Cargill
A Threat to Food and Farming
About Food & Water Watch

Food & Water Watch is a nonprofit consumer organization that works to ensure clean water and safe food. We challenge the corporate control and abuse of our food and water resources by empowering people to take action and by transforming the public consciousness about what we eat and drink. Food & Water Watch works with grassroots organizations around the world to create an economically and environmentally viable future. Through research, public and policymaker education, media and lobbying, we advocate policies that guarantee safe, wholesome food produced in a humane and sustainable manner, and public, rather than private, control of water resources including oceans, rivers and groundwater.

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# Cargill

A Threat to Food and Farming

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Executive Summary

Cargill is one of a handful of powerful corporations that control the global agricultural system. Although shoppers will not find Cargill’s name on products on supermarket shelves, Cargill plays a powerful hidden role in producing those foods. The nearly 150-year-old company describes itself as an “international producer and marketer of food, agricultural, financial and industrial products and services.” Cargill is the largest privately owned company in the United States and one of the largest sources of grains and oilseeds in the domestic and international market as well as a major player in the U.S. beef and poultry industries.

Cargill operates an unusually broad range of business segments and subsidiaries. The company markets, processes, packs, distributes, transports and trades agricultural, food, industrial and other products and services, including commodity trading and financial services to farmers. Cargill sells farmers many of the inputs they need, like fertilizer and animal feed, and buys much of their output, such as crops and livestock, for trading and processing. Cargill deals in wheat, corn and oilseeds; meats and poultry; industrial products such as biofuels, oils, lubricants and salts; and agricultural goods such as animal feed and fertilizers. Its position as a leading grain processor and top U.S. meat packer allows it to use its considerable market power to greatly influence both markets. Cargill has been a leading architect of an agricultural system in which it is both buyer and seller. Even during the 2008 economic downturn, Cargill earned record profits — at the expense of consumers, farmers and the environment.

Key Findings and Recommendations

Cargill is the largest privately owned firm in America. In 2008, Cargill reported profits of almost $4 billion, its sixth straight year of record-breaking earnings, even as much of the rest of the world economy started to collapse.

Cargill profited significantly from 2008’s high grain and fertilizer prices at the same time that the United Nations estimated that 130 million more people faced malnutrition because of high food prices. As Cargill CEO Greg Page explained, “Cargill had an opportunity to make more money in this environment, and I think that is something that we need to be very forthright about.”

Cargill has operations all over the world engaged in nearly every segment of the food industry. Cargill holds a dominant market position in grain purchasing, processing and distribution; soybean crushing; flour milling; beef feedlots and packing; pork processing; turkey production; animal feed; and manufacturing processed food ingredients like high fructose corn syrup and citric acid. This enables the company to flex its market muscle throughout the entire food chain.

Since 2000, Cargill has recalled more than 20 million pounds of beef and poultry products tainted with E. coli and Listeria bacteria, respectively. This recalled meat has been linked to foodborne illness outbreaks, miscarriages, and several deaths.

Cargill has been a relentless promoter of free trade for nearly 40 years. Cargill insiders joined both Republican and Democratic administrations to negotiate trade deals, and Cargill was a staunch advocate of the World Trade Organization, the North American Free Trade Agreement and China’s entry into the global trade system.

Cargill’s global operations have left a heavy footprint in the developing world. High prices for the food that Cargill exports worldwide have coincided with low prices for the tropical crops that Cargill purchases, which benefits Cargill but makes the ability to purchase food beyond the reach of many rural communities in developing countries. Cargill has also turned a blind eye to environmental destruction and labor abuses that took place as a result of its operations around the world.

Cargill’s size and market power allows it to exert significant influence over producers and manufacturers and can hamper competition. The federal government should investigate Cargill’s dominant role in the meat, food ingredient and grain and oilseeds markets. Cargill should abandon the use of carbon monoxide in meat packaging and the federal government should ban all meat processors from using carbon monoxide to make meat appear fresh for longer periods. Consumers should stand up for themselves by avoiding genetically modified, irradiated and carbon monoxide treated foods and by telling retailers they don’t want them. By rejecting these questionable technologies, purchasing local foods and demanding stronger federal oversight and enforcement, consumers can start to wrestle away Cargill’s control over the food system.
The global food system is a web of interconnections between those who produce agricultural inputs and products; those who process, trade, transport and store raw agricultural commodities; and the more than six billion eaters in the world. Today, the global food system is in the hands of alarmingly few corporations whose intense concentration of power too often allows them to run roughshod over consumer health, the environment, and human rights. Of these corporations, Cargill exerts robust market power over a uniquely diverse portfolio of different types of food. The food empire Cargill has created may be a testament to business ingenuity and strategy, but it should also concern consumers who may not even know the company’s name.

Introduction

Whether it’s the meat on your table, the sweetener in your soft drink or your morning orange juice, there’s a good chance that Cargill played a role in producing the food that you consume each day. Since the company’s founding in 1865, Cargill has transformed from a small grain elevator operator into a global agricultural powerhouse. By 2009, Cargill had 160,000 employees working in factories, fields and front offices in 67 countries. Along with other corporate agribusiness giants, Cargill has used its market clout and political influence to seize and maintain considerable control over the worldwide food system.

Company Overview

Corporate Structure

Cargill quaintly refers to itself as a “family owned business,” but is the largest privately held company in the United States, with 2008 sales of over $120 billion. This was more than triple Disney’s revenue, almost four times larger than Coca-Cola’s and over five times bigger than McDonald’s. In 2008, Cargill reported profits of almost $4 billion, its sixth straight year of record-breaking earnings.

