

Agriculture by Marcia Merry

The USDA 'reforms' PIK funny money

It still works to the advantage of the grain cartel companies, but it's not quite such a windfall anymore.

A federal rule change, effective Nov. 17, gives farmers more time to trade, or to cash in the subsidy payments they have received from the U.S. Department of Agriculture in the form of "generic crop certificates." About \$2 billion worth of these certificates has been issued this year—the first time ever for this innovative "funny money," that the USDA politely refers to as "a kind of new currency." The extension of time is called a "reform" of the certificate system, and follows a previous reform effective Oct. 31, that put a stop to a scandalous abuse of the payment-in-kind (PIK) plan by the major grain-trade cartel companies.

As of Nov. 17, farmers have 8 months, not 5 months, in which to redeem their certificates in a crop—any government-owned crop (hence, the term "generic"), or to sell them to someone. On the most obvious level, the government is bankrupt, and paying farmers in this scrip is a way to avoid dishing out money for programs in which the farmer is to be paid to idle land, or to receive some assistance in case of disaster, etc. As of October, farmers signing up to idle their land for 10 years in the Conservation Reserve Program have started receiving generic crop certificates, so that the face value of this scrip will soon mount to even more than \$2 billion.

However, the real function of the certificates has been to serve the interests of the major grain-trade cartel companies (Bunge, Cargill, Conti-

mental, Archer Daniels Midland, and the rest), that have been buying up the certificates as they need them, and then redeeming them as they need to obtain commodities to meet contracts. But in the meantime, the cartel companies *do not have to pay any storage* or related brokerage fees to obtain the goods. All the costs are borne by the government.

As if this wasn't enough, at least \$200 million or more was neatly made by the cartel companies in a legal scam referred to popularly in the farmbelt as "long distance PIK-and-roll." This practice was a real lulu, and was finally outlawed by the USDA in a "reform" action that became effective Oct. 31. Up until then, here's how the thing worked—as promoted by Cargill, ADM, and other grain companies.

The farmer harvests his corn. He then takes it to an elevator (frequently connected behind the scenes to one of the major cartel companies), or weigh station and gets a weigh-ticket. He then takes this ticket to his Agriculture Stabilization and Conservation Service (ASCS) office.

Then an interesting hour passes. The farmer presents the weigh-ticket to confirm the amount of corn he can pledge for a government crop loan. The loan amount is calculated as usual—according to a formula based on the ASCS "market price" for a bushel of corn (based on the Evansville, Indiana, bushel, of, for example, \$1.95, plus a "regional differential" of a few cents). The farmer then gets a govern-

ment loan check.

Then comes the fun. At the same office, the farmer presents to the ASCS some generic crop certificates he has been able to receive from other government programs, or has been able to buy on the market. Cargill and the other big cartel companies have been wheeling and dealing in the certificates, sopping up certificates from Texas, for example, and re-selling them to farmers in Minnesota, etc. The ASCS, according to its own program rules (up until Oct. 31), has to accept these as payment for the corn collateral the farmer has just pledged. In other words, the farmer is redeeming his same corn with the crop certificates, that are permitted to be redeemed in whatever commodity and at whatever time he wants. But the corn can be redeemed by the farmer at, for example, \$1.11 a bushel. Thus the farmer gets 84 cents a bushel, which is no windfall for him, relative to his costs and debts.

However, the elevator boys get a commission on each transaction, that can range from \$2,500 to \$10,000 at a time. All they have done is a few minutes' "work" per transaction. This fall, elevator representatives were sitting out in vans in front of ASCS offices waiting for farmers to come by. The grain didn't go anywhere or do anything. The ASCS didn't even check to see if it existed.

Most farmers didn't take advantage of this kind of possibility in the crazy PIK program, because, though desperate for money, they are trying to farm and survive, not bilk the government. But Cargill and the other majors promoted the idea on the grapevine. It is estimated that Cargill and others have been averaging at least 6% profit on their buying and selling of the PIK generic certificates. What next?