.”<sup>50</sup>

In the midst of these problems, the meat industry was praising USDA for putting a new emphasis on cooperation with industry. In December 2002, Dan Murphy, editor of the trade journal *Meat Marketing & Technology* (and later vice president of public affairs for the American Meat Institute), published an editorial in the magazine titled “A Regime Change at USDA?” In it he wrote that the people now running the main regulatory agencies at the Department were putting “emphasis on structuring regulations with the input of industry so that compliance is maximized and the benefits

of policy are realized.” He also approvingly noted that, in an address to the American Meat Institute, FSIS Administrator Garry McKee said one of his goals was to have a “healthy relationship” with industry.<sup>51</sup>

Increasingly, it appears that FSIS has surrendered its responsibilities over to industry and is willing to keep regulation as toothless as possible. According to Time magazine, the agency caved in to pressure from meat processors (and the White House) and substantially weakened a proposed listeria policy.<sup>52</sup> As with BSE, USDA is pursuing policies that endanger the integrity of the U.S. food system and the well-being of consumers.



**"Murano was a proponent of HACCP as well as an ardent supporter of the controversial practice of food irradiation, the meat industry's preferred method for dealing with pathogens."**

## THE USDA-FOOD INDUSTRY CONNECTION

The federal official most directly responsible for meat inspection policies is Dr. Elsa A. Murano, Under Secretary of Agriculture for Food Safety and the head of FSIS. On the surface, Murano's background is that of an academic.<sup>53</sup> She was on the faculty of Texas A&M University for six years, rising to the position of full professor. She also served as director of the Center for Food Safety within Texas A&M's Institute of Food Science and Engineering. Prior to her time at Texas A&M, Murano served as professor-in-charge of research programs at the Linear Accelerator Facility at Iowa State University.

What her official biography fails to mention is that, before taking office, Murano was a proponent of HACCP as well as an ardent supporter of the controversial practice of food irradiation, the meat industry's preferred method for dealing with pathogens. When Murano was nominated in July 2001, the Associated Press referred to her as an "irradiation advocate."<sup>54</sup> Nation's Restaurant News headlined its story "Bush Taps Irradiation Ally for Top Safety Post."<sup>55</sup> Public Citizen wrote a letter to Sen. Tom Harkin, then chairman of the Senate Agriculture Committee, pointing out that the program where she taught at Texas A&M had signed a 10-year research and development deal with Titan Corporation, a leading player in food irradiation through its creation of SureBeam Corporation.<sup>56</sup> The letter also cited statements from Murano downplaying the risks of irradiation and comparing it to microwaving, an entirely different process.

Since taking office, Murano has acted as a proponent both of HACCP and irradiation. For example, in May 2003 she addressed the First World Congress on Food Irradiation, praising irradiation as "an important tool in our fight against food-borne illness."<sup>57</sup>

Murano has been joined in her efforts on behalf of irradiation by her husband Peter Murano, who also performed industry-sponsored research on irradiation while an academic at Texas A&M and who was also brought into the Bush Administration.<sup>58</sup> He is Deputy Administrator for Special Nutrition Programs at USDA's Food and Nutrition Service, which gives him a position of influence over the National School Lunch Program. In May 2003, USDA lifted its ban on the use of irradiated ground beef in school lunches. Elsa Murano defended the move, telling reporters "when compared with conventional beef, the product's that irradiated is going to be safer, no question."<sup>59</sup> Murano and USDA proceeded with the irradiation plan despite what one trade publication called "a flood of angry comments...from parents denouncing" the proposal.<sup>60</sup>

To top things off, USDA announced last year that it was awarding a grant of \$185,000 to Texas A&M to help fund a National Center for Electron Beam Food Research, which was also getting \$10 million from SureBeam.<sup>61</sup> USDA also gave \$151,000 to the state of Minnesota for what was described as an irradiation education program in three school districts, but which critics called a pro-irradiation propaganda campaign.<sup>62</sup> USDA is not only encouraging the dubious practice of irradiation; it is subsidizing its development.

## CASE STUDY: BIOTECH FOODS

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### THE PROBLEM

May 10, 2004 may long be remembered as a major turning point in the fifteen-year battle over the introduction of genetically modified foods in the United States. On that day, Monsanto Company, the leading corporate proponent of agricultural biotechnology, announced that it was, in effect, abandoning the effort to sell genetically modified (GM) wheat. Although the company's press release didn't say so, the move was necessitated by strong opposition to GM wheat on the part of food processors, consumers and a significant number of farmers.