In 1865, Sam and W.W. Cargill founded Cargill, Inc. as a chain of grain elevators (buildings where grain is stored for
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Cargill has been flexing its market muscle ever since. In the 1930s, when midwestern grain fields were transformed into the Dust Bowl, Cargill was expelled from the Chicago Board of Trade for allegedly trying to monopolize the corn market, and did not rejoin until 1962. During Cargill’s first year back on the commodity-trading floor, it again came under fire when it was found guilty of manipulating wheat prices on the Chicago Board of Trade in 1963.

Approximately 100 descendents of Sam and W.W., as well as the MacMillan family, remain partial owners in Cargill and receive significant dividends each year. Six of the family members were on the board of directors in 2008, but the company keeps the identity of those members a secret, citing privacy concerns. Cargill shares are not traded on any stock exchange, and the details of the company’s finances are hidden from the public because as a privately held company it is exempt from public disclosure reporting requirements.

Cargill operates in nearly every segment of the food industry. While the Cargill name is not visible to everyday consumers, the company has most likely been involved somewhere in the production of some of the food that you consume each day. In the U.S. agricultural market, the company manufactures fertilizer for crops and feed for livestock, provides loans to farmers so that they can purchase these supplies and other inputs, buys crops on contract from farmers, operates the grain terminals where these farmers will eventually deliver their crops, and provides crop marketing advisory services to guide them through this entire process.

In addition to those businesses, Cargill manufactures high fructose corn syrup for soft drinks, provides the egg products for McDonald’s, produces the salt that is used to keep roads from icing, and produces ethanol for vehicles. Cargill is also one of the top U.S. companies in beef packing, pork packing, beef feedlots, turkey production, animal feed, flour milling, and soybean crushing. Cargill markets chocolate and cocoa products to food manufacturers and makes peanut oils. Cargill has operations in non-food areas as well, including cotton, trading agricultural and energy commodity futures and financial instruments on the global market; providing ocean freight transportation; and manufacturing plastics from corn byproducts.

Grain Operations

Cargill is probably the largest grain trader in the world. Cargill operates hundreds of grain elevators, terminals and ports in the United States and worldwide that are used to purchase, store and trade various grains. The company also operates a fleet of cargo ships that can connect their global network of storage facilities. According to Cargill CEO Greg Page, the company essentially deals in the “com-modification of photosynthesis.”

Cargill is a world leader in the trading and processing of oilseeds, corn and wheat. The company processes oilseeds like soybeans, canola and sunflower seeds into cooking oils and oilseed meals rich in fats that are key ingredients in processed foods. In the United States, Cargill is the largest wheat flour milling company and the third largest soybean-crushing firm, and the company dominates whole grain corn flour production (often used in tortilla chips and cereals) where Cargill claims to have a 90 percent market share. With such significant influence in the grain and oilseeds markets, Cargill has an incredible amount of power over the price paid for these commodities. Cargill’s global reach enables it to buy wherever these commodity staples are cheapest and sell where it is most profitable.

Allegations of Fixing the Prices of Fertilizer

Cargill also is a leading producer of key farm inputs like fertilizer. In 2008, high crop prices increased demand for fertilizer, which, combined with rising natural gas prices, a key fertilizer ingredient, pushed fertilizer prices higher. During 2008, nitrogen fertilizer prices rose by more than a third and phosphate and potash fertilizer prices nearly doubled. Cargill is the majority owner in Mosaic Company, one of the world’s largest fertilizer companies. Cargill credits its ownership in Mosaic as the largest positive
factor in its high earnings in late 2008. In 2008, Mosaic reported that during the summer at the height of the food crisis, the company had a net profit of $1.2 billion, nearly four times higher than the summer of 2007. Soon after announcing these results, Mosaic announced that it would be significantly decreasing production of certain fertilizer chemicals, possibly to shrink fertilizer supplies, which would keep prices and profits high. In late 2008, Minn-Chem Inc., a fertilizer manufacturer, joined seven other fertilizer companies in a lawsuit against Mosaic and other companies for allegedly conspiring since 2004 to fix the price of potash, another key fertilizer ingredient.

Continental Merger

In 1998, Cargill attempted to acquire the commodity marketing operations of Continental Grain, then the third largest U.S. grain exporting company. At that time, Cargill’s U.S. operations included 139 grain elevators, 30 river elevators, 63 rail terminals, and 16 port elevators. The merger would have given Cargill a stranglehold over the grain market in many parts of the United States. The U.S. Department of Justice sued to stop the acquisition, alleging that it would have substantially decreased competition in the grain industry, lowering prices paid to farmers and possibly affecting the commodity futures markets in Chicago. In a number of regional areas, the two companies’ combined operations would have dominated the purchase of grains. In the Pacific Northwest, the Justice Department estimated that Cargill would have been in control of 53 percent of corn purchases and 94 percent of soybean purchases. In Central California, Cargill would have been virtually the only wheat purchaser for farmers. Cargill eventually agreed to divest several ports in key geographic regions in order to acquire operations of Continental Grain.

Freedom to Farm, Freedom to Fail

Cargill was a major supporter of the massive deregulation of federal agricultural policy in the 1996 farm bill, promoted as “Freedom to Farm.” Cargill’s policy analyst noted that the bill “is truly watershed legislation” that is “going to create wonderful opportunities for many, many people in the farm economy.” This farm bill was supposed to put an end to government regulation of farming, completely phase out government farm program payments, and encourage farmers to plant as much as they wanted in order to take advantage of the market. Proponents claimed that that the bill would be good for U.S. farmers, allowing them to take advantage of rising grain prices and global consumption. In actuality, the new system slashed farm safety nets and encouraged overproduction, which in turn pushed down commodity prices. For example, the first year after the 1996 farm bill went into effect, corn production jumped by 25 percent while prices per bushel fell by 35 percent.

