

Hoarders move for profits as fall crop estimates decline

by Marcia Merry Baker

The crop reports now coming in weekly from various agencies on the condition of the 1995 harvests, serve as the occasion for Wall Street commodities commentators to “explain” movements in exchange prices for grains and other farm products, by pointing to this or that weather occurrence; for example, “Early frost in Iowa? Soybean prices go up.” On Sept. 21, wheat prices on the Chicago exchange hit \$5 a bushel, which, while below a parity—or fair—price to the farmer, is the highest exchange price in 15 years. But reality lies elsewhere. These price rises are nothing compared to what lies ahead.

Unfortunately, while weather adversities have taken their toll this crop season in North America and elsewhere, the severe shortages of basic food staples now faced on a world scale (falling per capita ratios of grains, meats, dairy, fruits, vegetables, oils, and all dietary requirements), come not from just one year’s “bad weather,” but from decades of non-development of needed economic infrastructure of all kinds (water improvements, transportation, energy, and mechanization), and from lack of maintenance of the family farm sector.

A stealth operation

Amid these shortages, a stealth operation is under way consisting of huge investments by “big money” circles, and maneuvers by related commodities cartel companies, to take control of scarce physical food stocks, and key links in the food chain, such as processing, storage, and distribution. Driving this process of hoarding is the view of these financial interests, that their grip on commodities will allow them to survive the global financial collapse.

Therefore, for every citizen of every nation in the world, the issue of restoring the food supply means facing the need

for emergency measures to deal with the financial blowout and restoring economic functions. By itself, the world food emergency should make this clear to anyone.

What about this fall’s harvests? In the United States, they are relatively low. The harvests in Russia are drastically low, and there are low stocks elsewhere. The U.N. Food and Agriculture Organization (FAO) projects world harvests overall (grains of all types) to be down 3.2% compared to 1994. The London-based International Grains Council has cut its already-low estimates of 1995 wheat and corn production, citing droughts in the wheatlands of Russia, Ukraine, Kazakhstan, and Argentina, along with reports of possible frost damage to corn in the U.S. Midwest.

The U.S. Department of Agriculture’s World Agriculture Supply and Demand Estimates presents the same picture in its monthly estimates. The USDA Sept. 12 report (to be updated in early October) estimates world grains output overall for 1995-96 (figured as the aggregate of most nations’ marketing years) to be 1,690 million metric tons—the lowest since the 1989-90 crop year of 1,685 million metric tons.

Worse, these USDA world crop estimates were made before the U.S. grain belt experienced crop-damaging frosts in late September. On Sept. 22, a four-hour early-morning freeze damaged up to 10% of the Nebraska, western Iowa, southern Minnesota, Dakotas, and Kansas corn crop. Grain sorghum damage in these areas may run at 15%, and soybeans 20% or more.

Early frosts are not unusual in the central region of the continental land mass. However, news media are portraying the frosts as the “cause” of expected food price hikes and shortages, as opposed to the years of take-down of the agriculture sector worldwide. Only in some selected crops will this have any truth. For example, the “white wheat” crop of

the Dakotas, a spring-planted wheat essential for good pasta, was extensively damaged by the frost.

This year's corn (and other crops) have been plagued by a wet spring, and an arid high-summer. Therefore, damage from an early frost is predictable. The Sept. 18 USDA "Crop Progress" report estimated the maturation of the corn crop was behind average schedule. As of Sept. 17, corn was only 40% mature, in contrast to 55% mature at the same time in 1994 (an unusually good year for crops) in the 17 states producing 91% of the corn crop.

The significance of these low crop yield statistics lies in the fact that, not only for 1995, but for many of the years in the past two decades, annual grains utilization (for feed, seed, waste, industrial purposes, and direct consumption — at even nutritionally inadequate levels) has *exceeded* annual production of grains, to the point that the per capita daily caloric consumption has fallen for millions of people. The only carryover of reserve stocks from one year to the next is in the hands of the cartel of commodities companies that has control over who eats and who does not.

