EIR Feature

National economic security depends on farm parity

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For over 60 years, the United States has had an agriculture policy concept, called parity, "on the books" in some form. Although it has not been implemented for about the past three decades, it calls for maintaining the economic health of the domestic farm sector, as a national economic security concern.

In this economics feature, we have assembled the need-to-know facts on the thinking behind agricultural parity policy, as a reference for policymakers confronted with today's food shortage crisis and economic breakdown.

Even now, when the Senate voted up on Feb. 7, radical, pro-free trade, anti-national farm and food legislation sponsored by the Conservative Revolutionaries, called the "Agriculture Transition Act" ("Freedom to Farm Act" in the House), the draft law specified, at the behest of Senate Minority Leader Tom Daschle (D-S.D.), that when it expires in 2002, seven years from now—unless renewed or replaced—U.S. agricultural law will continue to revert to parity policy, as stated in the permanent legislation, "The Agriculture Act of 1949," as is currently the case. Daschle said that at least this would give the country a chance to re-write and replace the new "Freedom/Transition" law. At the end of 1995, the 1949 permanent farm legislation came into effect, because no superseding law was passed last year; and, by consensus of the administration and Congress, it has not been implemented.

But, whatever the House decides in its upcoming votes, the fact is that the pace of the food and economic crisis already under way will not wait for seven years to be rectified. Models for government policy for domestic development, such as the tried and true parity approach for food—which is equally applicable for other strategic commodities, such as oil—are essential right now, to reverse the catastrophe of decades of takedown of national economies.

Put farmers on a 'par'

In its simplest form, agricultural parity policy refers to the government mandating, and taking action (which can be of many, varied kinds), to see that the price

An Iowa farmer and his children. The parity approach, based on national economic self-interest, guarantees that the farmer will be able to continue producing, with a decent living standard for his family, and enough profit to modernize his equipment as need arises. This is the opposite of the free trade approach.

farmers receive for their commodities output gives them a purchasing power that is on a par with some level that policy-makers deem good for the economy generally. This provides for the national food supply, and in so doing, maintains demand for farm sector inputs, which, in turn, means orders for the output of the other sectors of the economy: manufacturing, infrastructure, health, education, and others. Thus, the parity approach, based on domestic economic self-sufficiency or national economic self-interest, is the opposite of the free trade, free market approach.

The U.S. agricultural parity policy was first codified in 1933, and institutionalized in 1938 and later laws (see short history below). In the midst of the Great Depression, policy leaders decided that the pre-World War I period for farming and the general economy represented desirable characteristics of economic soundness and "reproducing" capacity, that would be good to maintain. In other words, farmers had a certain ability to invest in equipment (whatever the latest technological mode) and to maintain their households at the needed physical and cultural level for guaranteeing productive activity in the future.

For various reasons, the purchasing power of prices received by farmers, averaged over 1909-14, was designated as the parity "base period." Then, government actions were taken when necessary to see that desired degrees of parity were in effect for farmers engaged in producing various designated "basic" and "non-basic" commodities. This approach resulted in spectacular production increases during World War II.

FDR takes pride for parity

President Franklin Delano Roosevelt liked to claim special credit for seeing parity achieved for farmers. On April 2, 1943, he said in a letter to the Senate:

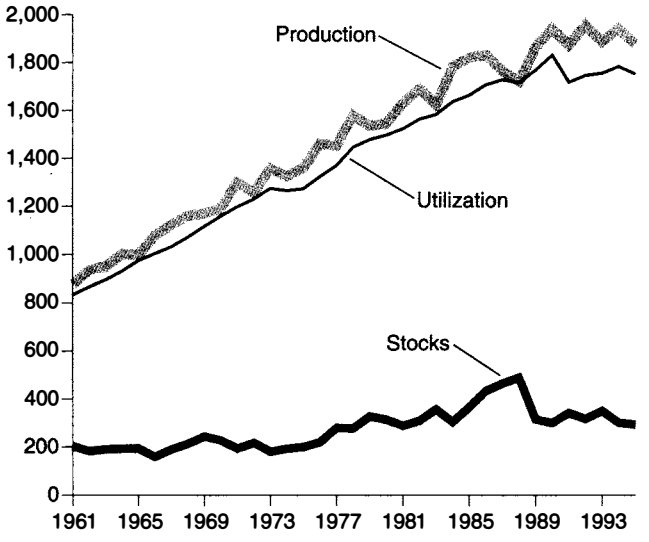
"In the past, no one has fought harder than I to help the farmers get parity prices for their crops. With pride, I recall that the parity idea was first put into law during my administration. And by the act of Oct. 2, 1942 [the Steagall Amendment], the farmers were guaranteed 90% of parity prices for all basic crops, not only during the war, but for at least two years from the first day of January following the declaration of the termination of the war."