Now that Monsanto has faced up to the reality of the resistance to its line of business, the question is whether another leading cheerleader for biotechnology—the U.S. Department of Agriculture—will change its tune. USDA has been favorably disposed toward biotech at least since the first Bush Administration, when Ann Veneman (the current Secretary of Agriculture) announced in her capacity as Deputy Secretary that the Department would no longer regulate Calgene's FLAVR SAVR tomatoes, one of the first GM foods to enter the marketplace.<sup>63</sup> For a period of about a year between her first stint at USDA and her appointment as head of California's agriculture department, Veneman served on the board of Calgene, which was later taken over by Monsanto.<sup>64</sup>

Although at times he acknowledged the risks of forcing biotech on wary consumers, Clinton Administration Agriculture Secretary Dan Glickman did his best to promote genetic engineering. The St. Louis Post-Dispatch once referred to him as “one of biotechnology's leading boosters, admonishing reluctant Europeans not to stand in the way of progress.”<sup>65</sup> In an April 2000 speech to the Council for Biotechnology Information, Glickman stated: “I believe that biotechnology has enormous potential for consumers, for farmers, and for the millions of hungry and malnourished people in the developing world.”<sup>66</sup>

That same belief has been propounded by USDA since Ann Veneman was chosen to lead the Department by the current Bush Administration. Veneman took office only months after the discovery of unapproved Starlink GM corn in the food supply illustrated the shortcomings of the federal regulatory system for biotech. One of her Department's early acts was to commit to spending up to \$20 million to compensate seed companies for Starlink contamination. Echoing Dan Glickman, Veneman told a United Nations Food and Agriculture Organization conference in November 2001 that biotech “will reinvigorate productivity growth in food and agriculture production and make agriculture more environmentally sustainable.”<sup>67</sup>

In August 2002 Veneman lashed out against biotech opponents for supposedly influencing the decision of several countries in southern Africa to reject food aid that included GM corn. “It is disgraceful,” she said, “that instead of helping hungry people, these individuals and organizations are embarking on an irresponsible campaign to spread misinformation and create an atmosphere of fear, which had led countries in dire need of food to turn away safe, wholesome food.”<sup>68</sup>

Veneman joined with U.S. Trade Representative Robert Zoellick in pressuring the European Union to drop its ban on GM food, in effect instigating a major trade dispute over the issue at the

World Trade Organization. She also appointed an Advisory Committee on Biotechnology that excluded key anti-biotech farmers organizations.<sup>69</sup> In March 2003 the Washington Post revealed that USDA, which had made a show of fining ProdiGene Inc. for mishandling GM corn that tainted soybean supplies, was giving the company a \$3.5 million no-interest loan to help it pay for cleaning up the problem.<sup>70</sup>

USDA's promotion of biotech can also be seen in its use of federal funds to finance research on the highly controversial "terminator" technology, which helps biotech seed companies protect their intellectual property by rendering seeds sterile. This means farmers can no longer engage in the age-old practice of saving seed. Instead, they have to buy new seed every year—an especially harsh burden for farmers in poor countries.

The Department has also taken a biotech-friendly approach in its oversight of genetic engineering test plots. According to a study by the U.S. Public Interest Research Group, from 1987 through 2002, USDA authorized 15,461 field releases of genetically engineered organisms on 39,660 field test sites spanning 482,226 acres. USDA rejected only 3.5 percent of applications, and those were denied for reasons such as incomplete applications or other minor paperwork errors. USDA largely operates under a notification process, where developers just let the agency know they are conducting a field trial. There is very little oversight or monitoring.<sup>71</sup> A similarly lackadaisical approach to regulation on the part of USDA can be seen with regard to the growing field of biopharmaceuticals. This controversial practice of using crops to grow drugs creates risks that nearby plants could be contaminated and thereby expose consumers to unwanted drugs.<sup>72</sup>

For U.S. farmers, a major consequence of the spread of biotech is a loss of export markets. For example, the U.S. share of corn exports in Europe went from 82 percent in 1994-95, before GM corn was first adopted in the U.S., to 0 percent in 2003-2004. Instead of helping farmers, the introduction of GM corn has cost the U.S. taxpayers hundreds of millions of dollars in additional farm program expenses, contributed to a collapse in the price American farmers receive for corn and has cost U.S. corn farmer billions of dollars (an estimated \$15 billion in 2004 alone) because of lost exports to Europe and other countries over the last 10 years.

