

Pig Pyramid Scheme Collapses Under Pressure of Pandemic

The unbearable stench of eleven swine factory farms encircles our family farm in Dodge County, Minnesota, just miles from world headquarters of multinational food giant, Hormel Foods. Situated along I-90, hog highway to heaven, Hormel Foods slaughters thousands of hogs per day at the company's flagship location in Austin, Minnesota. 125 miles to the west on I-90, more than 2,000 workers in Brazilian-owned JBS in Worthington, Minnesota slaughter thousands of hogs per day, one of the largest COVID-19 hot spots in Minnesota.¹ And, another 60 miles to the west along I-90, just across the state line in Sioux Falls, South Dakota, Chinese-owned Smithfield Foods employs 3,700 workers in one of the largest pork processing facilities in the country, producing four to five percent of US pork production² and site of the largest COVID-19 hot spot in South Dakota.³ Amid the cacophony of swirling languages of exploited immigrants working inside meatpacking plants—modern-day Towers of Babel collapse under the siege of an invisible coronavirus—revealing the frailty of a system built on a foundation of animals awaiting slaughter.

As far as the eye can see across the flat rural landscape, dozens of swine factory farms align I-90, stuffed with the industry standard of 2,400 pigs over a deep eight-foot manure pit, known as Confined Animal Feeding Operations (“CAFOs”). Like gruesome German bunkers carved into the hillside overlooking Normandy beach, corporate kings carved their ugly factory

¹ *May 3 update on COVID-19 in MN: Death toll passes 400, 6,663 positive cases*, MPR (May 3, 2020); see, <https://www.mprnews.org/story/2020/05/03/latest-on-covid19-in-mn>

² *Smithfield Foods to Close Sioux Falls, SD Plant Indefinitely Amid COVID-19*, Smithfield Foods, April 12, 2020; see, <https://www.smithfieldfoods.com/press-room/company-news/smithfield-foods-to-close-sioux-falls-sd-plant-indefinitely-amid-covid-19>.

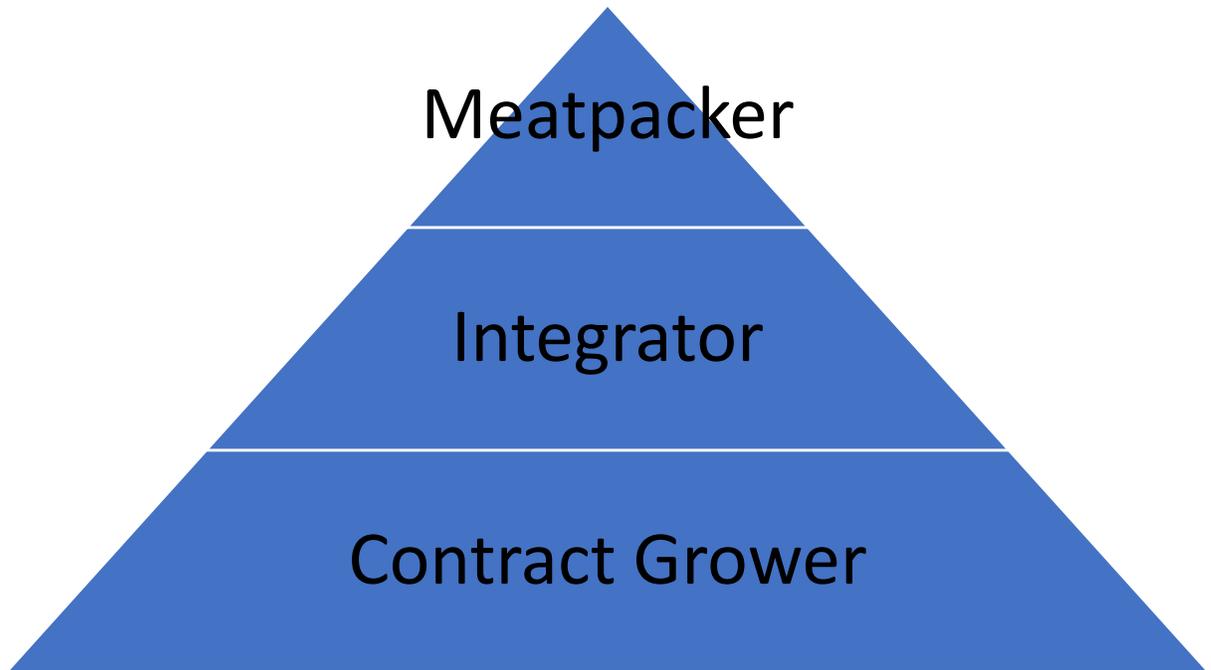
³ *South Dakota Meat Plant is Now Country's Biggest Coronavirus Hot Spot*, The New York Times (April 15, 2020); see, <https://www.nytimes.com/2020/04/15/us-coronavirus-south-dakota-meat-plant-refugees.html>

