THE INSIDE STORY

Feed the world, deplete the nation

By Thomas Brom

SAN FRANCISCO

A classic case of overproduction on U.S. farms this fall has government officials looking like the sorcerer's apprentice, trying to hold back an army of runaway producers cash cropping for the global market. Only in America does the government greet news of record wheat, corn, rice and cotton harvests with dismay, knowing that all that food and fiber must be sold for the nation's agricultural system to stay solvent.

U.S. trade representative William Brock recently concluded negotiations in Moscow that could lead to the sale of 23 million metric tons of corn and wheat to the Russians in the next year—the largest grain purchases ever by the USSR. Agriculture Secretary John Block also ordered a resumption of U.S. grain storage and a 15 percent restriction on 1982 wheat planting to reduce the surplus.

Meanwhile San Francisco mayor Dianne Feinstein was in Shanghai attempting to negotiate a cotton export deal with the People's Republic of China. The port of San Francisco announced it would be constructing a cotton quay near China Basin, where clipper ships bound for the Orient once lined the old wooden finger piers. Oakland's containerized port across the Bay now ships more bales of cotton—most of it to Chinese textile mills—than any other U.S. city. Officials there say new cranes on the outer harbor will expand capacity still more, blunting any inroads from the San Francisco operation.

Since the early '70s, the U.S. has encouraged capital-intensive farm production at home by developing foreign markets. Last year about two-thirds of the rice crop, three-fifths of the soybeans, half the wheat, two-fifths of the cotton, a third of the tobacco and a quarter of the corn was shipped overseas. Total farm exports reached 167 million metric tons in fiscal 1981, worth more than $46 billion. The Agriculture Department estimates that the percentage of total cultivated land in the U.S. devoted to exports will rise from 79 percent in 1970 to 90 percent by 1985.

The problem, apparent in Secretary Block's desperation to sell or store this year's massive grain harvest, is that global markets are extremely volatile and difficult to manage. This year, for instance, high interest rates and the related strong position of the dollar are making U.S. exports too expensive for many countries. Producing for world demand also raises the price of food on the domestic market—a lesson most of us learned when bread prices tripled after the huge Soviet wheat deal of 1972.

In addition, a growing number of agricultural economists are looking at the domestic costs of these global farms—erosion of topsoil, mining of ground water, increased use of pesticides, depletion of energy reserves and the wholesale export of small farm populations to the city.

"As in much of the third world," concludes author Frances Moore Lappe of the Institute for Food and Development Policy in San Francisco, "the U.S. is promoting production for export as a solution to structural economic problems, neglecting the social and ecological costs of the strategy."

The deficits turn up elsewhere.

A decade ago the big customers for U.S. food were industrialized nations with less land or colder climates—Japan, the Netherlands, West Germany, Canada and the Soviet Union. But the export push, lubricated by easy credit terms and food "aid" programs, soon targeted the population centers of the third world.

Mexico and China now rank second and third behind the Japanese in U.S. food imports, each with nearly $3 billion in agricultural purchases. South Korea alone buys 20 percent of the U.S. rice crop, joining Taiwan in the $1 billion club for U.S. farm imports. Egypt—the largest recipient of U.S. food aid—is expected to buy more than $1 billion in grains by 1983, with India joining the list not long after.

"Within the Department of Agriculture, the foreign agriculture service is now the dominant force," says agricultural economist Phil LaVeen, director of Public Interest Economics West. "Export sales helped pull this country out of the 1973-74 recession—but they also forced up the cost of food to the point where people were boycotting supermarkets."

U.S. agribusiness is quick to defend this export strategy as sound economic policy. In a report titled "U.S. Farm Export Strategies for the 1980s," the Agriculture Council of America defended a program directed at third world "take-off" countries with high growth rates:

"Mexico, Brazil, Venezuela, Nigeria, East Asia, North Africa and the Middle East are projected to increase their demand for most agricultural commodities and products," the report concluded, "and will experience even greater increases in demand for animal protein and related foodstuffs."

