




The Elusive Agrarian Economic "Hole in One"

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Does a deflated Asia and a deflated oil price scenario, correlated with falling commodity prices and a soaring Wall Street earnings ratio index, suggest a contradiction?

About once every two or three years, someone arrives on-scene with a new perpetual motion machine. It takes some few moments on the scale of history for the fraud to be exposed -- exposure always to be accompanied by charges of duplicity, not on the part of the inventor, but on the part of those who expose the frauds.

International Ponzi Scheme

Historians may one day record how it was that people, otherwise capable of thought and reason, bought into a system that presupposed perpetual motion in economics.

Key market indexes have allowed more than 20 percent growth three years in a row, twice the historical average. Yet few analysts expect a termination of the international Ponzi scheme in spite of a currency collapse in Asia, an oil glut in the Near East, sinking commodity prices world-wide and bankruptcy at home. The International Monetary Fund's attempt to clear out financial rot in South Korea and Southeast Asia is destined to achieve shortfall status in our times. What the theory-period people failed to realize was that global markets also imposed global risks on the participants.

Disparities Galore

Economic disparities, big enough in any country, simply escalated when the fruits of labor were transported from one clime to another. A failure to relate currency to production required debt construction first, then debt collapse. Now it has become obvious that debt collapse could not be contained near the point of infection.

At the time of this writing even slow thinkers realize that debt collapse in Japan and among the Asian-tigers cannot be contained. Like ink on blotter paper, the malaise is destined to follow by economic capillary action into Third World countries, finally into America. The term meltdown is appropriate. It is the meltdown Jacques Reuff wrote about in *The Age of Inflation* in 1949. Few read or long remembered Reuff's assessment of the Bretton Woods agreement in 1948, but the die had been cast. Raw materials would be squeezed downward until the capital of the money

machine, agriculture, had been transferred to bankers and other lenders, and whole economies put on an ever-expanding perpetual motion debt system.

The idea that IMF injections can cure systemic weaknesses belongs in stories that start with "Once upon a time!" We hear of companies downsizing nowadays, but the real downsizing takes place when credit collapses producers' currencies, thereby destroying paper wealth and "downsizing" lifestyles. It is the latter that makes consumers disappear into the woodwork.

The psychology which took off, as if by an electric cattle prod, becomes mass psychology, and changes history and institutional arrangements upon which history depends. Trigger mechanisms are elusive, but not the fact that the Asian Tigers cannot inflate their way out of their dilemma, nor the fact that the same is scheduled to be visited on us - U.S., that is.

As usual, failed analysis gives birth to failing actions. Thus IMF continues to play the deadly nostrums of devaluation and higher taxes. Both will impede recovery because of the resulting inflation and general impoverishment of workers. As history repeats itself, IMF seems destined to turn a monetary crisis into a solvency crisis, the consequences of which will be bankruptcies, mergers and a general transport of the wealth of the nation into the hands of a few. U.S. expansion is being nipped in the bud as trade balances continue to be heavy incoming, light outgoing, the opposite of the results NAFTA and World Trade Organization minds once computed.

Cultural Slip

Cultural attitudes change slowly. Readers will have noted, for instance, that moral turpitude no longer offends. Those who once focused instruction on religious precepts have lost much of their force. Much

the same is true of accepted business behavior. We no longer have Andrew Jacksons willing and able to drive the money changers from the constitutional temple. Operatives with alien ideas are in charge. It is

no accident that the son of a Nazi officer ends up as Chief of Staff, or that the granddaughter of a Stalin confidant becomes Secretary of State. The universities are full of savants who know no more about the precepts of the Founding Fathers than to dismiss Washington, Jefferson and Franklin with a scholarly smirk. None understand parity, equity of trade or the several articles that spell out the role of government in coining the money and regulating the value thereof.

During the decades since Woodrow Wilson, the promoters of one-world marketing have failed to answer the question - "To whom can we sell when currencies collapse around the one-world?"