farms into the countryside, harsh reminders of the powerful corporate assault that has been underway in rural communities for years, concealed from urban consumers. Inside—a paper chain of hogs that look eerily similar—reflect the mass-produced method of raising hogs in an industrial system that spews dangerous air emissions.

It wasn't always this way.

Corporate power play – three simple words help to understand the corporatization of rural America and the loss of thousands of independent farmers from the land. In the last quarter century, large meatpackers pulled a power play which choked out the good seed and drove farm families off the land, while increasing corporate power and influence in rural areas. The meatpacking industry adopted the vertical integration model, a three-tiered pyramid scheme which enables top-tier multinational corporations to control virtually every aspect of production, although they do not raise the livestock themselves.⁴

⁴ *Haff Poultry, Inc. et al v. Tyson Foods, Inc. et al*, U.S. District Court (Eastern District of Oklahoma), Case No. 17-CV-033-SPS, Class Action Complaint dated January 27, 2017 (¶ 45).



Under this pyramid scheme, more than 8 in 10 hogs are controlled by packer conglomerates such as Hormel Foods, JBS and Smithfield.⁵ Middle-tier Integrators provide hogs, feed, veterinary services, and professional supervision to their bottom-tier contract growers.⁶ Middle-tier hog Integrators retain ownership of the swine at all times and make arrangements for the delivery of feed and veterinary services.⁷ Cleverly eliminating the free market, this market-fixing scheme squeezed growers, while pushing profits to corporate fat cats at the top of the

⁵ *Food and Power: Addressing Monopolization in America's Food System*, Open Markets Institute (April 2019); see, https://openmarketsinstitute.org/wp-content/uploads/2019/04/190322_MonopolyFoodReport-v.7.pdf

⁶ See, *Langdon v. Holden Farms, Inc.*, Minnesota District Court (Rice County), Civil File No. CV-14-2123, Complaint date August 8, 2013 and accompanying MN Wean to Finish Independent Contractor Agreement between Holden Farms, Inc., a Minnesota corporation, and Tim & Jen Langdon, Grower, dated June 1, 2008.

⁷ See, *Langdon v. Holden Farms, Inc.*, Minnesota District Court (Rice County), Civil File No. CV-14-2123, Complaint date August 8, 2013 and accompanying MN Wean to Finish Independent Contractor Agreement between Holden Farms, Inc., a Minnesota corporation, and Tim & Jen Langdon, Grower, dated June 1, 2008.

pyramid living off the hard work of downstream growers. This shrewd scheme takes advantage of growers at the bottom of the pyramid who provide labor, utilities, and substantial up-front investment capital required to raise feeder pigs to slaughtering age. Grower facilities, known as CAFOs, must be built to Integrators' precise specifications.⁸ Contract growers agree to provide the growing facility and properly maintain the same at the grower's expense.⁹ Grower specifically agrees to provide all labor and supervision.¹⁰ Grower is solely responsible for cleaning of the facility in which animals are housed.¹¹

Independent hog farmers, with access to farmland and skilled at raising animals, did not have access to the marketplace and could not get their animals to market, unless they played by the rules set by corporate kings. Almost overnight, multinational corporations took control of the production line from producer to consumer, exploited family farmers and relegated them to janitorial status. These agreements were designed to keep hog farmers, as author Christopher Leonard noted in *The Meat Racket: The Secret Takeover of America's Food Business*, "in a state of indebted servitude, living like modern-day sharecroppers on the ragged edge of bankruptcy."

