Business Briefs

Agriculture

Farm Credit agency says 'no more loans'

An official of the Farm Credit Administration—the largest farm credit source in the United States—has announced a policy of cutting loans to the farm sector, regardless of impact on agricultural production.

George Irwin, chief economist for the agency, told reporters at a farm-credit conference at Mississippi State University during the first week in August: "Farm policy needs to focus on economic forces directly and not compromise the functioning of the credit delivery system. . . . Credit cannot be used to prevent adjustment to forces that alter conditions of American agriculture."

Irwin called for separating farm-credit policy from other farm matters in the upcoming 1985 farm bill process. He said that it was impossible to do anything about "heavily indebted farmers," and that farm lending should be returned to the private sector.

Free Enterprise

Economist demands truce with the dope pushers

British-born economist Arnold Trebach issued a call in the *Wall Street Journal* Aug. 2 for legalization of drugs and a "truce" with drug-traffickers. Trebach is director of the National Committee on the Treatment of Intractable Pain and a top propagandist for the legalization of heroin for "medicinal" purposes.

"President Reagan's War on Drugs is a failure," Trebach wrote. "That is not surprising. Every major effort in the 70-year American crusade against these chemicals has also failed. . . . My hope is that when sensible people look at what further escalation of the drug war would really mean, many of them will join me in declaring we have had enough of drug wars and deciding we can rationally co-exist with a good deal of drug use in our society because we do not have the power to make it go away. . . .

"One sensible response to our heroin problems would be close to that now practiced in the United Kingdom, where doctors are allowed to provide heroin and a wide variety of other powerful drugs. . . .

"The availability of legal marijuana would destroy demand in our largest illegal market.

"Of course, some experts argue that less-strict controls will produce an increase in the use, and, eventually, the abuse of drugs. Perhaps. However, there is strong evidence that there is a natural limit to the number of people who will use any drug, whether or not it is freely available."

Ibero-American Trade

Tri-national consortium group formed for trade

Latinequip, a tri-national consortium to finance exports of capital goods between Brazil, Argentina, and Mexico, was formed on Aug. 4. Within 90 days, machinery producers in each country will be able to finance their exports to the other two countries. The consortium is made up of three banks managed by the governments of Mexico and Argentina and the State of Saõ Paulo.

Though vital for development, capital goods producers in Ibero-America have been badly hit by the depression caused by IMF policies, and have been producing at only 20-50% of their capacity.

U.S. "Recovery"

Volcker's manipulations holding up market

An actual reading of Paul Volcker's famous July 25 Senate testimony in which he supposedly created the "Volcker Rally," reveals that—he didn't. The *Wall Street Journal* and the press simply picked several words out of context to prove that the Fed has not and does not plan to tighten credit.

But, in fact, Volcker's testimony repeated demands for budget slashing and threatened more rate rises if there are no slashes. Volcker touted the recovery, then said, "But the hard fact is the deficit remains huge in absolute and relative terms." The deficit is sucking in foreign funds, and the "sustainability of the process . . . is in question," he said. "As the U. S. becomes more and more dependent on foreign capital . . . interest rate pressures remain strong."

The market, in fact, is only being held up by the most insane of 1929-style stock manipulations. *BusinessWeek* reports corporate profits rose sharply in the first half of 1984, inflating a consumer and stock-market bubble. The rise in profits is, in part, artificial, totaling tens of billions of dollars attributable to buy-backs of stock by corporations and the fraudulent accounting practices the corporations employ.

After selling $29 billion of equities in 1983, companies announced some $60 billion in buybacks in this year's first quarter, and another $15 billion in the second quarter. Of this total, nearly $10 billion were in leveraged buy-backs. If the buyer borrows the money for the buy-back from the outside, the proceeds of the sale are booked as a gain on the income statement. If the company takes back the debt, interest paid on it flows to earnings.

Companies are also using leasing arrangements, whereby they sell an asset to an outside company, and then lease it back. The proceeds of the sale are counted as earnings, swelling profits, and the debt to lease the asset back is counted as operating debt and reduces the corporation's debt-to-equity ratio.

International Trade

Soviets continue to stockpile U.S. corn

The Soviet Union gobbled up U. S. corn supplies at record rates for the fourth consecutive week, the U.S. Agriculture Department reported on Aug. 6. The Soviets purchased another 100,000 metric tons of U. S. corn, bringing to over 8.5 million tons the total amount of corn and wheat the Russians have purchased since June 29. The Soviets have bought 12.9 million tons of grain since the beginning of the year.

