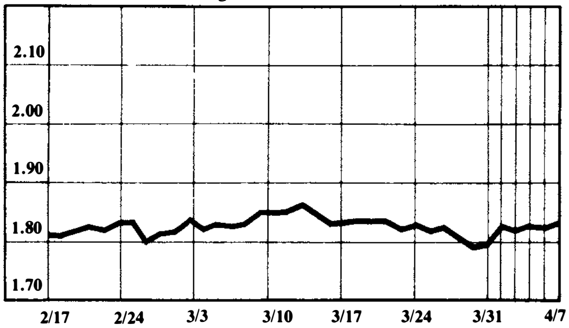
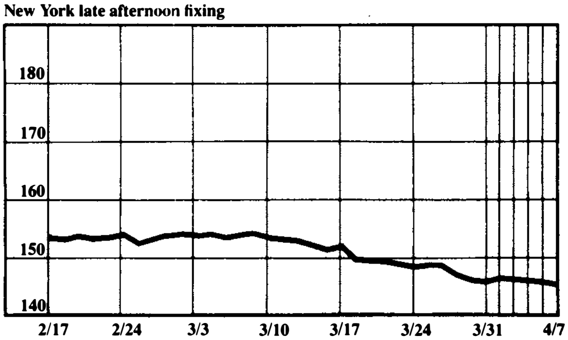
Currency Rates

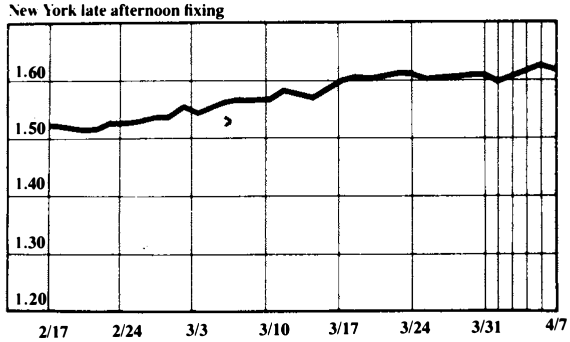
The dollar in deutschemarks
New York late afternoon fixing



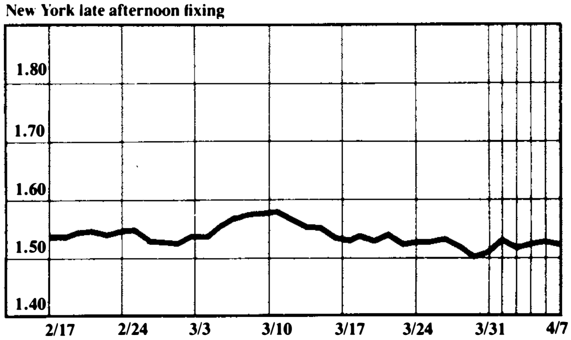
The dollar in yen
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing



Who says there's an

by William Engdahl

Front-page stories in U.S. and European newspapers are reporting on the supposed world food "glut," and how measures must be taken at the June economic summit of Western leaders to reduce food output. For example, the April 6 *Wall Street Journal* ran an article headlined, "Amber Wave—World's Grain Output Surges as Nations Seek Food Self-Sufficiency."

Relative to minimal nutritional and caloric needs, this view is dead wrong. The world farm and food crisis exists because of the lack of expanding farm infrastructure, and the collapse of trade and productivity under the International Monetary Fund's austerity regime.

EIR's Wiesbaden bureau has recently completed a study of the food output, reserves, and foreign trade of the European Community (EC) which clearly shows that the much-publicized "mountains" of meat, butter, and grain stocks are a fiction. The myth is propagated by those special financial and food cartel circles which want to justify their own actions to dominate food processing and trade, to the point of near-total strategic control over supplies. We present here a summary of the conclusions of the study.

Where's the surplus?

At present there are three major areas of "surplus" stocks, termed Intervention Stocks, held by the 12-nation European Community. They are for meat, cereal grains, and butter. Huge export deals, involving low-price acquisition of Intervention Stock foodstuffs for sale at discount prices to the East bloc, have been used to benefit select banking and cartel interests. To the general public, these sweetheart deals are justified by the Brussels EC agriculture bureacracy, as "necessary to draw down the food surpluses."

These claims ignore, first, the fact that reserve grain is a strategic necessity. The U.N. Food and Agriculture Organization (FAO) and most prudent governments adopt a conservative guideline of stocking 25% of any annual crop for an emergency reserve. If this standard is applied to the EC production and consumption of grain, we find that, with the exception of 1984, when the amount reached 28% of that record harvest, the figure has never risen above 26%, with most years from 1979 to 1986 at the dangerously low level of 10-13%.

EC food surplus?

Today's EC "grain mountain." a demagogic term invented to make credible attacks on the politically powerful farm sector, would disappear with one or two bad harvests. By contrast, informed West European grain industry sources report that the U.S.S.R. has stored several *years'* worth of supplies for war emergency stocks.

Grain imports and cereal substitutes

Further, consumers are told that there are huge grain surpluses, but never hear about the EC import of grain and *tariff-free* grain substitutes. With the exception of the record 1984 harvest, the EC has had a trade deficit in grains and substitutes. In 1986, the EC imported 7 million tons of grain. The Intervention Stock this year was 18 million tons, most carried over from 1984.

