INTRODUCTION

The Farm Lobby Colossus

> *"...the Farm Bureau is far more than simply an organization of farmers, as it so often claims. The nation's biggest farm organization has been quietly but systematically amassing one of the largest business networks in America, while turning its back on the deepening crisis of the farmers whom it supposedly represents...."*
>
> — Samuel R. Berger, *Dollar Harvest.*

The majority of Americans may be only vaguely aware of the existence of the American Farm Bureau Federation (AFBF), although it is a huge and immensely powerful organization that claims to speak for farmers on many public policy issues and has a significant influence on decisions of government at all levels.

Surveys by *Fortune* magazine regularly rank AFBF as one of the top 25 most potent special-interest groups in Washington, D.C. The organization is no less formidable a presence in state capitals, county seats and rural communities. And its influence extends into business and financial circles, to which it has major and profitable ties.

With more than 4.9 million members and affiliated organizations in every state, AFBF — familiarly called simply the Farm Bureau — has colossal political clout in Congress, state legislatures and county commissions."They are an incredibly powerful lobby," says Sam Hitt of Forest Guardians, a Santa Fe, New Mexico, environmental group. Hitt has run up against the Farm Bureau time and again on environmental issues, such as protection of streamside ecosystems. "Legislators seem to go google-eyed when they see them walk through the door, and that's caused the loss of a lot of our wildlife heritage," he says.

One measure of the Farm Bureau empire's size is the $200 million or more that it takes in yearly in membership dues. The national, state and county farm bureaus also control insurance companies producing annual revenue of some $6.5 billion and cooperatives producing revenue of some $12 billion. And farm bureaus earn revenue from consulting, satellite TV and Internet services and a bank headed by AFBF's president.

AFBF spends considerable money and energy fighting such environmental initiatives as the Endangered Species Act, the Clean Water, Clean Air and Safe Drinking Water Acts, wetlands laws, pesticide regulations and efforts to curb global warming. But the Farm Bureau's views may have more to do with the organization's own financial interests than with the needs of family farms.

The Farm Bureau's emotionally charged attacks on environmental regulations seem intended at least partly to divert the attention of farmers from the real issues facing agriculture today. For years this strategy apparently worked. But interviews with cattle ranchers, hog producers and farmers across the nation suggest that many no longer believe these issues have anything to do with the troubles plaguing agriculture, and they no longer trust the Farm Bureau to act on their behalf.

The United States is in the midst of one of the worst agricultural crises in decades. Hog, cattle and grain prices for farmers have collapsed at the same time that food costs for consumers remain high. Food production at all levels is becoming more and more concentrated in the hands of enormous agribusinesses, including those of the AFBF network, while thousands of family farms go under. AFBF and its affiliates have not only advocated policies that have contributed to the crisis but are actively benefiting from the demise of family farms.

The Farm Bureau began its rise to power in 1911 when the Chamber of Commerce in Binghamton, New York, set up the first county farm bureau to sponsor an extension agent provided by the U.S. Department of Agriculture. From that time through the 1950s, a cozy relationship persisted between the private farm bureaus and federal agricultural agents — a relationship so close that many farmers mistakenly believed that the farm bureaus and the government were one and the same, according to a history of the Farm Bureau in *The Corporate Reapers: The Book of Agribusiness* by A.V. Krebs (Essential Books, 1992). In 1954, the Department of Agriculture ordered its agents to stop accepting free office space and gratuities from farm bureaus, but close connections between the two entities remained. Ironically, this association with the federal government — and the consequent access to federal crop programs and technical information — helped establish AFBF's dominance as a farmers' organization. These days, AFBF complains that the federal government is too intrusive, particularly in regard to environmental regulations, which AFBF claims are overly burdensome to farmers. But many of the causes that the Farm Bureau champions, including less pesticide regulation, relate at least as much to the financial interest of the Farm Bureau as to the needs of farmers.

Dean Kleckner, AFBF president from 1986 to January, 2000, reserved particular invective for the Food Quality Protection Act, which directs the Environmental Protection Agency (EPA) to set standards for pesticide residues in food at levels low enough to protect the health of infants and children. "Sane people do wonder what these kids will eat . . . when the government closes the produce department at our grocery stores," Kleckner wrote in a newspaper column in which he suggested that EPA's "bureaucratic madness" would result in bans on all agricultural chemicals. The Farm Bureau may genuinely fear that agriculture will suffer if farmers must reduce their use of chemicals, but Farm Bureau-affiliated companies also hold stock in corporations that manufacture pesticides, and presumably those investments might suffer as well.