In the next years, crop prices plummeted to levels well below the cost of production. This free fall in commodity prices triggered billions of dollars in “emergency” farm payments by the federal government to head off a farm crisis. As a significant crop purchaser, Cargill stood to benefit from the reduced prices for the raw materials it used in processed foods and feed.

Cargill Promotes Genetically Modified Crops and Foods

Cargill has played a significant role in introducing genetically modified crops and promoting genetically modified food to a skeptical public. Generally, grain elevators choose which types of crops they will purchase and contract with farmers to grow certain specialty varieties, including products like high oil corn. High oil corn is made from genetically modified corn and other specialty corn hybrids. In 2007, Cargill’s Renessen, a joint venture with Monsanto, released Extrax, a patented technology that processes high oil corn into biodiesel and animal feed. This joint venture also developed a genetically modified crop for use in animal feed. Contracts for specialty grains such as high oil corn are limiting, specifying the volume and timing of the delivery as well as production and handling practices. As one of the dominant buyers in the grain market, Cargill’s support of genetically modified crops effectively encourages farmers to grow these crops.

In some areas, farmers also have difficulty selling non-genetically modified crops because there are few nearby grain elevators that will handle non-genetically modified grain.
This lack of market opportunity drives farmers to grow the crops that elevators want to buy. Because non-genetically modified acreage has declined, in part because of the lack of market opportunity, even Cargill is scrambling to secure non-genetically modified corn for foreign markets that refuse genetically modified crops.61 Cargill's sheer size and role in so many parts of the food industry means that its acceptance of genetically modified products can influence the entire food chain.

Biotechnology companies and the agribusinesses that rely on their seeds and supplements promote genetically modified foods as high-yield, low pesticide, hunger-fighting miracles. In reality, genetically modified crops have failed to live up to the promised hype. The Union of Concern Scientists reported in 2009 that current genetically engineered seeds have failed to produce any substantial increase in yields.62 By 2008, no genetically modified crops on the market were even designed to improve yield potential, enhance nutrition, or increase drought-tolerance.63 Genetically modified crops engineered to be resistant to specific pests and herbicides have also led to the increase of secondary pest populations and herbicide resistant weeds. A 2006 Cornell study reported that cotton farmers in China have found themselves spraying crops of genetically modified cotton with pesticides up to 20 times each year to protect against these pests,64 and a 2008 report showed that pesticide use was actually increasing because of genetically modified crops.65

Cargill’s Grain Processing Plants Pollute the Air

Cargill’s U.S. grain processing plants have discharged dangerous pollutants into the air. Cargill’s corn and ethanol processing plants release carbon monoxide and volatile organic compounds (“VOCs”), and the company’s oilseed plants also emit VOCs.66 VOCs contribute to smog production and can cause cancer and other serious health problems, and carbon monoxide can inhibit oxygen delivery to organs and tissues in the body.67

In 2002 the U.S. government initiated enforcement action against Cargill by issuing notices of violation against two of the company’s oilseed operations.68 The next year, the government extended notices to nine Cargill corn mill plants. The government reached an agreement with Cargill in 2005 requiring the company to install pollution-reducing equipment, but only after the U.S. Department of Justice filed a complaint against Cargill on behalf of the Environmental Protection Agency for significantly underestimating emissions from its operations in 13 states. Under the agreement, Cargill was required to spend an estimated $130 million in order to meet the requirements of the consent decree by installing new air pollution control devices at its 27 corn and oilseed processing facilities. Cargill also was required to pay a civil penalty of $1.6 million and spend an additional $3.5 million on environmental projects across the country.69

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Food Operations

Meat

In addition to its grain operations, Cargill is also one of the largest meat-packing and processing companies in the United States. Cargill entered the poultry industry in 1966 with its purchase of Paramount Poultry, and entered the beef processing industry in 1979 with the acquisition of MBPXL, later renamed Excel Corporation.70 Cargill’s pork operations started with an acquisition from Oscar Mayer in 1987.71

By 2009, Cargill operated dozens of meat and poultry processing plants and distribution centers around the world, including almost 40 in North America.72 Today, Cargill is a major player in the livestock, slaughter, and meat processing supply chain. As of 2007, the latest figures available, Cargill was the second largest beef packer, third largest beef feedlot owner, fourth largest pork packer, third largest turkey producer and second largest livestock feed mill.73 Since Cargill mills the feed, fattens the animals and operates the slaughter and processing plants, it exerts considerable control over the entire livestock supply chain.

