factories, and closed unprofitable businesses. Physically speaking, this threat that major Japanese industrial firms will go under, as major industrial concerns in Korea such as Daewoo and Hyundai have done, is far worse than the net loss of Y4.1 trillion ($31.5 billion) announced in mid-April by the Big Seven Japanese banking groups.

Deflation of the physical economy is accelerating with the Consumer Price Index falling a full 0.8% in fiscal 2001 to March 31 from a year earlier, the fourth straight year of decline for the first time in the postwar period, the Public Management Ministry reported on April 26. And with unemployment continuing over 5%, the unprecedented sight of homeless people has begun to appear in major Japanese cities. Some 300 homeless people from Tokyo and Osaka marched to the Diet (parliament) on April 26, to press for the early passage of legislation to provide relief to an estimated 30,000 homeless people across the country. The marchers chanted, "Pass the legislation" and "Give us jobs."

In Japan, that is the beginnings of civil war, unless something is done soon. Perhaps it's not too soon to warn of the 1930s.

Interview: Greg Blaska

U.S. Farm Law Won't Stop Imports or Meet Costs

Greg Blaska, of Sun Prairie, Wisconsin, was interviewed April 26, the day of the release of the Congressional Conference Committee agreement on a draft new farm bill. Blaska is a longtime farmer and dairy sector leader, serving on the National Dairy Board from 1995-2001, and active in the Wisconsin Farmers Union.

EIR: The Congressional Conference Committee has now said it has agreement on a new farm bill draft—with only minor details remaining—to replace the infamous 1996 "Freedom to Fail" Farm Act. As you know, the new bill drops the 1996 pretenses that "market forces" will save farming. But, the new bill has no policies that actually would restore U.S. agriculture. Let's begin with your specialty, dairying.

Blaska: Well, dairy: If you follow what's happened in the New England states, where for the past six or seven years, they had to have a compact in order to get enough income to stay in business; that has slid into the new farm bill now. And when we talk about all the Eastern farmers who are not making enough money to stay on the farm, well, this has also followed through to the Midwestern farms. Our production in Wisconsin has dropped to the lowest now in about 20 years. The reason it is dropping, is that we aren't getting a cost-of-production price for the milk.

In the old days, we had a parity program, until about 1980, when President Reagan's first official act, was to remove parity pricing for dairy. So we lost parity, and now our prices do not reflect the cost of production of milk.

Our costs go up just like any other costs of U.S. products. What we are seeing happen is, that we are in deficit about 10 billion pounds [of milk] now annually, for national production—that is, to make all the fluid milk, and cheese, and butter that we need, and ice cream mix, and all the good dairy products.

What's happened is that the free-trade zealots, who pretty much dominate now; as far as the World Trade Organization, they have allowed imported dairy products from many, many countries to enter, without a quota or tariff. They don't come in, in the form of good cheese, or fluid milk—the fluid milk market is still protected with domestic supply, but they come in as something else. In the cheese market now, one of the big offenders is one of the huge corporate international companies, called Philip Morris, which has made their whole process line out of milk protein concentrate.

EIR: You are speaking of the Kraft subdivision?

Blaska: Well, yeah, I like to say Kraft. I mention Philip Morris, because when Philip Morris took over Kraft, about 10 or 15 years ago, they changed their domestic supply issue. Then they started to be a world company, and they had to deal, the same as Philip Morris does, for only one goal in mind: to get the lowest-cost ingredients into their cheese. So what we are seeing happen, is that they were the leader in using the milk protein concentrate and entering into the process cheese lines that they have. So when you go into the convenience store, or to the supermarket, they dominate the shelf space, with foreign products. So, our domestic suppliers have to back off. They just can't sell their products, although it's better quality—and we've passed all the rigid tests for good quality milk: The competition is not that. I mean, we are getting it from India, from Poland, from Argentina, and of course, most of it comes from New Zealand and Australia.

EIR: So that's "mpc"—milk protein concentrate, mostly, you are talking about?

