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REGISTRATION-FREE
ADM's Invisible Touch

Company Makes Its Presence Felt in Washington

By Anna Palmer
Legal Times

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In politics it's a given that rising prices at the pump also fuel scapegoating in Washington. And with gas nearing \$2.50 a gallon heading into the summer driving season, Congress is braced for another round of Big Oil bashing.

But this time around, the usual rogues' gallery of greedy energy executives and billionaire oil sheiks may need to make room for a new cartoon villain: the American farmer.

Not your kindly, Grant Wood-style tiller, but Big Agriculture, which is gaining market share by supplying alternative fuel. A mandate in last year's energy bill, championed by the Ag lobby, along with the phaseout of the fuel additive MTBE by May 5, has substantially upped the demand for

House Speaker
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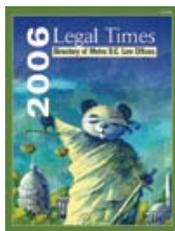
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ethanol, the grain-based power source.

Already, there isn't enough ethanol to go around. That, in turn, is translating into higher fuel prices and has driven up the stocks of the agribusiness companies that make ethanol.

Perhaps no company has benefited more from — or done more to orchestrate — this state of affairs than [Archer Daniels Midland](#). The Illinois-based agribusiness giant is the largest ethanol maker in the country, and as the demand for the alternative fuel has skyrocketed, the company's stock has vaulted 37 percent since the beginning of the year.

But despite the fact that ADM's fortunes are heavily dependent upon ethanol, and, perhaps, no commodity in American history has depended more on government sponsorship for its viability, ADM is oddly absent from the usual K Street power matrix. In fact, in its 104-year history, ADM has never directly registered a lobbyist to work on its behalf.

How can it be that a company many perceive to be the ultimate inside-the-Beltway player has never hired a lobbyist? The answer reveals much about how the influence game is played at the highest level.

THE MYTH OF FINGERPRINTS

ADM's recent modus operandi in Washington has been to stay as far below the radar as possible.

"It's a different approach, but one can't argue with their success," says Randall Russell, an agriculture lobbyist at [Leshner & Russell](#). "[ADM's] played a role in government and shaping of government policy in trade policy, farm bills, and the whole area of renewable fuels. They've been a player, but you don't see their direct fingerprints."

But that wasn't always the case. In the 1970s and 1980s the company made a name for itself through the flamboyant escapades of its former CEO Dwayne Andreas, a major power broker during the Nixon, Carter, and Reagan administrations. Andreas was widely known as a conduit for campaign funds, a provider of corporate jets, and a key figure in any international trade negotiation that might touch upon ADM's global interests.

"In the past, ADM officials . . . came into town from time to time to go up on the Hill personally," says Larry Mitchell, chief executive officer of the American Corn Growers Association.



Andreas was ADM's face in Washington, and his coziness with top lawmakers of both parties gave his company virtual veto power over ag policies of that time, including the nascent idea of converting the company's products into alternative fuel.

As one former Grain Belt staffer turned lobbyist says, "I would hate to tell you the number of liberal Democrats that when an ethanol issue came up, the first thing they would say to me [was], 'Is Archer Daniels OK with this?'"

Though the company eschewed hiring K Street lobbyists, it supplemented Andreas' political clout by opening a Washington office 20 years ago. And over the years, ADM has employed a slew of ag policy consultants, including former Department of Agriculture staffer Martin Sorkin and ex-[Cargill Inc.](#) executive Daniel Amstutz.

Despite its political muscle, in 1996 the company and three of its former executives, including Dwayne Andreas' son Michael, were convicted of conspiring to fix the world lysine market and served time in prison. At the time, ADM's \$100 million penalty was the largest antitrust fine ever. But with the help of lawyers from [Akin Gump Strauss Hauer & Feld](#) and [Williams & Connolly](#), the company did not face debarment from its lucrative federal contracts.

In the wake of the scandal, ADM's political fortunes predictably plunged. Nevertheless, the company didn't take the usual route of hiring a respected lobbyist to rehabilitate its credentials in Washington. For example, after Tyco International Ltd. CEO Dennis Kozlowski was charged with looting the company, Tyco retooled its local presence and hired longtime lobbyist Fruzsina Harsanyi to do damage control on Capitol Hill.

ADM, by contrast, continued to operate in its usual manner, generously spreading around campaign cash while working the political system through a bevy of agriculture trade groups such as the [Corn Refiners Association](#), the [Renewable Fuels Association](#), and the [National Oilseed Processors Association](#). ADM prefers to wield influence inside these associations and let them do the heavy lifting on legislative action.

"ADM has a very subtle way of appearing above the fray, but they are actually running the whole thing," says Nicholas Hollis, president of [Agribusiness Council Inc.](#)

The company also regularly doles out campaign contributions to Grain Belt lawmakers who sit on key agriculture and energy committees, such as House Speaker Dennis Hastert (R-Ill.), Sen. Ben Nelson (D-Neb.), and Sen. Dick Durbin (D-Ill.). ADM counted former Senate Majority Leader Bob Dole (R-Kan.) as one of its closest allies on the Hill. In the past presidential cycle the company gave almost \$100,000 to campaigns, while the Andreas family, long known for deep pockets, gave almost \$25,000 to favored candidates.

The company further burnished its image by sponsoring respected television news shows such as PBS' "NewsHour" and NBC's "Meet the Press." It also blanketed wonky Washington news outlets, including the *National Journal*, with full-page ads featuring its "Supermarket to the World" slogan.

Although ADM isn't known for throwing posh congressional parties or taking staffers out to swanky restaurants, lobbyists say the company has moved to bolster its credentials among ag advocates. In just the past two years, ADM has become a name sponsor for National Ag Day, an industrywide luncheon in Washington, along with longtime sponsor John Deere Ltd.