There are people who ignore everything except the equity market and their blind faith in its perpetual motion. Hardly any contemplate the likely sequence of events. First the stocks go down, then the dollar follows. But there will be no IMF bailout for the United States. Moreover, we are deep in debt to foreigners. Any orchestrated sell-signal from all those wonder economies in our troubled

one-world, picks the United States clean to the bone. It is not comforting to know that bankrupt Asian entities are in charge of what happens to the United States. With world domestic product at about \$24 billion, and Asia having one-third of it, is it reasonable to suggest that one-third can go down the tube without affecting the rest?

One more note for this part of the Newsletter. According to the St. Louis Federal Reserve, the adjusted monetary base is growing at a compound rate of ten percent. Small wonder that crowds fall out to watch baseball for which some pitchers are paid \$3,000 a pitch. Small wonder the gambling boats are doing a land office business. While, en masse, the population cries "foul" when asked to pay farmers a proper board bill. Small wonder that the number one problem for the country is support of the debt market.

At Home

As these lines are written, it is being computed that over one million high-paying manufacturing jobs will be lost this year, all of them transported out of the country.

This trap was not set last year, or even during the life of the present administration. As with agriculture, the jobs of American workers were sold down the river in stages even before that infamous pivot point in 1948. I have covered the metes and bounds of that political happening in Unforgiven and in previous Newsletters. Suffice it to say that consolidation of the dominance of agribusiness became inevitable because of public policy, all of it harnessed to the world trade idea so pleasing to, say, 500 international corporations and lenders. Somehow the U.S. citizen was sold on the idea that it would be best to have the country owned by a few patrons, corporations, banks and government agencies, and that the vision of the free holder - so prominent in the calculations of the Founding Fathers - should now be extinguished.

We can select the moment in time from which to proceed forward or look back. There have been farm crises ever since stabilization came to an end in 1952. For now it is enough to recall the crises of the 1980s. Since the beginning of that decade, U.S. farm numbers have dropped from 2.5 million to 1.9 million. In that time frame, U.S. pork producers have fallen nearly 50 percent, most of that decline being geared to well-capitalized swim operations hardly half a decade old. As pointed out last month, the number of dairy farmers has decreased dramatically - nearly 33,000 having departed the scene. There were 159,500 in 1993 to less than 110,000 in 1996. This drain is being exacerbated by congressional policy and judicial decree. Of the 1.9 million farms considered by USDA, 1.6 million are involved in cow-calf and backgrounding services. This means most of the nation's beef is still grown by farmers, and not by cow-pen managers, as is generally supposed. It thus seems ironical that beef protein production is the most concentrated of all farm enterprises.

In short, each farm crisis seems to be followed by even greater growth and prosperity for corporate agriculture. USDA Extension and the intellectual advisors to agriculture often rhapsodize about this, assuring politicians that growth and concentration are inevitable. They confirm the correctness of a similar public policy for all other sectors of the "global village"

economy. No less than three large agri-business corporations now dominate the millions still in farming. Continental Grain, Con-Agra and Cargill feed 21 percent of all the fat cattle in the pens. No less than three large meat packers kill and market 80 percent of all the slaughter cattle in the United States - Cargill, Iowa Beef Packers and Con-Agra.

This domination is applauded by advisers who have made it their business to annihilate their farmer clients namely, the leaders in ag colleges. Consolidation and oligopoly control are seen as the highest aspiration possible for the food production machine.

Indeed all meat protein production has been allowed monopoly status under public policy since 1948. Poultry, for instance, is in the hands of fewer than 50 firms which control the entire industry, eggs to broilers and soup to hens. Tyson Foods grows, processes and markets fully 21 percent of all the poultry consumed in the United States. Tyson grows, kills, and guts and cuts some 40 million birds a week. United Nations data tell us that only China and Brazil produce more poultry than Tyson. Here at home Tyson not only dominates the industry, it runs interference for that entire sick industry in Washington with USDA secretaries, and even handles presidents. In terms of statistics, Tyson is 250 percent bigger than its closest competitors, one of which is Hudson of Rogers, Arkansas.

In other words, a fawning government watched and applauded while financial houses created money out of thin air, so that a few operators would take chickens off millions of farms, concentrate them into fetid houses for the production of salmonella-laced meat loaded with hormones and antibiotics.

