

Cargill, Inc.

March 2001

Cargill Inc - 'The Invisible Giant'

The animal feed lifeline

Cargill- the great obstacle to a GM free Europe

Hope for a GM free future

"In the world of capitalist business, the use of power has one primary objective: the accumulation of capital and with it more power. Cargill, Incorporated is a shining example of a corporation successfully using power to accumulate capital, the while shaping the global future of agriculture and eating practices of people around the world". Brewster Kneen (1995) 'The Invisible Giant and its transnational strategies'.

This briefing intends to outline the shenanigans of Cargill, Inc, the world's largest privately-owned corporation and to detail how this huge totally unaccountable multinational, determines the food which millions of people around the world eat daily, including you and me. The main focus, however, will be Cargill's involvement in promoting genetically modified (GM) crops and providing a lifeline to the troubled Biotech Industry through continuing to import GM animal feed into the UK.

Much of the information about Cargill's involvement in promoting genetically engineered crops is taken from Corporate Watch's briefing 'Control Freaks' which gives a more detailed economic analysis of the international trade in GM crops focusing on the two major players in importing GM soya and maize into the UK, Cargill and ADM. There are also two individual briefings available which profile these companies. This short briefing aims to be a shameless rant against a little-known and dangerous multinational which represents everything that is bad about 'economic globalisation'.

Cargill Inc- 'The Invisible Giant'

Cargill, Inc. is a large American Multinational Corporation based in Minnesota, USA. With annual sales in 1999 of around \$50 billion, they are the 3rd largest food and drink corporation in the US, the 3rd largest in Europe and the largest in South America and Asia. Overall they have facilities in 59 countries and operate in 130 others.

As a privately-owned corporation, the company is almost entirely owned by around 80 members of the Cargill and MacMillan families. Being privately owned, it is also not generally required to disclose any financial information such as its profits or executive salaries.

Whilst Cargill likes to portray itself as a family-run farm business, it is predominantly a commodities broker. The commodities it deals in include wheat, soybeans, oilseeds, sugar, cocoa, maize, cotton, seeds (until recently) and financial services. It essentially buys and sells food and other commodities aiming to get the best price for itself. Cargill also owns related businesses such as food processors and manufacturers, transportation services, feed and fertiliser producers, rubber and petroleum, steel making and steel products. It also provides consultancy, management and technical assistance services in all aspects of agricultural and agribusiness development to farmers and government agencies. It is very involved with online trading (see p. 9 of CW briefing on Cargill for internet addresses).

As largest grain handler in the world, its nearest rival being Archer Daniels Midland (ADM), Cargill controls around a quarter of the world's grain production. This gives it huge economic power. It consolidated this position in 1998/9 by buying the grain handling business of Continental Grain, its second largest rival after ADM. It can play farmers around the world off against each other, forcing them to lower their selling price. They do this by flooding markets or else have ships full of grain on the high seas for weeks on end forcing a shortage and thus a better price. They even have their own satellites which predict where in the world there may be drought or bountiful harvests. This manipulation of supply can cause untold hardship to farmers and rural communities. Meanwhile, Cargill's power over food processors and retailers allows it to set the selling prices and dictate the nature of the product.

Not satisfied with their virtual monopoly in the grain trade which has been heavily subsidised by the US government since the 1950's and now dominates the world's market, it has moved into monopolising the meat processing industry and the North American salt market.

Cargill has been at the forefront of promoting free trade and deregulation worldwide, consistently claiming that a globalised system of agriculture promotes local food security. In reality, globalisation encourages industrialised agriculture, and forces farmers to become reliant on chemical inputs, corporate supplied seeds and the vagaries of world market prices with all the attendant social and ecological costs. This, of course, is in Cargill's financial interests. Globalisation also allows Cargill to channel most of its profit through its commodities trading arm, Tradax International, based in Panama, a tax haven, thus avoiding taxation.

