I. FOOD EXPORTS
Bailing Out The Empire

INTRODUCTION

In 1974, U.S. agricultural exports reached an all-time high of $21 billion. With massive sales to the Soviet Union in progress, 1975 is likely to be another record year. As Administration officials admit, one effect of these sales will be rising food prices. The Ford Administration, while requesting a temporary moratorium on exports, is avoiding export controls that would protect the American working people against a further decline in their standard of living. The reason for this policy of maximizing exports regardless of domestic costs goes beyond the Administration's commitment to "free trade" and maintaining the profits of the grain companies. The expansion of agricultural exports is the cornerstone of Washington's efforts to overcome the U.S. trade crisis — to pay for imported oil and manufactured goods, and to maintain the value of the dollar. In the words of Secretary of Agriculture Earl Butz,

> Agriculture has now become our number one source of foreign exchange and it's a powerful factor in maintaining the economic health of this country.[1]

The origin of current policies goes back to strategies devised by government and corporate leaders in the early 1970's to meet the emerging economic crisis. A look at these strategies and their implementation reveals that rising food prices and the accompanying crisis for millions of people throughout the world were largely the result of the efforts of U.S. capitalists to maintain U.S. economic hegemony.

U.S. CAPITALISM'S CRISIS

By 1970 the outlines of the U.S. economic crisis were clear. The U.S. balance of payments was increasingly in the red; the value of the dollar had plummeted as Washington refused to redeem foreign-held dollars for gold; and in 1971, the U.S. imported more than it exported, registering the first trade deficit of the century. This situation had serious implications for the United States' position in the world, since without a strong dollar and a healthy economy, the State* could not perform the many functions necessary to protect U.S. interests overseas.

To lay the groundwork for its response to the economic crisis, the Nixon Administration in May 1970 appointed a presidential Commission on International Trade and Investment Policy. In the Commission's report to the President the following year, agricultural exports were assigned a pivotal role in overcoming the U.S. trade deficit.[2]

Chairing the Commission was Albert L. Williams, head of IBM's Finance Committee, and working with him were other representatives of the corporate elite, the academic community, and two labor leaders. Two important figures with direct ties to major agribusiness corporations were members of the Commission: Edmund W. Littlefield, chairman of Utah Construction and Mining and head of the powerful Business Council, who also sat on the board of Del Monte Corporation; and William R. Pearce, a vice-president of Cargill, Inc., the world's largest grain company. Pearce played a prominent role on the Commission, even writing much of the final report himself.[3]

The analysis and policy recommendations of the Williams Commission, as it came to be known, entered into the planning of Nixon's New Economic Policy (NEP). Peter Peterson, the President's advisor on international economic policy, incorporated the Commission's findings into his own report to the president, which was the basis for the NEP.

The Williams report recognized the costs of maintaining empire as a major factor in the U.S. economic crisis. As the report stated, "many of the economic problems we face today grow out of the overseas responsibilities the United States has assumed as the major power of the non-Communist world."[4] Another major cause of the U.S. trade crisis was competition from Japanese and European manufactured

* By the State we mean the array of governmental and political institutions that help sustain capitalism.

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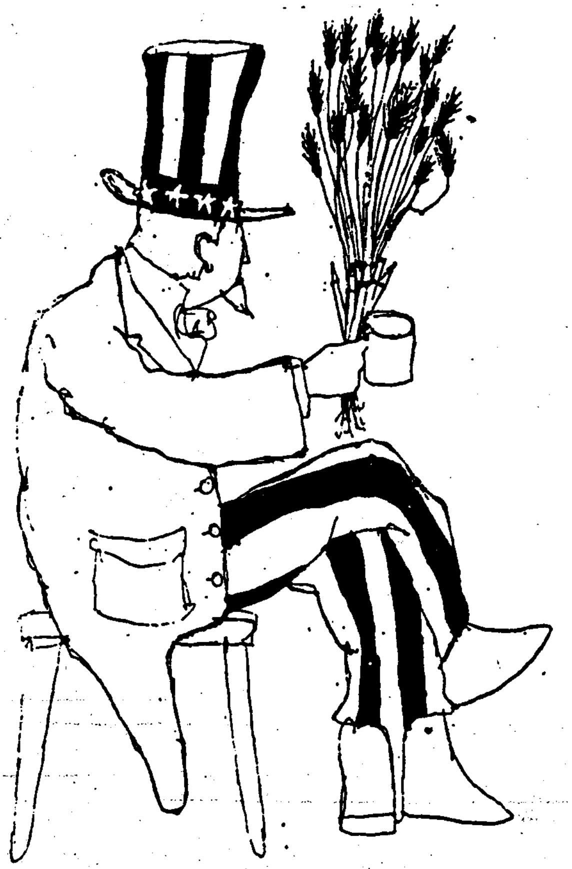


Mark Podwal

goods. Not only were U.S. markets overseas being lost; the United States was also importing more consumer goods. As the Commission's figures revealed, by 1970 the United States' post-war trade surplus in manufactured items had turned into a deficit of $5.5 billion.