Blaska: That's what's balanced the market. And now, some of the ice cream makers have also tried to use it—although the ice cream industry went for a higher-quality product, after they failed, 20 or 30 years ago, to introduce a cheap product.

"Velveeta" brand, produced by Kraft/Philip Morris, is one of the most prominent products made from imported milk protein concentrate (mpc). It cannot be sold as "cheese," and is termed, "pasteurized, prepared cheese product." Most of the imports come from New Zealand and Australia, but also, India, Poland, and elsewhere, under free trade pressures. MPC imports went from 805 metric tons in 1990 to 44,878 tons in 1999, and now have displaced about 2% of total U.S. milk production. The consumer has lost that much actual food, for "free trade" substitute food.

The consumers want the good ice cream. However, they [the industry] can use imported butter fat, to a certain extent, in the ice cream mix. And some of the ice cream people are making the mix out of imported butter fat, which also doesn't have a quota or a tariff. So our dairy farmers are stuck. We have only one choice, and that is, terminate.

That's what's happening.

EIR: What about the casein imports?

Blaska: We let that one slip many years ago. Casein was a concentrate of protein also. It made Louis Rich awful rich. He made that coffee creamer out of the casein. He owns the stadium in Buffalo. He owns the football team. He made his money off the U.S. dairy farmers, and the dairy farmers never said a word.

EIR: He was the "Casein King," with the fake coffee creamers?

Blaska: That's exactly what I'm talking about. That's where the creamer came from, to replace our natural cream. They make a liquid out of it. Most of the better restaurants have gone back to real cream. . . .

The famous brand that Kraft has, Velveeta, 100% of that brand is imported now. That's made out of milk protein concentrate, every package I've looked at in the stores for the last three years.

EIR: Do they write, "mpc"?

Blaska: It's on the label, "milk protein concentrate"—they have to write it out. They don't use the initials. The consumers have no choice. And Kraft has control of the distribution system, for some reason.

EIR: So the farm bill offers so-called support for dairy farmers, while imports flow in.

Blaska: They're talking about a $1.5 billion program for dairy. What they need to do is look at the cost of production. I always use the Cornell University Business Survey, which is very honest, and it's around $15 per hundredweight [of milk]—depending on the year and what the cost of business is.

That cost is wrong too, in that it includes the low cost of corn, which is subsidized by our own nation, to be a low-cost product. The dairyman is buying all his corn products, at that low price, which is $1.50 a bushel—which is way below the cost of production. However, the corn farmer industry, and agriculture, has been subsidized out of the general fund, enough to make up, so that when we raise the corn, we can pay for the equipment, and it comes a little closer to our cost of production. . . .

In milk, we are not asking for a subsidy. All we're asking for is a clean break as far as tariffs and quotas, so that the competition is even. The big problem is, that the dollar value for the importers—the great demand to come into the country, because they can double their money, if they can sell their butter fat, or their milk protein concentrate here in this country. . . .

And if we overproduce, the dairy farmers have never questioned the fact that we could be taxed for the overproduction on a per-hundredweight basis, to pay for the cost. Then the government would have a big inventory of dairy products to help in the world relief programs. It seems like we have a lot of problems, as we fight these wars around the world; like right now, look at the Palestinians. Somebody is going to have to feed those poor people for a while.

EIR: You helped mobilize U.S. farmers to send milk powder to Iraq, in the early 1990s.

Blaska: Right. And the dairymen are glad to do that. If we produce too much, we would be glad to pay for that milk ourselves. But we need a national program, so we can do that. Individual farmers can contribute some, but it won't work on a big scale. The Roosevelt program was that way. We continued after the war, we continued to produce more in dairy products than the country needed. And these were all used in the relief programs to rebuild the world. The Japanese people, what they feared most was starving, after the War. And the American farmers produced this product, especially milk powder. The Japanese still mention it, 50 years later, how grateful they were that we brought food to them.

EIR: So there is no question of how to manage food supply. It's a nice problem to have, if you are producing "too much"!

