THE REAL GRAIN ROBBERY

How U.S. agricultural policies rob the consumer, enrich the big corporations, and turn our farms to dust.

By MICHAEL McMENAMIN

BOB BERGLAND IS A SURPRISED BUT happy man. Last winter, when thousands of angry farmers descended on Washington to protest the low grain prices resulting from their bumper crops of 1976, 1977, and 1978, the secretary of agriculture was the point man designated by the President to receive all the unfriendly fire. Bergland, a former representative from Minnesota who still owns a 600-acre wheat farm there, refused the farmers' demand that they be guaranteed the same high grain prices that had prevailed on the open market in the halcyon days of Nixon and Ford. Bluntly, he told them it was not the federal government's role to guarantee all farmers a profit. Unappeased, the farmers hanged Bergland in effigy.

By spring, things were not looking any better, either for grain farmers or for Bergland. Near-record harvests were being forecast for Kansas, threatening to depress further the price of wheat, which was then around $3 a bushel. And as reports came in from farm country with news of Carter's dwindling popularity, Bergland's political future looked grim.

But by July Bergland was going around Washington telling anyone who would listen that he was now a "hero" of the farmers, one whom Jimmy Carter planned to rely on heavily in his reelection campaign.

How, in just two months, were Bob Bergland's political fortunes so magically transformed? Bergland, Carter, and their farm policy were rescued by the Russians.

Bergland can date his political rebirth to June 8, the day the Department of Agriculture lowered its estimate of Soviet grain production to a level of 170 million to 210 million metric tons. This level was approximately 25 percent lower than the Soviet goal for 1979 and far less than the record Soviet harvest of 237 million metric tons in 1978. In response to this announcement, the price of wheat rose within two weeks to $3.85 a bushel, and the price of wheat futures contracts for July jumped, at one point, to $4.86 a bushel. Even after their peak, wheat futures stayed well above the magic $4-a-bushel mark. For American farmers faced with a near-record harvest and a continuation of the depressed prices of the past three years, the Russian misfortune was welcome news. And for an administration facing political attack on all fronts, it was a needed relief.

But the new surge of grain exports to the Soviet Union will not bring any relief to the real victims of American agricultural policy. High grain prices may make farmers happy, but they don't go over well in the supermarkets. Fortunately for the Carter administration, consumers and taxpayers don't sit in at the secretary of agriculture's office, let animals loose on the steps of the Capitol, or block the streets of Washington with their tractors. The Russian grain purchases this year may have rescued farmers and the Carter administration, but they leave intact America's agricultural policies and the problems those policies create.

Since 1972, the prosperity of American grain farmers has literally depended on the level of their exports to the Soviet Union, whose needs have become the single largest annual variable in the world grain trade. The Soviet Union first began making major purchases in the West in 1962, when it bought over a million metric tons of Canadian and Australian wheat. Wisconsin Senator William Proxmire called it trading with the enemy but others disagreed, and a year later, John F. Kennedy authorized the sale of eleven million metric tons of U.S. wheat to Russia. Prior to 1963, the Soviet Union had consistently been a net grain exporter. After a poor harvest in 1963, the Soviets became, on an irregular basis, a net importer of grain. By 1970, Russian net grain imports were six million tons. These imports were not for human consumption, but for

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livestock feed—to implement a major policy decision to increase the per capita consumption of meat in the Soviet Union.

The decision to increase Soviet meat consumption was not widely known in the West, and in 1972 when the Soviet Union bought nineteen million metric tons there was chaos in world grain markets. The Russians, however, were clever: They negotiated privately and separately with the major grain-trading companies and paid an average price of only $1.62 a bushel for U.S. wheat during 1972–73, according to University of Chicago economist Gale Johnson, and that was a subsidized price *below* the domestic price in the United States. The way it worked was that grain companies would buy the wheat from U.S. farmers at the market price here (kept artificially high by price supports) and then sell it to the Russians at a loss. The Department of Agriculture would then reimburse the grain companies for the difference. As news of the Russian purchases became known, the domestic price went higher, the USDA subsidies to the grain companies increased, and the Russians, having bought their wheat in advance, kept paying the same low average of $1.62 a bushel. Without the USDA subsidies, the grain companies simply would not have risked selling so much grain at such a low price to the Soviets. With the USDA safety net, however, it was a no-risk deal.