Bigness

The thirst for concentration and bigness did not escape retailing. Supermarkets fence out small producers by renting shelf and counter space and meat counters, always favoring giants, provender's with clout.

Bluntly stated, Iowa Beef, Hudson Foods, Nabisco, Kellogg's or Con-Agra pay the supermarket fees a small farmer or processor can't match. In less delicate times such practices were called kickbacks and/or bribery, and they were both frowned upon and illegal. No more, not in an age that believes big is better and one-world mentality justifies the annihilation of broad-spectrum participation in the economic process.

The demise of the average well-managed diversified farm has been linked profoundly to the rise of agri-business; it begs the common business intelligence that for one to prosper another must suffer. The destruction of 500,000 farms since the mid 1980s is viewed as a small price to pay for the grandeur of ever-exploding Con-Agra, Cargill, ADM, IBP, etc.

According to data assembled by Al Krebs and Alan Guebert, who reported the following to NFO in convention in 1997, as recently as the 1970s, Con-Agra was merely a \$600-million-a-year flour mill in Omaha. Today it is a \$26-billion-a-year colossus with farm gate to dinner plate

activities. "The CEO of this particular operation told journalist Guebert that he had only one goal, to be the center of every dinner plate of every family every night when they sat down to supper. This has changed. CEO Mike Harper wants only every breakfast, lunch and dinner plate in America. After that, the world. One might chuckle at this megalomania, perhaps as some chuckled when der Fuhrer made the same remark. The question remains: is oligopolistic business success beyond the dreams of avarice the ticket for national prosperity unlimited? Certainly ADM would answer in the affirmative. Such an assessment is somewhat akin to the thinking of tanker captains who believe the ocean is too big to be polluted.

ADM was simply a small grain dealer and soybean crusher when the firm picked up one Dwayne Andreas and changed its orientation. Today ADM grinds, crushes or mills the equivalent of 21 acres of soybeans, 12 acres of wheat, and 8 acres of corn every minute, 365 days a year. This processing record has been expanded into a choke hold on grain storage. The firm owns or leases a dominant share of the nation's rail cars, at least 1,500 barges. This means one company either bags or moves the grain of every farmer in the country.

The point here is that public policy has both assisted and permitted one company to seize control over the lives of about 2 million farmers in the name of business efficiency, and then told those same farmers to get efficient or hand over their farms to those able to finance and capture the wealth of the nation. The \$100 million ADM paid as an anti-trust fine was merely a slap on the wrist, not enforcement of the nation's laws.

As monopolies continue to grow, they throttle what is left of private enterprise. The Chicago Board of Trade does little to prevent grain giants from painting the tape, skinning investors and manipulating the market with the power to short the market, eliminate positions willy-nilly, and control qualifications for terminals. It is now a matter of record that of 34 delivery sites on the upper Illinois River, Cargill, Continental Grain, and ADM own 26 as well as the lion's share of bushels stored therein.

The unholy inventory of methods used by monopoly business to undermine farmers is well known, not only in Congress, but also in academia. Yet both institutions agree with this unsettling of America, just as they agree with the establishment of a few monopoly businesses to plunder one-world. Unfortunately, this show is not over because the fat lady called ADM is still singing. Not long ago it was confirmed that ADM raised its ownership share in IBP (Iowa Beef Packers) to 9.64 percent. This means the soybean crusher of yesteryear now owns almost 10 percent of the largest slaughter operation in the world. It is already known that IBP intends to get into hog production big time. The reason: farmers no longer can do the job. It will take integrated hog production to keep enough blood on the floor for profitable operation in feeding the nation and the world, an Iowa Beef Packer spokesman said. Investors and greedy business people gobbled up the idea.

Common Master

Masters of the universe seem to flower on every tree as far as egalitarian pundits view the subject. But that's only because a cast of characters in excess of a dozen won't sustain the attention of TV watchers very long. The consequences of confinement hog feeding have been given their one-time-only screening on the boob tube. Congress has declared that they would stop at nothing to keep these fair states from becoming despoiled, ruined environments. Accordingly, they have stopped at doing nothing. ADM is the biggest soybean crusher in the world. Soybean meal is the perishable protein source of animal feeds. ADM also has a stranglehold on lysine production for hog rations. So now the chess pieces are being moved for a final checkmate. What then?