Top tier meatpackers announced to local farmers that they would no longer accept a pickup load of pigs—only a semi-load of pigs would be accepted at the meatpacking plant. Under the mantra "get big or get out," a phrase coined by Earl Butz, Secretary of Agriculture

⁸ See, *Langdon v. Holden Farms, Inc.*, Minnesota District Court (Rice County), Civil File No. CV-14-2123, Complaint date August 8, 2013 and accompanying MN Wean to Finish Independent Contractor Agreement between Holden Farms, Inc., a Minnesota corporation, and Tim & Jen Langdon, Grower, dated June 1, 2008.

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¹⁰ Id.

¹¹ Id.

during the Nixon administration,¹² independent farmers were forced to sign contracts with middle-tier Integrators and construct huge confinement buildings to industry specifications or “get out.” A simple contract, innocuous on its face, enabled the long-arm of multinational corporations to reach deep into rural areas. These one-sided contracts allowed multinational corporations to essentially control local farmers while smashing the public marketplace. Failing to understand the long-term implications of submitting to the power and dominion of corporate kings, thousands of farmers joined the herd mentality and signed on the dotted line, convinced that signing a contract was the lifeline to survival.

My sister, Shelley, and her husband, Dave, were directly impacted by the “get big or get out” mentality that tragically forced thousands and thousands of independent farmers off the land following the 1980s farm crisis. Dave operated the family farm outside of Blooming Prairie with his father, Frank, for many years. Dave loved farming with his father and, together, they raised hogs in addition to operating several acres. Pressured by the industry, they doubled the size of their operation to 900 pigs. Twice a year, they proudly delivered hogs directly to Hormel Foods, one of the largest meat processors in the world,¹³ just 15 miles south of the family farm. In the 1990s, dramatic, yet elusive, changes were underway in the hog industry. Subtle changes started with longer wait times at the point of delivery. Dave and Frank noticed that delivery times were taking longer and longer for small independent farmers, as Hormel gave preference to semi-loads of pigs delivered to market by big contract growers. Independents like Dave and Frank

¹² Scholar, Heather H., *Federal Farm Policies Hit*, Reading Eagle (October 23, 1973).

¹³ According to The National Provisioner, Hormel Foods is the 6th largest meat processor in the world in 2018 with 33 plants worldwide, 19,900 employees and net sales of \$9.2 billion annually. The 2018 Top 100 Meat & Poultry Processors, The National Provisioner; The National Provisioner’s Top 100 is an annual ranking of the top 100 meat and poultry processors in the United States, based on net sales. <https://www.provisioneronline.com/2018-top-100-meat-and-poultry-processors>;

oftentimes waited close to an hour before Hormel processed their delivery, while semi-loads of pigs by big contract growers—part of the new corporate order—were rushed through the plant.

Locked out—small independent farmers were denied access to the public marketplace one pickup load at a time. Industry giants used limited access to the public marketplace to create an atmosphere of pressure and compel independent farmers to sign one-sided contracts that favored multinational corporations, trapping farmers like wild animals on their own farms.

1998 was the breaking point. The bank announced to Dave and Shelley that it would not renew their *small* operating loan, but the bank would extend a *great big* loan. The hitch—they would no longer own their own pigs and had to sign a contract to take pigs from a middle-tier Integrator such as Christensen Farms or Holden Farms—and they had to build a large factory farm or CAFO to industry specifications. If they agreed, Dave and Shelley abruptly would lose their status as independent farmers and become contract growers—part of the production line just like the pigs. The simple and calculated act of stripping the right of farmers to own their own livestock, as basic as the right to bear arms, altered rural communities and made them beholden to corporate kings asserting their corrupt influence in rural areas. As part of its strategic plan, meatpacking giants, middle-tier Integrators and Republican-aligned Farm Bureau operatives employed their extensive network of farmer members to build area factory farms, banished longtime independent hog farmers such as Dave and Frank, blocked their access to the marketplace and shoved them out of the hog business unless they agreed to play by the rules set

by industry kings. Multinational corporate giants hijacked the industry and seized power in rural areas—a coup d’etat without a single bullet.¹⁴

Swindled by industry giants and stripped of the right to own their own pigs, Dave and Shelley were early casualties of the complex scheme adopted by corporate monarchies to assert and take power in rural areas. Industry kings—stealing pigs from independent farmer and perhaps even more painful—stealing the dreams of father and son to farm together. Without this revenue stream, Dave and Frank were deprived of the opportunity to farm together and stay on the family farm. Opting to “get out,” Dave and Shelly left the family farm.

