

# World food stocks below danger levels

by Robert L. Baker and Marcia Merry

On April 28 of this year, before the headlines appeared on the drought now devastating the North American and other of the world's breadbasket regions, the United Nations Food and Agriculture Organization in Rome released a report, *A Global Early Warning System on Food and Agriculture*, which stated, "A substantial decline in 1987/88 carryover cereal stocks is now certain." Understatement is typical for the FAO, but this may be the understatement of the ages.

The FAO was warning merely that world grain stocks would fall to a level of 382 million tons by this summer, below an FAO-recommended safety level of 25% of annual grain output. Last year's total world grain output is estimated at 1.596 billion metric tons. In reality, world stock levels are far below 382 million tons, down to less than 21% of annual grain output, and will plunge even farther relative to need because of the devastation of harvests now guaranteed by the "Drought of '88."

The quantity of food—grain staples—held over each year as a reserve, is best thought of as a percentage of annual

grain output (minus requirements for seed). At minimum, the FAO recommends that 25% of a nation's output be held in reserve—an amount which dozens of the world's poorest nations have never achieved, and many more have harvests over 25% less than annual food requirements. Logistics and military experts concur that the desirable food-stocks reserve level is in the range of one to two years' supply of cereals staples, to prevent deprivation in case of disaster or war.

In recent years, policies resulting in food scarcity have been deliberately promoted by food cartel company circles through government decisions in the United States and European Community, on a scale that has drawn down world stocks—relative to need—to unprecedented marginalization and shortage. Large exports to the Soviet Union and cutbacks in crop acreage in the West are responsible for this depletion of Western food reserves. Because, at the same time, food output potential has also been declining, i.e., fewer independent farms, fewer breeding stock, fewer farm and food machines manufactured, and so forth, this process of drawdown has led to the situation in which the current drought promises not merely a hardship, but catastrophe.

First, consider just the facts and figures of the situation in the United States. The United States, even under current conditions of economic decay under the great "Reagan Recovery," is still the largest grain producer in the world. If there are shortages in stocks in the United States, there are automatically worldwide shortages.

In **Table 1**, in the last rows shown for corn and for wheat, the *EIR* projection for ending stocks is given, calculated under the presumption that the current high rate of exports to the Soviet Union will be maintained, and that the drought will persist. By contrast, the latest projections made by the U.S. Department of Agriculture are given as of May for

TABLE 1  
**Drought and exports draw down U.S. wheat and corn to disaster levels**  
(millions of bushels)

Crop year	Mn. of acres harvested	Yield in Bu/acre	Beginning stocks	Production	Imports	Exports	Domestic Use	Ending stocks
<b>Corn</b>								
Last drought								
year: 1983	51.5	81	3,523	4,175	3	1,902	4,793	1,006
USDA, 1988 proj.	60.8	120	4,112	7,300	2	1,750	6,275	3,389
EIR, 1988 proj.	56.1	60	4,112	3,366	2	1,750	6,275	545
<b>Wheat</b>								
USDA, 1988 proj.	55.8	39	1,231	2,170	15	1,500	1,120	796
EIR, 1988 proj.	55.8	27	1,231	1,506	15	1,500	1,120	132

Source: U.S. Department of Agriculture.

TABLE 2  
**U.S. corn acreage idled, planted, and harvested for grain**

(millions of acres)

