

Merchants of Grain

By

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Summarized by cleangov

Introduction:

This book is about five huge multinational companies, Cargill, Continental, Louis Dreyfus, Bunge, and André, which are privately-owned by a total of seven families. [At the time the book was written.] One consequence of this private ownership is that they are not required to issue much information about their operations to the public, which a publicly-traded company would have to do. Since they are dealing with nearly astronomical amounts of intelligence data, collected by them directly, security and secrecy about their operations has been developed to a high level. One oil company executive, with a well-deserved reputation for secrecy, said that the grain companies were *really* secretive. Senator Frank Church once said, “No one knows how they operate, what their profits are, what they pay in taxes and what effect they have on our foreign policy—or much of anything else about them.”

After World War II it developed that more and more countries around the world who had previously been able to grow all the food they needed, found themselves importing increasing quantities of food from other countries, much of that food provided by America. They were basically shifting more of their population into the cities and other types of work, so they had less people producing the food. Most of the food traded internationally that is the subject of this book is grain. That is, wheat, corn, rice, barley, sorghum, oats, etc. The five companies above do not produce the grain, but they buy it, store it, transport it to ports, (often in their own boxcars, by rail) ship it across oceans in their own ships, and sell it to other private companies or to governments directly. They export and they import. They will buy and sell on behalf of any entity which has sufficient money.

All of these companies were started by individuals over a hundred years ago. They are the survivors, operating in a very unforgiving arena which has swallowed up and forgotten hundreds of lesser companies. Survival of the fittest very much applies to them, in your summarizer’s humble opinion.

[The book was written in 1979 and was the only book of its kind up to that point. As far as I have been able to find out, it is still the only book of its kind. In my opinion this is a testament to one of the values of private ownership and to how well these companies keep their secrets and stay out of the public eye. Pity we don’t have anything as comprehensive for the 37+ years since this book was written.]

Chapter 1:

An overview of some of the history and flavor of these companies, and of grain trading generally. We also see a summary of some of the events surrounding the sale to Russia in 1975 of millions of tons of grain, much of it from the US, and how that drove up prices. Good for the farmers, perhaps, if they waited to sell until the prices went up. Not so much fun for the consumers, or for the politicians in Washington.

He starts with a scenario of a shipping broker passing the word around the planet that a company named Glenas, Inc., of Panama wishes to charter dry cargo ships for 1-3 years to carry unspecified cargoes to unspecified ports. Quite a lot of ships. Quite mysterious. But first, a little history:

Ancient Greece and Rome, especially Rome, imported wheat from the outlying areas, such as Egypt. Merchants around the Mediterranean were involved in wheat trading for hundreds of years. In the 1800s Russia and North America supplied increasing amounts of wheat to the newly industrializing cities of England and Europe, which had drawn many people in off of the farms.

Wheat from California was loaded onto clipper ships and sent 14,000 miles around Cape Horn to reach Europe, especially England from around the Gold Rush era to the late 1800s. Greek shipping companies, largely family-controlled, were prominent in grain trade in the first half of the 1800s, and then were gradually displaced by European shippers.

The five major grain traders had already been around for a hundred years or more and had managed to survive many difficult times, including having property confiscated by governments (Germany and Russia), depressions, wars, revolutions, etc. They are among the world's largest multinational corporations, and may be the two largest privately held companies in the US. (Cargill and Continental.) [at the time of publication of the book, 1979]

They are not only grain traders. They own companies that are involved in a big way in steel, shipping, beef and poultry farming, milling of flour, paint, hotels, real estate and more. And each of them have their own intelligence apparatus for gathering hard-to-find information, such as the projected size of the Russian wheat harvest, or the likelihood of a good catch of anchovies on the western coast of South America (which is used for animal feed as a source of protein and influences the demand and thus the pricing of soybeans), all of which is used to estimate or project the rise and fall of demand and supply of various commodities all over the planet.

Even though they do not produce the raw grain products they buy and sell, they are key players in the global trade of these commodities because of their control of the means of storing these grains, and shipping them to any location on the planet, and the ability in many cases to process the raw products to produce either flour or soybean meal or high fructose corn syrup or any of the other zillions of products chemists have learned to extract from corn. They also utilize their intelligence networks and their communications networks to be able to do all of the above and make a profit at the same time, in a global market place with many, many influences on supply and demand of any of the grains.

That is, they may take an order to sell 100,000 tons of wheat to a country in Europe at a certain price, because they know they can buy it in Australia and pay to ship it halfway around the world, at a price that still makes money for them.

Farmers take much of the risk, being unable to control the weather or what one's neighbors are planting, but the big grain traders can manage to make money whether market prices are going up or going down.