(This letter was a veto message to the Senate for S. 660, the "Bankhead Amendment," concerning agriculture commodity prices, because the President wanted to prevent price inflation, over and above parity, during World War II.)

Today's food shortages crisis

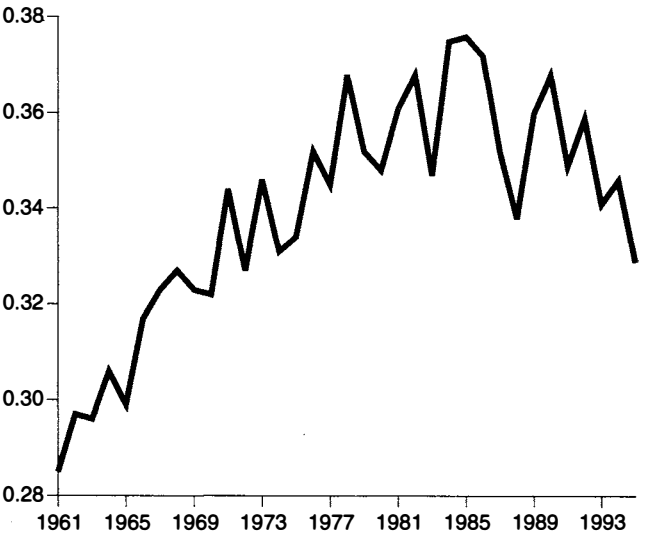
The need for restoring and expanding food output today is urgent. People are usually familiar with the world food supplies crisis in terms of grains shortages, the way it is most frequently portrayed in the popular media. As shown in **Figure 1,** grains output globally (of all types, including wheat, rice, and corn) has leveled off in the 1990s. In millions of metric tons, world grain output has not gone over the level of 2,000 million, whereas, for decent nutrition, well over 3,000 million is what would be required to provide a good diet for everyone. The falloff in grains output means,

FIGURE 1
World grains production, utilization, and stocks, 1961-95
(millions of metric tons)



Source: FAO Agrostats.

FIGURE 2
World grains production, per capita
(metric tons per capita)



Source: FAO Agrostats.

as **Figure 2** shows, that world grains production per capita is plunging.

Figure 1 also shows the leveling off of grain "carryover" or reserve stocks (to around 200 million tons worldwide), which means that stocks, as a percentage of recent average annual consumption, are declining. Estimates of the ratio of worldwide grain stocks, to use (shown as "utilization," i.e., for all purposes, including direct consumption, waste, livestock feed, and industrial), now stands, as of 1996, at about 13% and falling.

The U.S. government announced in 1995, that for the first time since World War II, it has no stocks of grains for foreign food-relief use. In 1995, the European Union put a tax on EU-originated grain for export, to deter outflows of grain from the EU domestic market. This winter, many other nations, such as Romania, forbade grain exports outright, to attempt to meet domestic bread needs.

But this decline in grains output and supplies is, in fact, a sign that less food of all types is being produced and is available per capita, especially, meats and other animal protein foods (dairy, eggs) tied to grains feed.

Table 1 lists the 40 countries, in what the U.N. calls the "developing sector," that have seen a *decline* in per capita output of food since 1980. Declines of 40-50% occurred in African nations, e.g., in Somalia, Angola, Liberia, and Malawi. Other nations in Africa, as well as in Ibero-America, experienced a 10-40% decline. The Philippines has had a 10% decline, and output per capita is falling elsewhere in Asia.