The Williams Commission also recognized that "an integrated world economy [where] the multinational firm makes its decisions in global terms" is the main characteristic of the contemporary capitalist system. Although, as the Commission acknowledged, conclusive statistics are not available to assess the impact of the multinational corporation on the U.S. trade balance, there is strong evidence that the movement of U.S. corporations abroad has undermined the U.S. trade position. Their foreign operations have become so extensive that subsidiaries trade with subsidiaries without recourse to the U.S. economy. And as the manufacturing facilities of the multinationals continue to move abroad, the productive base of the U.S. economy is correspondingly eroded.*

One other factor contributed to the U.S. trade deficit: the U.S. economy has become increasingly dependent on imported raw materials. By 1970, the deficit in this area stood at $3.4 billion. The Williams Commission concluded there are only two categories of exports where the United States still maintains a competitive advantage: in high-technology manufactured products (such as capital goods), and in agricultural commodities.

The Commission devoted a major section of its report to laying out a strategy for expanding U.S. food exports. It invoked the principle of "comparative advantage" to justify increasing the U.S. dominance over the world's grain trade. According to this argument, the United States has a natural advantage in grain production. Highly favorable soil and weather conditions, combined with intensive application of technology and capital, make U.S. grain agriculture the epitome of capitalist efficiency. The Commission argued that in the interest of the rational use of the world's resources, other countries should remove barriers to agricultural trade and end domestic policies that subsidize "inefficient" farmers. In other words, they should abandon policies aimed at self-sufficiency and allow the United States to become the world's granary.

"Comparative advantage" was simply another way of describing an international division of labor structured in U.S. interests. As the Williams report pointed out, free trade would allow U.S. exports to penetrate the major commercial markets of Japan and Europe. The Commission was also explicit about where Third World countries fit into its strategy: they should rely on their comparative advantage in producing labor intensive crops, such as fruits, vegetables and sugar, for export, thereby earning the money to import U.S. grain.[5]

This scheme coincided with the interest of U.S. agribusiness corporations in maximizing their profits by exploiting cheap labor in Third World countries to produce and process food for export to affluent markets. Del Monte Corporation, for example, which is the world's largest processor of fruits and vegetables, grows asparagus in Mexico for export to the United States, and pineapples in Kenya for export to Europe. The consequence of U.S. attempts to apply the principle of comparative advantage are well illustrated by the case of Colombia. As observed by an official of the Agency for International Development:

> AID has cooperated with the government of Colombia in carrying out a development strategy that encourages a switch from wheat production into crops other than wheat, which can be produced more economically. As a result, Colombia now imports over 85% of its wheat requirement.[6]

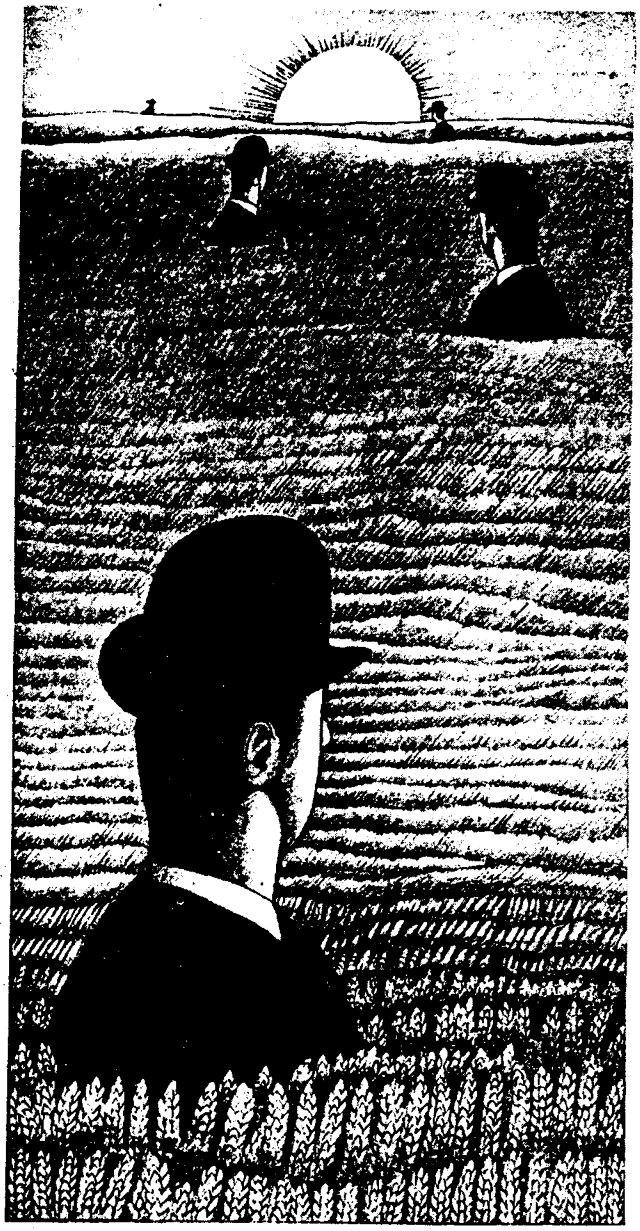
To carry out the export drive envisioned in the Williams report, U.S. agriculture would have to be converted into an efficient export industry. For the Commission, this meant phasing out U.S. farm programs designed to protect farmer income and moving to a market-oriented agriculture — a change the grain companies had long supported.