Founded in 1865, Cargill has a long established and cosy relationship to the US government which is part of the reason why the US government has consistently promoted Cargill's interests at trade negotiations. One of the many shocking 'revolving doors' include Daniel Amstutz a former Cargill assistant vice president and president of Cargill Investor Services during the 1970's, who during the 1980's was chief US negotiator on Agriculture in the GATT negotiations. He has since worked as a consultant for Cargill. Former Cargill Chairman and CEO, Ernest Micek was on Clinton's President's Export Council, which advises on how government policies and programmes affect US trade performance. He also accompanied Clinton on a visit to Africa in 1998 during discussions on the African Growth and Opportunity Act.

As an investor in Developing Countries, Cargill has received World Bank and IMF loans. It has also won contracts from the US government to provide grain for its Food for Peace Aid programme, as well as overseas emergency relief. This has helped Cargill shift its surpluses which in recent years, have included unlabelled GM crops. It has also gained Cargill strategic entry into new markets.

Cargill is part of many lobbying groups including the Emergency Committee for American Trade (ECAT) and the Business Round Table. Its lobbying efforts have been so successful that during the World Food Conference in 1996, the US government refused to sign the common statement that having a secure source of food was a human right!

Cargill Inc has an abysmal environmental record. This is not only due to major chemical spillages into rivers, but also due to the destruction caused by its major grain ports and terminals. In Bolivia, the Pantanal, the world's largest remaining wetlands ecosystem is under threat from massive dredging carried out at the grain port of Puerto Aguirre. Cargill will also potentially be involved in the massive development of the Amazon delta that will cause untold destruction to the rainforests. Other corporate crimes include undermining unions, forcing casualisation, price fixing and seed control. From Venezuela to India, their behaviour has caused mass public protest. The Karnataka Farmers Union (KRRS) have targeted Cargill for misinformation and seed patenting.

Cargill hates to be exposed to the light. Whilst the Life Science Industry was getting excited about the synergies between developing GM seeds and consolidating their hold on agrochemicals and seed companies, Cargill decided to sell off its global seeds interests, though it claims this was because it did not have sufficient expertise in the seed market to compete. Its operating style is neatly summed up in its 1979 nine 'strategic basic beliefs', including:

- "It is important to have market dominance / leadership in business
- The world is our oyster
- We will maintain a low public profile. "

The animal feed lifeline

Many in Britain feel that with the mandatory labelling and mass supermarket rejection of GM foods, the battle has been won. They couldn't be more wrong. Unlike human foods, animal feed does not have to be labelled, this also means that the produce from animals- meat, poultry

and dairy, is currently unlabelled and freely being sold in the supermarkets, butchers and even by the milkman.

Roughly three-quarters of the world's genetically modified (GM) crops are used in animal feeds. It was no accident that the first GM crops to be grown commercially, soya and maize, are mainly used for this purpose. Because it is unlabelled and the consumer is unaware, animal feed is the Biotech industries' lifeline. As a result of the continued use of GM crops in animal feeds, Monsanto, Aventis and Syngenta, and the other biotech companies, have not significantly suffered a loss in seed sales, as farmers continue to grow for a secured market.

The biotech industry has plans to win over the public with a new wave of consumer and manufacturer oriented GM crops in 3-7 years' time (see below). In the meantime, it just needs to weather the storm, while keeping its income flowing in from GM animal feed.

Cargill- the great obstacle to a GM free Europe

Since only about 5% of the entire US crop of soya and maize is used in human food and this is the only part which has to be labelled, this is also the only part which the suppliers have to guarantee as GM-free. The top three grain distributors and primary processors, Cargill, ADM and Zeh Noh now control 81% of maize exports and 65% of soyabean exports. It is, therefore, at their whim that a ready source of GM-free animal feed can be made available.

Initially Cargill refused to supply non-GM crops at all. Under strong pressure from its food company customers, Cargill is now supplying non-GM crops, but only a small amount. These non-GM or 'identity preserved' (IP) crops are handled, transported and processed through specialist channels which are specially cleaned before and after use to avoid contamination. This process has made IP crops more expensive than the GM crop which is considered the 'bulk commodity'. Cargill knows that consumers in Europe are reluctant to pay extra for their food to be non-GM.