Declines of this magnitude represent lack of food on a scale signifying economic disintegration and genocide. In recent *EIR* statistical reports, we have shown what declining food output has meant in terms of food import-dependence (see Dec. 8, 1995, *Special Report,* "Who Is Responsible for the World Food Shortage"). In January 1996, Russian Agriculture Ministry officials announced that the nation is now *40% dependent* on imports for food supplies.

The obvious point is that there is no food to be had. The rise in per-ton grain import prices is preventing many nations from acquiring food. Very temporarily, some nations are purchasing food because others cannot afford it. If, as of tomorrow, all import-financing problems were solved, the food would not be available at any price, because it is not being produced.

What are world government leaders doing about this? On the level of sounding the alarm, the food shortages crisis is being addressed by the United Nations Food and Agriculture Organization, which, for the first time in its 50-year history, is hosting an emergency world food summit, in Rome in November 1996. So far, 50 heads of State are pledged to attend, and to help sponsor the event.

But what are the proposed "solutions"? Typical of the thinking of U.N. agencies, such as the World Bank, and private operations such as the Worldwatch Institute, is the list of "strategies" published early this year by the Washington, D.C.-based International Food Policy Research Institute (IFPRI, founded, like Worldwatch, in 1974, as a front for private commodities and financial interests). In a January release on

TABLE 1
Decline in per-capita food production, 1980-94

Nation	Percent	Nation	Percent	Nation	Percent	Nation	Percent
Decline of more than 40%		Decline of 21-30%		Decline of 10-20%		Decline of less than 10%	
Somalia	53.1	Burundi	29.5	Niger	20.4	Peru	9.3
Malawi	47.1	Mozambique	23.6	Sierra Leone	20.0	Honduras	9.0
Liberia	46.1	Tanzania	23.5	Ethiopia	19.7	Mali	8.7
Angola	40.5	Namibia	22.5	Lesotho	18.5	Ivory Coast	8.6
Decline of 31-40%		Congo	22.2	Kenya	17.5	El Salvador	6.8
Nicaragua	37.3	Swaziland	21.3	Sudan*	17.2	Zaire	6.7
Rwanda	36.3	Madagascar	21.3	Mauritania	16.9	Guatemala	1.5
Cuba	35.0	Cameroon	21.0	Zimbabwe	16.4	Bangladesh	0.4
Haiti	33.9	Gabon	20.5	Sri Lanka	13.5		
Afghanistan	33.8			Zambia	13.3		
Botswana	32.1			Philippines	10.4		

Note: Since the time period shown on this chart, Sudan has now become food self-sufficient, by, among other measures, striking a balance between cash crops and sufficient staple crops, in the high-technology Gezira region, to guarantee a security buffer against swings in annual crop output because of weather variability.
Source: U.N. Food and Agriculture Organization, "Quarterly Bulletin of Statistics," and U.S. Department of Agriculture, Economic Research Service.

"Rising Food Prices and Falling Grain Stocks: Short-Run Blips or New Trends?" IFPRI advised food-short nations:

"• Hold small grain stocks to provide some insurance against price spikes.

"• Use foreign exchange insurance or special credit arrangements, such as the International Monetary Fund's Compensatory Financing Facility, to finance needed imports.

"• Use world futures and options markets to hedge against future price increases.

"• Invest in transportation, communication, and agricultural research to ensure competitive rural markets and enhance the capacity of farmers to respond to changing prices."

And also, the U.N., IFPRI, and similar organizations promote low-technology, low-input types of farming methods (now termed, officially, by the U.S. Department of Agriculture, "low-input sustainable agriculture," or LISA), along with population reduction, in the name of proclaiming the "sustainable economics" approach to the crisis. Worldwatch Institute director Lester Brown, in his *State of the World, 1996* annual report, released in January, published a list of nations that he regards as having achieved "stability" of population with their lowered mode of economic base, which featured, for example, Romania.

What free market?

Thus, all the alarm expressed over food shortages and agriculture output problems, is serving as a coverup for the real process under way, in which farm sectors—along with national economies generally—have been deteriorating for 25-30 years, for lack of infrastructure, repair, and technology improvements. At the same time, outright looting of national farm and food sectors has occurred, as, in the name of "free trade" through the imposition of the General Agreement on Tariffs and Trade (GATT) Uruguay Round/World Trade Organization, and North American Free Trade Agreement (NAFTA) and other trade agreements, networks of private finance and commodities companies have tightened their control over food production and supplies.