E*SSENTIALLY, WHAT THE SOVIETS WERE* doing in 1972 was playing the futures market with inside knowledge. They knew they needed nineteen million metric tons of grain; they knew such massive purchases would drive the world price up; hence they purchased massive forward commitments at the prevailing world price. This was popularly referred to at the time as "The Great Grain Robbery," a phrase perpetuated by *Washington Post* reporter Dan Morgan in his recent book, *Merchants of Grain*. While Morgan focuses on the

In the Great Grain Robbery of 1972, the real culprit was not the Soviets, but the USDA.

five privately held companies that dominate the world grain trade, it is not difficult to ascertain just who the "robbers" really were in 1972. Despite Morgan's characterization of the Russians as "robbers," they were merely buying wheat at the world market price—with gold, not guns. The grain companies were merely selling the wheat at the world market price (a USDA-subsidized price, to be sure, but then the grain companies' profits on the Russian sales depended more upon volume than they did on price anyway). By the process of elimination, therefore, only one suspect remains—the USDA itself. Morgan appears to agree: ". . . the real negligence of 1972 has as much to do with long-standing policies as with the conduct of officials in power. When the Russian 'robbers' came to open the door of the American granary, they did not find it bolted and secure. They found the Americans pushing from the other side."

The Americans were still pushing when the Soviets returned in 1975 and purchased a new record twenty-five million metric tons of grain on the world market. But since 1972, the world wheat price had finally caught up with the American domestic price, and the United States had changed the rules of the game to keep the Soviets from buying at advantageous prices. As a result the Russians, with their forward purchases, paid an average of $5.65 a bushel, while the average export price of wheat during the first half of 1975 was only $3.93 a bushel.

The reason the Russians were able to buy all that grain in 1972 and 1975 is the story of American agriculture in this century—chronic overproduction and surplus. In wheat alone, we export fully two-thirds of our crop each year. To understand this problem, consider the state of agriculture between the Civil War and World War I, a period of immense growth in the American economy. Agriculture shared in that growth: The number of farms tripled, the number of acres of farmland doubled, and net farm income increased more than fourfold. Despite this growth, two stark figures stand out. Farm population decreased from 60 percent to 35 percent of the national total population, and agriculture's share of the national income dropped from 31 percent to 22 percent. In other words, agriculture did not keep pace with the rest of the economy.

This is one of the central facts in agricultural politics in this century—the inevitable redistribution of people from agriculture to other occupations, caused by the increasing industrialization of American society. The farm population in this country has been in a steady decline since the late nineteenth century; that decline continues today. This fact is essential to an understanding of governmental policies in agriculture because organized farm interests and their supporters have long used it as one of their major arguments to persuade politicians to pass subsidies for farmers. Look at all the farmers going out of business, farmers argue; if government doesn't do something to help them, no one will be left to produce the food.

Nobel prize–winning economist F. A. Hayek has observed that government farm subsidies receive popular support because of the erroneous belief that *all* of agriculture, not only its less productive sector, is unable to earn an adequate income. Hayek has written that increases in agricultural productivity, combined with the general inelastic demand for food in an advanced industrial civilization, mean that if farmers are to maintain their average income, marginal farmers must leave the land. Nevertheless, so long as such a readjustment in the agricultural population takes place, there is no reason why those efficient farmers remaining in agriculture should not continue to benefit economically as much as the rest of society. Hayek suggests that the natural reluctance of marginal farmers to shift to other occupations causes the market price of agricultural products to fall "much lower before the necessary readjustments [are] effected than they would have to do permanently."

Marginal farmers will not be induced to leave farming unless their agricultural incomes decline relative to what they could earn in town. If enough marginal farmers hang on and continue to produce, the greater farm production that results will naturally lead to overall lower prices. Yet the lower prices will never be low enough to drive efficient, successful farmers off the farm.

Nevertheless, this myth that all farmers are unable to earn adequate incomes has served as the core of all government agricultural policies in this century, whether federal price supports for grain or federal regulation of milk. Yet all the government subsidies have not been able to keep most marginal farmers in business. People today continue to leave farming, just as they have throughout this century.

