Business Briefs

Agriculture

Farm prices collapsing

The U.S. Department of Agriculture announced today that farm prices had plunged by 4.6 percent—or a 54 percent annual rate—during the month of April. The April collapse follows a 1.7 percent drop in March, and was led by livestock, corn and wheat. Tight credit has forced the livestock industry to retrench—the price of beef and hogs is falling as producers rush to slaughter animals they can't afford to feed. Bumper crops of wheat and corn this year were turned into a liability for farm producers by the Carter administration's grain embargo and related export policy.

This ought to put an end to Secretary Bergland's attempt to "talk up" farm prices with encouraging propaganda, and just plain lies. Such a precipitous drop in prices could also trigger a break in land prices and the unraveling of the entire farm credit structure.

The price drops guarantee that earlier Agriculture Department predictions of a 20 percent drop in farm income during 1980 will be conservative—and in fact the department is already talking about a probable 25 percent income drop.

There is no way that the farm sector can stay afloat when costs of production are soaring by as much as 50 percent, when loan funds costs have doubled and income is drastically contracting.

In terms of impact on the rest of the economy—already farm equipment sales have plummeted. The Farm and Industrial Equipment Institute, a trade association, reported that sales of farm tractors dropped by 28.9 percent in March, bringing total tractor sales for the first quarter of 1980 to 18 percent below the year-earlier period. Other reports indicate that since at least the beginning of the year, farm equipment manufacturers have been increasingly forced to finance their own sales to get business at all.

What's more, as the Agriculture Department itself pointed out, the drop in farm prices will not help the consumer, who will continue to absorb inflationary processing and marketing costs. The retail price of food is expected to continue to climb until it "takes off" again later this year when, for instance, livestock supplies snap.

Domestic Credit

Volcker crushing the Hunt brothers

The Hunt brothers may be forced to liquidate much of their silver holdings as a condition for receiving bank financing, Federal Reserve Chairman Paul Volcker told a House Banking subcommittee on April 30.

The Hunts are currently negotiating a $2 billion loan from a group of banks led by Morgan Guaranty and First National Bank of Dallas which will be used to finance extensive silver-trading debts. It appears that one condition of the bank loan is that the Hunts eventually sell much of their silver. In the words of Paul Volcker, the terms of the loan "will enhance the prospects of that lump of silver being dispersed."

The Hunts have also been forced to mortgage most of the oil and gas properties owned by the Hunt family concern Placid Oil as collateral for the Morgan-First Dallas loan.

According to metals market sources, the Federal Reserve has conducted a near vendetta against the Hunts during the last two months, using its enhanced credit control powers to make it impossible for U.S. banks to lend to the brothers, except on the most onerous of terms. Lamar Hunt complained to the *Wall Street Journal* that the Fed "put a clamp on us" and even put "the strong arm on the major European banks." Since the Hunts were unable to obtain a bank loan themselves, they were forced to borrow indirectly through Placid Oil.

As *EIR* has documented in previous issues, the March silver market crash which took such a heavy toll on the Hunts was stage-managed by Engelhard Minerals and Mocatta Metals, both of which have close ties to the Anglo-American financial elite, and who coordinated with the Fed and the board of the New York Commodity Exchange. As part of his avowed "controlled disintegration" policy, Volcker is now applying credit controls selectively to break up the Hunt empire and dismantle any other business institutions which may be the least bit independent of the "Groton crowd." According to a rumor circulating in the Chicago financial district, First Chicago chairman Robert Abboud's approval of loans to the Hunt brothers just before the silver shakeout was used as a pretext for his firing.

International Credit

IMF postpones relaxation of conditionalities

The Interim Committee meeting of the International Monetary Fund ended in Hamburg April 28 without concrete action on the Group of 24 less-developed countries' demand for a relaxation in IMF lending conditions. The matter was deferred to the autumn General Assembly meeting of the IMF and World Bank.

The French business daily, *Les Echos* claimed April 28 that "a more attentive ear" is being bent toward the LDCs, however. As part of the effort to expand the IMF's role, even friends of Henry Kissinger's have recently conceded that the Fund "won't fly politically" unless something is done; the London *Times* proposes extending the terms of IMF loans and "improving the supply side" of debtor economies.

The hard-liners on the subject are exemplified by the Sunday *Times*, whose Hamburg correspondent, Malcolm Crawford, wrote April 27: "The IMF has plenty of money outside the Supplementary Financing Facility, which borrowers have preferred (despite interest terms which are virtually at market rates) because the conditions concerning domestic economic policies are not so tough as on the IMF's general loan facilities. Soon, the developing countries will have to face up to these, conditions and all. The deflationary IMF conditions cannot be relaxed much, because IMF loans are meant to be repaid, not rolled over."

