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The Invisible Giant: Cargill and Its Transnational Strategies

The Invisible Giant: Cargill and Its Transnational Strategies, 2nd Edition. 2002. Brewster Kneen. Pluto: London and New Sterling, Virginia. Reviewed by Mary Hendrickson, Ph.D., University of Missouri for CropChoice

(Friday, May 30, 2003 -- CropChoice guest commentary) -- Anything one person wanted to know about Cargill - the world's largest grain trader, the largest privately held US company, one of the world's largest salt traders - can be found in one handy source, Brewster Kneen's Invisible Giant. An update of his 1995 Cargill expose of the same name, this book contains information on every aspect of Cargill's business - the known ones like grain trading and the obscure ones like salt and financial derivatives. It isn't hard to imagine that few people besides Cargill president Warren Staley and his top managers know more about Cargill's business than the Canadian farmer and writer, Brewster Kneen. As he demonstrates in tracking down corporate offices and conducting interviews with Cargill salesmen and middle managers across the world, few inside or outside the company know the extensive reach of Cargill.

This book is intended to be "an outsider's guide to understanding how Cargill works, where it has been and where it is going." 1 The second edition of this book was motivated by Kneen's "renewed interest in the broad issue of increasing corporate concentration and control in every economic sector, but

particularly in agribusinesses."2 Kneen has proved an incredibly diligent researcher, logging onto Cargill's websites and looking for company press releases, talking to academics, reading trade journals, monitoring business magazines, and interviewing Cargill employees - all of which has become much more difficult since Invisible Giant was first published in 1995.

This is a book of stories, strategies and information about one transnational corporation compiled into a somewhat indigestible whole. What is Cargill exactly? Who is Cargill? Where is Cargill? Perhaps more importantly, who resists Cargill?

As many know, Cargill is an agribusiness giant operating across the globe. This mutant giant "continues to mutate, always with the objective of expanding the control of its business interests and our food."3 It is involved in beef production and processing, pork production and processing, grain trading, cotton trading, fertilizer, feeds, peanuts, malting, sugar, corn milling, flour milling, transportation, storage, financial tools, orange juice, and e-commerce. Cargill controls ten percent of the world's salt production, is the largest cattle feeder in the US, provides one out of four further processed poultry products eaten in the UK, owns Costa Rica's largest meat processor, owns two of the five major cotton exporters in the US, has 30 percent of Europe's market in glucose and high-fructose corn syrup, is the largest purchaser of China's corn products, and maintains large meat processing and feed facilities in Indonesia and Thailand. Cargill produces 7 percent of the total US phosphate fertilizer supply, is the second largest phosphate fertilizer producer in the world, built one of the largest nitrogen fertilizer plants in the world in conjunction with the Saskatchewan government, ships about 42 percent of all US corn exports, 31 percent of soybeans, and 18 percent of wheat. Cargill Brazil - from where it, along with two other companies, provides 53 percent of the world's orange juice - is second only in size to Cargill's US

operations. Remember too that this is the largest privately owned company in the US.

So who is Cargill? Still essentially a family company "in 1986, it was reported that Cargill's \$2.6 billion in shareholder equity was held by fewer than 50 descendants of the Cargills and MacMillans, and 450 others, all current members of the company's management, who received about \$10 million a year in dividends." 4 With such valuable assets concentrated among so few, Cargill is able to invest in - itself! "Cargill says that since 1981 it has reinvested 87 per cent of its cash flow, with only 3 per cent of the company's profits being paid out in dividends."5 The essential aspect of what started as an upper Midwestern company that has grown and prospered for over 100 years is its flexibility and adaptability. Kneen calls these management structures "highly fluid....Cargill is neither structurally nor ideologically rigid."6 In other words, those who would try to pigeonhole Cargill do so at their own peril. While flexible and adaptable, Kneen finds that Cargill's "structure and business are contradictory to decentralization and self-provisioning."

The details of this book are fascinating. However, the service Kneen provides is to lay out clearly the strategies a transnational agribusiness like Cargill uses to retain profitability and dominance. First is the beachhead strategy. Cargill is a master at testing the water and seeing what happens. "The company's operating philosophy throughout the world is to begin with reasonably small capital investments ..., and to grow our business from that small beginning." 8 In other words, is this an industry sector or geographical region that is good for the firm's profitability?

Second, the firm employs a valuable ecological perspective. In this vision, political jurisdictions are of little relevance as compared to the economics of inland waterways, crop production areas, climate and population centers. If only we would pay attention, the implications of such a perspective are indeed

stark - especially as to how farmers, farm organizations and policy makers view exports. This could be one of the most important points in the book - Cargill's single-minded determination to view the world economically and not politically suggests a conflict with "free trade" ideology promoted in many circles. As Kneen puts it, "They live everywhere and nowhere in the world of markets." 9 Moreover, "Cargill appears to devote far more energy to establishing favourable national or regional business climates...than it devotes to international trade agreements. (It) has been developing its own internal global trading arrangements far longer than the World Bank and International Monetary Fund have been around." 10

A third strategy that Kneen attributes to Cargill is not particularly unique - the use of public money whenever possible to subsidize sales, construction or acquisitions. The author cites numerous examples from the historical - port facilities in Albany and Memphis, to the current – port facilities in Vancouver, a fertilizer plant in Saskatchewan, and tax deductions for donations of salt ponds to wildlife preserves in California. It helps that Cargill is intimately involved in public policy at many different levels in the US, Canada and around the world. Cargill presidents chair trade groups, are appointed to presidential advisory boards, and steer bills through Congress (ala William Pearce). Cargill executives are even appointed to lead restructuring efforts in Iraq – as is the case with Daniel Amstutz.

It is clear that Kneen is respectful of Cargill's business acumen, its adaptability, its patience and its unwillingness to act rashly. Indeed the author never underestimates the firm. But he does point out some who resist the firm's business strategy - from the Japanese and Korean business associations who have banded together to defend their territory to the Indian farmers who stormed Cargill's office to protest their seeds. Kneen is sure that Cargill is not invincible. Indeed, even Pioneer (since acquired by

DuPont) won a legal challenge to Cargill's appropriation of genetic material, a case that had to be settled before Cargill could sell it's North American seed business to Mycogen, a subsidiary of Dow in 2000.

While Kneen can turn a pithy phrase, the tendency clearly points out his political leanings. This is unsettling, because this thoroughly researched and documented book is too important of resource to be undermined by any critic's claims of lack of objectivity. These small asides do enliven the prose, which suffers from density. Discussing financial derivatives or beef packing or the Far East market for feed does not lend itself to lively writing. Thus, while engaging, the book is difficult to read in one or two sittings. There is simply too much information to digest, and that may put off some readers. However, the reader who pursues the book to the very end will find himself enlightened and well prepared to engage in public debates and dialogues about transnational agribusiness.

At the final accounting, that is indeed the most important attribute of the book. It brings to the public information that is absolutely critical to know, but that is hidden from all but the most diligent researchers. In order for all of us to understand and engage in our food and agriculture system, we need to have this information. Read it for your own good! And then share it with your land-grant university president, agriculture committee staffers or your local cooperative elevator operators. Kneen's book deserves wide circulation.

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