The large grain traders are largely non-political. They will buy or sell from anyone. They function best when not regulated by cumbersome restrictions imposed by governments, but they have the resources to survive, even thrive, in over-regulated parts of the world, when smaller players cannot.

From the end of WW II to 1975, the volume of worldwide trade in grains grew from at most 30 million tons annually to nearly 160 million tons. The countries that import it essentially pay for it out of their exports of other products on the world market. [Which, to my mind, is a little-noticed datum that points up the importance of production generally in the subject of economics. That is, production is key. Whether one is talking about a nation or about a single individual. If one produces, and gets paid for what one produces, then one has money to spend, either on end-user consumption or on tools and means to increase production. This applies to individuals or to governments.]

Poor countries that do not produce much, and have no excess cash, are not able to afford to buy grain unless they are given "credits" from a wealthy nation, such as the US.

In the months of June and July, 1975, he relates several short stories about the Russians buying several million tons of wheat, and almost all of it outside of the normal informational channels of the US government. That is, the US government couldn't find out really what was happening until it was all over.

[Of large interest to me is the viewpoint put forth that there was much debate and discussion about whether the disposition of the American grain surpluses should be left to market forces to decide or whether they should be subject to governmental control, so as to somehow smooth out fluctuations in supply, and presumably demand, and somehow result in stable prices which did not cause the consumers to rise up in arms because of rising prices. For the record, I'm in favor of leaving it to free market forces. I also think farmers and consumers should be a lot more intelligent about how they go about producing, and consuming. More on that at another time.]

Chapter 2:

Early trading by sea involved someone willing to put up some money to be used to buy some goods, someone with a ship who could carry the cargo, and a brave entrepreneur-type of person who put the whole deal together and who was willing to (often) go along for the ride, and to make sure it all happened according to plan. A lot of early trade like this was for luxury items

such as chocolate, coffee, tea, tobacco, spices, sugar, ivory, and indigo. Very little or none was for such mundane items as grain, except for the aforementioned Rome and Greece. Most grain was produced and consumed within a few miles of where it was grown.

When folks left the farm in England in the late 1700s and early 1800s, they began eating bread as their preferred food. One report said that workers in Paris, London and Manchester spent half of their wages on bread, which seems phenomenal. The beginnings of the trade to supply this wheat was filled with uncertainty and hazards, both from natural causes and from governments. Often Russian wheat would be shipped from Odessa on the Black Sea bound for England, with no pre-arranged price or customer for it. It would take its chances that the ship would be allowed to dock, and then try to find a customer. British trade laws allowed for closing the ports to foreign wheat if the price fell below prices set in England for English wheat from English farmers, because of a law passed in 1815. Some clever Greek traders would take samples of wheat from ships as they passed by Constantinople and send the samples overland to England, to find a buyer for the ship which would later dock and find out who its customer was.

But by 1845 the English farmer was no longer able to increase wheat production fast enough to keep up with the increased demand by the English factory worker, and the restrictive laws (called the Corn Laws. All grain was lumped under the term, “corn,” in England) were repealed in 1846. The repeal of this one arbitrary law opened up England to the possibility of importing wheat from all over the world and was actually partly responsible for opening up vast areas of the world to settlement and the growing and exporting of wheat.

Many of the early traders involved in this growing trade flourished along the Rhine river in Europe and the various population centers and shipping ports. (Rotterdam and Antwerp) And here we find four of our Famous Five getting their first start. The Fribourgs of French Lorraine, (later of Continental, now based in New York city) the Louis-Dryefuses of Alsace, and the Bunges of Antwerp all began in the years following the repeal of the Corn Laws. Similarly, Georges André began in Switzerland and came down out of the mountains to start selling grain in Nyon. All of these folks began with next to nothing, or only modest resources from existing family operations, and braved many uncertain economic conditions and weather and conflicts and shady characters in various places and of course, changing governments.

The peasants who produced all this grain were at the low end of the food chain and were almost dismissed as having any real importance in the overall scheme of things. This has been traditional in many different places and times. [and may be wired into our psyche somehow, given the US government’s obsession with attempts to take control of the product of US farmers, for dubious “foreign policy” objectives)

Wheat became a global export crop, produced in places as far away from Europe as America and Canada, Australia, Argentina, and even India. (Poor farmers in India developed a strain of wheat that grew rapidly between the monsoon seasons, and this wheat became Canada’s main wheat crop, because it could grow and be harvested in the short Canadian growing season.)

He contrasts the efforts of American farmers in the late 1800s to get concessions from railroads and grain storage companies, through the courts, after protracted disputes over prices,

with the almost zero results experienced by the farmers in Argentina, against the big landowners, railroads, and exporters. The farmers in Argentina owned very little and were able to exert almost no influence over other, bigger players in that arena, and as a consequence enjoyed very little of any increase in world prices for wheat.