Beef: The beef industry is extremely consolidated, and only a handful of large companies dominate the market. In
the United States, Cargill is one of just four companies that control over 80 percent of the beef slaughter capacity.\textsuperscript{74} Such a high of a level of concentration can result in higher beef prices for consumers and lower prices paid to ranchers and producers.\textsuperscript{75} As of 2007, Cargill’s cattle feedlot business was the third largest in the United States, feeding 700,000 head of cattle each year.\textsuperscript{76} Cargill holds at least as much power in the Canadian beef industry as well. According to the Canadian National Farmers Union, after XL Foods’ acquisition of Tyson’s Canadian beef operations in 2009, Cargill and XL foods would control over 80 percent of all beef slaughter in the country.\textsuperscript{77} Cargill also has beef operations in Argentina and Australia.\textsuperscript{78}

**Pork:** Cargill’s pork operations in the United States can process up to 13 million hogs a year – 36,000 hogs per day – making it the fourth largest pork processor in the country.\textsuperscript{79} Cargill operates two pork slaughter facilities in the United States, which serve both the domestic and export markets.\textsuperscript{80} In 2005, Cargill acquired Brazil’s third largest pork and poultry processor, Seara Alimentos SA, which later became Cargill Meats Brazil.\textsuperscript{81} This acquisition added seven poultry operations and two pork-processing facilities, along with operations that export to over 70 countries.\textsuperscript{82}

**Poultry:** Cargill is one of the largest turkey processors in the United States through its Cargill Value Added Meats division.\textsuperscript{83} Cargill is also the largest poultry processor in Thailand, and not only serves the Asian market but also Canada and Europe.\textsuperscript{84} In 2008, Cargill announced that it had acquired the assets of turkey processor Willow Brook Foods. Acquisitions included Willow Brook’s brands as well as the company’s operations in Springfield, Missouri, and Albert Lea, Minnesota.\textsuperscript{85} As part of the transaction, Cargill shut down two of the facilities in Springfield, laying off 780 employees.\textsuperscript{86}

In the poultry industry, growers raise birds under a “production contract,” for a processing company known as an “integrator.” Poultry growers do not own the birds; they raise them under contracts that favor the integrators. An integrator can require new equipment or upgrades, investments, or other demands on the grower at the end of each contract, some of which can be as short as 35 days, and growers are often prohibited from even discussing and comparing their contracts with other growers to see if the terms of their contracts are fair.\textsuperscript{87} Poultry growers who wish to leave a contract and sell their birds on the open market instead often have few, if any, options because there are so few processing plants left that buy from independent operations.\textsuperscript{88} Contract growers often take on significant debt to start a contract (like building new poultry houses) and are stuck with the liability of cleaning up the poultry waste and litter. This system also applies to much of the pork industry.

In 1989, over 30 poultry growers sued Cargill for intentionally under-weighing the birds for a period of eight years in order to pay the growers less than they deserved. The case swelled to a class action representing 143 growers, and Cargill finally settled the case in 1996 after agreeing to pay approximately $2.3 million to the growers, hire an independent firm to do the weighing, and not to terminate any contract except for legitimate business reasons.\textsuperscript{89}

**Cargill’s Food Safety Record**

Cargill’s meat processing operations have been tied to foodborne illness outbreaks and major recalls over the past decade. Cargill has recalled nearly five million pounds of ground beef since 2000. In 2002, Emmpak foods, a subsidiary of Cargill, recalled 2.8 million pounds of ground beef due to *E. coli* contamination that sickened more than 50 people.\textsuperscript{90} In response, the USDA took the unusual step of temporarily pulling its inspectors from the plant that produced the tainted meat, effectively shutting it down for several weeks because meat-processing plants cannot operate without federal inspectors.\textsuperscript{91} In October 2007, the company recalled approximately 845,000 pounds of frozen hamburger patties because of possible contamination with *E. coli*.\textsuperscript{92} People in Minnesota, North Carolina, Tennessee and Wisconsin reported *E. coli* cases that were suspected to be from Cargill hamburgers.\textsuperscript{93} Just one month later, in No-
November 2007, Cargill recalled more than one million more pounds of ground beef because of another possible instance of *E. coli* contamination.94

Cargill has also recalled millions of pounds of its poultry products tainted with the bacteria *Listeria*. Eating products contaminated with *Listeria* can lead to serious complications, particularly in pregnant women, including premature delivery, miscarriage, and stillbirth.95 In 2000, Cargill issued one of the largest meat recalls on record at that time: 16.7 million pounds of ready-to-eat turkey and chicken products.96 Twenty-eight reports of food poisoning resulted from the outbreak, and it was linked to four deaths and three miscarriages.97

**Cargill Promotes Controversial Technologies to Address Lapses in Food Safety**

Cargill has been a major advocate for technological fixes to food safety challenges that could also be addressed through more stringent sanitation and other preventative measures. Only days before the November 2007 recall of hamburger patties, a Cargill representative testified before Congress and claimed its use of carbon monoxide in meat packaging helped inhibit the growth of *E. coli*.98 There is no evidence that carbon monoxide hinders or inhibits the bacteria that cause foodborne illness, and the FDA did not approve it for that use.99 The company had treated much of the beef involved in the recalls with carbon monoxide, which is primarily used in meat packaging to keep meat looking fresh and red long after it may have spoiled.100 Cargill has been one of the strongest advocates of carbon monoxide technology. Precept LLC, Cargill’s joint venture with Hormel Food Corp., has worked to pioneer the practice of applying carbon monoxide gas to red meat.101 In January 2004, Precept submitted a notice to FDA claiming that using carbon monoxide in meat packaging is a “generally recognized as safe” process.102 Unfortunately, the GRAS process offers little assurance of safety. Industry can file GRAS notices with the FDA concerning processes it intends to use and the FDA reviews these notices based on information provided by the company. There is no independent investigation of these processes or formal period for the public to comment.103

