The grain storage 'problem'

Totally foreseeable, the problem is being used by the cartels to further tighten their grip over food stocks.

In early August, President Reagan visited farmers in Illinois—the heart of the cornbelt—and promised federal help on special measures to store grain. One week earlier, he and Agriculture Secretary Richard Lyng promised federal help to move grain from the Midwest, where there are storage problems, to the Southeast, where grain is needed for drought relief, and where there is storage available.

These gentlemen mean well. However, make no mistake about where the "storage problem" came from. A totally foreseeable problem is being used by the commodities cartel trading companies (Cargill, Continental, Bunge, Louis Dreyfus, Garnac/André, ADM and others), to further tighten their grip over food commodity production, storage, and movements.

First look at the decline in domestic grain storage capacity, and then at the declining world grain trade and domestic livestock inventories.

The trend in the last five to eight years, since Paul Volcker started as Federal Reserve chairman with his high-interest "recovery," is that bankruptcy and disrepair have lowered the capacity of the independently owned grain elevator storage network of the farm states. Barge and railcar capacity (a "moving storage pipeline" of millions of tons of grain) has been jettisoned, as grain exports fell. Meanwhile, the cartel companies have streamlined the location of their own elevators to serve their political objectives—for example, exports to the Soviet Union. The "grain trade industry" is even requesting government guarantees to align still more of their facilities for such trade patterns.

Next, look at the overall world grain situation. Over the last 15 years, the U.S. annual ending stocks of grain (carryover) have accounted for a growing percentage of the world's total grain production. The percentage has gone from 3% in 1975, up to an estimated 12% in 1986. But U.S. grain exports have fallen by millions of tons annually, so the inventory is increasing. If the grain output capacity this represents is gutted—if U.S. farms are shut down, if crop acreage is permanently removed from food production, the entire world grain supply will be marginalized to the point of guaranteed, recurring famine.

Although, in the case of a growing world economy, the U.S. should be producing less of the world's grain "margin," and more of the world's high-protein, animal food output and technology, nevertheless, at present, it is insane to sharply cut U.S. grain output capacity.

But it is not insane from the cartels' point of view. Centuries ago, Venetian grain merchants used policy and piracy to force city-states around the Mediterranean into grain shortages, and political dependency. Today, the heirs of the Venetian grain cartel are promoting cutbacks in U.S. farms and output.

U.S. wheat carryover as a percent of total world grain output has remained about the same, 7-10%. But the carryover of U.S. corn—the key high-protein livestock feed—as a percentage of total world output has grown. Corn as a percent of U.S. ending stocks has gone up from about 30% in 1970, to an estimated 60% this year. Wheat, as a percent of U.S. ending stocks, has fallen from over 55% in 1970, down to 25%.

This directly reflects the rapid decline in U.S. cattle and hog inventories—utilizing less feed; and the decline in the world feed grain trade. Cattle and hog breeding stock are at levels of 25 or more years ago, and still falling. It should be a blessing that U.S. farmers—and the weather—have produced two years of high yields in the U.S. cornbelt. But under the market conditions of low prices, set by the cartel trading companies, farmers have put a record amount of corn and other grains into government farm-income support programs, piling up in storage.

Recent USDA estimates underline the point about the lack of utilization of feedgrains. Sorghum stocks of 612 million bushels are up 70% this year. Sorghum being stored on farms is a record 137 million bushels—up 54%.

Record barley supplies are 325 million bushels, up 31%, and demand is off 5%. Demand for corn is off an estimated 15%. Overall, the USDA's June grain stocks report said that corn supplies as of that month were 76% more than a year ago.

The states with the highest storage "deficit," are: Indiana (260 million bushels), Ohio (121 million bushels), Illinois (116 million bushels), California (90 million bushels), Arkansas (65 million bushels), and Michigan (64 million bushels).

The cartel companies can purchase "generic crop" certificates from farmers who received them from the government as payments for one of the agriculture programs, and then sell them for cash. The companies can then "redeem" the certificates from the Commodity Credit Corp. for any commodity they choose—stored at government, and farmer, expense.