Table 2 gives the world's top 50 food manufacturing companies (food handling, processing, storing, and trading), ranked by dollar value of annual food sector, and annual total sales. Thirty-eight out of the 50 names are headquartered in the United States, Canada, Britain, Australia, and Switzerland, and are part of groupings of food cartels controlled by Anglo-Dutch financial interests. Only 12 are based in other countries, principally Japan.

Cartels of these named companies, and a few junior partners, control up to 90% of various commodities in world trade, and similar degrees of domestic market control in many nations. For example, of the approximately 200 million tons of grains traded internationally, 90% of this commerce is carried out by a handful of grain cartel companies: Cargill, Archer Daniels Midland/Töpfer, ConAgra, Louis Dreyfus, Pillsbury (owned by Grand Metropolitan), Continental, André.

In meat processing, the world's slaughtering and trading cartel is led by IBP, Cargill, ConAgra, and a few others.

The world dairy cartel is led by Unilever, Nestlés, Philip Morris (Kraft), and the London-controlled New Zealand Dairy Board.

International fruits and vegetable trading cartel names include Chiquita (formerly United Brands), Grand Metropolitan (Green Giant), and a few others.

As ratios of farm inputs and food outputs declined in na-

TABLE 2

Ranking of world's largest food manufacturing companies shows British cartel domination, 1990

Company	Location of headquarters	Processed food sales (billions $)	Total sales (billions $)	Major products
1. Nestle S.A.	Switzerland	31.0	32.0	Diversified; restaurants
2. Philip Morris/ Kraft General Foods/ Suchard	United States	29.8	47.0	Foodstuffs, beer, tobacco
3. Unilever	United Kingdom/Netherlands	17.2	34.4	Diversified foods, soap
4. ConAgra	United States	15.3	19.8	Foodstuffs, meat, poultry
5. Kirin Brewery	Japan	11.2	11.4	Beer, soft drinks
6. RJR Nabisco	United States	9.9	16.9	Foodstuffs, tobacco
7. IBP	United States	9.5	9.5	Meat
8. Anheuser-Busch	United States	9.3	9.7	Beer, snacks
9. Pepsico	United States	9.0	15.2	Soft drinks, snacks, restaurants
10. Grand Metropolitan	United Kingdom	8.8	14.5	Diversified foods, restaurants
11. Coca-Cola	United States	8.5	8.9	Soft drinks, fruit juices
12. Taiyo Fishery	Japan	8.1	9.0	Seafood products
13. Cargill	United States	7.9	43.0	Meat, grains
14. Allied-Lyons	United Kingdom	7.6	7.6	Beverages, restaurants
15. BSN	France	7.5	8.0	Snacks, bakery, beverages
16. Archer Daniels Midland	United States	7.3	7.9	Food products, grains
17. Sara Lee	United States	7.1	11.7	Frozen food, meals
18. Mars	United States	7.0	8.0	Confectionary, pet food
19. Snow Brand Milk Products	Japan	6.6	6.6	Dairy products
20. Borden	United States	6.5	7.6	Dairy, pasta, adhesive
21. Hillsdown Holdings	United Kingdom	6.5	7.0	Poultry, flour, seafood
22. Gruppo Ferruzzi	Italy	6.4	29.3	Sugar, vegetable oils
23. Ralston Purina	United States	6.1	6.7	Pet food, cereal, food products
24. Bass	United Kingdom	6.1	6.1	Beverages
25. H.J. Heinz	United States	5.9	6.0	Diversified food products
26. Campbell Soup	United States	5.8	6.0	Soups, prepared food
27. Elders	Australia	5.8	8.4	Beer, food products, meat
28. Asahi Breweries	Japan	5.7	5.7	Beer
29. Quaker Oats	United States	5.6	5.7	Cereal, food products
30. CPC International	United States	5.1	5.1	Fats and oils, corn milling
31. Guiness	United Kingdom	5.1	5.2	Beer
32. Cadbury Schweppes	United Kingdom	4.8	4.8	Confectionary, beverages
33. Kellogg	United States	4.7	4.7	Cereal, prepared foods
34. Dalgety	United Kingdom	4.6	8.0	Meat products
35. Seagram	Canada	4.6	4.6	Beverages
36. General Mills	United States	4.5	6.1	Foodstuffs, flour, restaurants
37. United Biscuits	United Kingdom	4.4	4.6	Cookies, snacks
38. Nippon Meat Packers	Japan	4.3	4.3	Meat
39. John Labatt	Canada	4.2	4.2	Beer, dairy products, fruits juices
40. Tate & Lyle	United Kingdom	4.1	5.7	Sugar
41. Associated British Foods	United Kingdom	4.0	4.2	Bread, flour, foodstuffs
42. Coca-Cola Enterprises	United States	3.9	3.9	Soft drinks, fruit juices
43. Sapporo Breweries	Japan	3.8	4.0	Beer
44. Chiquita Brands	United States	3.8	3.8	Fruits, vegetables
45. Unigate	United Kingdom	3.7	3.9	Dairy products, fresh food
46. St. Louis	France	3.7	3.7	Sugar
47. Heineken	Netherlands	3.6	3.7	Beer
48. Nippon Suisan	Japan	3.5	3.8	Seafood
49. Ajinomoto	Japan	3.2	3.5	Soups, sauces, coffee
50. Itoham Foods	Japan	3.2	3.2	Meat products
Subtotal				
Swiss/Anglo*/Dutch		$298.6	$412.1	
Japan		49.6	51.5	
France		11.2	11.7	
Italy		6.4	29.3	
Total: 50 companies		$365.8	$504.6	