World wheat carryover stocks, which were running at over 140 million tons a year, are estimated to be below 99 million tons this year, and falling. World rice stocks, once running at over 60 million tons, are now expected to drop under 43 million tons this year. World coarse grains (corn and others) stocks, once running at over 122 million tons, are now expected to drop to 90 million tons at end of crop year.

Nations form bread lines

In the face of this crisis, nations are lining up to bid for scarce food. In the last week in September, a delegation from Moscow came to Washington to request grain imports. The Russian grains harvest (wheat, rye, corn, oats, and others) this year may end up at only about 50 millions tons, down from over 80 millions tons last year and close to 100 millions tons ten years ago.

The Russian grains harvest debacle is the most dramatic example in which freak weather is not the cause, but the absence of physical inputs and infrastructure. The ratio of tractors and harvesters per hectare has plunged, because of lack of spare parts and new machinery. Fuel, fertilizer, and farm chemical shortages are acute.

African nations are lining up for grain exports from the European Union, the traditional supplier for many locations. In the rush following the Sept. 12 USDA world crop report, Morocco put in a bid for French wheat; on Sept. 14, Egypt bid for 250,000 tons of wheat from France. Egypt is dependent on foreign sources for half its grain requirements, and has imported up to 6 million tons of wheat a year in recent times.

In September, Pakistan sought 200,000 tons of wheat from the United States, and Turkey tendered a bid for 100,000 tons.

The need for food could not be more clear than in the

situation in Iraq. Because of malnutrition, an entire generation of children is suffering from irreparable physical damage, and overall, 4 million people (one-fifth of Iraq's population) are at nutritional risk. This was documented in a report issued on Sept. 26 by the U.N. World Food Program in Geneva. Its director, Dieter Hannusch, said that the conditions that he saw in Iraq at present were worse than anything he had seen in 24 years. The harvest this year was bad, maybe 16% lower than last year, according to the U.N. Crop and Nutrition Status Assessment mission this summer, but the chief problem is that in recent decades, Iraq came to be dependent on foreign sources for up to 70% of its food needs, and, with the embargo, food flows all but stopped.

Even without embargoes, other nations which similarly became food dependent over the past 25-30 years, are at risk of being unable to import food. Government spokesmen in Senegal and Ivory Coast said in September, that any break in basic grains supplies to their countries could be catastrophic. A country such as Haiti, which in 1970 was nearly self-sufficient in grains, is now almost totally dependent on outside sources.

Factor in the cartels

Already, as of the early 1990s, only about six companies controlled over 90% of world grain traded commercially, and the same cartel handled the government-contracted food aid. The names include: Cargill, Inc., Archer Daniels Midland (ADM)/Töpfel, Continental, Louis Dreyfus, Bunge, Con-Agra, Pillsbury (owned by the London-based Grand Metropolitan), and André. There are related companies and divisions in the other food groups. For example, in world dairy trade: Unilever, Nestlé's, and Grand Metropolitan. Whatever the product, most of the control is centered, directly or indirectly, in Anglo-Dutch financial circles.

These companies are becoming still more powerful, as food aid donations were slashed this year. Because of short grains stocks, the United States, the European Union, and Canada this year cut back their pledges of grains for food aid by millions of tons. With an estimated 800 million people going hungry worldwide, the effects of any cut in food aid is immediately measurable in lives lost.

Therefore, "we ain't seen nothing yet," in terms of rises in food prices to come. In late August, General Mills (one of the top ten cartel milling companies in the United States) announced a price hike of 5% in its flour, and 3.6% in "Wheaties" and "Cheerios," but the other grain-processing companies are denying they will raise prices. They lie. As one industry representative put it, the companies are talking "low prices," while they are involved in a stealth operation of "ingathering inventory" for a future killing. "Reminiscent of the 1970s Russian grain sales," is how the Iowa Farm Bureau paper *The Spokesman* described the September rush to move northern Iowa grain to storage and port facilities — logistics all controlled by the cartel grain companies.