

Record Wheat Harvest This Year? But Way Below Worldwide Need

by Marcia Merry Baker

In the Northern Hemisphere, the principal wheat harvest (Winter wheat, planted last Fall) is under way. The worldwide total wheat harvest for 2008-09 (the wheat “year” runs from July 1 to June 30), will likely be up 7% over 2007-08. For 2008, the harvest is now forecast as a record, in the range of 664 million metric tons, compared with 611 mmt in 2007 (U.S. Department of Agriculture statistics). The Hamburg-based commodities forecaster F.O. Licht released the estimate July 9 of 652.2 mmt, which is up over the 604.2 mmt of the 2007 calendar year.

But this is all way below need. “Because we started out the year with a very low world carryover of wheat—lowest in 30 years for the world, 60 years for the United States—we have to replenish those supplies, the pipeline supplies and the wheat reserves that many countries have,” was the comment from economist Mike Wolverton, July 9, who is at Kansas State University, in one of the world’s foremost wheat-producing regions. He stressed that no matter how good the harvest, there is underproduction relative to demand. There is simply not enough.

For hundreds of millions of people, whatever their preferred form of the staff of life—bread, ramen, couscous, pasta, tortillas—there are severe supply shortages and out-of-control prices.

What is truly shown by this Summer’s wheat crop is that a worldwide mobilization is urgent to maximize this Fall’s sowing of Northern Hemisphere wheat, and the same for the corresponding sowing and reaping cycle in the Southern Hemisphere—especially Argentina, Australia, and South Africa. Wheat constitutes about 30% of the annual world output of grains of all kinds (rice, corn, sorghum, barley, oats, and others).

At the same time, the use of grains and oilseeds for biofuels must be stopped—cold turkey. Even now, as the Spring (planted) wheat crop is progressing in Canada, wheat-ethanol plants are sucking in scarce stocks. (See accompanying article.) The Canadian government is backing this to the hilt.

Thirdly, speculation in food commodities, as well as fuel and other economic necessities, must be banned. The grain exchanges in Chicago, Minneapolis, and Kansas City have turned into wild casinos, not trading houses. This has thrown wheat-import-dependent nations into chaos. In South Korea, for example, wheat import prices have risen 127.5% year-on-year as of July, according to the Bank of Korea.

In May, Helga Zepp-LaRouche, founder of the Schiller In-

stitute, called for a worldwide mobilization to double food production in the shortest possible period, and terminate the World Trade Organization (WTO), whose globalization practices led most directly to today’s crisis. She issued this call in the countdown to the June 3-5 Rome summit of the UN Food and Agriculture Organization. However, the summit failed to act.

Worse, on July 21, nations will send their agriculture representatives to Geneva, for yet one more session on the WTO’s demand for agreement on still more globalization of agriculture and trade, under the Doha Round, now dragging on for seven years. Globalization is what caused the today’s pre-famine disaster to begin with.

At the July 3-5 Group of Eight meeting in Japan, Russian President Dmitri Medvedev called for a world grain summit to be held in Russia. In May, Russian Agriculture Minister Alexei Gordeyev laid out a food output expansion program aimed at ending the Russian Federation’s current reliance on imports for 40% of its food. He projected that Russia can increase grain production by 50% over the next five to seven years. This Spring, Russia planted 30% more grain than last year. Its wheat harvest could come in at 54 mmt, significantly over last year’s 49.4 mmt, and 44.9 mmt the year before.

But on July 11 in Moscow, a meeting of Minister Gordeyev, Russian Grain Council President Arkady Zlochevsky, and others set the tentative date as *June 2009, for the Moscow world grain summit*. Given the crisis and need for leadership, this time frame is much too far off.

Ending Stocks Are in Danger Zone

Figure 1 shows the last 20 years of world wheat production, and the level of ending stocks—the estimated “carry-over” of grain from year to year. Relative to use, stocks are below the flashing-red-light danger level. The U.S. Agriculture Department’s June estimate that wheat ending stocks will “turn up” this year, is, at best, a wild guess.