* Includes U.S.-based companies that are politically part of the British cartel grouping.

Source: USDA Economic Research Service, "EC 1992: Implications for World Food and Agricultural Trade" (Report number AGES 9133, October 1991).

tions the world over in recent years, private financial and commodities interests have massively moved into these cartel food company positions in the food chain, from which to hoard and make huge profits from scarcity.

The soaring 1995-96 profit rates of many of these companies reflect this. On Jan. 15, Cargill, Inc. reported earnings for the first half of its 1995-96 fiscal year up 57% over a year ago. IBP net earnings were up 41% in 1995, over 1994.

In late 1995, two special *EIR* economics reports documented the London-based political control over these strategic food cartels, and the degree of concentration of their control ("Commodities Hoarding Signals Imminent Financial Collapse," Sept. 15, 1995; and "Who Is Responsible for the World Food Shortage," Dec. 8, 1995).

Hunger means 'export bonanza' for cartels

As world shortages of basic foodstuffs worsen by the season, these cartels are on the move to profit from the "final round" of world food trade, as economies die, by mobilizing products from the United States and a few other source locations, and dominating what trade still takes place during financial decline. This is most obvious in the new means created for speculating in scarce foodstuffs, such as the new fluid milk futures trading in Chicago, and new types of corn price indices.

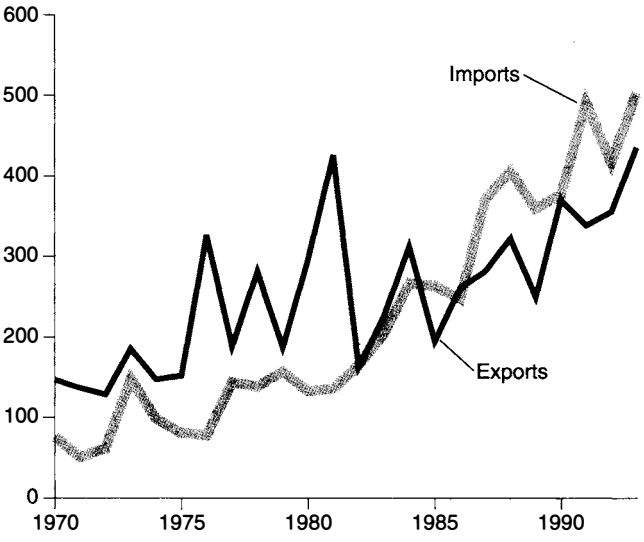
The Agriculture Department's annual public policy meeting, the "Agriculture Outlook Forum '96," just concluded in Washington over Feb. 21-22, featured this export bonanza theme: It was titled, "Meeting the Challenges of International Trade." The conference focussed on the great gains to be expected in the Asian market for the "United States"—meaning, for the Anglo-Dutch food cartel companies. "Pinpointing Specialty Markets in Asia," is the cover feature of the December 1995 USDA magazine *AgExporter,* referring to where markets show most promise for such goods as fruit juice (Cargill) and "health foods" (Archer Daniels Midland).