Chapter 3:

The rise of the world demand for wheat in the 1800s coincided in America with the rise of the American tycoon, and the Midwest became a gigantic game board on which to play, with folks such as William W. Cargill and rivals such as Frank H. Peavey, the Pillsburys, and others slugging it out, no holds barred.

Wheat was the main source of agricultural income. Corn was not yet of much interest as a commodity crop, because it was too difficult to separate the kernels of corn from the cob, until a mechanical sheller was available after 1902. Oats were not dense enough to make filling railroad boxcars with them, compared to wheat. So, oats were available locally grown almost everywhere.

The economics of wheat on the world stage resulted in the price of wheat being established far away from the producing farms of Minnesota, Wisconsin, Illinois, Iowa, and Kansas. The prices were set in places like Chicago and New York, and also in Liverpool, Buenos Aires, Karachi, Odessa, Antwerp and Marseilles. This meant factors of storage of grain and means of shipping it vast distances, and making a profit at all of the intermediate places along the way from farm to table, were more influential than the efforts of the individual farmer. That is, the farmer didn't get the full "price" of the grain, because others had expenses, and profits, along the way.

Due mainly to competition from other wheat producing areas, such as Canada, Argentina, India and Australia, wheat production and exports from California rapidly shrank by the start of the 1900s, and the great inland valley of California began switching over to irrigated fields of other crops.

The vast prairie areas of the central US gradually became endless fields of wheat, exported all over the world. But it didn't happen overnight. A lot of hard work, and some smart people had to solve several barriers and problems in the way of producing and shipping and processing mega quantities of grain.

Transportation of grain from farm to market was a problem. Solved by the use of rivers wherever possible and gradually railroads were extended into producing areas.

Mills were set up by people like the Pillsburys and the Washburns, initially at the St. Anthony Falls in the middle of what is now Minneapolis, on the Mississippi river.

At first the mills used stone grinding wheels, similar to the ones used for centuries in Europe, but these had trouble grinding the hard wheats that grew best in the colder climate

around Minnesota, and the slightly inferior wheat produced in this way brought a lower price, compared to wheat made from softer wheat varieties from the eastern US or from Europe.

Cadwallader Washburn assigned an engineer the problem of improving the quality of the product coming out of the mill and the solution, still the basic solution used today, involved using compressed air to suspend lighter particles of wheat and thus separate those finer grades of flour from the coarser grades. This boosted demand for the wheat coming out of the upper Midwest, and the higher protein content of these harder varieties of wheat also added to the desirability of these flours for many different types of baked goods.

The best, most sophisticated milling equipment in the world at that time was in Hungary. Both Pillsbury and Washburn managed to (separately) steal the knowhow and samples of the key components of the equipment from Hungarian mills and bring that “hi-tech” solution back to Minneapolis.

Will Cargill started his operations in this area around 1870 with two of his brothers. Frank Peavey started working in the grain business around 1874. Both of these men became the most successful at arranging storage of the grain and working out deals with the railroads to extend rail service into areas where it was needed. This business at that time was pretty “free-wheeling,” with many individuals and companies all competing for resources and advantages over everyone else in the arena.

When people like the Pillsburys and Washburns and Cargills and Peaveys achieved an advantage in a particular area, whether it was through improving the technology, or the quality of the product, or lowering the cost of storage or shipping, those individuals and their companies reaped the harvest of higher profits.

Not the farmer. The farmer was often the effect of the bankers and the railroads and the big companies that stored and processed and shipped the grain. If speculators at the Chicago Board of Trade drove prices up or down, the farmer played no part in that and was often stuck with whatever the price happened to be when the farmer wanted to sell his product.

The Chicago Board of Trade had its flaws, and it did provide an arena in which unscrupulous speculators could attempt to make profits by essentially gambling or attempting to control the market. But the Board of Trade was a huge improvement over the largely lack of organized market for trade that existed before, when farmers found no ready market for their product and had to lug it all over town looking for a buyer willing to buy it at a “good” price, and had no readily established system for storage of grain or for arranging for “futures” sales of grain at agreed upon prices. Even knowing what the current “price” of grain was at any given time was difficult because there was no published price that applied to any given area.

The grain exchange centers in America and Europe and South America were early on connected via undersea telegraph cables which was the first international business which made use of that new technology, to facilitate the exchange of pricing and other vital data around the world.

The people who innovated in the many various areas of storage, shipping efficiencies and shipping methods, and the use of futures markets, milling, etc., reaped the greatest profits and benefits. The farmers who produced the grain were not as successful in enjoying all those benefits, but then, they did not take the actions that resulted in all the innovations. The farmers in America and Canada did gradually win decisions in the courts and won some government regulation which “leveled the playing field” somewhat to reduce or eliminate some of the “sweetheart” deals made by railroads, grain warehouses, and shipping lines. And they do benefit from an ethically regulated grain market. That is, the farmers didn’t have such a bad time of it as their counterparts in, say, Argentina. For the many immigrants to America and Canada who started farms and had to endure very primitive and difficult conditions before building things up to viability, conditions were still better than what they had faced in the countries they had left.