While farmers are paying an economic price, USDA is allowing U.S. consumers to be turned into a vast pool of unwitting test subjects for the biotech industry's questionable agenda for transforming agriculture.



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## THE USDA-FOOD INDUSTRY CONNECTION

USDA's promotion of biotechnology has been displayed at the highest level of the Department, including Agriculture Secretary Ann Veneman, who, as noted above, once served as the director of a biotech company. Other key USDA officials also have ties to the biotech industry. For example,



**"While farmers are paying an economic price, USDA is allowing U.S. consumers to be turned into a vast pool of unwitting test subjects for the biotech industry's questionable agenda for transforming agriculture."**

- **NEIL HOFFMAN**, the Biotechnology Regulatory Services Director of USDA's Animal and Plant Health Inspection Service (APHIS), formerly served as a researcher at the biotech firm Paradigm Genetics Inc.<sup>73</sup>
- **DAVID HEGWOOD**, Counsel to the Secretary of Agriculture, formerly worked at the Washington, DC law firm, O'Mara & Associates, where he advised clients in international trade issues related to biotechnology.<sup>74</sup>
- **NANCY BRYSON**, USDA's general counsel, was a partner in the Washington, D.C. office of the law firm of Crowell & Moring, where she advised clients on biotechnology product approval and regulations and served as the co-chair of Crowell & Moring's biotechnologies practice.<sup>75</sup>

There are also cases of federal officials' leaving USDA to work for the biotech industry and its representatives. Chief among these is former USDA Secretary Dan Glickman, who went to work for Akin Gump Strauss Hauer & Feld, one of the major lobbying and law firms in Washington, where he was to advise corporate clients on a variety of issues including biotechnology.<sup>76</sup>

Attorney Andrew C. Fish, a former Assistant Secretary at USDA during the Clinton Administration, joined the Government Affairs Practice Group at the law firm of Downs Rachlin Martin PLLC, where his areas of focus included biotechnology.<sup>77</sup>

When it comes to biotechnology, the movement between government and industry is truly a revolving door.

## CASE STUDY: CONCENTRATED ANIMAL FEEDING OPERATIONS AND EQIP

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### THE PROBLEM

Among the biggest sources of agricultural pollution in the United States are concentrated animal feeding operations. CAFOs are livestock facilities that house and feed 1,000 or more animal units in a confined area. These large factory farms are not capable of efficiently disposing of the enormous amounts of manure they create. Current practices such as storing waste in giant open air lagoons and spraying liquefied manure in adjacent fields create serious public health and environmental hazards.

These problems were well documented in a June 2001 peer-reviewed study issued by Iowa State University and the University of Iowa.<sup>78</sup> Among these were high rates of respiratory disease and dysfunction among workers exposed to the gases, particulates and vapors produced in CAFOs; possibly fatal asphyxia and respiratory arrest from very high levels of exposure to the hydrogen sulfide generated by CAFOs; reemergence of antibiotic-resistant microorganisms; and negative impacts on ecosystems from leakage or rupture of manure lagoons.

CAFOs have been promoted by USDA with little or no regard to their environmental or public health consequences—or the fact that the growth of factory farms helps to accelerate agribusiness concentration. As the number of CAFOs proliferated and research provided conclusive evidence about their negative impacts, USDA, instead of safeguarding the public interest and promoting appropriate production technologies, has pursued the misguided policy of using conservation dollars out of its Environmental Quality Incentives Program (EQIP) to subsidize CAFOs' attempts to solve their manure problems.

EQIP was first enacted as part of the 1996 Farm Bill with \$1.4 billion in funding. It is a voluntary USDA conservation program administered by the Natural Resources Conservation Service (NRCS) that provides subsidies to farmers, ranchers and livestock producers to treat soil, water and related natural resource problems. Under the 1996 law, animal waste storage structures for CAFOs were ineligible for EQIP funding. The program, according to experts, worked reasonably well in support of farm conservation efforts.



