A 'wheat hoax' next?

Commodity columnists in the East Coast press have picked up the fact that grains and especially wheat prices on the futures markets were "going bananas," in the words of a trade source. As of June 15, cash wheat prices stood at $3.61 per bushel, up 6 percent from $3.42 in January, and up 12 percent from $3.21 in April 1978. Near July delivery prices showed the trend—climbing nearly 40 cents per bushel, or 10 percent, to $4.43 at Friday's close.

The speculation was fueled by assorted rumors having to do with a run-up in export demand for American wheat supplies. In the last two weeks, projections for a world wheat shortage and a drastic depletion of U.S. supplies have appeared in *Business Week* and the *New York Times*.

Since shortage hoaxes seem to be the preferred method for the Carter administration to put across its policies, it is plausible that this recent development is rigged to build steam behind the bill to establish a

AGRICULTURE

National Grains Board and the international wheat cartel for which it is a foundation-stone. The 1972-73 Soviet grain purchases, cited as the reference point for current developments, are of course a kind of lightning rod for the idea that the U.S. grain trade should be government controlled.

True, the Soviet wheat crop is estimated to be down nearly 20 percent from a year ago—a fact which will undoubtedly increase U.S. wheat exports over the next year or two. True, also, that Argentina has about sold out its exportable supplies for this season, until December when Southern Hemisphere crops will again be available. True, Australia experienced some damage to exportable high-protein wheat, as well as transportation problems.

Ample supplies

But, as analysts in the USDA's Economic Research Service emphasized in discussions with *EIR*, the United States produces about 2 billion bushels of wheat a year and consumes a mere 7-800 million bushels domestically. As of April, American silos were stuffed with a 1.2 billion bushel supply—and the winter wheat now being harvested, projected at 1.4 billion bushels, is up a whopping 14 percent from 1978, despite government-imposed acreage restrictions. Furthermore, "intentions" for the spring planting, now almost completed, have risen 3 percent above month-earlier acreage estimates.

Far from a shortage crisis, the spurt in export demand will provide a spur to American grains producers whose productivity is virtually irrepressible, but who over the recent years have been bedeviled by falling prices. At $4.11/bushel cash, the government reserves are triggered, releasing the more than 500 million bushels into the market.

Ironically, as a spokesman for the National Wheatgrowers pointed out, the speculative activity in the wheat and grains markets is probably significantly prompted by the hoax that has hit hard in rural America. The "fuel priority" rating granted agriculture terminates on June 30—and no decision has yet been made to extend it to this one among the many industries heavily dependent on ample, cheap energy supplies. The crops are not threatened with sufficient fuel supplies this spring, but in the fall a new round of supplies is needed for harvesting the spring wheat and planting the winter wheat crop.

None of the commentators so assiduously puffing a shortage scare resulting from foreign purchases have mentioned this "factor" in the soaring prices.

A de facto wheat cartel?

Interestingly, one exporter, cited in a *Journal of Commerce* Commodity News Service (CNS) dispatch from Kansas City, reported that both Canada and Australia have deliberately held back wheat supplies, as he put it, "for market penetration, politics, or whatever, I'm not sure why, but some quantity has been saved for different reasons." The same source told the CNS that the Argentine junta had a similar stash, but he was unsure of its magnitude or how it would be handled.

These three countries—with the U.S., the top four grains producers in the world—have been meeting at the government level for two years to put together a wheat cartel to use as a political weapon. Touted as being modeled after and aimed at OPEC, the wheat cartel is a project that has been ill-received by American agriculture.

An effort is now underway to promote the scheme by means of establishing a U.S. "National Grain Board" to take sole jurisdiction over every aspect of grain exports, a prerequisite for effective working of the cartel. An executive member of the Bushel for a Barrel Committee, one of the Grain Board proposal's loudest advocates, told *EIR* that the export controls are really targeted elsewhere. "Actually, the Bushel for a Barrel isn't aimed directly at OPEC," the BFAB spokesman said. "They consume so little grain it wouldn't work." What we really want is to raise the prices for Japan and Eastern Europe. They can afford it.... As for the Third World, we aren't talking about food as a weapon. The Weaver bill would set aside funds for famine relief, or if Congress wanted to negotiate one-to-one deals, it could. But it's a disservice to those countries to sell them grain too cheap. Higher prices would encourage them to grow it themselves, to irrigate new land." Asked when they will get the funds to do that, he replied, "That's another question."

The bill, H.R. 4237, introduced by Rep. Weaver (D-Ore.) and 52 co-sponsors and the subject of two days of public hearings on June 5 and 6, is presently dormant, with no new action scheduled. Testimony on the legislation was, according to committee personnel, overwhelmingly negative—including, significantly, the major producer groups who were expected to be roped in on the guarantee of high prices.

—*Susan Cohen*

COMMODITIES

U.S. land policy fight may be oil multis boon

This year's U.S. Justice Department review of tendencies toward monopolization in the mining industry (a report Justice is obliged to put out annually since passage of the 1976 Federal Coal Leasing Act) doesn't bring a single U.S. mining corporation to task. Rather, the full venom of the report is directed against the U.S. Department of the Interior, which Justice calls the "biggest mining monopoly" in the U.S.

The grounds for the Justice Department attack are that Interior has oversight over that vast portion of U.S. land surface held by the federal government—one-third of total U.S. land surface—and that because of standing environmentalist legislation, Interior is refusing to give the land up for mining development.

Along the same lines, the General Accounting Office has just released a draft review of the results of joint work by Interior and the Department of Energy on non-fuel minerals leases. The draft was first presented during May hearings of the House Committee on Mines, where the GAO is reported to have lashed out at the paltry results of this collaboration between Interior and the DOE, leaving Interior Undersecretary Davenport speechless during her testimony.

On June 26, the House Committee on Mines will convene again, this time to review Interior's coal and coal-leasing policy. As one Committee staffer reported, "some interesting fireworks" are expected during that session.

From environmentalism to "big trusts"

The degree to which U.S. land development is presently hamstrung by environmentalist law is dramatized by the 1978 federal law suit, Hughes vs. NRDC (Natural Resources Defense Council). As a result of that suit, the NRDC, a privately-funded environmentalist organization controlled by Laurance Rockefeller, was given jurisdiction, or "final say," by the Department of Interior over allocation of leases on land bearing coal deposits.

Last month, when Interior Secretary Andrus announced that the federal government was going to issue leases for 1.5 billion tons of new coal development through 1981, Washington sources revealed that Andrus intended to hold private talks with NRDC to see if he could get an out-of-court compromise which would allow these leases to go through.

As ludicrous as present federal land policy is, however, all indications thus far are that Rep. Santini (D.-Nev.), his House Mining Committee, the GAO, and the Justice Department are launching attacks against the Carter administration to push a land policy which will have little benefit for the U.S. economy. According to Santini's staff, one of the major goals of the attacks underway is to force the Administration to repeal antitrust guidelines which currently hinder cartelization in the mining industry.

As matters now stand in the U.S. economy, however, any major push to allow greater trustification in mining can only benefit one group of corporations: the oil conglomerates, which are presently diversifying into raw materials. None of the other U.S. mining corporations—the largest included—are able to financially match the oil companies on bids for major land holdings, or on the expenditures which must be put into environmental protection equipment for new mines.

—*Renée Sigerson*