European farm crisis turns food production over to the cartels

by William Engdahl

In February, European Community Agriculture Commissioner Frans Andriessen published his proposals for a new EC farm price support program, and over the coming months, the agriculture ministers of the 12 EC member countries will battle over a package of austerity measures which, according to the analysis of the central organization of European farmers, will mean effective average price reductions to farmers of 12-15% for grain alone.

The austerity measures will mean both hardship for farmers, and another big step in cartelization of food production by big multinational firms and banks which will absorb those sectors and firms which will not survive.

The Commissioner's proposals include a controversial "co-responsibility levy," or tax, on grain production, and price freezes for most products. Other measures are designed to dump "surplus" EC food stocks.

One result of the economic crisis gripping European agriculture in the last several years, has been that farmers have attempted to "produce out" of their cost squeeze. They have used fertilizer more intensively, often damaging future soil yields for more immediate yields. They have produced more in order to sell into guaranteed EC storage.

As a result, EC stockpiles of meat, grain, and dairy products today are at record levels. For the production year just ended, EC stocks of grain in intervention stores increased 300%. Beef in store with the EC has increased 300,000 tons to a record 800,000 tons. Only through a draconian dairy production quota imposed in March 1984, has EC milk and butter storage stabilized. The total value of EC stores had grown to an estimated $7.6 billion by January of this year.

Storage costs for the surplus stock reached almost $3 billion last year alone, and have led to shocking corruption scandals. For example, giveaways of surplus stocks to the Soviet Union have occurred, via intermediaries such as France's "Red Billionaire," Jean Baptiste Doumeng, the man who for 20 years has been an intimate of Mikhail Gorbachov, and has parlayed his "Russian connection" into an exclusive franchise for French-U.S.S.R. agriculture trade. The sheer size of the surplus has allowed types like Doumeng to continue this legalized theft almost without protest.

Andriessen has now proposed a $3 billion fund over the next three years to assist in dumping the EC food surplus onto world markets. This will only aggravate a U.S.-EC trade war, which escalated last summer under the "export enhancement" scheme of the U.S. Department of Agriculture. In that version, government-held Commodity Credit Corporation food stocks are given for free to private cartel food exporters, such as Cargill, which then offer these at discount prices, in an attempt to beat out European and other competition.

Former U.S. Agriculture Secretary John Block signaled a new phase when, in December 1984, he and former Cargill executive Daniel Amstutz, agriculture undersecretary, told a London gathering that the U.S. was launching a "free market" program to force the removal of EC export subsidies.

This general strategy was designed by . . . the Soviet KGB, to put Europe and the United States at each other's throats. As *EIR* has detailed, the program was invented by a Vienna-based think tank, IIASA, which President Reagan has accused of being a front for the Soviet Union. The objective is to allow multinational banks and grain cartel trading companies to destroy national farm production policy, centralize all strategic phases of food production, processing, and distribution, and for the first time, place the world's food production under supranational control.

Enter EC austerity

European farmers have been forced to absorb staggering income losses in recent years, because of the squeeze of soaring equipment and input costs, and the shrinking of export possibilities and income.

According to the Committee of Agricultural Organizations in the European Community, COPA, despite the EC farm subsidies and price supports, net farm income in West Germany in 1985 fell by 23.4% over the previous year. Following the 1974 oil price shock, aggravated severely in 1979 by the double impact of a second "oil shock" and the Volcker interest rate shock, purchasing power of net income per farmer had plunged 33% in the decade from 1974 to 1984.

According to one north German trading source, under the present EC austerity regime of dairy quotas and contracting export markets, farmers in some cases are losing an average of 500 to 600 deutschemarks per head for young bulls under

18 months put up for slaughter. Should they choose to mature the beef rather than sell at such a price, they
of only greater losses as future prices set in Brussels promise to be lower yet.

German farmers point to record postwar unemployment as one reason they are forced to take whatever terms they are offered. In the early 1970s, young farmers could find industrial and other jobs in an expanding industrial economy. With record postwar unemployment in Germany officially at 2.4 million, more than 10% of the total labor force, such jobs simply do not exist today.

The leader of a French farm organization recently told *EIR*, "We see the entire process of the last several years bringing European farmers increasingly under the control of multinational cartel companies, which have no interest or loyalty to national interests or needs."