Blaska: It would be a nice problem. But in dairy, we are so far short now, that we have *nothing to give away*. Nothing. Because we are 10 billion pounds short now, of national production.

EIR: What do you say about the world patterns of production, when it comes to the meat packer side—cattle, hogs, other livestock?

Blaska: The Congress, of course has been pretty well bought and paid for.

EIR: The new conference farm bill dropped the idea of having a ban on the big packers owning livestock themselves.

Blaska: Sure. They paid for that fair and square with their political action money. That's what we get. And the farmers don't have a program like that, that we can put together—lobbying money. So the packers are controlling it. And it's going to be a real serious problem, because they're going to set the price, what they're going to pay. And what they're going to do, is blend it in with imported products, so the price is the lowest price possible. . . .

I feel real disgusted about the packer issue, that we allowed those industries to own their own cattle, and feed them. They absolutely are going to set the price that the farmers are going to receive, which is a disaster, because they are going to set it too low. It's going to be below the farmer's cost. So they'll own the industry, just like they do the broiler [chicken] industry, in a few years. It won't take long.

EIR: Already, the largest producer in hogs, Smithfield, which produces 12% of the hogs slaughtered in the United States, and processes over 20% of our pork, has big operations in Canada, as well as Brazil, Poland, and elsewhere.

Blaska: Yes, they import a tremendous amount of beef and pork to blend in with the American supply, and it's not labelled as to country of origin. That's one thing, that if we can get out of Congress, a labelling provision.

EIR: What about food safety, when you have long world trade supply lines, over thousands of miles?

Blaska: It's ridiculous that none of the imported milk protein concentrate is inspected—very, very little. And when this value got to be so high, you know, from the foreign product coming in, because of their money exchange, and their surplus supply—we even cleaned out the Polish supply, which was all irradiated, from the nuclear disaster of Russia. And from Ukraine, we picked up all that whole milk supply, and so the American consumer gobbled it up, and didn't know the difference. And that's what is so sad. I hope none of them got sick.

EIR: As you say about history, after the Second World War, when the United States was supplying wholesome product—this milk powder and so forth—it was seen as useful to have American specialists go abroad, and help re-build agriculture sectors. I think there was breeding stock sent back to Europe and there were projects in Africa. Would that be the kind of thing we could resume today?

Blaska: Oh, absolutely. And one of the solutions for these problems in Palestine-Israel, is to rebuild that whole area. And Israel does not have the money to do it, because we are already carrying their economy with our tax dollars. I think that's one of the problems that we have right now. We pay the Israeli defense budget, and we don't do anything for the other side. We have to be more fair, in how we solve that problem.

EIR: In other words, you say concretely, that if we did the kind of thing—you know, LaRouche has called for an "Oasis Plan" approach, where you get enough water and energy in there, you could see putting in the kind of livestock—whether it be milk cows, or the Awassi sheep, or the goats?

Blaska: Yes, they could rebuild their agricultural economies over time, but it won't happen unless, in 10-15 years, in the meantime, we give them the food, if we have the surplus. We do have some grain we are donating. But the real product they need, is dairy.

EIR: High protein?

Blaska: High-protein products, to save those kids. Especially in Iraq. I guess Iraq was on the agenda down at Crawford, Texas, in a pretty big way, the way it sounds. So that, what the [Saudi] Prince [Abdullah] said, is that, we don't want any more wars with Iraq, and using our land to further it. So maybe we are moving into a different arena right now. I hope that happens. And the American dairy farmer is willing to help, but this farm bill has got to put the cost-of-production back on every product that we raise.

EIR: You are raising the principle for both here and abroad, of making sure everyone is fed?

Blaska: Absolutely. That includes all of Africa, and in our lifetime, we will never see that done. That's such a big job, the African issue. And there's more. Look at Afghanistan: That's not going to happen in six weeks, restore their economy. It's been devastated. Now that we went over there, to purge it, I think we have an obligation to help those people establish a decent economy.