The juggernaut moves of ADM - already hard on the hunt for complete control - has already sopped up Moorman, a distinguished old feed operation. Cancel out another soybean crusher. Cancel out a major player in supplying feed to American pork producers.

As readers of View from the Country well know, fully 25 percent of farmers in pork production have quit in hardly three years. No more than 50 producers of feed grow and slaughter 30 percent of all hogs. As Missouri hog producer Ellis Burns told Acres U.S.A., the pork they're producing looks like pork and tastes like pork. "I can't battle that game. I quit."

The Point

The point we make is that farms being closed down were not badly managed. The culture under which they operated simply changed. In fact, agriculture was required to lead the way we now recognize as one-worldism. As the landed wealth of the nation was transferred into the hands of a few, wealth accumulated, but men decayed.

The giants discussed above now require the world as a market, and they stand ready to roll over those who object. If foreign customers object to transgenic grains and hormones in their meat supplies, then the clout of treaty law must be invoked to make the peasants buy what is perceived to be good for them.

It is now an article of faith that nothing less than a world market can sustain the new world government of corporations. Hardly one newsletter questions their presence. Even unions, diced up and spit out by this doctrine, remain mute when the issue is broached.

The theory has it that U.S. farm production, even though of questionable quality, can outperform agriculture elsewhere in the world. Foreign plantations are corporation owned of course, and peasants are starved out. No one doubts that there are disparities around the world, but corporations of one-world deal with this problem simply by ignoring it.

Small Farms

According to USDA, about 73 percent of all farms are small or non-commercial. Most of the nation's organic farms are an apparition - that is, they are not even classified as farms. Yet, they

are the only people-farms left. Those that stay with the conventional idea of handing over 77 percent of the food dollar to others find mere survival a bitter harvest. Those who have recaptured for themselves some of the functions once gifted to others are making the small farm work with a subtle bottom line.

Census data now reveals that 92 percent of America's farmers can't make a living farming and require outside income. Still the college-driven direction of agriculture is toward efficiency and consolidation. Even so, it appears to be the goal of farm groups to endorse the idea of concentration that has evolved on the grounds that if they make it, the survivors will be rich. This, said Alan Guebert, is somewhat akin to depending on a hole-in-one when the green the size of a living room is 350 yards away, making the attempt with an iron. It can't happen. All the college teachers saying it will happen, all the Glickman types expecting it to happen, is never-never land stuff.

The same is true for those who expect one-world markets to come to the rescue. The farm problem is an economic problem.

Hole-In-One

The farmer's hole-in-one mentality assumes that superior minds are in charge, and that as everything sorts itself out, the good operators and people with smarts, farmers included, will win out.

Yet for the 1970s, the world economies were dominated by a rise in oil prices which caused a world-wide destabilization that impacted on agriculture like a stunning hammer. It also destabilized banking. It triggered mergers, consolidations and bankruptcies. In the 1980s world economies and U.S. agriculture were impacted by the rise of Asia, and the hole-in-one became even more impossible. Japan dominated exports and became the layout-creditor nation. China racked up growth at 8 to 9 percent a year. Oil and Asia literally plugged up the hole even if one shot landed smack atop the pin.

Now we see the Asian miracle implode. IMF may try to rescue the tigers, but there will be no rescuer for American farmers. As recently as a month ago, oil prices were off 40 percent. These several factors now translate into a "strong" U.S. economy, but agriculture will not be allowed to participate. Any businessman who prospers while his customers are going broke needs a vision adjustment.

World deflation cannot translate into merely cooled deflation stateside. Cheap oil, cheap imports, ad hoc money and a cheap commissary seem to have fueled a boom. Yet weak commodity prices are the same harbinger they have always been when a cycle reaches its pivot point. Bankers are dining at the Ritz, and farmers seem destined to dine at the soup stall. That's the world and local picture this month. - Charles Walters

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