The Williams report did not gather dust on government shelves. Its blueprint for agricultural policy is repeated in reports and documents of the Agriculture Department; its recommendations are echoed in the recent report on farm policy prepared by the prestigious Committee for Economic Development (with the help of William Pearce as consultant); and its philosophy is reflected in the 1975 Economic Report of the President. But most importantly, the thinking of the Commission was behind all the major moves made by the Nixon Administration in the field of agriculture.

A NEW AGRICULTURAL POLICY

The man Nixon brought in to head the Agriculture Department and orchestrate the export drive was Earl Butz. During his tenure as assistant Secretary of Agriculture during the Eisenhower Administration, Butz had been an outspoken advocate of free trade, a free market and big business agriculture. When he left Purdue University to join the Nixon Administration in 1971, Butz had to relinquish seats on the boards of three agribusiness corporations: Ralston Purina, Stokeley Van Camp, and International Minerals and Chemicals. Butz also had the strong backing of the grain

* Data from a comprehensive study of multinational investment patterns (to be published by NACLA in 1976) indicates that until the 1960's, the multinationals did generate a positive balance of trade for the United States. By moving abroad the multinationals created an increased demand for capital goods as well as other U.S. manufactured goods that were used as inputs by the foreign subsidiaries. But in the 1960's this pattern began to change, as the subsidiaries abroad began to turn out a wide array of industrial products (some for export to the United States), and even began to manufacture capital goods. It now appears that the operations of the multinationals abroad are adversely affecting the U.S. balance of trade.



companies, which had consulted closely with Nixon on the appointment.[7] The key officials serving under Butz at the Agriculture Department were even more directly tied to the trade. Clarence Palmby, the assistant secretary for International Affairs in charge of export programs, had formerly worked for the U.S. Feed Grains Council, a trade organization dominated by the major grain companies, which is devoted to expanding U.S. grain exports. When Palmby left that job in 1972 he became vice-president of Continental Grain, one of the largest grain traders, and he was replaced by Carroll Brunthaver, who came to the Department from Cook Industries, another major exporter. Thus, it was no surprise that every major move made by the Administration in agriculture coincided with the interests of the grain companies.

Butz's announced goal of "getting the government out of agriculture" meant the reversal of policies that had prevailed since the 1930's. To deal with the two basic problems of U.S. agriculture — chronic overproduction and the resultant depressing effect on farm income — the State had become heavily involved in the farm economy. In spite of the commitment of government and corporate leaders to "free enterprise," State intervention was essential to meet the constant threat of overproduction and farmer discontent. Legislation passed in 1933 set up the Commodity Credit Corporation(CCC), which, although part of the Agriculture Department, was a government corporation with independent spending authority. Under the CCC, a complex of programs were created to support farm income and in effect establish farm prices, and to control farm production.

Although the Agriculture Department consistently tried to prevent grain surpluses by withdrawing land from production, farm support programs actually led to increased farm output, since guaranteed high prices encouraged production. As a result of these support programs, the CCC accumulated huge stocks of grain reserves. Even though U.S. exports expanded greatly during the post-war boom, U.S. farms still produced more than commercial markets could absorb. To dispose of these surpluses Congress passed Public Law 480 in 1954, and the State acquired a new mechanism for promoting U.S. economic and political interests around the world. The concessional credits offered to foreign governments to import U.S. food under PL 480 became an effective instrument for dumping U.S. surpluses and penetrating foreign markets. And PL 480 also become an increasingly important element in U.S. foreign policy.[8]

Although no one benefitted more than the grain companies from CCC programs — they made billions of dollars of export sales with CCC financing and received enormous payments for storing the CCC's reserves in their warehouses — they were the chief proponents of free trade and ending government programs that interfered with the "free market." The ideal circumstance for the grain traders is a widely swinging market that allows them to take advantage of the ups and downs in supply and demand, and thus maximize their profits. But government programs had precisely the opposite effect of stabilizing the market. The existence of large reserves cushioned the market against abrupt price rises, since there was never a threat of shortages even with a big upswing in demand.