Meanwhile, the government continues its subsidies of various types to agriculture, and one has to wonder who is benefiting from them. Certainly not the consumers or taxpayers; they are paying for them, both in higher taxes and higher food prices. Certainly not marginal farmers; they are still going out of business.

In fact, only successful farmers benefit from the government subsidies. The ones who need the subsidies the least benefit the most. This is because subsidies are given in a nondiscriminatory fashion to all farmers, rich and poor alike, based on their total production. Successful farmers invariably have larger farms, more crops, bigger herds than marginal farmers. Their share of government subsidies is proportionately far greater. Meanwhile marginal farmers, because of their small and inefficient farms, barely manage to stay in business.

As for the politics of all this, the secret is to make Congress believe that *all* farmers are marginal and in imminent danger of going out of business. That hasn't been hard to do.

Franklin D. Roosevelt and Congress moved quickly in the thirties to shore up all of agriculture and left us with the farm program we still had in the early seventies—commodity price supports, acreage allotment restrictions, and export subsidies to take care of the inevitable surplus.

There was much talk during the Nixon-Ford administration that Secretary of Agriculture Earl Butz had ended the chronic surpluses of the past forty years by turning to market-oriented policies. Mostly it was just talk—and a lot of coincidence. While Butz, to his credit, did temporarily help end acreage allotments and marketing quotas, what really shrank the American farm surplus from 1972 through 1975 was a combination of increased Russian demand, several poor harvests elsewhere, and a devalued dollar, which made American agricultural products competitive overseas for the first time in a generation. Price supports were also kept low during Butz's term as agriculture secretary, and he encouraged farmers to plant "fence post to fence post" to meet the growing demand of the world market during that period. Commercial agricultural exports grew from less than $7 billion in 1971 to over $20 billion in 1975. At one point, wheat was bringing over $5 a bushel.

The new farm prosperity, however, was precariously dependent upon demand in the world market. By the end of 1976, a combination of good harvests here and abroad had brought a return of the chronic American farm surplus, with wheat prices as low as $1.93 a bushel in Oklahoma. By May 1977, wheat had dropped to $1.71 a bushel in Kansas.

In retrospect, Butz's knowledge of how a free market operates was no better than his taste in ethnic humor. Butz and the USDA deliberately encouraged American farmers to overproduce to meet the temporary demands of the volatile world market. Encouraged by the USDA, upon which they had always relied, and lulled by the high farm prices during this unusual period, American farmers complied. When world demand suddenly dropped, so did grain prices. The result was the grain farmers' tractorcades in Washington in 1977 and 1978.

There is no question that marginal farmers were in serious trouble during this time. But so were larger farmers who had overextended themselves during the four boom years. They bought more land at higher prices and more equipment to farm the new land, all with money borrowed at high interest rates and secured by mortgages on their farms. Rather than let the market shake out those large farmers who had shown such poor judgment, Jimmy Carter and Bob Bergland—farmers both—did the only thing they knew how to do. By pretending that all farmers were in trouble, not just a few, they proposed, and Congress agreed, to return to the New Deal–era farm policies that had long made American agricultural production a glut on the world market: high support prices (although not high enough for most farm-state legislators) and a return to acreage allotments and set-asides, i.e., payments for not producing.

Those legislators naive enough to think that the Carter-Bergland legislation was designed only to help small family farms survive learned differently when they offered an amendment to make ineligible for support payments any person holding equity in real or personal property in excess of $150,000. With the support of Carter and Bergland, the amendment was soundly defeated by the Democratic leadership. Another amendment to limit to $100,000 the total annual amount payable to individual farmers in non-recourse price-support "loans" was similarly defeated. (These "loans" never have to be repaid. If a farmer defaults, the Commodity Credit Corporation simply takes his grain, which he has pledged as a security, at the support-price level.)

Earl Butz's knowledge of the free market was no better than his taste in ethnic humor.

T*HE UNINTENDED CONSEQUENCES OF* the policies of the last forty years are starting to catch up with us. In a recent article in the *Atlantic Monthly*, William Tucker documents some of the more serious side effects of our farm policies. Tucker writes that soil erosion and soil fertility are becoming major problems in the Midwest. "Hardpan" soil conditions—cement-like soil that has gradually lost both organic matter and the capacity to absorb water—have been reported to be at least two feet deep in some areas of Kansas and Nebraska.