The surplus of agricultural exports over imports—about $23 billion last year—is celebrated as proof that the strategy is working to offset chronic American balance-of-payment deficits. But a number of agricultural experts, among them LaVeen and Jim Wessell of the Institute for Food and Development Policy, strongly disagree.

"Pushing agriculture to the limits in the U.S. produces a long list of hidden costs," Wessell says. "The energy consumed to produce farm exports cuts that $23 billion surplus virtually in half. In addition, we are depleting the Great Plains groundwater supply at an alarming rate and eroding the soil in the critical Corn Belt states."

A Department of Agriculture report released this summer found that "each year, water causes about 1.9 billion tons of soil to erode from the nation's cropland. On 94 million acres (nearly one-fourth of the total), soil loss exceeds levels at which production can be sustained indefinitely."

John Timmons, agricultural economist at Iowa State University, concludes, "We are, in effect, exporting our soil and water quality in the form of food and feed grain exports."

Wessell is directing a farm export project at the Institute that will define the hidden costs of promoting agricultural commodities overseas. "One of the keys to the export strategy is getting countries strung out on a meat-centered diet," he says. "Two-thirds of grain exports go to feed animals—not people."

In Japan, for example, the calories accounted for by meat in the national diet jumped from virtually zero 30 years ago to 20 percent in 1980. The USDA assisted the change in Japanese tastes by sponsoring feed grain campaigns.

But feeding grain to cattle is a tremendous waste of protein—a discovery that prompted the Institute's founder, Frances Moore Lappe, to write *Diet for a Small Planet* a decade ago. "The earth simply cannot supply most people with grain-fed meat," she testified before a congressional subcommittee in July. "It would require twice as many acres as are cultivated in the world today."

More immediate consequences of the export strategy include the concentration of landholdings in the U.S. by capital-intensive farmers, and the shifting of labor-intensive specialty crops such as fruits and vegetables to Mexico and the Caribbean where wages are low. The Agriculture Department estimates that the total number of farms in the U.S. will decline by a quarter to 1.8 million by the end of the decade, and the largest 3 percent will account for nearly 60 percent of all cash sales.

Already the U.S. imports about 50 cents for every one dollar of agricultural exports, undercutting much of the justification for the export stategy. Fruits, nuts and vegetables—much of them from Mexico—were the third largest farm import in 1979.

"In California, we're slowly substituting grain for vegetables," says Phil LaVeen. "That process will increase as water prices for irrigation go up, and as the quality of the soil declines in the San Joaquin Valley from overuse."

LaVeen's most recent work focuses on the effect of U.S. cash cropping on domestic food prices. In *Toward a New Food Policy*, he concludes that government action to increase world demand for U.S. farm products will produce domestic inflation, not prosperity for farmers.

"The integration of U.S. agriculture into the world economy has greatly increased the risk of large, unpredictable swings in demand," he says. "U.S. farmers are still wracked by unstables prices, but with greater highs and lows.

Meanwhile, the big grain traders make money no matter what happens by playing the spread of prices from market to market. The only benefit U.S. farmers get from the export push is higher land values—and that is pricing the next generation of farmers right into the cities."

LaVeen and Wessell see no short-term method of changing the U.S. food export strategy. "The only solution to the present overproduction crisis is world recession," LaVeen comments, "a repeat of the 1973-74 downturn when all the capitalist nations faltered at once. That would bring domestic interest rates and prices down, but would do nothing for the structural problems of U.S. agriculture."

Jim Wessell adds, "You really can't do much to the present export system without contravening the whole process of capital accumulation. But we're sitting on a time bomb—the natural resource implication of the present policies are truly frightening. When it's clear that the export push of U.S. crops is costing too much, people will react." ■

This issue (Vol. 5, No. 41) published October 21, 1981, for newsstand sales October 21-27, 1981.

(ISSN 0160-5992)

IN THESE TIMES *The Independent Socialist Newspaper*

Published 42 times a year: weekly except the first week of January, fourth week of March, last week of November, last week of December; bi-weekly in June, July and August by The Institute for Policy Studies, Inc., 1509 N. Milwaukee Ave., Chicago, Ill. 60622, (312) 489-4444. Institute for Policy Studies National Offices, 1901 Q Street, NW, Washington, D.C. 20009.