How does it work? Look at meat: In 1995, the United States became a net meat exporter for the first time, after years of being a net meat importer (through beef from Argentina, lamb from Australia and New Zealand, etc.). IBP, ConAgra, and others in the meat cartel are now systematically *underpaying* U.S. livestock farmers, and selling at massive profits in Asia.

In fruits and vegetables, Chiquita is "making it both ways," by profiting off importing produce into the United States from underpaying for commodity production in Mexico, the Caribbean, South America; and also exporting produce of various kinds from the United States to Asia.

There are many other examples of this process. The World Bank, IMF, and others praise such trade as "innovative" HVCs ("high value commodities") as the wave of the future, as opposed to bulk commodity trade, such as grain sales, for which impoverished countries do not have the money. For example, in their World Bank Discussion Paper, 1993, entitled "Exporting High-Value Food Commodities—Success Stories from Developing Countries," there is praise and documentation of such impoverishing practices as the huge tomato exports to the United States from Mexico, or the fresh vegetable exports from Kenya to western Europe.

FIGURE 3
United States now a net importer of onions
(millions of pounds)



U.S. becomes a net importer of onions

The lowly onion demonstrates the takedown of the U.S. agriculture system. If you look at the gross volume of production of grains and other staples in the United States, you may conclude (wrongly) that, "things are okay," in terms of per capita output, here. There seem to be plenty of bushels of grain, tons of meat and milk, etc., being produced annually. But this masks the actual undermining of the farm sector, and the economy generally. *EIR* will document this in depth in a future report.

For our purposes here, look at specific commodities, and how the United States has become a net importer of dozens of ordinary foods because of free trade for the food-trading companies of the London-centered cartels. Among the vegetables, take, for example, onions.

Figure 3 shows how the United States, once a net exporter of onions (mostly to Canada and Japan), is now a net importer, beginning about 10 years ago. The rationalization you will hear from the free trade advocates, is that "free trade provides the U.S. consumer with 'off-peak season' fresh produce"; and you can see in **Figure 4** the pattern of foreign onion imports coming into the United States around February and March, before the lower-latitude U.S.-grown onion harvests start

FIGURE 4
Onions, monthly imports and exports
(metric tons)

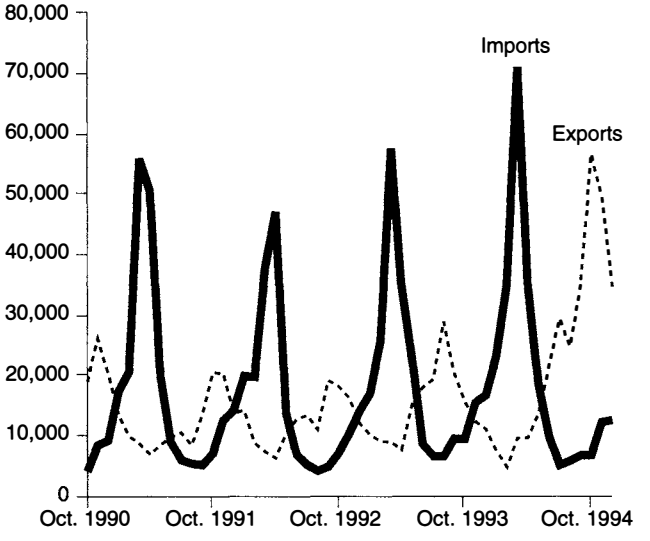
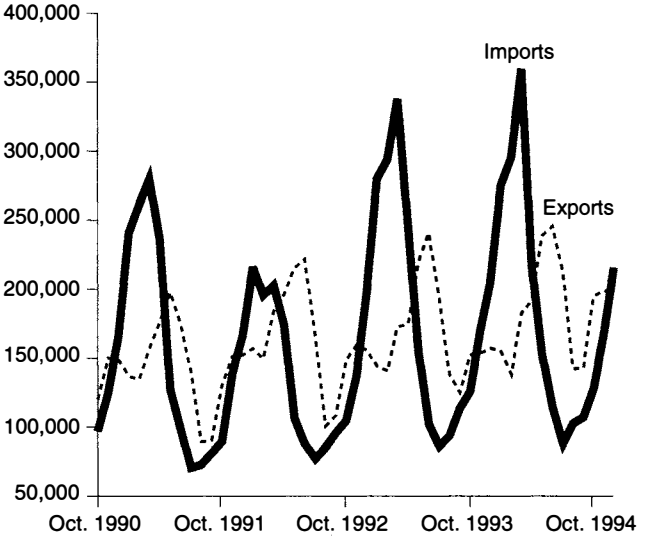