COURTESY NRCS

**"CAFOs have been promoted by USDA with little or no regard to their environmental or public health consequences—or the fact that the growth of factory farms helps to accelerate agribusiness concentration."**

Under the 2002 Farm Bill, with authorized funding of \$6.1 billion over six years, EQIP is the second largest conservation program in the history of U.S agriculture. This unprecedented increase in funding could have been a great opportunity to expand sustainable livestock conservation practices. Instead, CAFOs were made eligible for EQIP funding, the yearly payment limit of \$10,000 per farm was eliminated, and the overall payment limitation increased nine-fold from \$50,000 to \$450,000, all of which skewed funding in favor of large-scale operations. Congress declined to pass safeguards that would have kept taxpayer money from subsidizing new or expanding CAFOs. Both the National Pork Producers Council and the National Cattlemen's Beef Association testified at Congressional hearings in support of EQIP funding for CAFOs.

Agriculture Secretary Veneman has repeatedly stated that the changes in EQIP under the 2002 Farm Bill would help farmers and ranchers live up to higher environmental standards, encourage conservation and enhance their ability to protect wetlands and water quality. But despite the increase in funding under the 2002 bill, it appears that the total number of farms and ranches benefiting from EQIP has not increased.<sup>79</sup> Instead, more of the money is apparently going to CAFOs and other large-scale operations, which use capital-intensive structures and equipment. For example, USDA is encouraging the adoption of anaerobic methane digesters, which decompose manure to produce energy. Methane digesters are considered feasible only if they are subsidized. Such incentives would come from EQIP.



**"EPA and USDA have both shown an unwillingness to confront factory farm interests and have instead allowed the EQIP conservation program to be twisted into a CAFO promotion program. This helps to hasten the decline of family farms and increasingly subjects Americans to the environmental disaster of factory farms."**

According to Dr. William J. Weida, a prominent rural economist, "Subsidizing anaerobic digesters diverts EQIP funds to support a technology that will only encourage factory farms to continue producing unsustainable amounts of manure and pollution. What they should do is eliminate environmental damage from excessive animal waste, and the only viable way to do that is to reduce the size of factory farms and utilize EQIP funds for true environmental restoration."<sup>80</sup> Methane digesters also emit ammonia at rates that exceed industrial pollution standards and result in increases in greenhouse gases in the atmosphere, according to a recent study by the National Academy of Sciences.<sup>81</sup>

Federal policy on CAFOs is also under the purview of the Environmental Protection Agency. EPA first began to regulate CAFOs in the 1970s. At the time, compliance with waste-storage and waste-disposal was voluntary. In February 2003, the EPA published the final Clean Water Act regulation for CAFOs and large-scale livestock operations. The EPA rule was in response to a lawsuit aimed at getting the agency to implement and enforce a 30-year-old provision to regulate CAFOs as a point source of pollution. A majority of CAFOs in the country operate without permits because of lack of enforcement.<sup>82</sup>

The proposed rule for EQIP was published around the same time in February 2003. At issue was what relationship, if any, EPA should establish between the \$6.1 billion program and its CAFO regulations. Critics charged that the changes to EQIP that assisted CAFO owners increased the risks of environmental damage by encouraging the use of large-scale waste-treatment structures. They also argued that opening EQIP to CAFOs to assist in complying with EPA regulations was unnecessary because CAFOs should have to pay to manage their waste without federal assistance.

The ties between EPA and factory farm interests were made clear in a recent article in the Chicago Tribune. The newspaper, citing documents obtained by the Sierra Club through a Freedom of Information Act request, reported that a slide show being used by EPA to explain farm pollution issues was based on material prepared by the National Pork Producers Council.<sup>83</sup>

EPA and USDA have both shown an unwillingness to confront factory farm interests and have instead allowed the EQIP conservation program to be twisted into a CAFO promotion program. This helps to hasten the decline of family farms and increasingly subjects Americans to the environmental disaster of factory farms.