IN THESE TIMES

Reagan to the nuclear rescue

By Mark Hertsgaard

WASHINGTON

IN THE CLEAREST EXPRESSION YET of his determination to resurrect nuclear power, President Reagan last week issued a major nuclear policy statement that left industry executives overjoyed and drew sharp criticism from safe-energy advocates.

The president's Oct. 8 statement called nuclear power "essential" to future U.S. energy needs and pledged to slash through "the morass of [government] regulations" that was "forcing many utilities to rule out nuclear power as a source of new generating capacity."

Reagan's statement was but the most recent example of a new unity of purpose and approach that has not existed between Washington and the nuclear power industry since the days of the Nixon presidency and the old Atomic Energy Commission. Nuclear power is the only major program the Reagan administration completely spared during its campaign to reduce federal spending. The administration lobbied hard this spring for $240 million to continue Tennessee's Clinch River breeder reactor and allocated a whopping $500 million to advance breeder research. To increase U.S. manufacturers' share of the global reactor market, the administration boosted money for the Export-Import Bank, and, more importantly, greatly eased restrictions on the proliferation of reactor exports.

Reagan's attempted rescue effort comes at a time when the nuclear industry is in such deep commercial trouble that many observers question whether it can ever be revived. U.S. electric utilities have placed virtually no orders for new nuclear reactors since 1974. The problems causing the order slump—public fear and opposition, reduced electricity demand and soaring nuclear plant construction costs—have been getting steadily worse, especially since the Three Mile Island accident of March 1979. Wall Street support for nuclear power has faltered. Three and fourfold cost overruns are now common for nuclear power plants, and many investors fear that utilities may be unable to repay the hundreds of millions of extra dollars they have been forced to borrow to finish construction.

Nor have American reactor vendors been able to cover their losses through overseas sales. Stiff competition from France and West Germany, combined with the Carter administration's restrictions on nuclear exports for nonproliferation reasons, deprived Westinghouse and General Electric of approximately $9 billion in nuclear orders during the second half of the '70s.

Perhaps most ominous of all for the nuclear industry, business and media institutions that traditionally have strongly supported nuclear energy are beginning to reconsider their positions. Though *Business Week*, the *New York Times* and other powerful shapers of American public opinion are still essentially friends of nuclear power, they are now willing to criticize it vigorously on both safety and economic grounds. And *Energy Future*, the study by the Harvard Business School Energy Project, demolished one of the industry's main arguments when it charged that "nuclear power offers no solution to the problem of America's growing dependence on imported oil." The Harvard study even concluded that investments in conservation and solar energy would produce far more jobs, economic growth and national security.

Faster, faster.

Nevertheless, if anything can save the ailing nuclear industry, it is the Reagan revival plan. When the president announced his nuclear policy last week, he provided industry executives with what they have long claimed they needed more than anything else: a strong presidential endorsement of the safety and necessity of nuclear power, along with policies designed to insure that nuclear energy potential is realized.

Reagan's statement mimicked industry claims that nuclear power is essential to U.S. national security and economic prosperity and that nuclear's many problems are largely due to overregulation by the government. It did not even mention the Three Mile Island accident. But it did call for "streamlining" the plant-licensing process—a euphemism for slashing safety regulations and reducing legal opportunities for citizen intervention so that nuclear plants can be built faster and more cheaply. Nuclear Regulatory Commission chair Nunzio Palladino hopes his agency will approve operating licenses for 33 nuclear reactors by 1983, in what Palladino calls "an unprecedented pace of licensing."

Reagan also lifted the indefinite ban the Carter and Ford administrations had placed on the commercial reprocessing of spent nuclear fuel. This is a first step toward solving the most serious immediate problem facing the industry: the prospect that some utilities will have to shut down their nuclear reactors as early as 1983 because they have no more room to store the reactor's spent fuel.