Especially since the 1970s, a disproportionate dependence on the margin of export sales of food to the East has developed. The cartel companies that have moved in to capitalize on farmers' distress are, as a rule, very closely tied to the Soviet bloc.

Multinationals and banks take over

The dominant force in the food industry in the Federal Republic, as with petroleum, is an Anglo-Dutch firm, Unilever. With annual sales last year over 10 billion deutschemarks ($3.3 billion), the Hamburg-based Deutsche Unilever has grown to become larger than the number-two (Oetker) and number-three (Swiss-Nestlé) firms combined.

Today, Deutsche Unilever, which is very guarded in speaking about its business, owns the largest frozen foods and ice cream producer, Langnese-Iglo; the largest commercial fish distributor, Nordsee; and a variety of subsidiaries across the food industry, such as Union Deutsche Lebensmittelwerke, the Schafft Fleischwerke meat company, Novia Lebensmittel, Norda Herringshandel, and others.

According to farm sources in the north German area, Unilever recently stopped buying vegetables from regional farm producers, because they could get produce more cheaply from a subsidiary in another country. That decision alone idled some 1,100 hectares of land, and imposed hardship on local farmers.

The giant multinational company is run through Unilever PLC of London and Rotterdam. It is one of the world's largest corporations, with operations in every corner of the globe. In 1984, it was estimated to be Europe's fifth largest and the world's 30th-largest industrial company, with sales of some $15 billion. With such enormous economic power, the giant Anglo-Dutch company can dominate entire sections of German agriculture under conditions of the worsening farm crisis.

The chairman of Unilever is Sir Kenneth Durham, whose view of spreading global malnutrition and starvation is cynical, to say the least. In a March 1985 interview, he stated, "Just think of the amount of gut there is out there for metabolizing food. It's huge!"

The most powerful force in the German farm credit area is the huge Deutsche Genossenschaft Bank (DG Bank). With reported assets in 1984 of some $15 billion, the bank is almost half the size of the Dresdner Bank, the nation's second-largest private bank. As the central bank of some 3,800 cooperative banks across Germany, DG Bank today controls all milling, from feed mills to the baking flour industry. DEUKA, of Duesseldorf, the largest feed mill in Germany, which runs 1 million tons of feed a year, is owned by DG Bank. The bank also owns 50% of AGAP, and thus holds a major share of the feed and meal industry. DG Bank also dominates the baking industry via VKL,
mated 20% of the industry, which buys wheat from the farms.

DEUKA, AGAP, and VKL control 55% of the domestic wheat market from farm to mill. According to sources familiar with the industry, farmers who sell to these DG Bank companies are forced to sell for less than they could were they able to sell to private traders. The DG Bank in recent years has virtually pushed the private traders out of the market, making farmers captives of the huge bank.

DG Bank is reportedly now trying to go into the milk market, taking advantage of the distress caused to farmers by the imposition of EC dairy quotas. Following the March 1984 milk production quota penalties, farmers were forced to slaughter tens of thousands of the world's best dairy herds.

When, in November 1985, the regional Bayerische Raiffeisen Zentralbank got into trouble, DG Bank moved in and took that institution over, making it the leading cooperative bank in the country.

The chairman of the Frankfurt-based DG Bank, is Helmut Guthardt. He is chairman of the board of London and Continental Bankers, Ltd. This puts the head of DG Bank at the head of a London bank owned jointly by Caisse Nationale de Crédit Agricole, reported to be the world's largest bank, Rabobank Nederland, and similar cooperative-linked agriculture banks as far away as Canada. Assets in 1984 were about DM1.8 billion. Rabobank in the Netherlands is the controlling bank of Dutch agriculture, and recently moved in to buy U.S. farmland, taking advantage of collapsing land values. Rabobank in Holland, with assets of some $40 billion, controls 90% of all farm credit there.

One leading member of an independent French farmer organization told this writer: "The big cartels which control trade, export, feed grain, milling, and distribution, as well as credit, are allowing the crisis to develop. As huge sections of farming collapse into bankruptcy or worse, under falling prices, they can then, at a certain point, step in and gain iron control over EC food production. At that point, they will be in a position to raise food prices. The farmer and consumer will then be powerless to control the food supply."