FIGURE 5
Vegetables, fresh and frozen
(metric tons)



(mostly Florida and California, but also Arizona and Texas), and then the mid- to upper-latitude U.S. crops come in.

So much for the rationalization. In reality, the United States has a wide range of climate, and soil resource base; given a half-decent transportation grid, there is no reason for onions to be imported into the United States at any time of year. The same is true for other nations. Even locations with more restricted latitudes, resources, and transport can find an onion that will "adapt."

The onion, *Allium cepa,* is a biennial, bulbous member of the lily family. What is usually eaten, is the base part of the leaves, which means harvesting the plant in its first year. For the plant to produce a good bulb, it requires a specific day length. Most onions prefer a temperate climate, but they aren't a fussy breed. There are varieties bred for southern latitudes, and for northern latitudes, and all they require, is to grow in conditions for which they have been bred.

In the United States, onions can be harvested year round from three crops, which are referred to as the spring crop, the summer nonstorage crop, and the summer storage crop. Geographically, as of 1993, according to the USDA: "Spring onions are harvested from March to July, beginning in Texas and moving northward to Georgia, Arizona, and California. Summer nonstorage onions appear during May to September, beginning in Texas and moving as far north as Washington. Spring and summer nonstorage onions are considered sweeter and milder than storage onions, but can be put away for only several weeks. Storage onions harvested in the northern states around August and September can be kept in 'common storage,' meaning without the aid of refrigeration, for up to six months."

So, why the imports of onions? Same as the exports of onions and onion products, and international trade in other common, garden-variety foods: The produce cartel, led by Chiquita, and other famous-name companies, want it that way, and the public has let the economy go.

In free trade lingo, products come to be traded internationally because there is supposedly "competitive advantage" between differing natural resources regions. The onion shows that is a lie.

Figure 5 shows the monthly "off-peak" pattern of imports and exports for all vegetables—fresh and frozen—into the United States, in metric tons. Imports exceed exports overall. And in dollar value, those profiting are only the trade cartel companies. We will not disaggregate the total vegetable trade shown, but take just one more springtime favorite—asparagus.

Figure 6 shows that since 1990, the United States has become a net importer of asparagus. Go to your grocery store, and you will see that it now comes from Peru and Chile—shipped from 4,000 miles away. The monthly import pattern of "pre-season, specialty" asparagus is shown in **Figure 7.** The vegetable is also available in jars and cans from China, Peru, and Belgium.

It should be noted that one of the reasons that *green* asparagus is eaten in the United States these days, instead of lavender-tipped white asparagus, which is sweeter and more delicate, is that the former "travels" better and lasts longer for

FIGURE 6
U.S. asparagus imports exceed exports
(millions of pounds)