Chapter 4:

This chapter covers a period from around 1914 to around 1940, a time of tremendous change, tumult, war, depression, and upheaval around the world.

In the early part of this period it was still possible for a brave fellow with some connections and a knowledge of the grain business and access to credit, and a telephone, to step into the business and operate successfully as a grain trader. It took guts and a sharp mind and the ability to see opportunities and act quickly, and to “sell” people on whatever deal one was working on at the moment. One didn’t need a huge bank account or a fleet of cargo ships.

Before WWI Russia was the largest wheat producer and exporter, and India also exported wheat to Europe. After the war, and the revolution in Russia, wheat no longer flowed out of Russia and as India’s population grew, its ability to produce excess wheat available for export dwindled. This left America as the main source of wheat exports to Europe.

Governments imposed various restrictions or controls on the sale of grains, and grain traders had lots of hazards that occurred often without much warning and also lots of opportunities for profits.

The Fribourg brothers fled their well-established base of operations in Antwerp, near the mouth of the Rhine, in 1914, just before the German army arrived. They had operated there for three generations. They packed up what they could and moved to London. In 1920 They opened up a new company, Compagnie Continental, in Paris. (And later opened Continental in New York.)

The Bunges had been blacklisted during the war, due to concerns about Bunge family sympathies for the German side of the war.

The Dreyfus company lost grain elevators and a naphtha plant, reportedly worth \$10 million, on the Black Sea in 1917 when things went bad in Russia.

Still, the Bunges and Dreyfus folks could operate well in Argentina, and Dreyfus had good connections in the Balkans, despite its often turbulent affairs.

It was a very rough and tumble period, with risk and opportunities everywhere. An FTC investigation in New York City covering the periods 1920 and 1921 found some trading companies making profits of up to 400 percent or 600 percent of their capital plus bank accounts. At that time 3 companies, Dreyfus, a Bunge subsidiary, and a British firm called Sanday had 30 percent of the total volume of the grain trade, and 33 other companies together collected the remaining 70 percent. The big companies did the most volume, but because a huge amount of capital was not required to operate effectively in this market, others could join in and make their play. If they had access to credit they could contract with shipping companies and could hire private third party companies to store the grain. If they had knowledge of the markets (mainly in Europe) and had good connections and communication networks, they could operate.

Because it didn't take a lot of money to get started, or to continue operations, companies tended not to take their companies public, getting outside investors to bring capital into the business. And by not going public, they could keep the ownership circle small, often in one or a few families, and thereby also keep a higher level of secrecy and security of vital intelligence data needed to try to get a leg up on the rest of the market.

Easily half or more of the money needed for operations and buying large quantities of grain was borrowed money.

All through the 1920s life was good and profits were large and relatively easy to come by, for the legitimate grain traders and for the speculators as well. Life wasn't so good for the farmers and peasants around the planet. The 20s saw some booms but also busts and generally low prices for their products. Too much product compared to the demand.

Then came October of 1929 and everything changed. Things got worse for everyone. The price of wheat on that Black Thursday dropped 10% in two hours and it just kept dropping, just at a time when speculators had bid up the prices of wheat way beyond what the market would normally sustain, and the grain traders had been forced to buy at those inflated prices, knowing they were too high, but needing to have product to sell to their customers.

So, as the prices just kept dropping the folks who had bought wheat at high prices, on credit often, found their creditors demanding money before they were paid by their European customers. That's difficult to deal with and many of the poorly capitalized companies went bankrupt. Only the largest and financially most sound companies survived.

By 1932 wheat sold for 50 cents a bushel in Kansas City and corn sold for 32 cents a bushel in Chicago.

Things were worse in Canada and some other parts of the world's wheat producing areas.

At a time when the apparently prevailing economic philosophy in Washington was free-market, with confidence that the price and supply situations would eventually work themselves out, other nations around the world were imposing tariffs and initiated government programs to

increase their own production of wheat. (in Italy and Japan) So, prices in America stayed low and farmers had it rough.

With the New Deal we saw farm programs put in place in America, which set price supports, subsidies, and regulated how much acreage farmers could plant for different crops, in an effort to control oversupply somewhat, without killing the income of the farmer. That is, paying farmers not to grow certain crops. These became normal and routine.

[If there were no depression, perhaps there would have been no New Deal and no government regulation of farming and trading grain in the US. Who knows?]