WIDE-RANGING BUSINESS INTERESTS

Agricultural cooperatives under the direct control of state farm bureaus earn significant revenues from pesticides and market them aggressively. In addition, according to corporate documents, some 54 Farm Bureau-affiliated insurance companies earn a total of more than $6.5 billion annually in net premiums. The farm bureaus also have investments in banks, mutual-fund and financial-services firms, grain-trading companies and other businesses. Many of those businesses in turn own stock in oil and gas, pulp and paper, timber, railroad, automobile, plastics, chemical, steel, pesticide, communications, electronics and cigarette companies and even a nuclear power plant. The lists of stocks held by Farm Bureau companies read like a who's who of corporate heavyweights: Philip Morris, Weyerhaeuser, DuPont, Union Carbide, AT&T, Ford Motor, Raytheon (a leading manufacturer of tactical missiles), International Paper, CBS, Tyson Foods, Archer Daniels Midland (ADM) and many more. (*For a list of farm bureau insurance companies and other farm bureau business affiliations see Appendix 1, "Farm Bureau Connections."*)

In a 1998 interview, AFBF Washington lobbyist Dennis Stolte claimed ignorance of these financial interests and insisted that the insurance and other businesses have little to do with AFBF. "That's not the Farm Bureau," he said. "Our members are farmers for the most part. They're people who are interested in promoting agriculture." Nevertheless, comparisons of the boards of directors of Farm Bureau-affiliated businesses and Farm Bureau organizations themselves show substantial overlap. In many cases, the individuals and boards controlling the businesses also control the state farm bureaus. Frequently, much of the profit earned by these businesses reverts to the farm bureaus. The California Farm Bureau, for example, reported total revenue of $37 million in 1996. This and the examples that follow indicate just why AFBF would be inclined to function more like a big-business interest than the advocate of family farmers:

The Illinois Farm Bureau (also known as the Illinois Agricultural Association or IAA) is the majority stockholder in a group of investment funds run by IAA Trust Company, which manages stock, bond and money-market funds worth more than $356 million. Illinois Farm Bureau also owns 95 percent of IAA Trust Company. In 1998, the IAA Trust Funds earned $10.6 million in interest and dividends from stocks and other investments, and the value of IAA Trust's portfolio increased by more than $46 million for the year ending June 30, 1999. According to an October, 1999, report filed with the Securities and Exchange Commission (SEC), Illinois Farm Bureau president Ronald Warfield is also president of IAA Trust and serves on AFBF's board as well as the boards of several of AFBF's affiliated companies. According to the SEC report, nearly all of the top officers and directors of IAA Trust are also on the board of the Illinois Farm Bureau. Twenty-one board members serve both organizations. The IAA investment funds pay the IAA Trust Company more than $2 million a year to provide advice on which stocks to buy and when.

These same Farm Bureau officers are in charge of 52 companies directly owned by or closely affiliated with the Illinois Farm Bureau. The list includes Country Companies Insurance, real estate brokerage firms, credit and financial services companies, an export company headquartered in Barbados, West Indies, oil and gas companies and Growmark, an international agricultural cooperative with close business ties to the agribusiness giant Archer Daniels Midland (ADM).

Nationwide Insurance of Columbus, Ohio, with $74 billion in assets and $12 billion in annual sales, grew out of the Ohio Farm Bureau. Even though the insurance company split off from the Ohio bureau in 1948, connections remain close. According to the *Columbus Dispatch*, Ohio Farm Bureau presidents and past presidents routinely are elected to the board of Nationwide and the bureau nominates a majority of the board. Irv Bell, president of the Ohio Farm Bureau until early 1998, now sits on Nationwide's board. Nationwide's long-time chairman and chief executive officer, George Dunlap, was also an Ohio Farm Bureau director for 15 years and director of a county farm bureau for 25 years.

AFBF owns 42.7 percent of American Agricultural Insurance Company (AAIC). Thirty-three other Farm Bureau insurance companies own the rest of AAIC. AAIC sells reinsurance, insuring other insurance companies against the kinds of huge losses that might be caused by natural disasters — a risky but profitable business. According to financial reports, in early 1999 AAIC had assets of more than $575 million and a surplus of $285 million. The president of AFBF is also AAIC's president. AAIC employs AFBF's secretary and treasurer as secretary and treasurer of the reinsurance company. In fact, AAIC's entire board is chosen from among AFBF board members. On March 31, 1999, AAIC announced plans to purchase the reinsurance division of Nationwide Insurance. The terms were not disclosed. According to a news release, Nationwide's president Richard D. Crabtree said the sale to AAIC is a good fit because the two companies "share a cooperative heritage . . . ."