The *Des Moines Register* reported on Aug. 1 that Soviet Trade Representative Albert Melnikov told the National Corngrowers Association meeting in Indiannapolis in late July that the Soviets will buy more grain if the United States opens up its domestic markets to Soviet goods. Melnikov said the first step would be to grant most-favored-nation status to the Soviet Union. He said this was important to U.S. farmers because 68% of U.S. exports to the Soviet Union are agricultural products, but the "great disembalance" in this trade "does not encourage the Soviets to stimulate its trade with the United States." Melnikov stopped short of saying the Russians would stop its massive buying spree if most favored nation status were not granted, but reminded the corngrowers that "the U.S. is not the only source of supply now" for farm products.

One side effect of the present trade is that the Port of Houston is becoming increasingly dependent on Soviet grain sales for its existence. The *Houston Post* reported Aug. 4 that the recent increase in Soviet grain sales is the only good news for the Houston port, since much of the grain purchased by the Russians is being shipped from there.

According to trade figures, in 1981 2.1 million tons of wheat were shipped from Houston to the Soviets, representing 25.6% of all wheat exports from that city. This year's figures are expected to be significantly higher.

The Invisible Hand

'Stop U.S. farm parity, build down surpluses'

"The parity price system is a notion totally incomprehensible to anyone but a U.S. farmer," a spokesman for the London-based International Wheat Council (IWC) said Aug. 9. The IWC, an inter-governmental organization, manages the International Wheat Agreement which began, in 1971, to impose a supranational, "order" on the grain markets backed by governments, to force individual nations to submit to the grain cartel.

"We're working at having the individual nations discuss their individual policies and eventually change them—the first point is that one country should not expand its production when another is building down, and in this way add to the surplus which we're trying to get rid of. A balance must be brought between supply and demand. Countries and national policies must work in the same direction at the same time. Under the previous U.S. administration, we were getting close to getting an agreement, but Reagan's free-market policies stopped it dead in its tracks."

"The first step to be taken now is to cut down the surplus production. The worst is that the overpriced U.S. parity prices, which cost a lot of money to the U.S. budget, tend to be trend setters not only for world prices, but also for volumes of output: If people think they can get away with it and sell their production at that price, they will produce more. U.S. target prices on the export price are too high."

Development

Japanese consortium to assist Peru

A Japanese consortium will pay for final construction needed at Peru's Cerro Verde II copper project, expected to begin operations within five months, a government spokesman said on Aug. 8.

The Mitsui and Marubeni firms of Japan will lend $130 million to Peru to finish the important project, said Sen. Javier Diaz Orihuela, head of the energy and mines commission of the senate.

Cerro Verde II, located in the vast copper reserves of southern Peru, will have a processing capacity of 20,000 metric tons of ore a day.

Diaz Orihuela said the Japanese loan has a 14-year payback period with three-and-a-half-years grace.

The final leg of financing for Cerro Verde had been debated between the Japanese and a British consortium. With the Mitsui-Marubeni loan, the project should be ready to start up operations in January, according to government plans.

Briefly

● **BILLY M. DAVIS,** running mate of independent-Democratic presidential candidate Lyndon H. LaRouche, as well as LaRouche agricultural advisor Lawrence Freeman of Baltimore, addressed 40 farmers in Dodge City, Kansas, at a meeting of the Kansas state American Agricultural Movement. Davis, a Mississippi-farmer, and Freeman demanded a return to parity pricing.

● **FRANCISCO** Morales Bermudez, former Peruvian President, proposed that Peru set up a free-trade zone in its jungle region bordering Colombia and Brazil, the area where some of the Colombian cocaine mafia has fled to avoid President Betancur's crack-down. Gen. (ret.) Morales Bermudez staged a Kissinger- and Cuban-supported coup against Gen. Juan Velasco in 1975 and then purged nationalists from the government, put the country under an IMF dictatorship, and opened the doors to the cocaine mafia. He has apparently begun fundraising for the 1985 elections.

● **MARTIN BANGEMANN,** West German economics minister, warned on Aug. 8 that his government may prohibit German companies from cooperating with any further tightening of U.S. restrictions on export trade in sensitive technology and equipment. Bangemann had met with U.S. government officials in mid-July in Washington, D.C. Commmenting on possible U.S. "extraterritorial" trade restrictions, Bangemann said, "We would not accept that. . . . In the United States, I said I don't share the opinion of the Americans of the problem on technology transfers."

● **CARL H. LINDNER**, chairman of the Penn Central Corporation, Fisher Foods, Inc., and his own company, the American Financial Corporation, has been named chairman of the board of United Brands Company, a company most famous with the public for Chiquita brand bananas. With law-enforcement officials, especially those concerned with narcotics, the company is known for its connections with the import of cocaine and marijuana.