Price supports also kept U.S. prices above world market prices, making U.S. grain uncompetitive in world markets. Although grain exporters received subsidies to allow them to compete in world trade, they were still deprived of the flexibility they needed to play the market and maximize profits. Government involvement in domestic and export programs was also an obstacle to the free trade strategy aimed at penetrating foreign markets. As long as the U.S. had subsidy programs, it could not effectively demand that its trading partners remove theirs.

Although high prices *per se* are not essential to the grain exporters, who make their profit by adding a margin on to every sale, higher prices were implicit in the Nixon Administration's agricultural strategy. For one thing, Butz's announced goal of getting rid of U.S. government reserves would inevitably push up prices. In addition, the plan to overcome the U.S. trade deficit through food exports meant increasing both prices and volume. A secret document prepared by the Department of Agriculture reportedly admitted to the objective of raising world prices.[9] Prices within the United States would also inevitably rise as food was diverted to export markets and domestic supplies strained. And finally, the imperatives of capitalist agriculture within the United States required higher prices. Without the crutch of government support payments, U.S. farmers would be unable to offset the cost of machinery, fertilizers, and other capital inputs, which account for 70 percent of U.S. farmers' input costs. With farm input purchases amounting to $75 billion annually,[10] the large corporations that manufacture machines and chemicals (such as International Harvester and Dow Chemical), view food production as a source of capital accumulation that is expected to yield the same rate of profit as any other industry. This pressure for profit translates inexorably into rising food prices.

Although the Farm Bill of 1970 had moved U.S. farm policy toward more of a market orientation, a decisive shift could not be made until the U.S. export drive succeeded in depleting CCC reserves and expanding markets overseas (without which farm prices could plummet disastrously in a free market).

The Nixon Administration acted aggressively on the international front to implement the export drive: the announcement of the New Economic Policy (NEP) and the accompanying dollar devaluation, the opening of trade with the Soviet Union, and the attempts to liberalize world trade at the multilateral trade negotiations were all part of the long-range strategy to expand agricultural exports and bolster the U.S. economy. As *Forbes* magazine commented, "Agriculture is at the heart of every Administration major move of late."[11]

THE INTERNATIONAL FRONT

The Administration's first major move on the international front to implement its export drive was the devaluation of the dollar in August 1971. One month later, the Department of Agriculture explained that "a major consideration [in the NEP] is the need for American agriculture to remain a growth factor and to continue expanding its markets abroad."[12] As one representative of the grain trade said in an interview, "the NEP was very important in giving U.S. agriculture an advantage due to the devaluation of the dollar."[13]

Although the huge jump in U.S. exports in 1972 was partly due to a decline in world grain production and the large Soviet purchases, devaluation greatly stimulated demand for U.S. food in Japan and Europe. Even before the Soviet sales, the impact of devaluation was apparent: in the two quarters following devaluation, the quantity of U.S. wheat exports tripled and corn exports increased by about 20 percent. After the second devaluation in early 1973, the Japanese yen had appreciated 40 percent and the value of U.S. food exports to Japan doubled.[14] According to the President's 1975 Economic Report, the NEP was a significant factor in the 39 percent increase in U.S. exports between 1972 and 1974.

Third World countries, however, reaped few benefits from the devaluation, and, in fact, their ability to import food was adversely affected. The rush by the more affluent countries to buy cheaper food from the United States helped create shortages on the world market which eventually contributed to higher prices. Thus Third World countries were faced with a double hardship as a result of U.S. policies: first, they had to compete on the world market for scarce commodities at rising prices, and second, their financial position deteriorated as a result of devaluation. Many countries had their currencies pegged to the dollar, and almost all held their foreign exchange in dollars. The adverse impact on Third World countries' ability to purchase food was of secondary concern, however, to U.S. policy-makers, whose chief goal was to expand exports in the cash markets of the affluent countries. As the current Assistant Secretary of Agriculture said in an interview, "Our primary concern is commercial exports . . . We can't subordinate our commercial exports to needy people."[15]

SOVIET WHEAT DEAL

The major boom in U.S. exports came in 1972 as a result of the Soviet Union's purchase of more than $1 billion worth of grain from the United States, including one fourth of the U.S. wheat crop. Most accounts of the sale have focused on the way the grain companies manipulated the sales to obtain maximum subsidy payments (with the cooperation of Department of Agriculture officials), and on how the Soviets managed to buy U.S. grain at bargain prices.[16] Less well-known is the fact that far from being a surprise to U.S. officials, the sale was a crucial element in U.S. agricultural strategy. The immediate effect of the sale was to boost the U.S. balance of payments position, to deplete U.S. grain reserves, and, as an inevitable consequence, to raise world food prices. Just as important for long range U.S. export strategy, the vast Soviet market was finally opened. As the chairman of one of the major grain corporations put it:

> The opening of trade with China and Russia is the greatest thing of the century. It has taken the farm economy out of jail.[17]