Other examples of overlapping farm bureau organizational and business interests include:

• New York Farm Bureau president John Lincoln serves as vice chairman of the board of Farm Family Insurance Companies. Farm Family also shares office space with the New York Farm Bureau.

• Kentucky Farm Bureau Federation executive vice president David S. Beck also is corporate secretary of Kentucky Farm Bureau Mutual Insurance Company.

• Farm Bureau Town and Country Insurance and Farm Bureau Life Insurance of Missouri are owned by Missouri Farm Bureau Services, Inc., which is controlled by the Missouri Farm Bureau.

• All directors of Western Farm Bureau Mutual Insurance are also directors of the New Mexico Farm and Livestock Bureau.

• Former Wyoming Farm Bureau Federation president and AFBF executive committee member Dave Flitner also served as president of Mountain West Farm Bureau Mutual Insurance and Farm Bureau Life Insurance. Flitner is better known for his close ties with former Interior Secretary James Watt and for his tenure as president of the Mountain States Legal Foundation, one of the nation's most active anti-environmental legal groups. Mountain States, a co-plaintiff in the Farm Bureau Yellowstone/Idaho wolf lawsuit, also provided legal representation for the

Farm Bureau in that lawsuit. Flitner once compared reintroduction of wolves to "inviting in the AIDS virus." He also proposed cutting agriculture programs to lower the federal deficit.

So vast is this web of interlocking companies with interlocking boards that it is nearly impossible to estimate the true extent of the Farm Bureau's financial power. It's equally difficult to gauge whether or how much individual farm bureau officers who sit on multiple boards of directors profit from these businesses, since individual holdings in the companies are never disclosed.

In addition to their other businesses, state farm bureaus are now providing digital television, satellite, advanced communication, long-distance and cellular telephone services and high-speed Internet access. Farm Bureau leaders seem reluctant to discuss these enterprises with outsiders. AFBF excluded members of the press from a 1998 communications conference in Santa Fe, New Mexico.

This exclusion of the press is not surprising. AFBF works hard to maintain its image as a grassroots advocate for family farms. Too much emphasis on AFBF's outside business interests might spoil that illusion. "There's an impression that this is a huge organization of farmers," says former Texas agriculture commissioner Jim Hightower, who now hosts a syndicated radio talk show. "But they are no more a family farmer organization than is State Farm Insurance. Just because you have the word farm in your name doesn't mean you really represent farmers."

As agriculture commissioner, Hightower had firsthand experience with the Farm Bureau's jealous protection of its financial interests. In the mid-1980s, when the European Community was considering a ban on imports of hormone-enhanced meat, Hightower tried to recruit Texas cattle producers to raise hormone-free beef for export. He figured that ranchers could take advantage of the new market for "organic" beef if they acted quickly. The Texas Farm Bureau interpreted Hightower's actions as disparagement of hormone-enhanced cattle and launched a successful campaign to drive him from office. After the smoke cleared, the *Dallas Times Herald* reported that Texas Farm Bureau-controlled companies owned $1.3 million worth of stock in Syntex, a cattle growth hormone manufacturer.

INFLATED MEMBERSHIP RANKS

> *"If these people lose their prestige as the spokesmen for agriculture, they're just another insurance lobby, and insurance lobbies are a dime a dozen. That's why they don't like to talk about how many of those members are actually farmers."*
>
> — Missouri farmer Scott Dye.

If proof is still needed that AFBF is not quite the grassroots farming organization that it represents itself to be, it would be found in the AFBF's own membership rolls. The Department of Agriculture estimates the number of full-time American farmers at just over 1 million, so clearly most of AFBF's 4.9 million members must come from outside agriculture. Numbers from the Texas Farm Bureau tell the story. In 1997, Harris County, which includes metropolitan Houston, had 4,675 members even though the Department of Agriculture listed only 551 full-time farmers there. Dallas County, with just 229 farmers, listed 2,332 Texas Farm Bureau members. Even in the unlikely event that every full-time farmer in both of those counties belonged to the Farm Bureau, around 90 percent of the Dallas and Harris county Farm Bureau members would have been non-farmers.