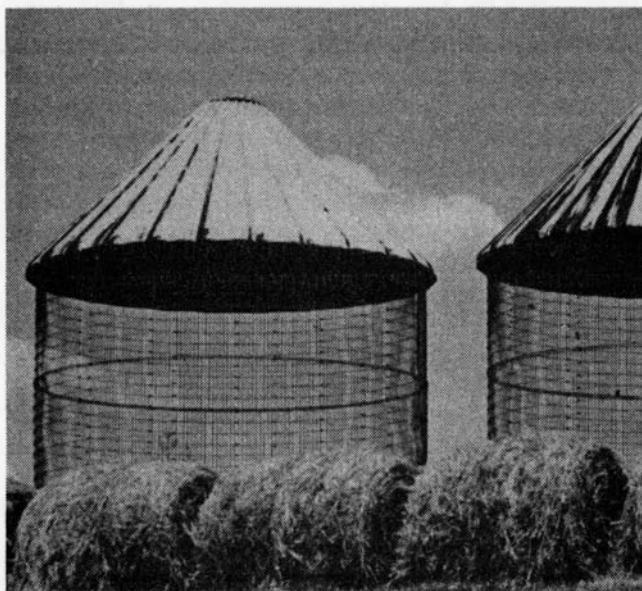
Year	Idled	Planted	Harvested for grain	Total corn base
1983	32.3	60.2	51.5	92.4
1984	4.0	80.5	71.9	84.5
1985	5.4	83.4	75.2	88.8
1986	13.6	76.7	69.2	90.3
1987	21.1	66.0	59.6	87.1
1988*	22.0	66.0	? Drought	88.0

\*USDA estimate of planting intentions  
 Source: U.S. Department of Agriculture.

wheat, and June for corn. These projections are a ludicrous overstatement.

In grudging recognition of how off-base their projections are, the USDA will release a special, updated prediction on July 12. Normally, the Agriculture Department does not update its harvest yield projections until August. However, as of early July, the administration was insisting on continuing its grain export promotion policy at the average annual level of exports shown in Table 1.

The reason for the vastly reduced stock levels predicted by *EIR* is the fall in yields that the drought ensures. A national average of 60 bushels per acre for corn—half of normal—and 27 bushels per acre for wheat (calculated by factoring in the drastic fall in spring wheat, 20% of all U.S. wheat, with



Iowa corn silos stand empty.

TABLE 3  
**U.S. stocks of wheat and corn set to disappear**

(ending stocks in millions of bushels)

Crop year	Wheat	Corn
1979-80	902	2,034
1980-81	989	1,392
1981-82	1,159	2,537
1982-83	1,515	3,523
1983-84	1,399	1,006
1984-85	1,425	1,648
1985-86	1,905	4,040
1986-87	1,821	4,882
1987-88	1,231	4,112
1988 USDA projection	796	3,389
1988 EIR projections	132	545

Source: U.S. Department of Agriculture.

the relatively better-off national winter wheat harvest), give the reduced harvest levels shown. Should the drought worsen, even the *EIR* yield figures are an overstatement.

For comparison, the drought year of 1983 is shown for corn, a year in which the national corn harvest was cut in half, due to a combination of drought and reduced acreage planted. This was the year of introduction of the infamous "PIK" or payment-in-kind program. Farmers who agreed to cut their acreage of corn and other specified crops, were "paid" for doing so in the form of USDA scrip which could be redeemed from government Commodity Credit Corporation stocks for set amounts of the crop not grown, or sold to another party—commonly one of the grain cartel companies—to redeem at their convenience. Thus, corn acreage was reduced, and corn stocks were drawn down at the same time. In 1983, domestic use of corn exceeded production, and 1.9 billion bushels of corn were exported. Ending stocks after that season were vastly reduced—to 1 billion bushels.

This year, corn acreage is the lowest since 1983, thus repeating the conditions which, combined with drought, led to the plunge in corn and soybeans in 1983 (see Table 2).

Since 1983, the PIK operation has continued to the present day in the form of "generic certificates," which can be redeemed in any government-owned commodity.

All these factors together—reduced acreage planted, low yields because of the drought, continued exports, and PIK-drawdown of stocks—will combine to produce a crisis level of stocks for wheat, corn, and other commodities. Ending stocks after this harvest year will hit historic lows for modern times. Table 3 gives the last nine years of wheat and corn ending stocks, by contrast to the present disaster-in-the-making.