All of that resulted in less price fluctuations, less profit potential on any one trade, and more government regulations and paperwork to deal with, in trading grain. This made it more difficult for the undercapitalized speculator type of trader to succeed. But the larger companies with more money to work with and a network of storage elevators, river barges, port terminals, and shipping, and efficient far-flung communications networks, could most efficiently move grain from farms in America or South America or Canada to hungry mouths in Europe, and so gradually grain trading became dominated more and more by a relative handful of giant companies.

[He includes some details in the life of the Cargill company, from the time period 1909-1916 when the company was close to bankruptcy, and during which the family of John MacMillan, who had married a Cargill, emerged in control of the company. Then came 1929 and almost nothing is known about its travails during that period, except that Cargill brought in John Peterson, formerly vice-president of Chase National Bank, to run the company. Peterson, along with John MacMillan Jr., an engineer, and a Jewish trader named Julius Hendel, were the key people at Cargill which continued a drive for acquiring elevators, river barges, etc., all through the 1930s, which set the stage for future expansion after the Depression ended.]

The other big companies, Louis-Dreyfus, The Bunges, The Fribourgs, (Continental), and Georges Andres, all continued acquiring more and more facilities during the 1930s, in the teeth of the Depression, which would pay dividends down the road. Many of the acquisitions were in industries not related to trading grain.

The prosperity of the huge international grain trading companies during most of the 1930s stood in stark contrast to the poverty conditions faced by most of the producers of what was being traded, the farmers in Europe and the Americas.

Then Germany invaded France and Belgium and the Netherlands in May of 1940 and things were turned upside down once again. The Fribourgs fled Paris, but didn't have the papers to go to New York. They ended up crossing the Spanish border on foot and they made their way to Lisbon and from there to the Dominican Republic, and months later were allowed to reach New York, where their offices were in full operation already, awaiting their arrival.

The Dreyfus family empire also was headquartered in Paris. They had no alternate headquarters in America waiting for them. Any assets the company had in America were frozen

by the US government, along with all other French assets, as soon as Germany invaded France. They worked out a deal to transfer their holdings in America to American cousins in a 15-year trust, after which time, in 1955, it reverted to the Dreyfus family. Most of the ships owned by the company were adroitly removed out of France to England by Pierre Dreyfus, how was not entirely clear.

Georges André, in the mountains of Switzerland, started building his own ships, because no ships from either side of the war were available. By the end of the war he had more ships than just about any other Swiss company.

The Bunges did OK until after the war ended, when the new guy in charge in Argentina, Juan Perón, took office in 1946 and began moving in on the grain trading business. His government would buy at very low prices from the farmers (\$1.25 per bushel) and sell at very high prices to Europe (\$5-\$6 per bushel). The difference was used to both increase the industrialization of Argentina and line the pockets of Perón and his cronies. By 1948 the takeover of the Argentine grain trade was complete. So The Bunges started investing in Brazil and America.

Chapter 5:

WWII resulted in widespread destruction of farming areas in Europe and Asia, and many places were desperate for food after the war. The United States government provided incentives for farmers to produce as much grain as possible, restricted domestic flour consumption, and the result was that America supplied half of the international wheat exports from 1945 to 1949.

As the 1940s progressed, grain surpluses began to build up in America. This resulted in lackluster pricing and low profits, and the big five grain companies began investing in other areas, such as ship building, soybean processing plants, corn processing plants, to get a better return on the money invested.

By the early 1950s the American grain surplus was a routine thing and basically the myriad of government farm programs resulted in US farmers producing too much grain every year, and getting paid for it, while at the same time the rest of the world didn't have enough money to buy the excess. The farmers as a voting block was large, perhaps 1/5 of the US population, and wanted the farm programs to remain in place. So, even if the "free-market" oriented folks in Washington wanted to dismantle the farm programs, they couldn't, for fear of being voted out of office.

Since a big portion of the grain produced in America went to feed cattle, hogs and chickens, (corn and soybeans, mostly) the idea developed that America should get people around the world eating a lot more meat, which animals would then be fed American exported corn and soybeans. Getting people to eat more bread would increase the demand for American wheat. People around the world would be taller and stronger as a result of eating more meat. America sells more grains, which helps get rid of surplus grain and helps with the balance of payments. Everybody wins.

In 1954 Public Law 480 was passed, which basically set up a foreign food aid program which extended credits to foreign countries who could not afford to buy American grain. This was a very broadly worded law which made it possible to extend credits for humanitarian reasons, or for foreign policy reasons, or to get rid of surpluses, or to support the development of agriculture in other countries. Everybody could use it, practically, to forward their own government priorities. In 1959 the program financed four out of five dollars of wheat exports and 9 out of 10 dollars of soybean oil exports. In 1963 this program financed over a third of the country's total agricultural exports. In 1971 government programs financed about \$1.1 billion out of a total of \$7.6 billion in agricultural exports. In 1973 this had dropped to about \$.9 billion out of a total of \$17.6 billion in agricultural exports. The P.L. 480 program persisted until the 70s. The main beneficiaries of the program were farmers who were paid above market prices for grain surpluses that could not be consumed domestically.