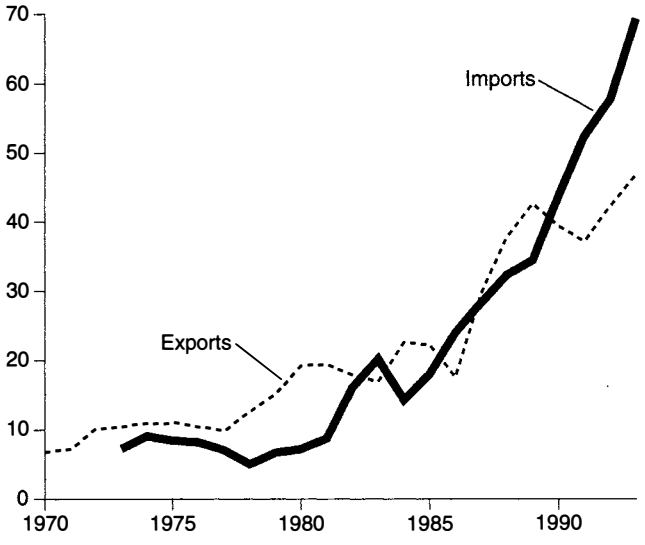
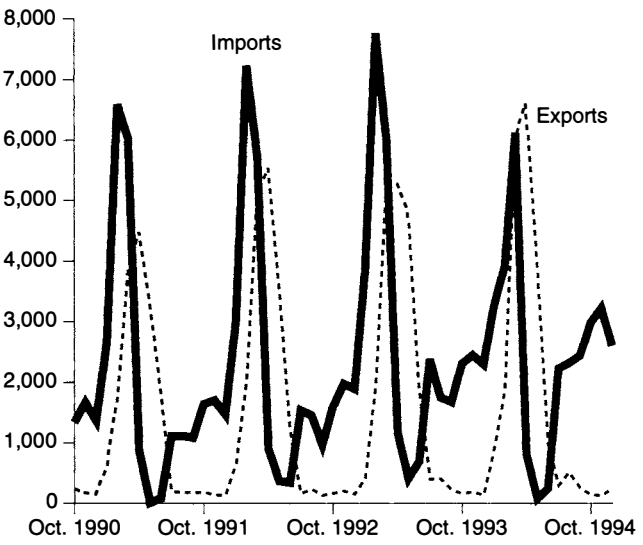


FIGURE 7
Asparagus, monthly imports and exports
(metric tons)



long-haul free trade. The white asparagus is grown under protection from the light, and is more perishable. Thus you don't find it in your grocery store at all.

Many other types of fruits and vegetables have likewise been phased out of the U.S. food chain, as free trade has taken over. Meantime, U.S. horticultural exports and imports overall (fruits, vegetables, flowers) is running at $10 billion—which is the base flow for profiteering by the produce cartel.

The increased volume of fruit and vegetable imports have now reached the stage where the thinned ranks of growers still remaining in operation in Florida and other states, have prompted state officials to take rearguard, defensive action; Florida officials are now stopping trucks with foreign produce at the state border.

In the late 1980s, Florida typically supplied 45-50% of the U.S. supply for October through June of six fresh winter vegetables: tomatoes, bell peppers, cucumbers, eggplant, snap beans, and squash; and Mexico supplied 35%, with the remaining 10-20% from California and other locations. However, as of 1994-95, Florida's share dropped down to 36% and is still falling relative to Mexico.

As USDA horticulture economist John M. Love had to acknowledge Feb. 22, in his speech to the USDA Outlook conference on "Challenges of International Trade for U.S. Horticulture," "Florida growers are concerned about the impact on domestic grower prices from increased U.S. imports of fresh vegetables from Mexico. In January 1996, the Florida state government began inspecting all foreign produce coming into the state [focussing on any labeling and sanitary violations]. . . . Also, Florida growers are seeking more frequent monitoring of incoming produce at the U.S.-Mexico border as a means for more timely tariff protection."

Parity, not 'market'-based policy

From the foregoing profile of breakdown of the ability of the world's food system to meet needs, and the example of the onion, it is clear that only policies contributing to the buildup of national farm sectors can result in food security. Any alternative policy—such as the Conservative Revolution's "Freedom to Farm Act," which supposedly will liberate farmers to be able to freely respond to "market cues," in the jargon of the Heritage Foundation—is wrong. There is nothing to debate about it. The bill should be killed.

What we provide in this report are summaries of the U.S. parity-based agriculture policy: the citations, dates, and "language" of the laws, the procedures for calculating parity, details of the calculations in terms of illustrating farm sector needs, and how lack of parity (or some reasonable percentage of it) is now reflected in the crisis in U.S. rural areas, and in the food supply. The model of agricultural parity applied earlier this century in the United States is applicable to any nation, and it is urgently needed now in the United States.

Finally, it should be noted that from a national economic security point of view, it is clear that the parity approach is no hand-out to farmers—a common lie that is spread. It is a mutual-benefit approach aimed at the health of the overall economy.