Food & Water Watch views the use of carbon monoxide in food packaging as consumer deception. It makes it impossible for customers to use visual cues alone to determine if meat is fresh. When refrigeration errors occur while meat is transported from processor to supermarket or the meat gets older, retailers and consumers can usually tell that meat is spoiled due to a change in color. With carbon monoxide treated meat, a fresh appearance will be maintained, and spoilage could go undetected. This practice might help companies like Cargill to extend the shelf life of their product, but it threatens consumers. In a 2006 poll, four out of five consumers (78 percent) believed that treating meat with carbon monoxide is deceptive.104

Cargill also uses the controversial technology of food irradiation in some of the facilities of its meat-processing subsidiary, Cargill Meat Solutions.105 Generally, irradiation is the practice of exposing food to intense doses of ionizing radiation in order to kill bacteria. It creates chemical by-products in the food, some of which are known carcinogens and some of which are unique to irradiated food and have been linked to tumor promotion and genetic damage. In scientific studies irradiated food has been shown to cause premature death, stillbirths, mutations, immune system failure, and stunted growth in animals.106

**Cargill Makes the Industrial Ingredients in Processed Foods**

Cargill also produces a wide range of artificial ingredients that are found in many processed foods, including citric acid, lecithin, xanthan gum, and high fructose corn syrup.107 Cargill is also a major processor of the vegetable oils that are used in processed foods.108 Its industrial ingredients and chemical compounds can be used to change the texture, taste, and appearance of foods, and the company continues to develop and create new products each year.109 These new
Food ingredients only undergo the minimal requirements of FDA’s “generally recognized as safe” process before Cargill releases them to the public.110

The surge in fat and sweetener consumption over the past three decades is contributing to increased obesity rates. American consumption of added (not naturally-present) fats and oils increased 62 percent from 53 pounds per person in 1970 to 86 pounds in 2005.111 American consumption of added sugars and sweeteners amounted to 30 teaspoons of sugar a day in 2005 — nearly four times the USDA’s dietary guideline limit of the equivalent of 8 teaspoons of sugar.112

In 2008, nearly two-thirds of Americans were overweight (37 percent) or obese (27 percent).113 Obesity is associated with chronic diseases like diabetes, heart disease and hypertension, and the number of deaths resulting from poor diet and exercise regimens has jumped significantly between 1990 and 2000.114 Every year, approximately 300,000 people in the United States die from obesity-related diseases, and if trends continue, obesity could soon cause as many preventable deaths as cigarette smoking.115

**High Fructose Corn Syrup**

High fructose corn syrup is a common sweetener in processed foods.116 It was developed in a laboratory in Japan and patented in 1971.117 Over the next decades, selling high fructose corn syrup grew into a multi-billion dollar business, as corn syrup replaced sugar as the dominant sweetener in the United States.118 It gained popularity in the 1980s when it became cheaper than sugar due to improved refining methods.119

Although high fructose corn syrup is cheap to manufacture, it can be costly to consumer health.120 According to the American Public Health Association, the low cost of high fructose corn syrup has led to their increased use in processed foods121 and the cost savings from high fructose corn syrup over cane sugar allowed soft drink manufacturers to increase the size of the containers and shift the savings into aggressive marketing.122 The rise in obesity has been associated with increased consumption of high fructose corn syrup — since between 1970 and 2000 high fructose corn syrup consumption skyrocketed 1,000 percent, mirroring the increase in U.S. obesity rates.123 A 2009 study from the Johns Hopkins University suggests that the consumption of fructose, like that found in the high fructose corn syrup that sweetens soda, can trick the brain to demand increased food consumption and thus contribute to increased obesity risks.124

Not only is high fructose corn syrup linked to obesity, recent studies have also detected the neurotoxic element mercury in high fructose corn syrup. In 2008, two studies showed that mercury was found in a significant amount of the high fructose corn syrup that was tested.125 The first report found mercury in nine out of 20 samples of high fructose corn syrup,126 and another found mercury in one third of the products purchased directly off the shelf in local grocery stores, including products from almost every major food company.127 Mercury is extremely dangerous for human consumption, and can lead to neurological impairment in developing infants and children.128 Mercury entered high fructose corn syrup because of a particular development process that manufacturers were using to develop the sweetener, including corn refiners like Cargill, and the amounts that ended up in high fructose corn syrup were significant.129 High fructose corn syrup producers claimed in 2009 that their products were mercury-free,130 but one survey finding mercury in products purchased from stores in the fall of 2008 suggests that the refining process that led to high levels of mercury was still in place.131

**Allegations of Ingredient Price Fixing**

Cargill’s dominance in high fructose corn syrup132 not only undermines consumer health, it can cost consumers money. In the past, the company has been accused of using its market power to keep the price of high fructose corn syrup
and other ingredients artificially high. In 1999, Cargill was cleared of allegations of price fixing the food additive citric acid, used to as a preservative for soft drinks and canned fruits and vegetables.\textsuperscript{133} Despite the fact that the company set its citric acid prices extremely close to other companies that were found guilty, Cargill was not implicated by the three convicted citric acid price fixing companies as a co-conspirator.\textsuperscript{134} In 2004, Cargill, along with grain giant Archer Daniels Midland and several other high fructose corn syrup producers, settled a suit with Coca Cola and Pepsi for conspiring to fix the price of high fructose corn syrup.\textsuperscript{135} Cargill agreed to pay $24 million to settle the suit while admitting no illegal activity.\textsuperscript{136}

**International Operations, Globalization and the Global Food Crisis**

Cargill has gained much of its global market muscle by buying commodities where they are cheap, storing them until they are most valuable and then shipping them to the most lucrative markets. Its network of port facilities, global purchasers and fleet of freighters provides flexibility and infrastructure to pursue cheap raw materials in the developing world and sell processed food ingredients bound for consumers in the industrial world.

