Wheat exports—a set-up in Duluth

Two key points should be made concerning the seven-week-old strike at the Greak Lakes port of Duluth-Superior, Minnesota, which now threatens one-fifth of U.S. wheat exports through the Great Lakes. The first is that the strike is part of a deliberate economic warfare plan to disrupt not only the U.S. but import-dependent grain consumers abroad, especially Third World countries slated for "population reduction."

AGRICULTURE

The tactic is a series of strikes clogging transportation bottlenecks created throuugh decades of underinvestment and asset-stripping of American railroads, ports, waterways and shipping. The end of August could see a strike of the Rock Island Railroad as well as a strike of all U.S. flagships.

The second point is that there exist proposals to solve the immediate Duluth emergency and America's profound transportation decay, a solution benefiting labor, industry and agriculture in the U.S. as well as underdeveloped nations on the edge of famine. Contributing Executive Intelligence Review editor and international economist Lyndon LaRouche, Jr. recently outlined (1) a call for the federal government to immediately buy up the U.S. grain surplus and ship it to Nicaragua, Cambodia and other needy countries, moving toward a full gear-up of high-technology exports; and (2) a plan for industrial and infrastructural development throughout the 500-mile radius surrounding Chicago, rapidly upgrading navigation, rails and irrigation.

The Duluth setup

On July 6, 580 grain millers walked out at one of the eight elevators in Duluth. The union had accepted the operators' offer of a paltry 21.5 percent wage increase over three years in the proposed new contract, but with inflation nearing 14 percent, demanded a cost-of-living provision. Citing President Carter's austerity guidelines and the fact that none of the millers at their other terminals have COL clauses, the operators remained adamant. By July 25 all eight elevators were struck and Duluth-Superior was vitually shut down.

With up to 4,000 grain-filled rail cars backed up in the terminal, the Duluth Port Authority has embargoed any further deliveries. Fifty to 70 percent of these cars are the new jumbo grain hoppers, already in very short supply throughout the grain belt because of the gross inefficiency of the railroads, the predatory practices of railway car leasing companies, and the huge demand from farmers who have been storing two to three crops waiting for grain prices to rise high enough to cover their costs. On top of this, a record wheat harvest is now in progress, while corn has hardly begun to hit the markets.

No end to the Duluth impasse is in sight. Contract negotiations are at a complete standstill, and observers believe that a September settlement would be a miracle. The northern Lakes begin to freeze in early December; if a settlement is not reached soon, millions of bushels of grain will be left to rot on the farm or in transit.

Farmers who rely on the Duluth-Superior port—especially those in Minnesota and North and South Dakota—are facing financial ruin, and not only because of the strike. For several seasons they have been unable to sell their grain because of prices that do not even cover their costs. They have scraped along on government subsidies, waiting for prices to rise high enough.

When the price of wheat soared this spring beyond the $3.29 per bushel "trigger" level—the point at which government subsidies cease—farmers rushed to sell their grain on contract deliveries to the major grain companies and large cooperatives before the price fell. Once these companies had a large proportion of the contracts in hand, they cornered the wheat futures market in Chicago, driving prices up to $5.00 per bushel, in part using the big Soviet grain purchases as a cover.

Meanwhile, local farmers are getting hit with price discounts for their grain caused by the strike. The rail car squeeze gloated over by the London *Economist* (see below) has led to increased use of more costly truck transportation, while storage facilities owned by the grain companies are discounting prices further because of the shipping uncertainty. First robbed by selling at lower prices, farmers are now losing 70-80 cents per bushel in added costs and discounts; in many cases they are not breaking even. According to Charles Rhoades of the National Association of Wheat Growers, farmers in the tri-state area have lost $740 million so far in price cuts alone.

A large number of farmers in this area cannot afford to ship their wheat to other ports, and their farms have virtually no storage capacity. Rhoades estimates that 25 percent of Minnesota's current wheat crop—20 million bushels—will be left to rot in the fields, with even worse effects in North and South Dakota if the strike is not settled. Since Duluth-Superior processes 76 million bushels of grain per month, the loss just in terms of crops would be on the order of $1.5 billion.

