

Western grain bins emptied into Russia

by Robert L. Baker and Marcia Merry

On July 7 and 8, U.S. and Soviet officials met in Vienna to confer on renewing the current five-year Long Term Grain Agreement (LTA) on U.S. grain exports to the Soviet Union, which expires Sept. 30. Under the agreement, concluded in summer 1983 by then-Undersecretary of Agriculture Daniel Amstutz (a top grain cartel operative from Cargill, Inc.), the Soviets were to buy 9 million tons a year of grain—wheat and corn, with an understanding for soybeans. The ostensible mutual benefit of the pact was to secure grain supplies for the Soviets and give the United States a guaranteed market.

In fact, in three out of the five years the agreement has been in effect, the Soviets ignored their part of the deal, refusing to buy the minimum amount of grain specified—another case of a treaty not being worth the paper it's printed on.

However, in the last two years, the Soviet Union began a

“glasnost” buying spree, in which, as of May this year—only half-way through the fifth trade year of the LTA (November-October)—the U.S.S.R. had already contracted for 9 million tons of wheat alone, in addition to corn and soy products. Then, in late June, word came from London that the Soviets had concluded a rush order for another 1 million tons of corn—to be delivered in August.

In view of the extent of the drought in the West, what the Vienna talks amount to is the fox meeting with the farmer to order more chickens.

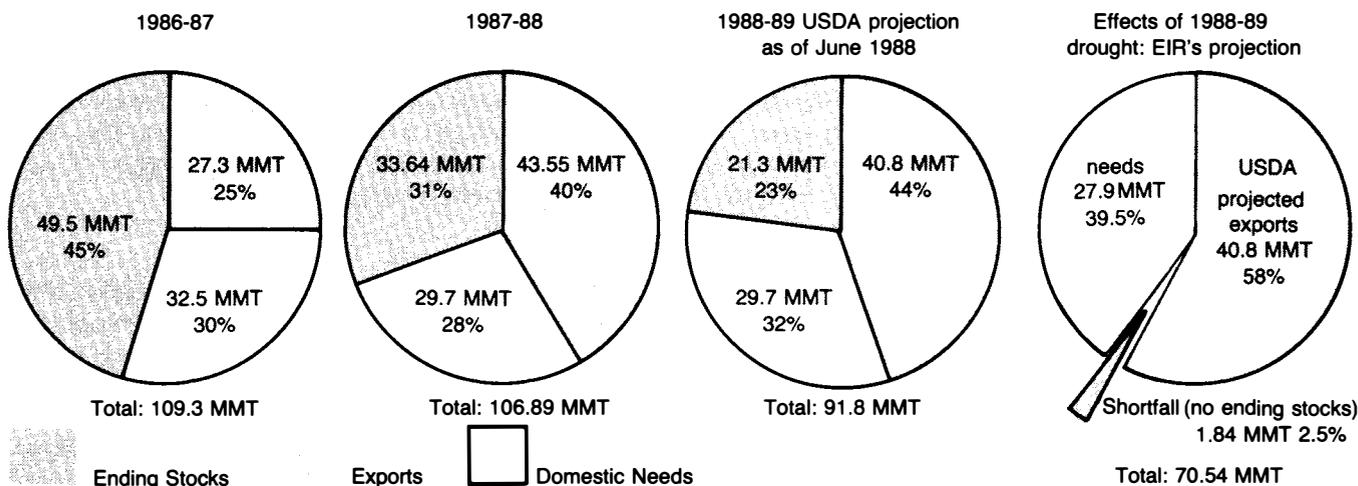
The accompanying charts show the simple facts of the matter in terms of wheat: There have been rising grain sales to the Soviets in the face of calculable, impending shortfalls of U.S. stocks. Now add the impact of the current drought, and you have disaster.

In **Figure 1**, the annual disposition of U.S. wheat is shown for three years—the last year shown (the present) is presented twice, one based on U.S. Department of Agriculture projections, and one based on *EIR* projections. Follow through the three categories of grain, and the danger appears obvious. First, the level of domestic utilization of wheat stays relatively the same, with some drop shown between 1986-87 and 1987-88 due to less use for livestock feed, and other temporary factors.

Second, over the time period shown, the levels of exports of wheat increase, to the point that, if they proceed in the current year the way the USDA projects (40.8 million metric tons), then there will be total depletion of U.S. stocks and shortfalls for domestic use. This latter prospect is based on the possibility of a 40% reduction in wheat yields in the harvest just being completed, because of the devastation

FIGURE 1
Total U.S. wheat—usage and distribution

MMT = million metric tons



wrought by the drought in the spring wheat belt in the northern tier states (Montana, the Dakotas, northern Minnesota), combined with reduced wheat acreage planted due to a 27.5% cropland set-aside requirement. Spring wheat is only about 20% of total annual U.S. wheat output, but at least 60% of this year's spring wheat crop is lost.