The globalization model pushed by Cargill and other agribusiness giants has contributed to the vulnerability of developing countries to price shocks that make food unaffordable. The export-oriented free trade model promoted by Cargill for decades has encouraged farmers in the developing world to shift from growing food to growing cash crops like cotton and cocoa beans for sale to trading companies like Cargill. Trade deals like the North American Free Trade Agreement and the World Trade Organization allow companies like Cargill to pursue cheap commodity prices worldwide and contribute to the significant food and agricultural commodity price volatility. The shift to export-oriented agriculture has turned many countries that were net food exporters before the WTO went into effect into net food deficit countries.

By 2008, millions of people around the globe faced starvation that spawned rioting and instability due to skyrocketing food prices,\textsuperscript{144} and Cargill was making billions of dollars in profit.\textsuperscript{145} Why? According to Cargill, it was because of higher food prices.\textsuperscript{146} Cargill CEO Greg Page was surprisingly candid in a 2008 speech, stating that, “Cargill had an opportunity to make more money in this environment, and I think that is something that we need to be very forthright about.”\textsuperscript{147}

For agricultural communities in the developing world, high prices for imported food like the corn and wheat that Cargill sells coincided with low prices for the tropical crops like cotton and cocoa that Cargill buys from these communities. Some tropical cash crops, such as cotton and coffee, had lower nominal prices (unadjusted for inflation) in June 2008 than when the World Trade Organization went into effect in 1995. Even during the recent commodity price surge, tropical cash crop prices grew modestly while food staple prices doubled or tripled. Between January 2006 and June 2008, the world price for coffee, tea, cotton and bananas grew by a third or less, while rice prices tripled, corn and soybean prices grew by more than 150 percent and wheat prices doubled.\textsuperscript{148} This price-spread benefits Cargill, but puts food beyond the reach of many rural communities.

**Cargill Pushes for Free Trade Policies That Contribute to Food Crisis**

Cargill has been promoting corporate driven globalization for decades, and former Cargill executives have prompted a free trade agenda that benefits Cargill inside the executive branch. In 1971, a former Cargill vice-chairman took leave of his job to become President Nixon’s deputy special representative for trade negotiations, allowing him to shape agricultural trade policy during the crucial decade that saw the opening of China and the Warsaw Pact grain crisis.\textsuperscript{137} A former president of Cargill Investor Services was the Chief Agricultural Trade Negotiator from 1987 to 1989 for the General Agreement on Tariffs and Trade, which ultimately created the WTO in 1995.\textsuperscript{138} Former Cargill executives were members of the President’s Export Council in the Clinton and George W. Bush administrations.\textsuperscript{139} In 2009, Cargill was still represented on the U.S. Trade Representative’s Agricultural Policy Advisory Committee and four of USTR’s Agricultural Technical Advisory Committees for trade.\textsuperscript{140}

Cargill has been a major supporter of international trade agreements. In 1991, in a company-distributed newsletter, a Cargill department president celebrated the granting of fast track authority to President Bush in order to negotiate NAFTA.\textsuperscript{141} After NAFTA passed, Cargill was one of several giant agribusiness companies that claimed the trade agreement was good for its business.\textsuperscript{142} Cargill was also a significant advocate for bringing China into the World Trade Organization, and in 1998 then-CEO Ernest Micek testified before Congress in support of China’s eventual entry.\textsuperscript{143}
in the developing world. The United Nations estimated that an additional 130 million people worldwide became malnourished because of the high price of food during the 2008 food crisis.

**Speculation and Futures Trading**

Cargill also participated in the commodity speculation that helped propel the food crisis, both through its dominant market position in the cereal market and the activities of its commodity futures trading subsidiary. Cargill operates a financial services and commodity-trading subsidiary that trades financial instruments (like interest rate and currency swaps) and energy futures as well as farm commodities. This allows Cargill to manage its own purchases and sales of farm products but also to act as a financial services firm for other investors to speculate on commodity prices. In 2008, excess speculation on the commodity markets helped to drive up food prices and significantly contributed to the food crisis.

The commodity futures market provides a vital link between farmers and the buyers of agricultural products, like flourmills and food manufacturers, who want to ensure they have a steady supply of corn or wheat at a certain price. The commodity futures market allows both the seller (farmer) and buyer (food manufacturer) to reduce their risk from volatile prices and uncertain supplies, a real and necessary benefit to the agriculture sector. Cargill is a buyer and seller of farm commodities from its considerable market share of grain elevators and processing factories, and its position as probably the largest grain company in the world gives its commodity traders tremendous influence in the agricultural commodity market.

But Cargill also helped to drive investment dollars into a wide range of commodity futures contracts and derivatives through its financial services subsidiary. The global surge of investment money created a speculative bubble in the agricultural and energy markets. Many of these investments occurred in markets with little or no regulatory oversight. Over the past two decades, the safeguards that prevented excessive speculation from distorting the futures market were eroded or eliminated so that investors who never intended to take delivery of corn or wheat could more easily gamble on commodity prices. The regulations that prevented excess speculation on food commodities were blurred to allow more investment houses not previously engaged in commodity markets to pour money onto the physical commodity exchanges. New, unregulated or self-regulated over-the-counter markets cropped up outside the authority of government oversight.