## THE USDA-FOOD INDUSTRY CONNECTION

The Natural Resources Conservation Service, the USDA agency that administers EQIP, is headed by Bruce Knight, who previously worked for agricultural producer groups such as the National Corn Growers Association (NCGA) and the National Association of Wheat Growers (NAWG).<sup>84</sup> These groups have strong ties to corporate agribusiness. NCGA gets about 13 percent of its revenue from industry.<sup>85</sup> Among the corporations identified on the association's website as "helping the NCGA" are Archer Daniels Midland, Bunge North America and DuPont.<sup>86</sup> The website of NAWG lists Industry Partners such as DuPont, Dow Agrosiences and Monsanto.<sup>87</sup>

The official who oversees the day-to-day activities of USDA, Deputy Secretary James R. Moseley, has been described by the Chicago Tribune as "a champion of industrial-style hog production."<sup>88</sup> Before taking office, he was a partner in Infinity Pork LLC, an Indiana CAFO that raised 50,000 hogs annually.<sup>89</sup>

This is in addition to the USDA officials – including GIPSA Administrator Donna Reifschneider and Eric Hentges, head of the Center for Nutrition Policy and Promotion – who used to work for the National Pork Producers Council, which is essentially a trade association for factory hog farms.<sup>90</sup>

Here, too, there is no presence of officials who might be more inclined to promote sustainable agriculture, family farms and the real interests of American consumers. This and the preceding case studies are some of the more significant—but hardly the only—areas in which USDA policymaking has been hijacked by the food industry. Principles of public health, environmental protection, fair competition and simple common sense have been thrown out in favor of policies that play to the short-term, narrow interests of the big producers and major processors. More and more, USDA now seems to stand for U.S. Department of Agribusiness.

## NEXT STEPS: TOWARD A SHAREHOLDER REVOLT AT USDA INC.

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BY PETER O'DRISCOLL, CENTER OF CONCERN

This paper details a pattern of preference and exclusion in decision-making at USDA. Time and again, the agency has championed the interests of a narrow group of powerful food industry groups, at the expense of many other constituencies with legitimate interests in U.S. food and agriculture policy. Revolving door appointments of industry executives and their allies to key regulatory and promotional roles at USDA go a long way toward explaining how the “people’s department” has been hijacked by Big Agribusiness.

Stakeholders in the food system include farmers of all sizes; rural communities that depend on the farm economy; agricultural and food processing workers; environmentalists concerned about the sustainability of the food system; and tax-paying consumers who depend on it for safe, nutritious and affordable food. The companies that provide inputs for the food system, process farm products and sell them to consumers are also legitimate stakeholders.



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**"Therefore, a much-needed reappraisal of ethics rules across federal agencies, including "cooling-off" periods between government and industry roles as well as incoming and outgoing ethics pledges from political appointees, must include attention to the particular conflicts of interest generated when industry leaders become policymakers."**

But even as industry consolidation leaves the fate of the agri-food system in the hands of a few transnational conglomerates with tremendous economic and political power, there is no justification for allowing the voice of Big Agribusiness to drown out all others in the formulation of food policy. The foregoing case studies show that the food industry’s interests have routinely prevailed over those of other stakeholders in key decisions regarding how USDA fulfills its role of promoting the farm economy, developing export markets, ensuring rural development and regulating the safety and competitiveness of the food system.

In a well-functioning democracy, agency appointees should be creating opportunities for meaningful participation for all stakeholders in the policy formulation process. Their job is to balance consumers’ need for safe, affordable, accessible food with farmers’ desire for fair, competitive markets and with the corporate quest for profit. USDA should gather input from all these constituencies and propose programs and regulations on food safety standards, disclosure and labeling require-

ments, environmental impact, animal welfare, marketing, subsidy and trade policies—that best serve the rights and needs of consumers, farmers, food workers, companies, and the environment.

Instead, thanks to the revolving door, food industry advocates at USDA block consumer and environmental regulations they don't like, stave off antitrust enforcement as oligopoly power grows, and push international trade and domestic farm policies that guarantee Big Agribusiness cheap inputs at taxpayer expense. Far from balancing competing stakeholder interests, USDA consistently advances the policy prescriptions of the biggest players in the food industry. This paper seeks to generate progress along four broad axes in order to end the industry stranglehold on USDA and to promote more balanced formulation of food policy:

## I. OVERHAUL AND ENFORCE FEDERAL ETHICS RULES REGARDING APPARENT CONFLICTS OF INTEREST

Like other federal agencies, USDA employees are subject to both administrative and criminal penalties if they are deemed to have violated ethics rules in the performance of their official duties. Appropriately, substantial proof is required for criminal prosecution under Title 18 of the United States Code, which relates to bribery, graft and conflicts of interest.<sup>91</sup> However, federal appointees are also subject to “Standards of Ethical Conduct,” published by the Office of Government Ethics, which address the issue of “Impartiality in Performing Official Duties.” These standards establish a lower threshold for identifying conflict of interest, stipulating that agency employees “shouldn't participate in particular matters involving specific parties that are likely to affect the financial interests of... prospective/former employers [and] outside associations in which [they] are active or principal... where a reasonable person might question [their] impartiality.”<sup>92</sup>

