

Agriculture by Cynthia Parsons

Empty silos

The U.S. Department of Agriculture is exerting itself to cover up the grain-stock gap.

A conflict between the USDA and the grain industry over the volume of soybean and corn supply has sent USDA into statistical contortions, worried the stock market, and forced Congress to hold hearings into the cause of recent inconsistencies in crop reports.

However, few besides *EIR* have even suggested that perhaps the reason for all the commotion is that we simply do not have the "abundant stocks" of grain that the USDA and others have claimed. The National Democratic Policy Committee now asserts what many farmers already know, that the so-called bumper crops of the early 1980s simply did not occur. They were concocted to reduce the price of grain, which will put thousands of farmers out of business.

The conflict in grain statistics came to light after the Chicago Board of Trade, had estimated in mid-January that there would be 5.2 billion bushels of corn in reserve. The official USDA statistics report claimed that the level was 4.9 billion bushels. The 300-million-bushel discrepancy temporarily shot up trading prices.

Perplexing the traders even more was the USDA's grain production report, released Jan. 23, which contradicted a 1983 production report released 10 days earlier. The gap caused a few days of extreme "uncertainty" on the futures market. The revised report indicated that the 1983 corn and soybean harvests were 2 and 4 percent larger, respectively, than had been forecast.

Grain analysts commenting on the

disparities conjectured that USDA was compensating in the stock figures for mistakes made in the earlier production statistics.

On Feb. 23, the House Agriculture Subcommittee will hold an oversight hearing to review the USDA's reassignment of several officials of the Agriculture Department's Crop Reporting Board, presumably to cover its tracks. The hearing will look into what the Department has done to avoid a repetition of recent inconsistencies in their crop reports. The USDA has announced that it intends to review the "methodology, analysis procedures and sources of data used by the board in preparing reports."

Pat Roberts (R-Kans.), ranking minority member of the subcommittee, said that the hearing "will answer some of the concerns expressed by producers over the accuracy and the integrity of the USDA's crop reporting service. Rumors abound over the recent crop reporting shakeup. The hearing will be an attempt to put those rumors to rest and restore integrity to the crop reports."

Whatever the hearing comes up with, one thing is certain: The 4.9 billion bushels of corn that the USDA claims are in storage, are simply not there. Farmers report that Cargill grain company is buying grain directly from farmers and not from elevators, because there is no grain in them. "If you knew how much grain is in the elevators," claimed an Ohio elevator inspector, "you would run scared."

For the past year and a half, the USDA has been revising crop figures

at all points—production, use and stocks—at double the normal rate of revisions. No matter how they try, they have not been able to cover up the fact that there was not enough grain in storage to fulfill the Payment in Kind (PIK) certificates when farmers came to claim their corn. Had farmers not walked away from their grain because the price was too low for them to make a profit by selling it, and had the USDA not sent out a special circular asking farmers to keep grain in storage longer than the contract stipulated, PIK would have been an even bigger embarrassment than it turned out to be.

The USDA is telling us that there are 4.9 billion bushels of corn in reserve, after they revised the 1983 production figures. But 1983 was a very low production year because of PIK, which cut production by 50% and the drought which knocked off another 15%. Yet the USDA revised upwards its production figures. (Even if the 4.9 figure were accurate, that is 41% down from a year earlier.)

What the USDA was counting on was that corn and soybean use would drop, and the missing grain would not be missed because supply would match the low demand.

But, as of February 1984, supplies are already running short to fulfill known demand, even if it is reduced demand. The average one-year usage is 7.2 billion bushels. Thus we already have a shortage of 2.3 billion bushels. Reflecting the shortage, a USDA crop expert said: "We need a price rationing of remaining stocks, or we will run out of corn if used at the rate of use in the last three months of 1983. Since we used 2.416 million bushels in 92 days, or 26,000 bushels per day, we have 274 more days before Oct. 1 when the next crop comes into use. We need 7.2 billion bushels to cover usage." Where will that grain come from?