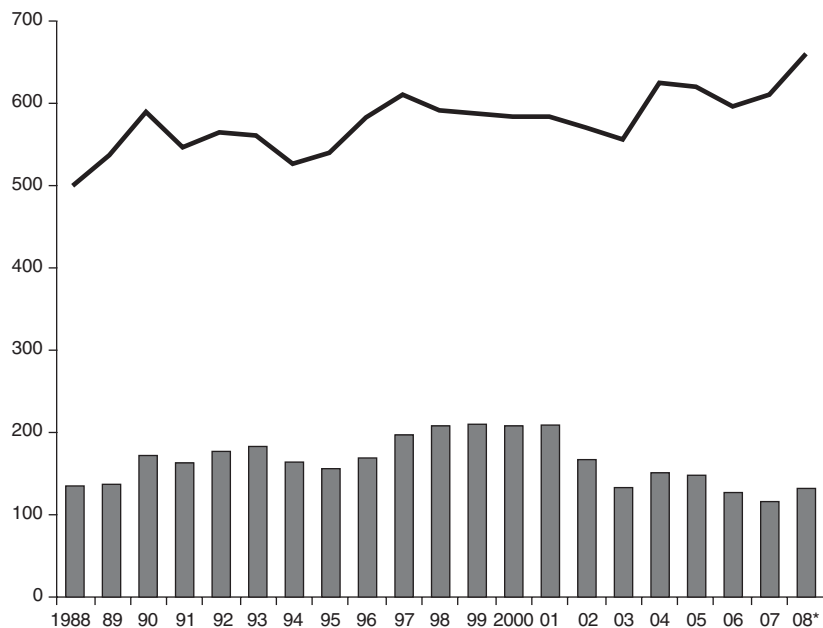
One effect of underproduction, is to give the powerful grain-processing and trade cartels yet more power over who eats and who doesn’t. Hedge funds and operatives such as George Soros are getting in on the act. In June, a Soros consortium announced the buyout of the agro-commodities marketing unit of food giant ConAgra, based in North America.

One happy event this month, was a July 10 raid in Italy on the offices of Cargill, Inc. and Bunge Ltd., two of the top

FIGURE 1

World Wheat Production and Ending Stocks, 1988-2008

(Million Metric Tons)



* USDA wild guess

Note: Most recent data are preliminary or projected.

Source: USDA, Economic Research Service, June 18, 2008.

global grain cartel members. European Union and Italian authorities were seeking evidence of price-fixing of cereals products, including durum and semolina wheat flour for pasta, and such other products as animal feed. Cargill has a large share in one of the top millers of pasta flour in Italy, Grandi Molini Italiani SpA.

In recent years, about 110-118 mmt of wheat has gone into world trade annually, out of the 620 mmt tons produced. Most of this trade in the GATT/WTO era has been dominated by the cartel companies (Cargill, ADM, Bunge, Louis Dreyfus, and others). The principal wheat source nations are (showing their volume of exports in 2007-08, in mmt, according to the USDA): United States (34.5), Canada (16.5), Russia (12), EU-27 (11), Argentina (10), Kazakhstan (8.5), and Australia (7). The principal wheat-importing nations are in crisis. The largest importers are (showing their volume of imports, in mmt, USDA data): North Africa (20.6, to Egypt, Algeria, Morocco, Tunisia, and Libya); Middle East (9.4 to Lebanon, Israel, Jordan, Saudi Arabia, Yemen, Kuwait, Iraq, Iran, U.A.E., and Oman); Southeast Asia (10 to Thailand, Vietnam; Indonesia, Malaysia, and the Philippines), and Brazil (7).

Desperate Measures

Many wheat-import-dependent nations are casting about for emergency responses to the crisis, given the lack so far of

both a concerted push to increase world supplies, and of multi-nation collaboration to make best use of scarce stocks, instead of allowing the global marketeers to control availabilities. Even while the world wheat harvests are being gathered, the following are just a few cases of the July ad hoc arrangements being made in wheat-importing nations, rich or poor. Measures include import substitution, reduction of import tariffs on wheat, subsidies for bread and flour, and dietary shifts.

In **Bangladesh**, which imports 2.5 to 3 million tons of food grains yearly—mostly wheat—a mid-July seminar was held in Dhaka, titled “Global Food Crisis: Causes, Consequences and Policy Choices.” The keynote presentation was by Dr. Hassan Zaman, economist of the World Bank (the bank’s cartel-serving free trade enforcement policies have undermined agriculture). But he summarized aspects of the world situation accurately: “Land use changes due to increased use of maize and oilseeds for biofuels led to reduced plantings of wheat, record subsequent depletion of world wheat stocks to record lows, and a surge in wheat prices...”

In **Jamaica**, the Minister of Agriculture has launched a program to push more cassava production, as an alternative to imported

grain.

In **Kenya**, the government reduced the wheat import duty from 35% to 10%; and eliminated the 35% corn import duty. Meantime, no floor has been put under Kenyan farmers’ grain prices. In late June, 2,000 farmers staged a protest rally near the town of Narok, where they blocked trucks carrying wheat from the fields to warehouses.

In **Japan**, the intention was announced to increase food self-sufficiency from the current 45% to over 50%, according to Agriculture Minister Masatoshi Wakabayashi, after his meeting July 2 with Prime Minister Yasuo Fukuda.

The measures being studied include subsidies to get farmers to convert from growing rice, where there is an excess, to growing wheat and soy, and serving more rice for school lunches, rather than noodles.

The lack of food self-sufficiency led the *Japan Times* to editorialize in July about the ramen noodle: “The rise in prices strongly reminds Japanese, right in their gut, that 90% of wheat is imported. Soaring grain prices mean that the wheat, flour, noodle and ramen chain of production is likely to come under pressure, and soon. As the largest importer of wheat in Asia, with some of the highest transportation costs, government ministries and food importers must start reconsidering the past system of imports. Most ramen makers are considering it every morning.”