The rest of the chapter describes some of the details of Russian grain purchases from Canada and America in the early 60s, which were quite involved.

Chapter 6:

In the early 60s the main grain problem for America was too much of it. At one point there were a billion bushels of unsold grain sitting in storage.

This chapter gives several case studies of the new American policy of basically forcing or maneuvering or influencing other countries to buy our agricultural products, with an emphasis on Iran.

The government fended off an attempt from Russia to sell Russian soybean oil to Iran, and the American soybean oil remained favored in Iran.

America sold wheat to Iran. Australian and Canadian wheat also began to be sold to Iran. The US offered to finance wheat sales to Iran under Public Law 480. That helped, but then one of the big companies that was selling American wheat to Iran was also selling Australian wheat to Iran. [Remember, they buy and sell to anyone who has sufficient money.]

We see an example of the nations of the world attempting to set a fixed price for wheat, which rapidly fell apart as signers to the agreement, including the US, undercut the official price by offering subsidies to farmers at lower prices.

Other examples talk about the US relationship to Europe, in which the 6 original members of the European Common Market formed a "common agricultural policy, or CAP. The amount of energy spent trying to modify the CAP or work around it or protest against it, by figures in the US government and in companies like Cargill, was large.

A graph of world grain exports and US grain exports from 1962 through 1978 showed things trending flat from 62 through 68, and then trending steeply upward from 68 through 78, both for the US and for the world at large. [So, I'm skeptical that all the behind the scenes maneuvering and politicking and negotiations made much difference, compared to a general

increase in production levels and prosperity worldwide, that made a lot more things possible, including buying more and more grain.]

As hybrid seeds and fertilizers and irrigation and new methods of farming contributed mightily to steadily advancing crop outputs during the 60s, an interesting fact [to me, at least] was that the CIA reported in India that as the population shifted away from native coarse grains to new wheat varieties, the quality of their diet was reduced. This was because the new wheat varieties tended to be low in amino acids, which are the building blocks of protein and which are essential to humans. [Well, to me this raises the very interesting question of what kind of wheat varieties are we eating here in the US right now? I have read that the wheat varieties we plant in the US are NOT the same varieties we used to eat 50 or more years ago, and that the varieties we plant now are designed more for keeping qualities and ability to stand up to long distance shipping, than they are designed to provide nourishing, tasty food. I know the bread available commercially here in the US does NOT taste as good as the bread in Canada, which uses a different variety. It's worth it to find outlets of older varieties of wheat, and grind it into flour and make bread at home. Check out Einkorn wheat flour which is reportedly the oldest strain of wheat on the planet. Makes great blueberry muffins, but that's another story.]

An example is given of another grain sale to Russia. It seems as if each time Russia wants wheat all kinds of machinations have to take place behind the scenes before everything is approved. Once the basic approvals and concessions are obtained, it's a relatively simple matter for the Russians to work out a deal with one or more of the big five grain companies, and they get their wheat, usually at a very good price. [Although no one seems to know the exact price they end up paying. The grain companies aren't talking and the US government probably doesn't know, either.]

Russia ends up buying huge amounts of grain in the summer of 1972, and officials in the Nixon administration professed to be completely in the dark about the details of the several different transactions, made via several of the major grain trading companies, until well after all the dust settled, even though the CIA was passing on regular reports of grain trade activity from all across the planet, not just the US.

Demand from newly-affluent nations increased the demand for US agricultural products, including grain. Severe drought in Africa and crop failures in Asia and, of all things, a decline in the anchovy catch off the coast of Peru [which is used as a source of high protein feed for animals. If less anchovies available on the world market, then there's more demand for high-protein soy bean products.], all of these factors resulted in strong demand for US grain, which stocks had just been severely depleted by the Russians getting there first and buying up mega-quantities at the good price. Everyone else, including the US consumer ended up paying more and more for food, due to less supply and folks around the planet bidding up the prices.

This was terrific news for the US Department of Agriculture, which liked higher prices for US farm products.

This was bad news for the American consumer and for the Nixon administration generally, already facing high inflation rates and already having put a wage and price freeze into

effect in the summer of 1971, and coping with all manner of shortages and rising prices, in the face of worldwide affluence and increased demand.

Good news for the big grain traders which saw profits soar to unprecedented levels by the end of 1972.

Chapter 7:

This is an impressive summary of the expansion and diversification of the five giant grain trading companies, all over the planet. Well worth getting the book to review this chapter in depth, all by itself.