Potential food shortage

Duluth-Superior normally handles 41 percent of all Great Lakes wheat exports, and seven percent of all U.S. grain exports. Three to four percent of these exports could be lost if the strike continues. Hit most severely would be nations in Africa, as well as continental Europe. The Soviet Union has already placed $4.5 billion worth of orders with Canada and Australia, in part because of the strike. Mexico stands to lose 50 percent of its normal sunflower seed imports.

Further labor provocatios that would disrupt food supply and goods shipments are looming as early as the end of August. The Organization of Masters, Mates, and Pilots is threatening "job actions" if a backlog of 50 grievances is not resolved. If a strike follows, all U.S. flag ships would cease operations, imperiling in particular domestic freight shipments.

At the same time, the Brotherhood of Railway and Airline Clerks may be forced into a strike against the Chicago-Rock Island Railroad, the only railway in the U.S. that has not accepted the new nationally negotiated labor contract. Rock Island, under the control of asset-strippers (see Transportation) who have no interest in a settlement, carries 17 percent of all American grain shipments.

The scope of this de facto "food weapon" is further indicated by the nearly 20 percent drop in Canadian wheat exports for the year ending July 31, estimated by the Canadian Wheat Board. Despite bumper harvests, the world's second biggest wheat exporter is "having to turn down millions of tons in orders because the grain cannot be physically delivered," according to the Aug. 18 *New York Times*. This is a deliberate policy on the part of the Canadian government, which in turn is still essentially run by the British Crown. The government, which owns the Canadian Pacific and Canadian National Railroads, has let the number of grain-hauling cars drop by almost 25 percent over the past eight years, replacing only half the cars retired, despite the expansion of wheat export orders. According to the Wheat Board, perhaps 10 million tons more could have been exported this year with adequate service for Canada's rail-dependent farmers—who are that much poorer, while the rest of the world is that much hungrier.

—*Steve Parsons*

London loves the loss

From the London Economist, *Aug. 11, "Boxed in":*
...Mountains of wheat, instead of moving smoothly by boxcar towards the ports, are piled up in the main streets of small towns in Kansas and South Dakota. The silos are filled to bursting. At the grain market in Minneapolis, where farmers were rejoicing not long ago at the prospect of wheat prices exceeding $4 a bushel, the price has fallen by 40 cents; for once the elevator operators have bought the grain from the farmers, they have slim hopes of sending it anywhere else.

For many years, transport problems have followed regularly on America's record harvests. There is never enough handling capacity available in the right place at the right time, even though the need for it can be predicted long in advance. Nor is the reason for the shortage generally understood. Sometimes a particular bottleneck will appear temporarily. This year, for instance, a strike by elevator workers at the ports of Duluth and Superior on the Great Lakes, which handled 10 percent of last year's grain exports, has idled 3,000 loaded grain cars at the docks. An appreciable amount of this grain was destined, in fact, for the Soviet Union. Ships coming through the Great Lakes to receive it have already been turned back.

The more general shortage, however, is of the boxcars that take the grain by rail between the country elevators and the terminals. The difficulties here seem to be endemic. Because the railways, for the past decade, have been sunk in an economic gloom which has only just been brightened by the petrol shortage, both the track and the rolling stock have been neglected. Few lines have been more ignored than those which go out to the corn towns of the Midwest, far away from the main industrial centers where the hauls are frequent and profitable. A grain town only needs its share of boxcars at a certain time of every year, but the cars cannot quickly be diverted from their main-line runs.

It is often difficult to find the cars at all. To begin with, there are fewer than there used to be. The number of standard boxcars has fallen by 25 percent since the beginning of last year. They are being replaced by "jumbo" hoppers, favored by shippers because of their greater capacity; but the smaller elevator companies find they cannot use them, while their sheer bulk makes it impossible for these hoppers to reach the centers of the older cities.

Up to a tenth of the boxcars, besides, are owned by private individuals who merely lease them to a railway, taking them away again if the need seems greater somewhere else. This use of boxcars as a mobile investment not only puts up their price; it also scatters them at random round the country, making it difficult to trace them in an emergency....