With a stroke of the corporate butcher knife, not only did industry kings abuse their corporate power and sever the animals from the land and force them into confinement facilities, industry kings also severed independent farmers from the land. Absolute power to corporate monarchies—taken—not given—diminished the moral sensibilities in rural areas and deepened the country’s sickening dependence on corporate giants. “Power corrupts and absolute power corrupts absolutely.”¹⁵

Unaware at the time of the significance of events unfolding in my bucolic home community, my family had a front row seat to the transformative and destructive power of industrial agriculture and their heavy-handed tactics. As corporate giants grabbed ownership of the animals and forced area farmers to sign one-sided contracts if they wanted to remain in business, the industry not only asserted corporate dominion and control over the animals, but also over independent farmers. With each contract signing, the marketplace became more and

¹⁴ See, Mahajan, Karan, *State Capture: How the Gupta Brothers Hijacked South Africa Using Bribes Instead of Bullets*, Vanity Fair (March 2019). Novelist Karan Mahajan traveled to India and South Africa to understand how three small-time investors fleeced an entire country.

¹⁵ Lord John Acton.

more controlled by industry giants. The forced implementation of this complex scheme pushed profits to multinational corporate powerhouses at the top of the pyramid—their giant meatpacking plants rising as towers above rippling fields of nearby cornfields. Inside, thousands of low-wage exploited immigrant laborers work elbow-to-elbow, forced to work even during a pandemic by Presidential Executive Order.¹⁶

Suggestive of anti-competitive behavior, middle-tier Integrators are strategically situated geographically around the State of Minnesota, including Holden Farms, Inc. in south-central Minnesota (Northfield, Minnesota) which works with nearly 200 farmers throughout southern Minnesota and northern Iowa.¹⁷ Christensen Farms, one of the largest pork producers in the United States with nearly 1,000 employees and 1,500 contract partners, spans across the Midwest to include facilities in Minnesota, Iowa, Nebraska, Illinois and South Dakota.¹⁸ Situated in south-central Minnesota, Christensen Farms operates three feed mills, manages 148,000 sows on 44 farms and oversees more than 350 nurseries and grow-finish sites.¹⁹ Christensen Farms markets nearly 3 million hogs per year.²⁰ In August 2018, Christensen Farms was subject to a multi-state immigrant raid.²¹ The sleepy farming community of Sleepy Eye was awakened on

¹⁶ Executive Order on Delegating Authority Under the DPA with Respect to Food Supply Chain Resources During the National Emergency Caused by the Outbreak of COVID-19, Issued under the authority of the Defense Production Act of 1950, as amended (50 U.S.C. 4501 et seq) and section 301 of title 3, United States Code, April 28, 2020; see, <https://www.whitehouse.gov/presidential-actions/executive-order-delegating-authority-dpa-respect-food-supply-chain-resources-national-emergency-caused-outbreak-covid-19>.

¹⁷ See, <http://holdenfarms.com/partners/>

¹⁸ See, <https://www.christensenfarms.com/about-us>

¹⁹ Id.

²⁰ Id.

²¹ <https://www.christensenfarms.com/about-us>. According to the Christen Farms website, “(h)eadquartered in Sleepy Eye, Minnesota, Christensen Farms is one of the largest, family-owned pork producers in the United States. With nearly 1,000 employees and 1,500 contract partners, our company spans across the Midwest to include facilities in Minnesroota, Iowa, Nebraska, Illinois and South Dakota.