Cargill’s financial services arm provided a platform for speculative investors to help drive up global food prices and the price of other commodities, such as oil, by taking advantage of the deregulation of the past two decades. Cargill testified that it is “an active market participant” in agriculture, energy and foreign exchange derivatives on the commodity futures markets and the largely unregulated over-the-counter commodity markets. With new investors like the clients of Cargill’s financial services subsidiary, the market for over-the-counter commodity contracts became larger than the traditional commodity trading floors in Chicago or New York. The total value of OTC commodity contracts (including metals, energy and agricultural commodities) was estimated at about $9 trillion in 2007, nearly double the $4.8 trillion in commodity contracts traded on the U.S. regulated exchanges. The new commodity con-
tracts represent significant additional financial demand for physical commodities that contributed to inflationary price pressures on goods like wheat, corn and rice – but were actually artificial demand since these new investors were more interested in trading the futures contract than actually buying the physical goods.¹⁵⁴

The fact that commodity prices skyrocketed during 2008 has encouraged efforts to reform the commodity futures and derivatives markets, but Cargill opposed these reforms. Cargill has testified in opposition to basic commodity futures reform measures because it contends that the agricultural over-the-counter markets “are not the source of systemic risk and abuse” like the credit default swaps that brought down insurance giant AIG.¹⁵⁵ Cargill even claimed that during 2008, contrary to the experience of most farmers and consumers, “Over-the-counter contracts and the agriculture, energy and foreign exchange markets performed well [and] did not create systemic risk.”¹⁵⁶

But the lack of regulation in the over-the-counter market, including commodity and energy derivatives products traded by Cargill, represents a significant systemic risk that must be addressed. Gary Gensler, Chairman of the Commodity Futures Trading Commission, testified in June 2009 that, “We must urgently enact broad reforms to regulate over-the-counter derivatives. Such reforms must comprehensively regulate both derivative dealers and the markets in which derivatives trade. This is vitally important for the future of our economy and the welfare of the American people.”¹⁵⁷

Cargill’s Heavy Footprint of Globalization in the Developing World

Cargill’s worldwide agriculture operations have degraded the environment and abused workers in developing countries. Cargill buys soybeans and palm oil from countries with weak and unenforced environmental rules that have encouraged the clearing of tropical rainforests in Asia and South America. Its cocoa operations have tacitly permitted the worst forms of child labor in West Africa. And in Central Asia, Cargill purchases cotton from Uzbekistan, a nation whose cotton operations use forced labor and spawned an ecological catastrophe by diverting water from the Aral Sea. This is the human face of Cargill’s free trade agenda, which pursues cheap agricultural products in countries with weak environmental and labor standards in a global race to the bottom.

Cargill’s Cocoa Slaves

Cargill began cocoa operations in Côte d’Ivoire in 1998 and opened a processing facility there in 2000.¹⁵⁸ Several reports on child slavery on cocoa plantations in West Africa were released in 2001, with the worst abuses being found in Cote d’Ivoire.¹⁵⁹ These reports also listed Cargill as one of the major cocoa buyers in the region.¹⁶⁰ In response to the reports, Senator Tom Harkin (D-IA) and representative Eliot Engel (D-NY) in 2001 called for a set of voluntary, industry wide standards to help end labor abuses in the cocoa industry in West Africa that would be finalized by 2005.¹⁶¹ However, by 2005, reports indicated that the companies had not changed their behavior, and the International Labor Rights Fund

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sued Cargill, along with Nestlé and Archer Daniels Midland, for allegedly contributing to forced child labor in the production of cocoa in Côte d’Ivoire. The suit claimed that children toiled away on cocoa plantations and were beaten and forced to work 12 to 14 hour days with no pay.

The suit claimed that while the company did not operate any of these plantations, based on widespread reports on child slavery, Cargill knew or should have known that it was purchasing cocoa beans from plantations that heavily relied on forced labor, and because of the company’s size and influence, it had the ability to prevent abuses but turned a blind eye to the conditions. The lawsuit was eventually dropped, and in 2007, Cargill partnered with UTZ Certified to create a sustainability program that would “independently certify the sustainability” of cocoa plantations in Côte d’Ivoire. UTZ Certified did not release the final version of its “code of conduct for cocoa” until April 2009, which included provisions prohibiting forced and child labor.

**Cargill’s Palm Oil Oil Contributes to Deforestation**

Palm oil is the most widely used vegetable oil in the world, and is used in food, biodiesel, soaps, toothpastes, and other products. Cargill began its involvement in palm oil production in 1995 with a plantation in Indonesia, and greatly expanded its operations in 2005 by acquiring three large plantations and a processing facility Papua New Guinea. There are some locations in Southeast Asia where Cargill is the sole palm oil buyer. In the Oro Province of Papua New Guinea, Cargill is the only palm oil buyer for 5,700 commercial palm oil operations.

Eighty percent of the world’s palm oil is produced in Southeast Asia, and about half of the plantations are on land that was once a rainforest. Palm oil production in Southeast Asia is credited with destroying the rainforest as well as threatening the extinction of several species, including the wild orangutan. Palm oil plantations have used “slash and burn” methods of clearing rainforest, and because of this, Indonesia is now possibly the third largest carbon emitter in the world, behind the United States and China.

**Cargill’s Soybean Operation Clears Rainforest**

Cargill is a global soy purchaser and processor of soybeans, and the company has operations in Brazil that supply customers throughout the world. Cargill’s activities there have been the source of considerable controversy, as soy operations in the region have been linked to a number of destructive environmental practices. In a 2006 Greenpeace exposé, Cargill was targeted for its contribution to rainforest destruction in the Santarem region, including an illegally built grain terminal that was used for exporting soybeans and providing financing for the conversion of rainforest to soybean production. Cargill constructed the port without completing the government required environmental impact statement. Cargill built its terminal near a heavily forested area, which encouraged plantation owners to clear rainforests in order to easily access Cargill’s port. In 2007, the Brazilian government forced Cargill to close down its port, and due to pressure and boycotts from both Greenpeace and European purchasers including McDonald’s, Cargill agreed to a worldwide moratorium against the purchasing of any soybeans from recently deforested land.