The underlying cause of this is the USDA's attempt to regulate agriculture through its price supports and production controls. Farmers set aside as much acreage as the USDA requires, and then attempt to increase their yield on the remaining acres. The resulting increase in productivity by American farmers in the last forty years has been nothing short of phenomenal. But to achieve that production record, farmers in the Midwest engage in continuous cropping on their lands, planting the same big-money crop, corn or wheat, for example, year after year. To achieve these greater yields they have to use enormous quantities of chemical fertilizers. Since continuous cropping makes crops more vulnerable to insects and weeds, they also have to use huge amounts of pesticides and herbicides.

When continuous cropping results in hardpan conditions, deeper plows and bigger tractors are needed to turn the soil. The bigger tractors, however, compact the soil even more, compounding the problem. Since hardpan soil does not have the same capacity to absorb water, more rain runs off the land. This makes crops particularly vulnerable during dry seasons, when the land needs to soak up all the moisture it can. The solution for this is more machinery—in this case, "center-pivot" irrigation (quarter-mile-long scaffolds that pivot around a central well to spray water on crops), a technique that Tucker calls "a lawn sprinkling system raised to the level of a national agricultural policy." Irrigation also requires a significant capital investment.

Farmers are happy, but it's the consumers and taxpayers who are paying for this joy.

The vicious circle is complete when the burden of paying for all that machinery, fertilizer, and pesticides makes it increasingly difficult for many farmers to make a profit when prices are low. Then the government "rescues" the farmers by reinstituting the very policies that caused the problem in the first place.

D*ISPOSING OF THE SURPLUS THAT HAS* inevitably resulted from the USDA's policies has had other unintended consequences, most notably in foreign policy. Public Law 480, passed in 1954, is a foreign-aid program ostensibly designed to combat world hunger. In reality, its purpose was to dispose of the huge surplus rather than having it rot in storage facilities. To the extent the surplus has been used to combat famine, this has been a worthwhile humanitarian program. Too often, however, the program has been used to dump the American surplus abroad at less than market prices, often discouraging or distorting agricultural development in the recipient countries. Public Law 480 has also been used politically, particularly in South Vietnam and Cambodia during the later years of the war. Chile also felt the political impact when Nixon cut off PL 480 loans after Allende took power; the loans and food shipments were resumed when the junta deposed Allende. And resuming PL 480 loans and shipments was an essential element of Kissinger's diplomatic strategy with Egypt after the 1973 war with Israel.

The temporary world shortage of grain during the early seventies had Earl Butz talking in 1975 of "agripower" as an important U.S. "weapon" in world politics. Even Henry Kissinger was entranced by it. One high-level State Department official was quoted by *Business Week* as saying, "We have the food and the hell with the rest of the world."

Some weapon. The theory was deceptively simple. The United States was to grain as OPEC was to oil. Those who didn't play our game could starve. But the instant food experts at the State Department and the would-be Metternichs at USDA overlooked one fact: U.S. food power had never worked. For years, we maintained a total embargo on all goods, including food, shipped to China, Cuba, North Korea, and North Vietnam. As a result perhaps these countries did not thrive, but mass starvation did not occur and their policies did not change either.

Henry Kissinger found out in 1975 how weak a food weapon he had when Under Secretary of State Charles Robinson attempted to negotiate a deal with the Soviet Union whereby they would sell us ten million tons of oil a year at a substantial discount from the world price in exchange for our allowing them to buy wheat from us at whatever price the market would bear. Strangely, the Soviets didn't think this was much of a bargain. They asked the United States to pay the market price for oil and melodramatically suggested they would starve before agreeing to what they considered international blackmail. The United States backed down and the Russians agreed to purchase a minimum of six million metric tons of U.S. grain a year for five years, with an option to purchase two million more each year without prior U.S. approval. They would be permitted to purchase additional grain each year only with U.S. consent, and they agreed to supply the USDA with advance notice of their grain harvests. As a face-saving gesture, the Soviets also agreed to talk some more with us about oil. No agreement for below-cost oil was ever reached, however.