In fact, most urban members are nothing more than customers of Farm Bureau-affiliated insurance companies. The Farm Bureau requires these customers to purchase memberships in order to qualify for low-cost automobile, home, health or life insurance. These members do not necessarily support or even know about the Farm Bureau political activities that membership fees and insurance premiums are bankrolling. Chicago banker Sallyann Garner, for example, became a Farm Bureau member when she took out an insurance policy in 1991. Garner says she knew that a membership in the DuPage County, Illinois, Farm Bureau came with her policy. She cannot recall whether her insurance agent told her that all county members automatically become members of the national organization.

Garner learned in April, 1998, about AFBF's lawsuit to force removal of the Yellowstone wolves. "Wolf recovery happens to be one of my pet programs," she says. "I was extremely upset. I was appalled that I was forced to be a member of the American Farm Bureau just because of my insurance. I ought to be able to choose insurance based on the cost and the value and not unwittingly be part of a political action group that advocates policies I personally object to." A letter to DuPage County Farm Bureau president Michael Ashby brought a response saying that if Garner objected to the policy on "Wildlife Pest and Predator Control" she could vote with her checkbook and find other insurance.

Farm Bureau officials at the state, county and national levels alike generally seem reluctant to give straight answers to questions about how many actual farmers belong to the organization. "We feel like we represent eight out of ten American farmers," says Dick Newpher, executive director of AFBF's Washington, D.C., office. But he admits he actually has no idea whether that statement is true because, he says, AFBF does not keep a central membership list that identifies who is a farmer and who is not. However, AFBF bylaws clearly spell out two categories of membership: full members actively engaged in agriculture or retired from farming and associate members, defined as anyone else with an "interest" in agriculture. Newpher says county and state farm bureaus keep those records, but queries to several state farm bureaus did not produce answers, either. Texas Farm Bureau spokesman Gene Hall says Texas membership records make no distinction between farmers and other members.

The heavy dependence on insurance customers as the bulwark of the organization suggests that AFBF might become increasingly inclined to focus more on building its business interests than on speaking for individual farmers. This is supported in AFBF publications. For example, in a recent on-line essay, New York Farm Bureau executive Bill Stamp spelled out the importance of adding as many insurance customers as possible to the Farm Bureau's membership rolls: "This year, New Jersey Farm Bureau made a bold effort to increase membership with the support of their farm family agents. The membership increase was made largely with associate members. New Jersey Farm Bureau provided a wonderful marketing brochure for the nonfarm consumer of insurance. This practical initiative creates a larger membership base . . . . This boosts the financial foundation that Farm Bureau needs to achieve success of their policy efforts. This is a shining example of success!" Despite paying dues, Farm Bureau associate members aren't allowed to vote at the organization's conventions and thus have no say in policy matters.

Unlike the average farmer, AFBF has escaped paying taxes on its hefty income from membership dues because it is a nonprofit organization (although some state affiliates are set up as for-profit groups). However, after an Internal Revenue Service (IRS) survey of associate members found that only five percent joined AFBF because of an interest in agriculture, IRS in 1993 ruled that dues from these non-farming associate members — customers of Farm Bureau insurance companies and other businesses — should be taxed as business income. The IRS ruling could have cost AFBF and state affiliates $62 million in annual taxes. By 1996, IRS was suing farm bureaus in 11 states for back taxes.

A group of members of Congress led by Representative David Camp (R-Michigan) came to the Farm Bureau's rescue. Legislation reversing the IRS decision won congressional approval in 1996 as part of the tax-relief package under House Speaker Newt Gingrich's "Contract With America." Congressman Camp explained that he wanted to shield the organization from "unwarranted and potentially devastating audits." Senator Phil Gramm (R-Texas) argued during floor debate that "the IRS is trying to force the Farm Bureau to pay taxes they do not owe" and said the IRS action was "indefensible in the opinion of the vast majority of the American people." After all, Gramm insisted, "being part of the Farm Bureau is being part of agriculture." *(For a detailed discussion of the 1996 tax relief package see Appendix 2, "Tax Treatment of Unrelated Business Income for Agricultural and Horticultural Organizations.")*

During 1995 and 1996, Farm Bureau-affiliated political action committees (PACs) contributed $109,824 to many of the 126 congressional sponsors of the Tax Fairness for Agriculture Act, including $16,480 to Camp. In 1996 the Texas Farm Bureau PAC gave Senator Gramm $5,000.

This report will examine the Farm Bureau's multibillion-dollar financial empire and show how AFBF's pursuit of policies beneficial to its wide-ranging business interests has undercut the well-being of America's family farmers as well as the interests of consumers and efforts to protect the environment.