It also details a kidnapping of two of the Bunge family heirs in September of 1974 in downtown Buenos Aires, and the subsequent \$60 million ransom that was paid for their release. Quite informative in that the kidnappers released a report detailing the family's vast reach into most aspects of Argentine government and economy.

The companies diversified into other industries and activities for several reasons. One was to invest in areas that offered a higher rate of return. One was to even out fluctuations in profits due to changes in worldwide market prices of grains. One was to avoid what they saw as over regulation of grain production and grain trading by governments and to get into activities that were not overseen so much by governments. [An example is Cargill which started selling tapioca "chips" from Thailand to European farmers who use it as a source of protein in their animal feed. Unlike corn or soybeans, tapioca production and sales is largely unregulated.] Another reason was to get into industries that were taxed less heavily than grain. [The book elsewhere described one company's use of foreign subsidiaries to run sales and profits through foreign countries that have low tax rates, such as Panama, in what is an early version of similar techniques being employed by Apple today and other companies, and which is gathering so much scrutiny from Washington in an effort to stop losing tax revenue.]

None of the companies was more successful at diversification than Cargill. Page 170 has a large chart summarizing the global reach of Cargill, as of about 1978 or so. Very impressive. It includes such data as: 14 ships, 3000 railroad cars, 400 river barges, 40 port elevators, (in the US) and last, but not least, 140 subsidiaries in 36 countries. [That was nearly 40 years ago. It has to be a lot more by now. The other companies may not be that large, but then again, it's hard to know exactly how large they are. As detailed in the book, their holdings and activities around the planet are beyond extensive. As mentioned above, this chapter in its entirety is well worth the price of the book, all by itself.]

Chapter 8:

This chapter is about family ownership and control of these five giant companies, and how they deal with succession issues. That is, who takes over control of the family business when executives become too old, or retire, or die?

To begin with they are all privately held companies, and all of the ownership is kept in the family. Seven families own the totality of these five companies. The family members also run the companies. That is unique on the world stage, for ALL of the leading companies in such a major industry to be family-owned and family-operated. [I believe one of the five was sold to a more conventional company in recent years.]

They do not have to issue public reports detailing their operations, their income, their profits, how they invest the money, what their operational plans are, what new industries they are going to move into, they don't have to answer to an outside board of directors, any of that. Their success often depends on obtaining information that is not widely known, before some competitor finds out, and before some government finds out, and having the resources to ACT on that information quickly and move commodities to where they are needed, while making a profit.

All of the companies hire family members in key positions. They all are incredibly secretive and the feeling is that family members will keep secrets. It's also a trust factor. Apparently, things sometimes happen so fast in this business that it's hard to write everything down, so one has to have trust in other members of the team to do the right thing and also not to run off with some company cash.

A big advantage of private ownership is the ability to move money around without having to file detailed financial reports to the government. One example given [perhaps in a later chapter coming up] was of a case of the US government demanding information from a trading subsidiary in Switzerland owned 50% by one of our Fabulous Five and 50% by a Swiss bank. Because the company was half-owned by a Swiss bank, the company could legally tell the US government that it was illegal for the partly Swiss-owned company to divulge any information to the US, and that was where the investigation stopped. Simple. Effective. Probably anticipated long before as one of the reasons for going into a partnership with that Swiss bank. Smart.

In the case of Cargill in the mid-70s, some of the profits from off-shore companies end up in a family foundation in Switzerland where they can grow without the pesky handicap of supporting the wasteful activities of the US government, until such time as proceeds end up being distributed to one or more family members.

A trust for Cargill family members handles operations involving money, but not much is known about that, really. [a magazine article I read recently about wealthy families in America talked briefly about some members of the MacMillan family, and Cargill, and stated that a fixed percentage of the company profits was always reinvested in the company's expansion. That is, it was not all distributed to family shareholders.]

With a very few exceptions, all of the leading members of the controlling families of these companies do not get out very much. That is, they do not mingle much in the cities in which they have their headquarters, or where they live. They are not known for making sizable donations for worthy causes. They keep a very low profile. The kidnapping of the Bunes in Argentina was a shock to all of them. It was like, "If it can happen to them, it could happen to

us,” and made it clear that A) staying out of the limelight was important and B) it was becoming harder and harder to remain completely anonymous and invisible.

In demographics, some of the families are Jewish, some are Scottish, and one is a member of a strict sect of Calvinists. But all are very private, to an extreme degree.

There have been a few instances when there was no family member experienced or able enough or old enough to take over the reins of power at the time needed, and then the companies have brought in an “insider” who is “outside” the family to run things for a few years until a family member is ready to take on the top management job. The people brought in are always long-time employees who are themselves quite capable and whose loyalty is not in question. At the right time, control is then turned over to another member of the family who is ready for it, and life at the companies continues on as before.

