

The Great Grain Swindle Game hurts consumers & farmers

"Some money has been made in the deal, some trading companies have made it. But it's the name of the game."

—Earl Butz, Secretary of Agriculture

WASHINGTON (LNS) — First, ITT, then Watergate, now The Great Grain Caper. The list of games Nixon plays gets longer and longer — and it's beginning to look like the same people always win and the rest of us always lose.

The Grain Caper hit the head lines of the newspapers on Sunday, September 10, when Senator George McGovern charged that Secretary of Agriculture Earl Butz and others in his department had connived to give advance notice to several major grain trading companies of a recently negotiated deal to sell wheat to the Soviet Union. This allowed them to buy grain cheap from farmers who didn't know that prices would go up as soon as the extent of the Russian purchases was known.

Furthermore, McGovern pointed to the apparent revolving door at the Agriculture Department through which officials of the Agriculture Department who were involved in the negotiations with the Soviet Union, resigned to become executives in a couple of the companies involved. They were then replaced by people with close connections with some of the same companies.

The buddy-buddy relationship between the Department of Agriculture and large corporations is nothing new — especially since Earl Butz became Secretary of Agriculture. After all, he was the father of the term "agribusiness" (of which he was an advocate) and played a good game of musical chairs himself, coming to the department from being a director of Ralston Purina (one of the biggest agri-business corporations in the world, involved in grain, animal feeds and processed food). He replaced Clifton Hardin who left the department and joined the board of Ralston Purina.

Butz also served on the boards of two organizations, the Farm Foundation and the Foundation for American Agriculture, both of which were set up by businessmen to promote the idea that the processors and traders of farm commodities have the same interests as farmers.

But apparently the grain deal is making some farmers wonder if their interests are being represented at all by the department. Hints that the Russians were interested in U.S. wheat were revealed soon after

President Nixon's trip to Moscow last March. The Agriculture Department team had been negotiating with the Russians in April.

The deal for the Soviet Union to buy a minimum of \$200 million worth of grain in 1972 with a total purchase of \$750 million in three years was public in early July. As part of the agreement, the U.S. government would extend credit to the Soviet Union at regular commercial rates, as well as paying an export subsidy to the private companies involved in the deal to compensate for the difference between the world market price of wheat and the higher domestic prices.

Announcement of the trade agreement came on July 8, but, according to McGovern, Representatives Graham Purcell (Chairman of the House Subcommittee on Livestock and Feed), and Pierre Dupont, the National Farmers Union and the Consumer's Union, there is evidence that the four major companies involved (Continental Grain, Bunge and Co, Cargill Co. and Cook Industries) all knew about the deal — or at least its potential — soon after the initial April negotiations.

The fact that two of the U.S. negotiators — Clarence Palmby and Clifford Pulvermacher both quit the Agriculture Department in June to join Continental and Bunge respectively lends added weight to the accusation. They were replaced in the Agriculture Department by Carroll Brunthayer, an executive officer with Cook Industries and George Shanklin who was moved up within the department but had previously been Bunge's Washington representative.

(It's worth noting that Continental Grain and Bunge and Co. were accused of anti-trust violations in 1970 and Cargill was charged with price fixing in 1970.)

All this intimacy supports the idea that the grain traders knew what the Soviets would be purchasing large amounts of wheat; in fact they have to date purchased nearly \$800 million worth of wheat, about one quarter of the entire U.S. crop. With this knowledge the companies were able to purchase wheat from early harvest wheat farmers (mostly in Texas, Oklahoma and Kansas) at regular prices — about \$1.32 a bushel — in July. These farmers had no way of knowing that with the announcement of the deal prices would jump to \$1.65.

Furthermore, the grain traders were able to buy wheat futures (that is, purchase wheat in advance of its harvest at an agreed price) at the

low price. Reuben Johnson of the National Farmers Union claims that farmers lost about \$120 million because they sold their crops before the deal was announced.

The exporters made further profits by purchasing the grain in July (when the export subsidy was 14 cents a bushel) and then waiting to go register it for export subsidy payments until August 25 (when the export subsidy had been pushed up by the climbing domestic price) to 47 cents a bushel. It's estimated that the exporters made an additional \$128 million through this special export subsidy.

So the grain traders managed to get it both ways: they bought the grain at cheap prices but managed to get the maximum government subsidies which were a result of the higher prices they didn't have to pay. The people who will have to pay though are probably the American grain consumers. Already grain manufacturers have filed requests for a 1-2 cents per loaf price with the Wage and Price Board.

Naturally Butz is outraged at the accusation that he and his department have played footsie with the grain traders. Up until now, Butz has tried to make his name as a protector of the farmer, but it is becoming clear that he has a certain kind of farmer in mind. For example, he has gone out of his way to encourage people to buy and eat iceberg lettuce (via a Department of Agriculture "Eat lettuce" publicity campaign) in an effort to crack the United Farm Workers Union boycott.

When you realize that one of the biggest producers of iceberg lettuce in California is Tenneco — one of the largest of the new agribusiness corporations and not one known for its "down on the farm" image — it becomes clear that Butz and the Department of Agriculture is in the same business as the rest of the Nixon administration and that's big business.

If non-corporate farmers have to lose out, if American bread buyers will have to pay 1-2 cents per loaf price rise as a result, so what? What does matter is that Continental Grain, Bunge and Co. and other multimillion dollar organizations are happy? And if they're happy, then Nixon's happy too, as an examination of his campaign war chest will reveal.

It's not hard to imagine that soon Continental Grain, Bunge and Co., Cook Industries and Cargill will soon join the rest of Nixon's active supporters: ITT and the National Dairyman's Cooperative (Nixon got a \$300,000 campaign contribution from them in apparent exchange for a favorable ruling on a price rise for milk.)

It remains to be seen how much more of the Great Grain Caper will come out as investigations proceed. At least one Federal regulation has apparently been violated, there is a law against people who represented the government in an agreement leaving the government to work with another party in the agreement. So Palmby's and Pulvermacher's game of musical chairs should come under this. And the House Subcommittee on Livestock and Grains is beginning an investigation on the whole matter.