While it was impossible to predict the bad weather that devastated the Soviet crop in 1972 and caused the tremendous surge in demand, the deliberate decision to make significant sales to the Soviet Union was made at the highest levels of the White House at least as early as 1971.[18] In June 1971, Nixon announced a major policy change aimed at opening up agricultural trade with the Soviets: special export licenses would no longer be required for grain sales to the Soviet Union and the People's Republic of China. This in turn eliminated a key provision in the licensing requirement that 50 percent of exports be shipped on U.S. vessels, whose rates were far above world prices. This provision was originally enacted at the time of the first Soviet grain purchases in 1963 because of maritime union pressure, and had effectively prevented further sales to the Soviet Union. In fact, throughout the '60s, the maritime unions were attacked by the grain companies as the chief obstacle to trading with the Soviets. Nixon's turnaround had an immediate impact: in November 1971 the Soviets purchased 3 million tons of U.S. feed grains.

The groundwork for the large sale of the following year was carefully planned by the Administration. As revealed in Senate hearings on the Soviet grain transaction, in late 1971 Soviet and U.S. officials were already discussing the possibility of a CCC credit to finance Soviet grain purchases. By early 1972, National Security Advisor Henry Kissinger became directly involved, with the intention of incorporating U.S. grain sales into his detente strategy. In a letter to the secretaries of State, Commerce and Agriculture, Kissinger wrote:

> The Department of Agriculture in cooperation with other interested agencies should take the lead in developing for the President's consideration a position and a negotiating scenario for handling the issue of grain sales to the USSR. This should include a recommendation on how the private transactions of the U.S. grain sales should be related to Government actions including the U.S. opening a CCC credit line and a Soviet commitment to draw on it.[19]

Over the next several months, Earl Butz and other officials negotiated with the Soviets on the terms of a proposed U.S. credit to finance Soviet grain purchases. The White House was, according to one of the participants, "deeply involved," through both Henry Kissinger and the staff of the Council on International Economic Policy. At the same time, the Soviets were negotiating privately with the major U.S. grain companies. In July 1972 Continental Grain Co. concluded the first large deal with the Soviets. Although the sale was secretly negotiated, three days later President Nixon announced a U.S.-Soviet agreement whereby the CCC would offer a $750 million credit to finance Soviet grain purchases over the next three years.

The claim by Administration officials that they were caught unawares by the enormous size of the Soviet purchase is not supported by the evidence.[20] Although the magnitude of the sale may have exceeded the early expectations of U.S. strategists, there was clear evidence in the months preceding the sale that Soviet needs would indeed be tremendous. A succession of reports by U.S. agricultural attaches on the extent of the damage to the Soviet crop, caused by a severe winter and by a later spring drought, were received at the Agriculture Department and stamped classified. A U.S. trade mission to the Soviet Union was fully briefed by the CIA, which keeps a close watch on crop developments in the Soviet Union, and the mission was able to observe conditions first hand. These indicators, combined with the knowledge that the Soviet government was strongly committed to a five-year plan of increasing its livestock herd (fed primarily on grain) by 25 percent, presented unmistakeable evidence of the extent of Soviet import needs. Official silence was not without purpose: the grain exporters were able to purchase enough grain to fill Soviet orders before news of the sale sent commodity prices skyrocketing, and U.S. government complicity in a sale that disrupted the world food market was covered over.

Not only did the opening of trade with the Soviet Union play an important role in the U.S. export strategy; it also helped put detente on a firmer footing. In fact, events surrounding the recent large Soviet purchases suggest that U.S.-Soviet relations have reached a new level of accommodation. In recent negotiations, the Soviet Union has agreed to pay the higher rates charged by U.S. flag vessels, in response to demands by the maritime unions. And more importantly, in response to the Ford Administration's desire to control the inflationary impact of future Soviet purchases, the Soviet Union has agreed to work out a long-term arrangement to make regular, large purchases from the United States.[21] As part of this agreement, the Soviets will reportedly also supply the United States with 3 percent of its oil import needs. The United States, in turn, will guarantee access to U.S. food supplies, and assist the Soviets in further oil exploration.[22]

Thus the outlines of mutual interest are clear: the Soviet government is relying on the United States for food and technology, and the U.S. government is relying on the Soviet Union to provide a large and steady market for U.S. agricultural surpluses, to help keep farm prices high, to bolster the U.S. balance of payments, and finally, to help meet U.S. oil needs.