All the major UK supermarkets, since Autumn 1999, have attempted to stop the use of GM feed in the production of their meat and dairy products, yet have made very little progress. Over a year on, some supermarkets stock one or two non-GM feed lines; most claim to be still in discussion with their suppliers. Even Iceland, which has gone the furthest to guarantee its animals are not fed on GM-feed has said that its suppliers have had difficulty obtaining non-GM feed and had to buy 10,000 tonnes of non-GM soya meal itself to sell to its meat producers.

Cargill and ADM have provided the biggest block to achieving sufficient quantities of non-GM crops. Like Monsanto and the other biotech seed companies, Cargill believes that public concern over GMOs will calm down within a few years. By being patient and continuing to insist on supplying GM crops it could be in an excellent position when the controversy blows over. Meanwhile they are making a tidy profit by only handling small quantities of non-GM crop in specialist channels. According to Dan Dye, Vice President of Cargill's North American Grain Group, "The biotech debate has made the job ... more challenging and more complex in the short term. But I believe the market ultimately will sort out the signals. We just need to keep our heads".

The Second Generation appertiser (By second generation we mean crops with 'output traits' i.e. advantages for the manufacturer or consumer. For example, Monsanto's potato which will absorb less fat when fried or DuPont's less 'beany' tasting soyabean.) Cargill has a joint venture with Monsanto called Renessen, which claims that by 2003, maize, soya and wheat for animal feed will be genetically engineered with traits to enhance animal nutritional content and make processing easier. Cargill hope to use genetic modification to extend its control over the supply chain. The ultimate vision is a multi- modified seed modified to work with (and only with) Monsanto pesticide and Cargill fertiliser, containing all the vitamins, proteins, nutrients and antibiotics necessary for poultry feed and also potentially modified solely for use in Cargill's meat or poultry operations. Farmers will have to meet the Cargill specifications or else find themselves unable to sell them the grain.

Hope for a GM free future

Currently GM and non-GM grains are handled separately. Non-GM grains are handled through specialist channels, which makes them more expensive, and GM grains which are the bulk commodity are cheaper because sent through the main channels, so that they benefit from economies of scale.

In the UK, many supermarkets and the big meat and poultry manufacturers who rely on a majority of the grain imported into the UK have made positive noises about GM-free dairy and meat products. Cargill and ADM, however, are making a ready supply of cheap GM-free animal feed elusive and expensive. There are, however, limits to Cargill's ability to obstruct the market. If the major supermarkets and food manufacturers, e.g. Bernard Matthews, insist on going GM-free, Cargill will have little choice but to make GM-free crops into the bulk commodity rather than loose market share to its smaller rivals. It is likely if one supermarket goes GM free, especially Tesco's, other supermarkets all across will jump on the bandwagon following the marketing opportunity. Cargill's strategy has already suffered a blow when its own UK meat processing subsidiary, Sun Valley, declared its intention to go GM-free as a result of pressure from its major customers, including McDonalds.

Such a move will make GM crops more expensive to supply, and since it is unlikely that companies in the UK will demand GM crops, probably kill the market here. This will impact up the supply chain, as farmer's planting decisions depend very much on what Cargill and ADM say and do. This will in turn impact on the big Biotech companies and the voracity with which they are able to push GM crops around the world. Cargill may well be forced to bend to the market forces that they claim to hold in such high regard.

All of these publications can be seen on the website

www.gm-info.org.uk

along with interactive maps of where GM crops and foods are handled in the UK, plus campaign contacts and ideas for action.

Alternatively, order the publications from:

Corporate Watch 16b Cherwell Street, Oxford OX4 1BG. UK

Tel +44 (0)1865 791391 mail@corporatewatch.org

www.corporatewatch.org

Corporate Watch is an independent research and campaign group which challenges the power of corporations, striving for a society which is ecologically sustainable, democratic, equitable and non-exploitative.