Unlike the South Koreas and Mexicos, Crawford adds, "the countries with two-thirds of the population of the Third World which rely almost wholly on international agencies" are "the most exposed to acceptance of its loan conditions. For the poorer countries, there is no solution except deeper poverty."

Industry

Steel Capacities collapsing

The steel companies now boast that they prepared well for the present downturn by reducing inventories, closing obsolete plants, eliminating expansion plans, diversifying into other, unrelated fields, and suing more productive, foreign manufacturers for "unfair" competition. But when U.S. producers like U.S. Steel find the present slump much deeper than they had expected and, worse, that they are unable to recover those production levels they may desire to fill government defense and synfuel plant construction orders, they may find that they have only prepared their own bankruptcy.

At present, the industry appears to lack even the capacity to produce steel they enjoyed during World War II—more than a third of a century ago.

U.S. Steel reports that in the last three weeks its orders have dropped an incredible 40 percent, while Bethlehem, the nation's number two steelmaker reports a similar precipitous, but unspecified decline. In the first quarter of this year, total steel shipments in the nation fell by approximately 10 percent, largely due to the auto collapse which last week took that industry to the low-point it reached in the 1974-75 recession. Although steel unemployment is heavily concentrated in pockets around steel plants closed because of dramatic declines in orders, the companies must now begin to shut down blast furnaces at major plants, spreading the layoffs.

The question remains, can the industry restore production when orders flow in again? U.S. Steel executives may not find this an interesting question. They may intend to leave the steel making business altogether like the Penn Central Co. left railroads. The remaining companies might then expect enormous profit from the ensuing shortage of steel.

Banking

Exim-OPEC financing plan proposed

The U.S. Export-Import Bank chief John Moore has proposed that the surplus countries of the Organization of Petroleum Exporting Countries (OPEC) participate with the Exim bank in financing projects in the underdeveloped sector. In the past, American private banks have pursued the OPEC nations for recycling their surpluses into joint financing of projects in third countries, but the conservative Arab governments have refused this approach as too risky. Moore argues that since 1934, the Eximbank has generated $100,000 million in lending, and lost only $20 million.

The Saudi Arabian government's central bank, the Saudi Arabian Monetary Agency (SAMA), this year has begun to make sizeable loans to certain advanced nations. Saudi Arabia is expected to buy up to $2.7 billion worth of West German government debt this year. Japan is slated to receive between $1 to $1.5 billion from Saudi Arabia. West German Finance Minister Hans Matthoefer, upon announcing the Saudi agreement with his country, stated that SAMA, during the first quarter of 1980, will recycle petrodollars into other oil consuming countries in the West as well.

Briefly

- **CITIBANK** last month began to cut back sharply on its loans to consumers. Has the bank now begun to "borrow" money from its customers? One irate Citicard holder reported to us that a paycheck she duly deposited in a "24-hour" Citicard machine a week earlier still hadn't appeared in her account—and this wasn't the first time a check had been "lost in the system." Citibank customer service said they couldn't promise anything. "You could have put an empty envelope in the machine."

- **DISQUE DEANE,** senior partner of Lazard Freres, may intend to ride out the depression on LSD and vitamin pills. Deane is one of the prominent financial community members on the board of trustees of the Huxley Institute for Biosocial Research. The institute, originally founded by Aldous Huxley, eschews costly "classical" psychotherapy, and instead promotes "orthomolecular psychiatry," using hallucinogens, vitamins, and psychotropic drugs.

- **JOHN J. BLASCO,** Vice President for Administration at Mack Trucks, recently returned a copy of EIR's special report, *The Industrialization of India,* "since it does not fit into our current marketing objectives." Given the company's steep sales slump and cutbacks one is inclined to ask Mrs. Blasco, what exactly is Mack Truck's marketing strategy, and does it involve selling trucks?

- **JUDE WANNISKI,** intellectual arbiter of the U.S. tax revolt, wrote a letter appearing in the *Wall Street Journal* April 28 to express his "profound admiration and affection" for pop singer Frank Sinatra, despite his low opinion of Sinatra's latest album. In his book *The Way the World Works,* Mr. Wanniski compares Sinatra to Leonardo da Vinci. "Both have given the world enormous pleasures while using up only trivial amounts of planetary resources, i.e., physical capital."