THE ASSAULT ON THE COMMON MARKET

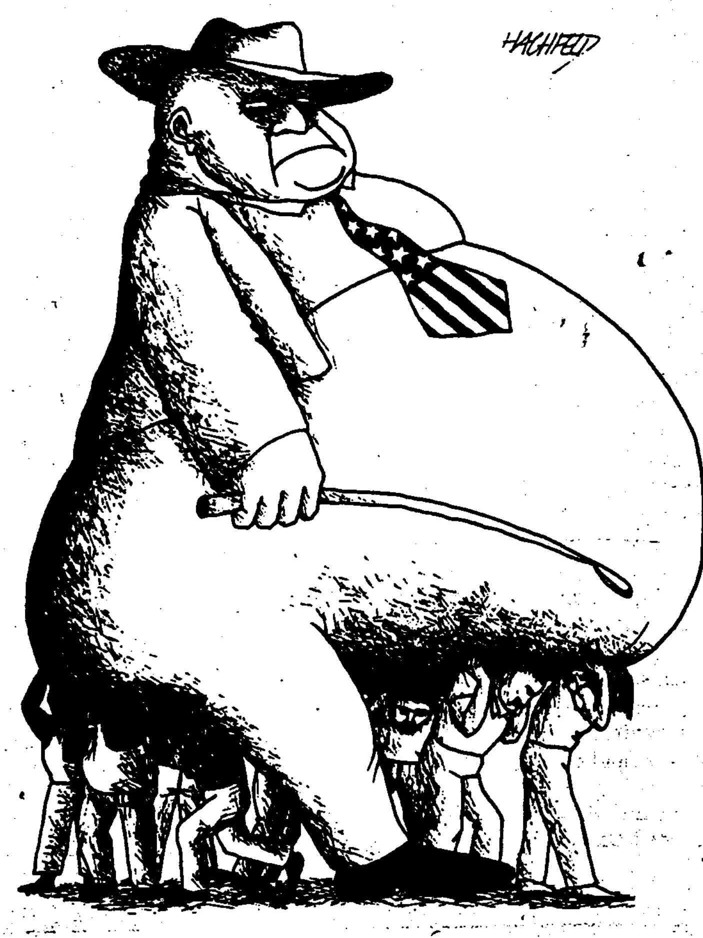
A focal point for U.S. efforts to expand food exports is the multilateral trade negotiations being carried out under the auspices of the GATT.* Preparations for the current negotiations (expected to last several years) began in the early 1970s. Ever since the conclusion of the previous GATT negotiations in the mid-1960s, the grain traders had protested bitterly that their interests had been ignored. As the vice-president of Continental Grain Company complained, when U.S. negotiators ran into obstacles in agriculture, "they went ahead in the industrial area alone and didn't pay much attention to agriculture.[23] The Nixon Administration was determined that this pattern not be repeated, and agriculture became a central factor in the U.S. trade strategy.

In 1972, Peter Flanigan, head of Nixon's Council on International Economic Policy, requested that the Agricultural Department develop a strategy for the upcoming negotiations. At about the same time, Nixon brought William Pearce of Cargill to the White House as special deputy trade representative, indicating the Administration's decision that grain export interests would be well represented at the negotiations.

The Agriculture Department's study, known as the Flanigan Report, fully endorses the Williams Commission thinking on comparative advantage and free trade.[24] The report predicts that the prospects for U.S. agricultural exports are bright, if Japan and Europe continue to increase their consumption of grain-fed meat, and if they can be forced to remove their trade barriers. The report projects that a liberalization of trade would benefit the U.S. balance of trade $8 billion by 1980.

The main target of the Flanigan strategy (which has become the basis of the U.S. negotiating position at GATT) is the Common Agricultural Policy (CAP) of the Common Market countries. The CAP has been a thorn in the side of U.S. grain exporters since its inception in the mid-sixties. The

* The General Agreement on Tariffs and Trade, or GATT, is one of the multilateral institutions that grew out of post-war efforts to re-structure the international economic system. It has served principally as a forum for negotiating trade liberalization. The last round of negotiations, known as the Kennedy Round, took place between 1963 and 1967.



MARKET DEVELOPMENT
Bread & Butter Imperialism

The recent boom in U.S. agricultural exports is not an overnight phenomenon. For several decades, the Department of Agriculture has been working to open a wedge in foreign markets for U.S. agricultural exports and to take the American way of eating to millions of people around the world. Thanks to U.S. efforts, people who once relied on their indigenous foods now eat U.S.-grown wheat transformed into American-style steaks, hamburgers and Kentucky fried chicken, all raised on U.S. food grains.

The fact that it takes 21 pounds of grain protein to produce 1 pound of beef protein fits right in with the Agriculture Department's objective of expanding the demand for surplus U.S. grain, even if it means a disastrously inefficient use of the world's protein supply. Wherever there are cash customers, Agriculture Department officials are there along with grain industry representatives to create markets. In justifying this approach, one official in Agriculture's Market Development program said, somewhat apologetically, in an interview, "Rich people have to eat too."