By this standard, many of the key appointees mentioned in the foregoing case studies should recuse themselves from USDA policy making on issues from food safety to biotechnology, because their associations with former employers in the industry would lead any reasonable person to question their impartiality. As detailed above, Dale Moore promised to recuse himself from matters relating to the National Cattleman's Beef Association. But such recusals by themselves do not solve the problem of excessive industry influence. There is little evidence that top USDA officials have been subject to administrative sanction for the apparent conflicts in these case studies.

In its excellent report on revolving door issues at the Department of Defense,<sup>93</sup> the Project on Government Oversight (POGO) sheds important light on why ethics rules are so poorly enforced: they are rife with loopholes, exemptions and complexities that require significant legal expertise to disentangle. POGO illustrates how enforcement of revolving door ethics violations across the federal government has declined over the past eight years, and offers thirteen very specific recommendations for tightening the rules framework.<sup>94</sup> This paper applauds and supports those recommendations.

Spurred by scandals at the Pentagon, Senator Robert Byrd (D-WV) recently sought to introduce legislative curbs on federal appointees who work with government contractors,<sup>95</sup> while Senator John McCain (R-AZ) plans hearings on revolving door issues in July.<sup>96</sup> However, it is important to point out one major difference between revolving door appointments at the Pentagon and at USDA. Concern at the Department of Defense has centered on procurement officers, often with military

backgrounds, who accept lucrative jobs with the very firms whose defense contracts they managed. In such cases, the door revolves from government service to industry.

This has allowed some observers to suggest that the revolving door may be a positive phenomenon, because career civil servants imbued with patriotism, discipline and ethical rectitude would not seek to defraud the government for their own personal gain, and would instead use their knowledge and experience of the system to enhance efficiency. But that argument weakens when the revolving door swings the other way, from industry to government, as in the case studies at USDA. Executives with long experience in the private sector often bring with them to public service an ideological aversion to regulation, which in turn colors their attitudes about their policy options.

Therefore, a much-needed reappraisal of ethics rules across federal agencies, including “cooling-off” periods between government and industry roles as well as incoming and outgoing ethics pledges from political appointees, must include attention to the particular conflicts of interest generated when industry leaders become policymakers.

## 2. INCREASE CONGRESSIONAL OVERSIGHT FOR REGULATORY APPOINTEES

The executive branch of government is empowered by the constitution to nominate “high government officials,” but their final appointment is contingent on the “advice and consent of the Senate.”<sup>97</sup> Most of the former food industry executives and lobbyists named in the case studies in this report were confirmed in their roles without much apparent attention to the potential for conflict of interest as they set out to regulate the companies they had so recently left (and to which most will likely return). Senators may have been swayed by the argument that those who understand the food industry from the inside will be best placed to oversee it from regulatory posts in USDA.

But corporate executives and lobbyists are by no means the only—or even the best—qualified candidates for management jobs in food policy. Family farm organizations and producer groups that are not directly tied to food companies also understand the system intimately. Public interest and consumer groups are well versed in law and policy surrounding American agriculture. With regard to conservation policy and assessment of ecological impacts, non-profit environmental organizations have demonstrated that they are at least as technically adept on issues of substance as food company lobbyists. Finally, there are many academic experts on regulatory policy who could guide USDA without leading reasonable people to question their impartiality.

In reviewing presidential nominees to key roles at USDA, the Senate should use its “advice and consent” mandate to demand that top officials at the agency reflect the diversity of talents and experience necessary for balanced decision-making. Congressional committees with oversight responsibilities for the food and agriculture system should also pay closer attention to potential conflicts of interest among appointees with ties to the food industry. This need for scrutiny extends to the composition of various USDA “advisory committees” on agriculture policy, which are typically stacked with corporate leaders and representatives from industry-linked producer groups, but rarely include other stakeholder groups.

Along with reform of relevant ethics rules, the best way to limit the damaging influence of revolving door appointments at USDA is to make sure that all legitimate stakeholder interests are repre-

sented in the policy process. Congress can ensure progress in this direction through support for procedures to broaden participation in the debate on food policy, such as recent advances in “e-rule-making,” the electronic gathering and processing of input on regulatory proposals.<sup>98</sup> But such measures are no substitute for ensuring balanced stakeholder representation among USDA appointees.

