**Agriculture** by Marcia Merry

# Cut-rate food for Mother Russia

*While Washington stalls on the farm debt crisis, USDA and the State Department hold hands with the Kremlin.*

During the countdown to the Reagan-Gorbachov summit, a series of almost daily meetings and visits on the topic of U.S. food for Russia has been taking place in Moscow, Washington, D.C., or in the U.S. farmbelt. Meantime, Congress remains dumb and fumbling on the pressing matter of farm bank failures and farm bankruptcies sweeping the country, and threatening the food supply of the United States itself.

On Oct. 30 and 31, the House of Representatives and Senate, respectively, will open thrice-delayed hearings on the farm debt collapse. The foremost issue is a federal bail-out package for the Farm Credit System (FCS) and other parts of the $213 billion farm debt structure.

On October 23, the Farm Credit System, which holds $80 billion, or one-third of U.S. farm debt, released its third-quarter report showing losses of $522.5 million during the quarter, and predicting massive future losses. The system said an early-September estimate of the operating loss for all of 1985 was exceeded in the first nine months. It forecast loan losses of $3 billion or more through 1987, which could deplete a current capital surplus of $3.6 billion.

The FCS is federally chartered and nominally farmer-owned, with enough assets to be the nation's fourth-largest bank. Because of the collapse of farm land value by as much as 50% over a 24-month period, and low farm incomes, collateral value has plunged, and the rate of debt arrears has mounted dramatically. A special review in the FCS report says that about $6 billion of the FCS's Federal Land Banks' $48 billion in outstanding loans lack enough collateral. Loans exceed the estimated value of the farm real estate that secures them by $900 million.

An even broader picture of the debt collapse potential was painted for Congress on Oct. 23 by a Federal Reserve economist, Emanuel Melichar, who gloated over the crisis like a vulture over a dead carcass. Speaking to a House Banking Subcommittee on agriculture credit, Melichar estimated that: 1) 20% of the debt owed to the Farm Credit System is vulnerable—$16 billion; 2) 25% of the agriculture debt owed to commercial banks is vulnerable—$20
debt owed to the government's Farmers Home Administration (FHA) is vulnerable—$4.5 billion. Conservatively, this comes to over $40 billion.

Secretary of Agriculture John Block's response is that he would like to find "some meaningful way" for the administration to address the farm-credit issue by "the first of the year." He disimulates, "We may not get it done. It's going to be a tough winter to deal with it in January or February."

Decisive leadership, eh?

Meantime, USDA, State Department, and congressional offices are holding hands with Moscow, in the name of fostering "trade relations" that will supposedly benefit U.S. farmers by offering cut-rate food to the Soviets.

The week of Oct. 14, USDA Undersecretary Daniel Amstutz, the Cargill executive who is the power behind the scenes on U.S. farm policy, hosted a Soviet delegation in Washington, D.C. and offered them 22 million tons of wheat in the current trade year, the third of the five-year U.S.-U..S.S.R trade agreement Amstutz negotiated in 1983. Amstutz implied that discount prices might be on the way.

Timed with this offer, a tour of the U.S. farmbelt was arranged for a 15-person delegation from the Soviet Women's Conference. The delegation was invited to visit the United States by Peace Links, a group backed by Betty Bumpers, wife of Arkansas Sen. Dale Bumpers. Peace Links has functioned as a hard-core transmission belt for Soviet policy demands on the United States, from the "nuclear freeze" to dropping the Strategic Defense Initiative.

The Soviet women toured various farm districts, including northwest Iowa Oct. 23 and 24. The group included members of the Presidium of the Supreme Soviet of the U.S.S.R., the Insitute of World Economy and International Relations, the cultural and social problems department of *Soviet Union* magazine, and others.

In August of this year, Block junketed to the Soviet Union, and his boss, Undersecretary Amstutz, arranged a resumption of a special farm-exchange program which had been discontinued for the past several years because of Soviet belligerence. When questioned by U.S. reporters in Moscow about whether the U.S. farmer would approve of his diplomatic initiatives, Amstutz replied engigmatically, "They understand." Since then, Amstutz's company—the Swiss-based, Minnesota-incorporated Cargill—has been paying grain farmers rock-bottom prices, as part of the cartel-Moscow deal to make U.S. farm prices "more competitive" and "attractive" to a special customer like the Soviet Union.