In 2005 the company named Shannon Herzfeld vice president of government relations. Herzfeld, a one-time trade lobbyist at the [Pharmaceutical Researchers and Manufacturers of America](#), one of the most powerful and effective lobbies in the nation's capital, came aboard to manage the Washington office. Herzfeld also did a stint at Akin Gump, longtime legal counsel to ADM.

Despite such moves, ADM still lags behind its competitors in public spending on congressional agenda-setting. In 2004 agribusiness rivals Cargill Inc. and Monsanto Co. spent \$660,000 and \$3.7 million, respectively, on lobbying, according to disclosure records.

Company officials declined to comment for this article, but in a written statement to *Legal Times* said that its Washington office "monitors key policies and regulatory activity that affects its business in order to keep the individual business units informed of current and anticipated government policies."

Though ADM has not registered to lobby, that doesn't mean companies it has a vested interest in haven't. Hogan & Hartson lobbied on farm bill issues from 1998 until 2005 on behalf of one of ADM's joint ventures, Golden Peanut Co.

More recently, Gruma Mexico and Gruma U.S.A., in which ADM holds a 29 percent stake, registered with [Williams Mullen Strategies](#). The firm is representing Gruma on ag policy, international trade, financial services, and bioterrorism.

But these ventures amount to small potatoes compared with ADM's bet on ethanol.

GETTING GASSED UP

It wasn't long ago that getting an ethanol mandate out of Congress seemed like a pipe dream. For more than three decades ethanol had been the Segway scooter of America's energy policy: widely hyped but rarely used.

But after 9/11, ADM bet big that Congress would finally get serious about renewable fuel. In part that conviction may have been a direct result of

ADM's political connections. According to an ADM press release from two months ago, the company's newfound interest in ethanol came directly from the Bush administration.

"It's been some 30 years since we got a call from the White House asking for the agricultural industry, ADM in particular, to take a serious look at the possibilities of building facilities to produce alternative sources of energy for our fuel supply in the United States," says Chairman G. Allen Andreas in the release.

In February, Energy Secretary Samuel Bodman paid a visit to ADM headquarters in Decatur, Ill. There, on the company's commodities trading floor, Bodman announced a \$160 million program to subsidize three biofuel plants in the next three years. Under the deal the government will partner with industry to promote ethanol technologies that make the alternative fuel more competitive in the marketplace.

The announcement represented something of a sea change in the administration's energy policy, which had long focused on increased oil production as the preferred solution to America's growing energy needs. As recently as 2001, ADM and other ethanol producers were still struggling to shore up support for ethanol, trying to persuade oil executives and their powerful supporters in Congress to endorse a mandate for ethanol production in the energy bill then under debate.

After a protracted negotiation, the Renewable Fuels Association, the public face of the ethanol lobby and a group in which ADM plays an active role, and the American Petroleum Institute, the energy industry's principal trade group, struck a deal calling for a legislative mandate for the production of 5 billion gallons of ethanol annually by 2012. In return for Big Oil's support of ethanol, agribusiness agreed not to oppose MTBE liability protection. MTBE is an additive produced by petrochemical companies that improves the octane rating of gasoline.

But as the energy bill languished during the 107th and 108th Congresses, the company's capacity to produce ethanol increased rapidly, as did the political pressure to move away from dependence on oil imports from the Middle East.

In short, ethanol's moment had arrived, and the RFA moved to renegotiate key provisions of the energy bill, including upping the ethanol mandate.

"It became obvious in 2004 that 5 billion gallons just wasn't the far-reaching goal that it once was," says Robert Dineen, president of the RFA. "If we were going to expand the political capital, it should be a bolder and more aggressive agenda."

ADM's push proved to be well timed. By the time the energy bill was in final negotiations, a key advocate for the oil industry in Congress suddenly had troubles of his own. Then-House Majority Leader Tom DeLay (R-Texas) had

long strong-armed lawmakers into supporting an MTBE provision in the energy bill. But with DeLay under indictment (and now headed out of Congress), the path was clear for ADM to push for ethanol to replace MTBE as the gasoline additive of the moment. Backed by Hastert's order to get an energy bill out of committee, the ethanol lobby scored a major victory, knocking MTBE out and moving the bill toward the ethanol-friendly Senate.

With that chamber under a similar directive to finish the energy bill, ADM and the RFA managed, with the strong support of senators such as John Thune (R-S.D.) and Jim Talent (R-Mo.), to increase the ethanol production mandate by 50 percent to 7.5 billion by 2012 and add more government subsidies for additional sources of ethanol. (ADM's political action committee contributed \$5,000 to Talent in July 2005.)

And it appears ADM isn't through yet. With the company expected to produce 1 billion gallons of ethanol by the end of the year, and two new ethanol plants in the works, it is likely to ask for a further increase of the ethanol mandate.

Oil lobbyists say they expect the push to expand the use of ethanol to come next year during negotiations for the next farm bill. According to one energy lobbyist, Big Ag may ask for a mandate of up to 25 billion gallons of ethanol by 2012, securing its position in the marketplace.

The industry certainly seems to have attracted one unlikely ally, a former Texas oilman who now champions the virtues of ethanol.

"America is addicted to oil, which is often imported from unstable parts of the world," the president said in his most recent State of the Union address. "Since 2001 we have spent nearly \$10 billion to develop cleaner, cheaper, and more reliable alternative energy sources," he added, calling for 75 percent of oil imports from the Middle East to be replaced with alternative fuels over the next 20 years.

And if that ultimately happens, ADM's "lobbying" strategy could be more lucrative than any of the traditional tactics other companies have used to get legislation passed.

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