At secret meetings in London last August, Bob Bergland authorized the sale to the Soviet Union of another ten million metric tons of wheat during the next fourteen months, on top of fifteen million metric tons of wheat and corn already purchased. While grateful, the Russians refused to indicate how much of the additional wheat they would buy, which is understandable, for the plain fact is that Jimmy Carter needs the Russians and their purchasing power more than they need him and his grain. The Russians can always tighten their belts and eat less meat if the United States attempts to use its grain as leverage; they will survive. But Jimmy Carter could well lose the Iowa precinct caucuses in early 1980 if farm prices are as low then as they were this spring. And his chance at another four years at the public's expense might not survive such a blow.

Right now, however, almost everyone is happy. Carter is pleased because his agriculture secretary is no longer being hanged in effigy in the Midwest. Bob Bergland is overjoyed because he still has his job. The Soviet Union is satisfied because its people can keep eating meat. Farmers are grinning because wheat is over $4 a bushel. The grain companies are glad because the more grain they sell, the more money they make. Farm-implement and fertilizer companies are gratified because the more grain planted as a result of USDA policies, the more of their products they sell. The pesticide and herbicide companies are pleased because continuous cropping increases the demand for their products. The only ones who have no reason to be happy are the ones picking up the tab for all this joy—American consumers and taxpayers.

Not to worry. Stuart Eizenstat undoubtedly has a memorandum already on its way to Carter suggesting that the President attack food processors and other "middlemen" as the real culprits for the increasing price of food. If that doesn't work, he can blame the Russians. And if all else fails, he can blame the ultimate scapegoat, the American people. They eat too much food anyway, just as they use too much oil. ❏

BOOKS

THE GHOST WRITER, by Philip Roth. Farrar, Straus & Giroux, 179 pp., $8.95.

The middle years

MARK KRUPNICK

FROM HIS FIRST BOOK, *Goodbye, Columbus* (1959), to *The Professor of Desire* (1977), Philip Roth has been an autobiographical novelist who rarely strayed far from home. *Portnoy's Complaint* (1969) is the most famous of these autobiographical fictions and the one that established Roth with the general reading public. Since then he has written two more novels—*My Life as a Man* (1974) and *The Professor of Desire*—which have the same hero covering essentially the same ground. The life history of Roth's hero—variously named Portnoy, Kepesh, Zuckerman, Tarnopol—to the reader is by now almost as familiar as his own: adolescent literary and sexual ambition; disastrous marriage and the violent accidental death of his estranged wife; and, subsequently, guilt, impotence, and emotional convalescence with a sequence of sweet but ultimately unsatisfactory mistresses.

The Ghost Writer is part of this series. Like a nineteenth-century novelist, Roth brings back an old friend, Nathan Zuckerman, to play the author's younger self. Nathan will be familiar to Roth's readers as the erotically frolicsome hero of a short story called "Salad Days," which was first published in the magazine *Modern Occasions* in 1970 and forms the opening section of *My Life as a Man*.

Nathan is the narrator, in the first person, of *The Ghost Writer*. He has fashioned a novel, really a *nouvelle*, from diary notes scribbled down in 1956, when he made a pilgrimage to meet his literary idol, E. I. Lonoff. Lonoff's spare and mordant fables of "thwarted, secretive, imprisoned souls" spoke to Zuckerman then because they seemed "a response to the same burden of exclusion and enclosure that so oppressed the lives of those who had raised me, and that had informed our relentless household obsession with the status of the Jews."

That obsession—and Roth's obsession with exorcising the obsession—inform *The Ghost Writer* to the extent that it is a novel of Nathan's moral and aesthetic education. Lonoff is Nathan's spiritual father, but the young man—he is 23 and Lonoff 56 when they meet—also has a real father, a foot doctor who frets that his son's short stories may prove a scandal for the Jews. Although the Zuckermans live comfortably in Newark, New Jersey, they raise their son "as in an endangered shtetl," as if a moment's relaxation of vigilance may lead to the gas ovens. Nathan's stories, fictionalized accounts of family experiences, cause his parents and others to stigmatize him as a Jewish Goebbels.

When Mrs. Zuckerman warns her son about the perpetual precariousness of the Jews living among strangers,

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