Click here for Full Issue of EIR Volume 13, Number 24, June 13, 1986

Amstutz intervenes on wheat prices

The effect of the USDA official's actions is to drive down wheat prices, and wheat supply, worldwide.

Center stage in U.S. Department of Agriculture (USDA) commodity policies in recent weeks is Daniel Amstutz, an international food-cartel functionary, who has, since 1983, been the USDA undersecretary in charge of U.S. crop acreage and international commodities. Amstutz is promoting the Swiss commodities cartel policy: World prices must drop, world farm capacity should contract, and more people will starve.

The world wheat situation shows this policy in practice. On May 30, the USDA announced that, in 1987, U.S. wheat farmers must cut their acreage by 27.5% at least, to participate in any government farm income support programs. Undersecretary Amstutz asserted that there was "excess" wheat in the United States (the world's largest wheat exporter), and—regardless of the harvest size this summer—U.S. wheat acreage next year must be cut to the maximum mandated under the Food Security Act of 1985. This year, farmers had to agree to reduce their harvested wheat acreage by at least 25% to qualify for the programs.

Amstutz's counterparts in Europe, through the Brussels offices of the 12-nation European Community, announced the same grain reduction policy in May, when they called for drastically reducing EC grain price supports because of "excess" grain.

In reality, wheat and other grain stocks have temporarily "piled up" in some leading production areas of the world, only because the world grain trade is being constricted under the trade limitations imposed by conditionalities of the International Monetary Fund. The top international grain cartel companies—Cargill, Continental, Bunge, Dreyfus, André, ADM and a few lesser players—are working to dominate what trade remains.

To divert attention from this fact, the grain trade connections in government are staging trade-war games over wheat and other food commodities. A delegation of the U.S. Feed Grains Council, a cartel front group, toured Western Europe from May 31 through June 11, to raise a fuss over "unfair trade practices."

In Canada, over the May 31 weekend, spokesmen for the top five wheat producing groups of the world (United States, Canada, the European Community, Argentina, and Australia) met, nominally to discuss "reducing trade conflicts" over shrinking wheat markets. Nothing was resolved, except to get together next year. Canadian Wheat Board Minister Charles Mayer arranged the conference due to Canada's alarm at the intensifying U.S.-EC trade war over food, which he feels will plunge wheat prices and shut down the Canadian wheatbelt.

The fear was justified. U.S. Agriculture Secretary Richard Lyng read a pitiful cartel script when he told the other nations present that U.S. export policy is, "primarily to regain export business we have lost [no mention of IMF intervention], and we are determined to do that."

It is USDA policy to use the $1 billion authorized by the new farm law to give free government-owned wheat and other grains to Cargill and the other cartel companies so they can try to undercut grain exports from competing nations. Since the cartel companies broker the sales from all the grain-exporting nations—over 90% of the trade—they are guaranteed their profits by this giveaway (called "export enhancement"), while farmers in every country are bankrupted by low prices.

U.S. wheat prices serve somewhat as the "floor" for other prices, and now that floor is collapsing.

On May 30, U.S. wheat prices plummeted the most in one day since World War I, because of the USDA policy. The price for soft white wheat grown in the Northwest plummeted 53¢ to $3.25, from $3.78 a week earlier. Midwest hard red wheat prices also dropped sharply. The leading factor was not simply the wheat harvest time—in which prices are expected to dip—but Washington policy to bring down wheat prices. Washington sets government crop loan rates, which, in turn, can influence the direction of market prices. On behalf of cartel interests in underpaying farmers, the wheat loan rate was drastically reduced as of June 1. In the accounting year ending May 30, the government wheat loan rate was $3.30/bushel. After May 30, the rate dropped to $2.40/bushel.

On average, the national price index of wheat and all food grains (for human cereals consumption) fell 7.5% from May 1985 to May 1986. The price was mostly pulled down by wheat prices. In one month, from April to May this year, the average U.S. price of wheat dropped by 20¢. On May 30, Amstutz also announced that the government wheat "target" price (determining subsidies to farmers) will also be frozen from 1986 to 1987, at the level of $4.38 a bushel, below the farmer's cost of production. Amstutz said he will make more announcements by July 1 on other wheat output restrictions.

© 1986 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.