August 8, 2018 by a multi-state operation led by special agents from the U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations (HIS), as a series of criminal arrest warrants were executed for individuals connected to an alleged criminal conspiracy to exploit illegal alien laborers for profit, fraud, wire fraud and money laundering in Nebraska and Minnesota.²² Schwartz Farms, Inc. works with over 150 farmers on a contractual basis²³ in southern Minnesota (Sleepy Eye, Minnesota). Pipestone Systems in southwestern Minnesota (Pipestone, Minnesota) manages over 70 sow farms for 450 contract growers.²⁴ Together, this handful of Integrators boasts a network of approximately 2,335 contract growers. With 2,400 hogs typically housed in each CAFO which turn an average of twice per year, this extensive network of contract growers produce over 11 million hogs annually, pushing Minnesota into second place in the nation in hog production. Not a proud statistic for a state known as "The Land of 10,000 Lakes."

The COVID-19 pandemic exposes the fragility of this failed pyramid system, with dozens of meat processing plants emerging as coronavirus hot spots, blocking the chain and backing up pigs in area factory farms. Fine print in the Independent Contractor Agreement cleverly shifts swine production risks to contract growers, stating, "Raising swine for profit depends on many factors... [that] include, but are not limited to, your own husbandry and

We currently operate four feed mills, manage 145,000 sows on 44 farms, and oversee more than 350 nurseries and grow-finish sites."

²² "The job magnet in the United States is primarily what draws illegal aliens across our borders," said Special Agent in Charge Tracy J. Cormier, HHSI St. Paul, which oversees Nebraska and Minnesota. "This HIS-led criminal investigation has shown that these targeted businesses were knowingly hiring illegal workers to unlawfully line their own pockets by cheating the workers, cheating the taxpayers, and cheating their business competitors." <https://www.ice.gov/news/releases/ice-executes-federal-search-warrants-nebraska-minnesota-and-nevada>.

²³ See, <http://www.schwartzfarms.com/contract-opportunities-2/>

²⁴ See, <https://www.pipestone.com/services/swine/>

management skills, herd health, adverse weather conditions, or other catastrophic loss of the facilities or the hogs on account of factors beyond the [Integrator's] or your control. [Integrator] may fail to deliver pigs, feed or veterinary services in the quantity or quality described in the contract due to act of God or other unforeseen circumstances.”²⁵

As the pandemic forces closure of multiple meatpacking plants and bottlenecks supply chain—the pyramid scheme collapses—the risks associated with this disastrous system falling squarely on contract growers. The pandemic exposes the failings of this failed pyramid scheme, as contract growers at the bottom of the pyramid cannot get their hogs to slaughter. Processing reduction has forced industry giants and their downstream contract growers to euthanize thousands of hogs—a killing wave to prevent mature livestock from entering the processing system.²⁶ With each animal that's euthanized, the industry euthanizes another contract grower's paycheck. The losses taken by those at the bottom of the pyramid scheme are severe. Not only stripped of their paychecks, contract growers are also responsible for disposal for all dead animals.²⁷ Refusing to bail out their own contract growers, shameless industry giants seek relief from federal taxpayers,²⁸ rather than digging into corporate coffers to reimburse contract growers for their losses. The absolute truth about pyramid schemes is they are going to fall apart. Inevitably, pyramid schemes always collapse at the end. There is no continuity to pyramid

²⁵ Id.

²⁶ Durden, Tyler, *Hog-Culling Next as Meatpacking Plants Shutter Operations Stoking Food Shortage Fears in Weeks* (Zero Hedge, April 25, 2020); see, <https://www.zerohedge.com/health/hog-culling-next-meatpacking-plants-shutter-operations-stoking-food-shortage-fears-weeks>

²⁷ See, *Langdon v. Holden Farms, Inc.*, Minnesota District Court (Rice County), Civil File No. CV-14-2123, Complaint date August 8, 2013 and accompanying MN Wean to Finish Independent Contractor Agreement between Holden Farms, Inc., a Minnesota corporation, and Tim & Jen Langdon, Grower, dated June 1, 2008.

²⁸ Hughlett, Mike, *Minnesota farmers trying to find markets for their hogs—and save their livelihoods*, Star Tribune, April 25, 2020; see, <https://www.startribune.com/minnesota-farmers-trying-to-find-markets-for-their-hogs-and-save-their-livelihoods/569927872/>

schemes, and the expectation that they will continue to generate returns over a longer time can be completely ruled out. Federal tax dollars are better used to help contract growers *get out* of this failed system, rather than helping industry giants *stay big*.