

Food cartel stages grand theft of scarce U.S. grain

by Bob Baker and Marcia Merry

In the summer of 1972 occurred the "Great Soviet Grain Robbery." Huge Soviet food purchases of U.S. grains were made, through channels of the famous grain cartel companies (Continental, Cargill, Bunge, André/Garnac, Louis Dreyfus). Grain prices then soared, giving the cartel huge contrived profits. Then the State Department negotiated ongoing Soviet-U.S. grain and shipping protocols that guaranteed, in the name of "stability of the markets," unprecedented strategic food imports and freight advantages for the Soviet Union, and more power and profit to the cartel.

Today, in the summer of 1988, a process is under way which makes 1972-73 seem minor by comparison. As of the end of June, the combined impact of the drought and the cartel-serving policies of Washington, D.C., is creating a situation of food shortages and price control by the cartel, on a scale unprecedented in history. So far, federal and state policies have not only been ineffectual in relieving the devastation from the drought, but worse, decisions have been made to enhance the ability of the cartel to wield "food power" under conditions of catastrophe. At the end of June, U.S. Department of Agriculture officials insisted on continuing the infamous "Export Enhancement Program," which has functioned to draw down grain stocks. Department of Agriculture officials also declared new orders for the "Farmer-Owned Grain Reserve" that will facilitate cornering scarce grain stocks by cartel companies.

The scale of the looming food shortages and price hikes is so great, that what is required is a national grain audit and immediate cessation of all grain exports, pending determination of stocks and allocation priorities. First let's consider the extent of the drought, and then the factors causing short-

ages and cartel control.

As of July 1, the late June showers across the U.S. food-belt had been insufficient to replenish soil moisture levels and to restore the parched, stunted crops. The durum wheat belt of the Northern Plains and Canadian prairies is a disaster. Of the 3,106 designated crop-producing counties in the nation, fully half had been declared drought disaster areas by June. In all regions, the cattle kill—because of the lack of water, pasture and soaring feed prices—promised a meat supply emergency. The meat in the stores may be "there now, but gone tomorrow," considering how many breeding animals are being slaughtered.

Drought conditions also prevail in other world breadbasket regions—Mexico, the southern Caribbean, North Africa, and the North China Plain.

Low harvests on this scale would strain Western food stores at the best of times, but in recent months, U.S. grain reserves have been deliberately drawn down by huge shipments to the Soviet Union. According to Department of Agriculture reports, 4.1 million metric tons of U.S. wheat were contracted for the U.S.S.R. in 1986-87; and so far this trade year, 9 million metric tons have been contracted already. By the Department of Agriculture's own overstated estimates, U.S. stocks of wheat in public and private warehouses would fall from 49.56 million metric tons in 1986 to 21.3 million tons by next spring.

This amounts to only 72% of projected domestic needs—the lowest level since 1976. If 1988-89 wheat exports of 40.8 million metric tons occur as the Department of Agriculture projects, then the American consumer could see wheat supplies sink below projected 1988-89 domestic needs by 67.6

TABLE 1

High export levels and dry weather will eliminate U.S. wheat stocks

(millions of metric tons)

	1987-87*	1987-88*	1988-89*	EIR Drought projections, 1988-89
Beginning stocks	51.85	49.56	33.64	33.64
Production (-40%)	56.93	57.29	57.70	34.62
Imports	0.57	0.41	0.40	0.40
Exports	27.32	43.55	40.80	40.80
Domestic needs	32.46	30.07	29.70	29.70
Ending stocks	49.56	33.64	21.30	-1.84

*Source: U.S. Dept. of Agriculture

million bushels, with no carryover stocks.

Most of the increased grain exports to the Soviet Union were arranged under the Export Enhancement Program (EEP). This scheme was first tried in May 1984, then incorporated into the 1985 National Food Security Act. Under the plan, the international food trading companies of the cartel are given millions of dollars worth of "generic crop certificates" by the Department of Agriculture. The companies redeem these certificates for Commodity Credit Corp.-owned stocks, and offer grain at discount prices to importing nations of preference. Through the EEP, the food cartel companies have received \$2.1 billion worth of grain certificates since 1985. Of the grain itself, about 45% of the wheat that has passed through the EEP program has gone to the Soviet Union and China, at a sweetheart price discount of from \$32-46 a ton.

The promoter of this swindle was former Undersecretary of Agriculture Daniel Amstutz, a 25-year Cargill man, who joined the Department of Agriculture in 1983. His replacement since 1987 is Richard W. Goldberg, who, as late as the end of June, reiterated the department's commitment to the Export Enhancement Program, despite the drought and low reserves: "We have ample stocks to take care of supply and demand. We're reviewing the market all the time. There's no reason to discontinue the current program." Agriculture Secretary Richard Lyng told reporters June 24 that he would not alter or halt the program, and that supplies were ample.

In practice, what Lyng and others mean, is that they will do everything to assist the cartel companies' access to short grain supplies. On June 28, the Department of Agriculture activated changes in the terms of the Farmer-Owned Grain Reserve Program, opening up grain for cartel purchase advantage, and taking away the opportunity of the farmer to control the product of his labor for his own good, and that of the nation.

TABLE 2

Soviets import lion's share of U.S. wheat, 1984-85, 1987-88

(millions of metric tons)

Trade year	Total exported by U.S.	Total imported by U.S.S.R from U.S.	Soviet purchases as % of U.S. wheat exports	U.S. wheat as % of total U.S.S.R. wheat imports
1984-85	38.80	2.9	7.50%	10.3%
1985-86	24.90	0.2	0.8%	1.2%
1986-87	27.32	4.1	15.0%	25.6%
1987-88*	43.50	9.0	20.0%	41.0%

*As of May 10, 1988

The Farmer-Owned Reserve Program was introduced a few years ago, nominally to allow farmers some protection from having to sell their grain at losses when the market price was low. Under the plan, a farmer can contract with the government to keep his crop in storage, get a loan from the Department of Agriculture based on a government-determined price per bushel, and have the government pay the farmer some figure for the annual storage costs, for a term of three years. Then, the grain can be forfeited to ownership by the government, or sold by the farmer and the government loan paid back.

On June 28, the government lifted the three-year requirement for corn, and said that as of Aug. 1, if the market price for corn is above \$3.03 a bushel (as it will be), then the farmer is "free" to sell it, repay his federal loan, or else, if he chooses to keep the grain, he must pay the government for storage and pay interest on the loan.

What this does, is guarantee that the farmer will be pressured to sell his grain for a pre-peak price. Cartel grain trading companies will be able to buy grain at an under-peak price, and then stand ready to massively jack up the price, and control sales and allocation decisions. Piracy looks moral compared to what we see about to happen.

Local reports from farmers around the country show that the Department of Agriculture has dramatically overstated grain stocks. All along the grain "pipeline," there are outcries about the crisis. The Independent Bakers Association, a trade group representing 300 companies, has called for a suspension of the Export Enhancement Program.

By suspending grain exports and auditing true stock levels, allocation decisions can be made to maximize provision of cereals for human consumption—both at home and for points of need among allies, to preserve the domestic meat animal breeding stock, and to eliminate for a stated period of time any other non-essential uses of grain.