All previous attempts by private companies to provide reprocessing services have been commercial failures. For that reason the administration may decide to guarantee purchase of all commercially reprocessed plutonium—an indirect federal subsidy that may ultimately be worth many millions of dollars. Energy Secretary James Edwards, who actually delivered the Reagan statement, was pressed repeatedly by reporters to confirm or deny reports that the administration planned to use the plutonium for nuclear-weapons production. Edwards admitted the idea was in the "controversial" stage but maintained no decision had yet been reached.

Finally, the Reagan statement reaffirmed the administration's support for the Clinch River breeder, and directed Secretary Edwards to "proceed swiftly" toward building a nuclear waste repository. The president said it was essential to "demonstrate...the problem of nuclear waste can be resolved." Industry opinion polls identify waste disposal as the public's major concern about nuclear power.

The big gamble.

There are great political risks and costs to implementing such an unabashedly pro-nuclear policy in the '80s. Will it work? As long as the president is the one who takes the political heat generated by pushing for faster plant licensing and a "solution" to nuclear waste disposal, Congress will probably quietly go along with him. Most members of Congress accept, at least implicitly, the industry claim that Three Mile Island shows just how safe nuclear power really is.

Antinuclear lobbyists argue that Reagan's licensing speedup will backfire because it makes another major reactor accident inevitable. This is a gamble Reagan seems prepared to take. If he wins it, he cuts nuclear construction costs, reverses nuclear power's economic

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Despite widespread community opposition, the still-intact Unit One reactor may be back in operation next month.

Lionel Delevingne

Will TMI startup reassure investors?

By David Spurr

HARRISBURG, PA

WHEN THREE MILE Island closed down its reactors after the worst nuclear accident in history, many people living near the plant thought it would stay shut until its safety problems were solved and the radioactive mess from the accident was cleaned up. But with the plant's parent company perilously close to a bankruptcy that could threaten the nuclear industry as a whole, it now appears likely that the Nuclear Regulatory Commission (NRC) will soon allow Three Mile Island to restart its still-intact Unit One reactor.

The reactor could begin operating as soon as next month, despite new fears about its safety and the lack of any concrete plan to finance the cleanup of the still-damaged and highly radioactive Unit Two reactor.

For the last 12 months the NRC's Atomic Safety and Licensing Board has held a series of often-emotional hearings on whether to allow Three Mile Island to resume operation of Unit One—the reactor that survived the 1979 accident but was shut down indefinitely at the insistence of Pennsylvania governor Dick Thornburgh. Their recommendation to the NRC's five-member board of commissioners is expected some time in November. But despite heated local opposition and a cheating scandal that has cast doubt on the competence of Three Mile Island management, few people close to the issue believe that the NRC will force the nuclear reactor to stay idle. The stakes are just too high.

While the NRC hearings were being conducted on the ground floor of a parking garage here, Wall Street financiers were warning a congressional committee in Washington that bankruptcy for General Public Utilities (GPU), the owner of Three Mile Island, would harm not only the entire nuclear industry but even those utilities that rely solely on fossil fuels. Put simply, GPU's problems are making it difficult for all other utilities to raise capital.

Testifying before the House Subcommittee on Energy and Conservation last summer, representatives of the New York securities firm of Rothschild, Unterberg, Towbin said that GPU's inability to finance the cleanup of Unit Two and to restart Unit One was already discouraging investments in utility companies. They told the members of Congress that Three Mile Island's idleness had already cost hundreds of millions of dollars in "risk premiums" on long-term borrowing for utilities, according to their survey of 30 debt offerings since the nuclear accident. They added that if GPU is forced into bankruptcy, the cost of capital borrowing for utility companies would go even higher.

In a report to major lending and banking institutions prior to the congressional testimony, the same securities firm warned of the "severe implications" of bankruptcy for GPU, and called for more support of the beleagured company from the country's 200 utilities. Rothschild's concerns match those of chairman William G. Kuhns, who has repeatedly urged the restart of Unit One as a condition for his company's survival.

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