Now look at the actions of the powerful multinational commodity cartel companies, led by Cargill, Continental, Bunge, and others. They have devised a neat trick which they managed to get the U.S. government to negotiate as a GATT "Binding": All imports of oilseeds into the EC are admitted tax-free. When this writer attempted to get details on the size of this trade, he ran into remarkable bureaucratic smokescreens.

According to official data obtained from the EC import association, FEDIOL, using the EC definition of "cereal substitute," the Community imported a total of 50 million tons of grain substitutes of vegetable origin in 1986. Grain exports the same year were 25 million tons. By far the largest of these tax-free imports, almost 50%, are soybean cakes and meal, with manioc and corn gluten also being important. This means that the EC was a net importer of 25 million tons of grain last year. Because the imported substitutes are tariff-free, European farmers are unable to compete.

Who controls these imports? Cargill, Bunge, Archer-Daniels-Midland (the world's largest soybean company), and the Anglo-Dutch Unilever, the world's largest food-processing multinational. These companies, whose ties are to the major New York and London banks, have distorted American farm output to orient to this lucrative "free-trade" export. Since 1982, the cartel companies have found it cheaper to turn to their subsidiaries, especially in Brazil and Argentina, to supply processed soybean cake to the EC market. This shift was used to further depress prices paid to U.S. farmers. Desperation exports were the basis for Brazil and other debtor nations to repay their foreign creditors, typically Chase Manhattan and Citibank. By 1985, fully 41% of EC oilseeds were imported from Brazil and Argentina. The EC, because of the GATT Binding, is the world's largest market for oilseeds and fats. This does no benefit to Brazil's food supply, and is detrimental to farmers in Western Europe and North America alike. However, it greatly benefits the cartels. Cargill, the world's largest grain trader, announced a 66% net profit increase for 1986 over 1985!

It was the Trilateral Commission of David Rockefeller and Archer-Daniels-Midland's Dwayne Andreas, that sponsored a 1985 strategy to break the EC and U.S. subsidy to farming in favor of "market-oriented agriculture" which would respond to a "world market price." A top Cargill man at the U.S. Department of Agriculture, Undersecretary Daniel Amstutz, and the Brussels agriculture mafia around EC Agriculture Commissioner Frans Andriessen, simultaneously launched a transatlantic campaign for food trade war between the United States and Europe in 1985.

Meat and butter

The situation for the EC "surplus" of meat and butter is similar. Since 1980, the Community has been a net meat *importer*. In 1985, it imported 1.6 million tons of meat and veal, and exported 1.2 million tons. The situation seemed to improve in 1986. This was largely because of an extraordinary purchase by Brazil of almost 300,000 tons of EC beef. But, according to European farming sources, much of this export has been processed in Brazil by the multinationals such as Cargill, and re-imported to Europe at a profit. This is because the cartels are able to get the meat from the EC at an average of ECU 690 per ton, ship it to Brazil for processing and re-export it as "world market price" beef for ECU 1,085 per ton. The difference is made up at taxpayer expense. More than 70,000 tons of beef were imported from Brazil in 1986, according to EC statistics.

A surge in Intervention Stocks of meat occurred in 1984-85, when stocks rose from 178,000 tons in 1983 to a high of 685,000 tons by 1985. EC officials reluctantly admitted that this "surplus" is a direct result of accelerated slaughtering of dairy herds. In March 1984, the EC imposed a quota on milk output, ostensibly to limit the "butter mountain." However, according to dairy industry sources, in 1981 the EC bureaucracy sounded the alarm that Intervention Stocks for butter had dropped alarmingly *low*. To stimulate production, the Intervention Price paid to farmers for surplus butter was raised a hefty 10% from its May 1982 level. This encouraged a 5% increase in butter output; it also provided a nice benefit for the cartels, which found farmers buying more imported grain substitutes for milk cow feed, to increase the butter yield. The only problem was that it came in 1982-83, when the export markets for European butter collapsed because of the Third World debt crisis and an abrupt halt of East bloc imports. EC butter exports fell more than 30% by 1984, from the levels of the early 1980s.

But, because EC agriculture policy is shaped by the same multinational banks and cartel companies as those of the USDA, the quota of the EC in March 1984 was not for butter, but for milk. This meant that desperate farmers were encouraged to further increase imports of soybean cake and feed concentrates in order to increase butter yields. There are reports of entire dairies which, since 1984, have produced butter merely to go into Intervention Stocks. Despite the quota on milk, the butter stock rose. But the entire stock, 1.5 million tons at the end of 1986, approximately equivalent to yearly EC production, is a direct consequence of financial and fiscal policy, not of "overproduction." The only "undesirability" this increased butter output poses, is to the margarine cartel processors, which, in any case, buy their vegetable fat cheap. Figures of EC margarine production are confidential, but *EIR* has obtained information which shows that the Community produced 1.7 million tons in 1985, when its total butter output was 2.1 million tons. Sixty percent of EC margarine is made from imported oils or oilseeds. Unilever is by far the largest producer; its margarine sells for one-third to one-half the price of EC butter. It is obvious who has benefited from the dairy reduction plan.