
Background to Australia Flap

Moscow, cartels get subsidies windfall

by George Elder and Billy Davis

According to the liberal media of Australia and the United States, the U.S. government, concerned about the plight of American farmers, subsidizes grain sales to the Soviet Union so that the farmers can sell more grain. This violates the holy principles of free trade, but helps the U.S. farmer. He presumably helps re-elect the politician who got him this break. Nothing could be a bigger lie.

Fact #1: The U.S. farmer gets nothing out of this subsidized grain deal. The highly indebted farmer, desperate for cash, has mortgaged his grain even before the grain was planted, usually to the Commodity Credit Corporation, now the actual owner of 80% of U.S. grain. The major grain cartels, not willing to pay the prices the government paid the farmers (the mortgage process), use their political muscle to demand lower prices (a subsidy) from the government. Under the terms of the subsidized grain sale, the cartels get the grain out of the CCC stocks to sell to the Soviets, the Soviets get cheap grain, and Uncle Sam writes a check for 35¢ a bushel to the cartels.

Fact #2: The "free market" in grain, with its "laws" of supply and demand, does not exist now and has never existed during the last 2,000 years in which the international grain market has been rigged by a tightly interlocked series of cartels. Ninety percent of all international trade in grain today is bought and sold under arrangements by the five major grain cartels, or their subsidiaries or affiliates: Cargill Inc. of Minneapolis; the Continental Grain Co. of New York; André of Lausanne, Switzerland; the Louis Dreyfus Company of Paris; and the Bunge Co. of Switzerland. The last load of grain not under the cartel control left the United States 11 years ago.

Fact #3: The grain cartels have been tightly interlocked with the Russian state since long before the Bolshevik Revolution, when the rich lands of the Ukraine and Bessarabia produced the "rivers of grain" which fed much of Europe. One of the Bunges, for instance, was the Russian finance minister in the 1880s. Perhaps the single biggest source of financing for the 1917 Bolshevik Revolution came from the grain companies and their agents: The legendary Alexander Parvus Helphand, Leon Trotsky (the son of a big grain trader), and the American agent Stanley Washburn of the Pills-

bury grain complex, were among the most prominent. In the old days, the cartels used to sell the grain from the steppes of Russia out through the ports of Salonica and Odessa. Since 1917, the grain supplies flow the other way, but are controlled by the same people.

Fact #4: American farmers have been looted by the grain companies to help finance the Soviet war build-up, ever since Henry Kissinger negotiated the first subsidized grain deal to the Soviets, as a component of SALT I. Kissinger's deal resulted in the Soviet purchase of so much U.S. grain that there were shortages in U.S. supplies after 1972. Moscow took what grain it needed and sold the rest, which had never left U.S. territory, back to the United States at much higher market prices dictated by the "scarcity" that Kissinger's deal had caused. Author Dan Morgan (*The Merchants of Grain*) says the total additional cost to U.S. consumers from Kissinger's deal was \$54 billion between 1972 and 1975!

Fact #5: The cartels are pitting farmers of different countries against each other, to bankrupt independent owner-operators in each country. In January-February 1985, the U.S. Department of Agriculture, whose most influential official is Undersecretary Daniel Amstutz, for many years a top official at Cargill Corp., went to Europe to demand that farmers drop subsidies and import tariffs. Since the same Agriculture Department is now subsidizing the grain deal to the Soviets, the intention was not "free trade," but to put European farmers through the same bankruptcy process U.S. farmers have been through over the past few years, ensuring the cartels' control over world food production.

Fact #6: It is a myth that American farmers are "well off." Since 1980, close to 50% of all U.S. farmers have been bankrupted, or forced to take other, non-farm, jobs to survive. In 1960, total U.S. farm debt was \$200 million and net farm income was \$200 million. In 1985, total farm debt was \$205 billion, while total net farm income was *negative* \$111 billion (including capital gains). Australia, one of the world's major agricultural producers, is just beginning to get the treatment American farmers have undergone. The cartels intend to put the Australian farm sector through the same process which has wiped out much of the trillion dollars in equity of the U.S. farm sector: First the farmer exchanges equity for debt, then debt for bankruptcy. The banks, insurance companies, and allied cartels end up holding most food production capability.

Fact #7: "Subsidies" are frauds. What the farmer needs is his own wage, his cost of production, plus a profit to allow him to re-invest in technologically advanced farming methods. This "parity pricing" system, as it used to work, formerly made the United States the world's agricultural powerhouse; because of technological innovation, prices remain steady or even fall over the medium and long term. What pass for "subsidies" today in many countries do not even bring the farmer's income up to the cost of production, given the cartels' rigging of the market worldwide.