PL 480, appropriately named the Agricultural Trade and Development Act of 1954, has been the major vehicle for developing markets for U.S. exports. Trade associations, like the U.S. Feed Grains Council and the Western Wheat Growers Associates, have been funded through PL 480 to promote consumption of their products throughout the world. Using loan repayments on PL 480, the Department of Agriculture last year gave private agricultural associations $12 million to support their promotional efforts. The U.S. Feed Grains Council (whose members include the major grain exporters) has encouraged other countries to develop integrated livestock and poultry industries, where animals are fed on U.S. feed grains mixed on computerized U.S. formulas. Organizations like the Western Wheat Growers Associates have taught people throughout Asia to bake and eat bread, thus increasing demand for U.S. wheat.

Japan is the prime example of the success of this government-industry partnership in penetrating foreign markets and transforming people's eating habits. With U.S. food exports to Japan now amounting to more than $3 billion annually, that country is the largest single market for U.S. agricultural commodities. The Japanese market was carefully nurtured during the 1950's through PL 480 shipments, and most recently through the promotional activities of the trade associations. As a result, the Japanese are now major consumers of U.S. wheat, and their per capita beef consumption has doubled in the past decade.

South Korea is another example of the success of U.S. market development programs in penetrating foreign markets. In the past 20 years, South Korea has received more PL 480 commodities than any country except India. This has helped make that country the fifth largest market in the world for U.S. agricultural products, with last year's imports totaling $885 million. Ten years ago, South Korea had no livestock industry, and today it imports 800,000 tons of feed grain annually. Three of the country's major feed mills are owned by U.S. corporations—Ralston Purina, Cargill, and Peavey—which set up their operations with loans from PL 480 proceeds. Whereas 20 years ago Western-style bread was unknown in South Korea, today there are 7,000 bakeries.

PL 480 also serves as a handy tool to undercut competitors in foreign markets and to coerce aid recipients into increasing commercial purchases from the United States. In the late 1960's, when the United States lost the profitable Iranian vegetable oil market to cheaper Soviet products, the Agriculture Department stepped in to reclaim the market by offering the Iranians low-cost, long term PL 480 credits. In 1973, a food credit to the Dominican Republic was made conditional upon much larger commercial purchases. This year, PL 480 loans to Egypt for wheat and to South Korea for rice were tied to additional commercial purchases of those commodities.

Food donations under Title II have also been used as an effective instrument to create markets for the U.S. grain-processing industry. Every year the Department of Agriculture purchases tens of millions of dollars worth of grain and soy-based high protein foods from U.S. agribusiness corporations (especially from Archer-Daniels-Midland, a major soybean trader and processor) for distribution by relief agencies. As with Title I, the idea is to introduce these blended foods under the aid program and then shift to commercial sales. In Brazil, for example, as a result of a U.S. sponsored school lunch program, commercial purchases of blended foods by the Brazilian government now provide U.S. grain processors with an important market.

For malnourished people in the Third World, these U.S.-produced high-protein foods are no solution to hunger, since they are an expensive source of protein and are thus inaccessible to the most needy. Even where these foods might be more cheaply produced locally, U.S. market development efforts have undermined local industries. In Guatemala, a domestically produced blended food was undercut by U.S. products distributed under PL 480 Title II donation programs. In India, the U.S. grain industry lobbied to prevent the Indian government from starting an indigenous processing industry. And to advance the interests of the U.S. wheat industry, AID introduced a wheat-soya blend to the Indian market. For the U.S. government and the grain industry, the growing food deficit of Third World countries is fertile ground for commercial exploitation. As an AID official put it, "U.S. blended and fortified food products have the potential of opening up a whole new field of international marketing."

Sources: *Foreign Agriculture*, 5/26/75; *Washington Post*, 3/10/75, 3/12/75, 7/5/75; "Food for Profit," NACLA *Newsletter*, May-June, 1971; Senate Committee on Agriculture and Forestry, Hearings on *U.S. Foreign Agricultural Trade Policy*, 1973.

MAJOR MARKETS FOR U.S. AGRICULTURAL EXPORTS

Country	1974	1975
	Mil. dol.	Mil. dol.
Japan	3,353	3,185
Netherlands	1,470	1,631
West Germany	1,537	1,448
Canada	1,195	1,310
Republic of Korea	661	885
Mexico	610	851
Italy	754	804
Spain	644	790
India	312	759
Iran	183	757
United Kingdom	684	583
France	443	454
Republic of China	518	410
USSR	509	396
Egypt	264	388
People's Republic of China	838	328

Source: *Foreign Agriculture,* August 18, 1975, p. 11

United States is now demanding the removal of the Common Market's protective tariff system which effectively prevents U.S. grain exporters from being competitive in the European market. Partly because of the CAP, U.S. agricultural exports to Europe had declined by about 15 percent between 1966 and 1969.[25]