### 3. RECONSIDER THE COMPATIBILITY OF USDA’S PROMOTIONAL ROLE WITH ITS REGULATORY FUNCTION

Many observers believe that there is an inherent contradiction between USDA’s mandate to promote American agricultural products and its duty to regulate food safety and guarantee fair competition. Given that USDA performs both promotional and regulatory functions, the agency must continually work for a balanced approach. But when revolving door appointments of industry insiders predispose the agency to promote the interests of Big Agribusiness at the expense of public health, major problems arise.

Senator Peter Fitzgerald (R-IL) was so concerned about USDA funding for a Pizza Hut promotion to increase cheese consumption that he opined in a September 2003 hearing on nutritional guidelines that “putting the USDA in charge of dietary advice is in some respects like putting the fox in charge of the henhouse.”<sup>99</sup> Fitzgerald suggested that it might be necessary to move some of USDA’s regulatory responsibilities into other federal agencies that are “less likely to be cozy with farm groups and the food companies.”

Bureaucratic reorganization of a federal agency as large as USDA would certainly be a complex and expensive process, potentially plagued by unintended consequences. Yet pressure is building from several quarters to restructure USDA’s role, driven by concerns about its ability to guarantee food safety amidst indications that maintaining the food industry’s profit margin is a higher agency priority. For example, General Accounting Office testimony before the House Committee on Government Reform this past March recommended a fundamental overhaul of food safety legislation and the creation of an independent food safety agency.<sup>100</sup>

Public interest groups take varying positions on the wisdom of creating a separate food safety agency. In the context of concerns raised in this paper, one critique of the idea is particularly compelling: what safeguards would be put in place to prevent the hijacking of the new agency by food industry appointees? Further discussion and debate on institutional reform at USDA should certainly be encouraged, to ensure that the agency’s key responsibilities are carried out as effectively as possible.

But that debate must place a strong emphasis on the need to guarantee balanced participation from all legitimate stakeholders in the formulation of food and agriculture policy. Such participation can only be guaranteed by measures that close the revolving door and limit the disproportionate appointment of food industry advocates to key USDA positions.



**"But there is still time for the majority shareholders in this enterprise—taxpayers, consumers, farmers and proponents of a fair, safe and sustainable food system—to replace the *de facto* board of industry-friendly directors with representatives from all appropriate constituencies. It's time for a shareholder revolt at USDA Inc."**

investigative journalists and other members of the media, to further document revolving door industry influence at USDA. Groups should also work together to develop proposals to remedy the situation. Concerned members of Congress can also encourage the General Accounting Office and other government investigators to look more closely at the apparent conflicts of interest raised by the industry links of key appointees.

Dominant agri-food companies have legitimate interests in USDA policy, but their objectives must not be allowed to violate the rights or drown out the voices of other key constituencies. Big Agribusiness has used the appointment of food industry executives and advocates to turn the "people's department" into "USDA Inc." And as long as the food industry monopolizes the debate, there is little prospect of meaningful reform in farm and agricultural trade policy, or movement toward a more sustainable food system.

But there is still time for the majority shareholders in this enterprise—taxpayers, consumers, farmers and proponents of a fair, safe and sustainable food system—to replace the *de facto* board of industry-friendly directors with representatives from all appropriate constituencies. It's time for a shareholder revolt at USDA Inc.

#### 4. INVESTIGATE SPECIFIC REVOLVING DOOR CONFLICTS OF INTEREST

This report seeks to "connect the dots" and expose an overall pattern of industry influence and its consequences for other stakeholders in the food and agriculture system, by compiling and reviewing a series of major food policy decisions at USDA over the past decade, under administrations of both major parties. But the report is by no means a definitive or final statement on the matter. There is much more digging to be done to detail the specific mechanisms through which food companies and trade associations use campaign contributions and other forms of influence to guarantee themselves a seat on the board of directors of "USDA Inc." Such research will involve use of the Freedom of Information Act to request documentation of meetings between industry advocates and USDA officials, and more in-depth analysis of specific decisions than is possible within the limits of an introductory report.

The public interest organizations that collaborated in the production and release of this paper call on like-minded colleagues, as well as inves-

# ENDNOTES

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## NEXT STEPS

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