**Cargill Cotton UK Operates in a Hotbed of Forced Child Labor**

Cargill is a major presence in world cotton trade. Cargill Cotton UK has a branch office in Tashkent, Uzbekistan and Central Asia is a key source of its cotton. Cargill does not directly own or pick cotton from Uzbekistan, but it buys between $50 and $60 million worth of Uzbek cotton each year. Most Uzbek cotton is sold through state trading enterprises, so cotton traders buy from the government and not from farmers themselves, allowing them to hold themselves at arms length from the conditions in the cotton fields. In 2005, Cargill Cotton UK was a partner of one of Uzbekistan’s state trading enterprises for cotton.

Forced child labor is so prevalent in Uzbek cotton production that the U.S. State Department noted it in its human rights report. The U.S. State Department reports, “During the cotton harvest, many school children, particularly in rural areas, were forced to work in the cotton fields.” In 2007, an estimated quarter million children toiled in cotton fields in Uzbekistan’s two primary cotton-producing states. The state run cotton enterprises close entire schools and force students (typically older than 10, but as young as seven) to work in the fields during the cotton harvest to meet quotas. Wages are a pittance — about 5¢ a kilo — and often children receive no pay at all because their food and transportation costs are deducted from their earnings. Children who fail to meet their daily cotton quota could be publicly scolded and beaten. While Cargill continues to operate a trading office in Uzbekistan’s capital, retailers like Wal-Mart in the United States, the British grocery chain Tesco and British Debenham’s department stores have banned products made with Uzbek cotton to curb demand for forced child labor. By sourcing cotton from Uzbekistan, Cargill would have had to turn a blind eye to the commonplace forced child labor in the industry.
What’s more, the diversion of irrigation water for Uzbekistan’s cotton fields has nearly drained the Aral Sea. Decades of cotton irrigation diverted the feeder rivers of the Aral Sea, but by the mid-1980s most of the rivers that fed the Aral were diverted to cotton irrigation. The surface area of the Aral declined by half after 40 years of intensive irrigated cotton production. By 2006, the evaporating Aral had created a new, 19,000 square mile desert. The desertification created salt and agrochemical-laden dust storms that pounded former fishing villages, now miles from the Aral shore, and the incidence of diseases like anemia, cancers, respiratory diseases, kidney and liver disease, and miscarriages became more common in the region. Although Kazakhstan has acted to replenish the remaining portion of the Aral within its borders, Uzbekistan has not acted and the remaining Aral Sea (now two smaller lakes) continues to decline and is even too salty for ocean fish. Cotton irrigation is continuing unabated and nearly half (46 percent) of Uzbekistan’s irrigated land was so salty that yields were declining by 2001.

Conclusion

Cargill’s presence in almost every aspect of food production has allowed it to earn record profits at the expense of consumers, farmers, workers, and the environment. The company has been allowed to grow and extend its reach because regulators and lawmakers failed to consider the impacts of such consolidation on farmers, consumers, and the function of markets. It is time for consumers to know this major corporate player behind much of the food they eat. And it is time for regulators and lawmakers to hold this company accountable for the impact of its practices and take action to break up the stranglehold that agribusiness giants like Cargill have over our food supply.

Recommendations:

1. The Department of Justice should investigate Cargill’s horizontal and vertical control over the food chain. Cargill’s dominant role in the food ingredient market — from corn and wheat flour, soybean meal and oil, high fructose corn syrup, citric acid, lecithin and xanthan gum allows it to exert significant power over the prices that food-manufacturing firms pay for their ingredients. Cargill has already been sued for collusive pricing of high fructose corn syrup and citric acid. The Department of Justice should re-examine Cargill’s food ingredient pricing to food manufacturers.

2. USDA’s Grain Inspection Packers and Stockyards Administration (GIPSA) should investigate Cargill’s dominant role in the corn milling, livestock feed, and soybean crushing market to prevent Cargill from hampering competition in cereal and oilseeds markets.

3. USDA’s GIPSA should adopt tough new regulations governing “undue preferences” by meatpackers over livestock producers, as directed by the 2008 Farm Bill, to curb the abusive power of the slaughter and processing industries over family farmers.

4. The Justice Department and GIPSA should investigate the impact of corporate concentration in the livestock, meat and poultry markets from farm to fork.

5. The EPA should investigate Cargill’s corn processing plants designed to produce the feedstock for ethanol refineries to make sure that Cargill’s previous violations of the Clean Air Act are not being repeated as the ethanol market expands.

6. Cargill and its subsidiaries must stop using carbon monoxide in meat packaging, and the Food and Drug Administration should ban this practice.

7. The United States Department of Agriculture should enforce food safety rules so that contaminated meat never makes it to the marketplace.

8. Consumers should stand up for themselves by avoiding genetically modified, irradiated and carbon monoxide treated foods and by telling retailers they don’t want them. By rejecting these questionable technologies and purchasing local foods, consumers can wrestle away Cargill’s control over the food system. The Eat Well Guide provides consumers with a directory of sources for healthy, sustainable food: www.eatwellguide.org
Endnotes


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