The United States is also demanding the end to domestic farm support policies in Western Europe which, in the view of the Flanigan report, sustain millions of small and inefficient farmers. The effect of these support programs, (as in the U.S.) has been to encourage surpluses, which are then exported from Europe with the aid of government subsidies. Competition from subsidized European grain exports contributed to the decline in the U.S. share of the world market during the 1960s. Between 1963 and 1971, the U.S. share in world wheat trade dropped by 6 percent and in feedgrains the decline was 10 percent.[26]

To force the Common Market countries to accede to U.S. demands, the Flanigan report recommends that the United States threaten to enact protective measures against industrial imports from Western Europe, and this is precisely current U.S. strategy at GATT. The Trade Reform Act of 1974, pushed through Congress under the guidance of William Pearce, effectively directs U.S. negotiators to trade off concessions *from* the U.S. in the industrial sector in exchange for concessions *to* the U.S. in the agricultural sector[27]—a victory for those who complained agriculture's interests were "sold down the river" in the previous negotiations.

U.S. POLICIES TAKE EFFECT

By 1973, the U.S. export strategy had its intended impact: agricultural exports were at record highs.* U.S. government grain reserves were virtually depleted, and as a result, food costs soared. The Nixon Administration was finally able to make a decisive move to free market agricultural policies. As one White House official observed, "This is the best opportunity we've had in 30 years to fundamentally alter farm programs."[28] The Administration's Farm Bill, passed by Congress in 1973, ended government programs to withhold acreage from production, eliminated price supports so that prices are determined by market forces, and effectively ended the CCC's reserve program. As a result, the world food economy has been left to the volatility of a "free market," where a slight shift in demand either up or down causes a huge swing in prices.

The implications of this new policy for the U.S. farmer are just as serious as for other working people. Current policies mean a continuation of the trend toward concentration, integration and corporate takeovers in farming—precisely the scenario envisioned by the Williams Commission and advocated by Earl Butz.* Only the biggest farmers, with large capital resources, will be able to survive in the "free market." Under the new farm program, farmers are paid direct income subsidies if the market price falls below a set "target price." But this target price is set so low it does not even cover the farmer's cost of production.

Grain farmers are in a somewhat unique position in U.S. agriculture. They still are generally family farmers, not yet overtaken by the corporations that either control or contract production in many other sectors, such as poultry and vegetable farming. But even with an investment of several hundred thousand dollars, and hundreds of thousands of acres, the grain farmer is caught between the banks and the corporations that provide capital inputs on one end, and the grain monopolies on the other. While farm debt has increased 355 percent in the last two decades, as capital continues to invade the farm sector, the farmer has received a declining share of the food dollar. It is not the farmer who benefits from higher prices. Food prices have risen 43 percent since 1952, but the price the farmer receives for his production has increased only 6 percent.[30]

Caught in this system, and at the mercy of the free market, the grain farmer is forced to see export markets as the only solution to maintaining his income and covering his costs of production. U.S. strategists are aware that manipulation of the farmer is essential to the success of their export drive. As Nixon's international economic advisor commented, "Farmers must become a main force in the political drive in the U.S. for internationally oriented policies."[31] For U.S. policy makers, farmers are the necessary cogs in "on-line production factories" producing the commodity that will keep the U.S. competitive in world trade.

The implications of U.S. agricultural strategies are equally serious for other working people in the United States. The export drive contributed to food price inflation of 20 percent in 1973. While the majority of Americans are forced to spend 30 percent of their income on food,** and at the same time are faced with rising unemployment, government officials recommend belt-tightening; grain company representatives say Americans can no longer take cheap food for granted; and some admit that Americans will have to adjust to a permanently lower standard of living.[33]

* In 1968, U.S. agricultural exports were $5 billion. In 1972 they doubled to $11 billion, and by 1974 agricultural exports stood at an all-time high of $21 billion.

* In the last twenty years, the number of farms in the United States has decreased by two-thirds. According to the Agriculture Department, half the remaining 2.3 million farms should not even be considered farms, since they have sales of less than $5,000 and account for only 5 percent of all cash receipts in farming.[29]

** U.S. government officials often claim that Americans spend only 15 percent of their income on food, but as data compiled by the Union for Radical Political Economics (URPE) reveals, this average figure does not take into account the skewed distribution of income in the United States. While the wealthy spend a much lower percentage of their income on food, most working people spend a much higher percentage.[32]

The impact in Third World countries, where most people spend 80 percent of their income on food, is to bring millions closer to starvation. The food situation also has a disastrous impact on the balance of payments position of Third World nations. In 1973, the cost of their food imports doubled, as their import bill from the United States increased by $2 billion.[34]

As the Ford Administration's current attempts to hold down inflation by suspending sales to the Soviet Union reveal, U.S. policy makers are walking a thin line. The export drive must go on, but at the same time constantly rising food prices continue to undermine the position of poor and working people around the world. Thus, the "success" of U.S. strategies for solving the economic crisis has created new problems for U.S. capitalism—problems that lead to the progressive weakening of the system.