Figure 2 shows that in the last two trade years, the Soviets have more than doubled wheat purchases from the United States, without taking into account Soviet imports of U.S. corn and soy products.

Even European grain trade "experts"—the "vultures" of the export world—are astonished at how brazenly the U.S.S.R. is scooping up Western grain in view of the drought, and astonished at how obsequious are U.S. Agriculture and State Department officials in obliging the Soviets' food demands. According to a July 7 Reuter wire on the U.S.-U.S.S.R. food trade talks in Vienna, U.S. Agriculture Secretary Richard Lyng said that the drought will not affect grain sales to the Soviet Union since, with a "cushion of large U.S. corn and wheat stocks," one smaller crop should not change the U.S. bargaining position. U.S. Trade Representative Clayton Yeutter has taken the most extreme 'What, me worry?' stance. He remarked on the Vienna talks that, the United States will benefit from the Soviet Union's worries over access to grain supplies.

In addition to the million-ton corn purchase from the United States, the Soviets and other East bloc points of destination are lining up grain from various other Western sources. The National Farmers' Organization of Denmark reported July 6 that 150,000 tons of feedgrains from the Danish portion of the European Community's official reserves were brokered by the multinational grain companies for sale to the East bloc. Reportedly, the Soviets also bought 1.2 million tons of Argentine soymeal in the last two months alone.

Central to the Soviet acquisition of U.S. grain has been the function of the unprecedented Export Enhancement Program (EEP). Established in 1985, this plan has literally given millions of tons of U.S. government-held grain (stocks of the Commodity Credit Corp., CCC) to the cartel export companies (Cargill, Bunge, Garmac/André, Continental, Louis Dreyfus, Archer Daniels Midland) in order to guarantee them profits while they sell grain at sweetheart prices to Moscow or other purchasers-of-preference. The excuse for the gullible, that the EEP program will help the American farmer by increasing exports, is simply a cover-up.

To date, 41.5 million metric tons of wheat (1.52 billion bushels) has passed through this program. The biggest beneficiaries have been the Soviet Union and China. Fully 45% (18.7 million metric tons) of the total wheat tonnage marketed through the program has gone to these two nations (12.8 million tons to the U.S.S.R., and 5.9 million tons to China). Subsidies ranging from \$35 to \$46 a ton, or \$822 million, have benefited the U.S.S.R. and China. Fully \$2.1 billion worth of grain has been channeled to the grain cartel companies to meet sales that suit their strategic objectives.

FIGURE 2

Origin of Soviet wheat imports

Trade year: November to October

MMT = million metric tons

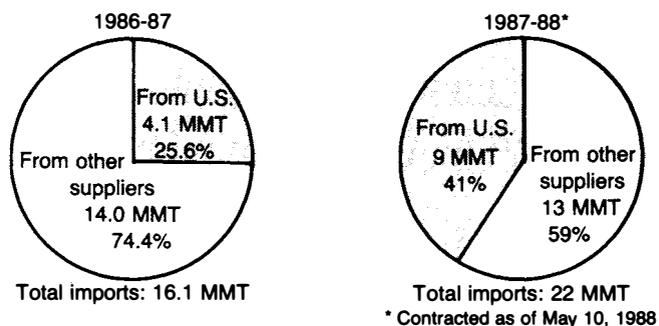


FIGURE 3

U.S. wheat exports to U.S.S.R.

million metric tons

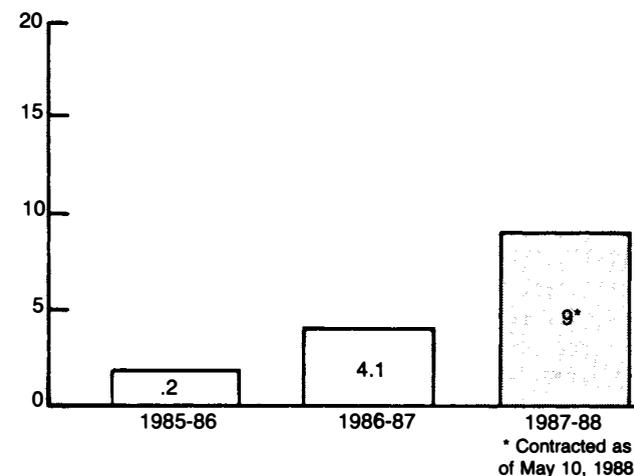


FIGURE 4

Decline of U.S. cattle

All cattle and calves, 1975-88