On a few occasions subsidiaries were placed in the hands of trusted lieutenants who then operated their areas differently from what was wanted by top management. At that point the relationship was severed and top management either regained control of the operation, or watched helplessly from afar as a discharged subordinate ended up with a sizable chunk of some distant operations, leaving the parent company to start over in that area.

Chapter 9:

This chapter talks in some detail about how the major grain companies actually operate internationally to take advantage of low tax rate countries and low regulation countries, and their ability to “hedge” in government-regulated grain exchanges, and also in a privately-operated, 24-hour grain exchange wherein the large players, and sometimes governments, buy and sell physical grain and also futures contracts. Again, this one chapter would be worth buying the book, all by itself, in my opinion.

Today, buying grain, storing grain, moving grain halfway around the planet, and selling grain, and making a profit doing it, is a business in which a small trader or company limited to a single country can still operate, but nowhere nearly as efficiently as the huge international companies, or as profitably.

They can rise above currency exchange rules, regulations, and even taxes to a large degree, which the national outfits cannot hope to do. I don't mean to say that they operate freely, but they can outmaneuver the various countries' regulations and tax laws and laws restricting the movement of money or grain much better than the small guy limited to operating within only one country.

An example is a trading company set up by Cargill, called Tradax, in Geneva Switzerland, along with another, separate trading company in Panama, called Tradax International of Panama. A possible sale of grain from America's heartland physically would go down the Mississippi River by barge to be loaded onto a ship at Baton Rouge and sail out of the Mississippi River and over to Europe, where it would be delivered to a company that sells feed stock to pig farmers, let us say. Basically a simple transaction. For tax purposes, however, the

route traced out on paper, should the IRS care to follow this transaction, actually breaks down into a few separate transactions: Cargill US sells the grain to Tradax Panama (presumably for very little or no profit). Tradax Panama “hires” Tradax Geneva to be its agent, who then arranges for the sale to a European milling company through its subsidiary, Tradax Holland, and Tradax Panama pays a “brokerage fee” for setting up the deal between Tradax Panama and Tradax Holland. One of those transactions, at least, results in a hefty profit (we presume) and everybody involved makes some kind of profit. But it’s likely that the largest reported profit will be in the country with the lowest tax rate.

All of the buying and selling is from Tradax to Tradax. It’s the only outfit that really knows what is being done, in detail.

The other grain companies have set up similar companies or operations “offshore,” meaning outside of the US. Louis Dreyfus has a subsidiary in Panama called Sesostrad. Bunge is owned by a holding company on the island of Curaçao, in the Netherlands Antilles, just off the coast of Venezuela. The beneficiaries of the holding company are mostly Bunge and Hirsch family members. Because of a treaty between the US and the Netherlands, dividends paid by US subsidiaries owned by Curaçao companies only pay a 5% tax, plus a 2.5% fee taken by the Dutch authorities. Everybody wins, except Uncle Sam.

[Notice that these kinds of advantages are not available to the typical wage earner in the US, or any other country either, which makes it possible to reinvest a larger portion of one’s profits back into expanding the business, because you’re not giving so much of it away as extortion, excuse me, as taxes, to the US government, or to some other high tax rate country. Ploys like this, perfectly legal, are one reason why the rich keep getting richer and the average Joe basically treads water, year after year, wondering why it’s so hard to get ahead, or goes deeper into debt.]

When Michel Fribourg finally reluctantly moved Continental’s European Headquarters from his beloved Paris to Geneva in 1974, their tax rate immediately dropped from 50% down to 8%, and the onerous French regulations restricting their ability to operate in the futures markets disappeared. What’s not to like? [Again, This immediately improves one’s ability to reinvest larger amounts of money into expansion, instead of seeing one’s profits “wasted” by giving them to governments that spend them foolishly. Again, the average person working at a factory, or even a very productive entrepreneur or stock trader does not have this kind of an opportunity to reduce their taxes so drastically, and thus end up with more money for enjoying life, or for expanding one’s operation or going into business for one’s self.]

He talks about a private grain exchange set up by the grain companies to sell whole ship cargoes of grain amongst themselves. [location not stated.] The participants include the major grain companies, large milling companies, and sometimes smaller commodity traders and, some say, national grain boards of unnamed countries. This exchange operated (I don’t know if it’s still in existence.) 24 hours a day. The advantages include not being regulated by any government, so the limitations on how much the big grain companies could “hedge” was not limited, and it operated all the time, and there were no “margin” requirements to put up a minimum amount of money to place orders to buy or sell grain. “Your word is your bond,” was

the watchword, which I find absolutely amazing. That one could place orders for a couple-few million dollars' worth of grain, a whole shipload, with no money put up is phenomenal. It does indicate a very high level of ethics and of delivering what one says one will deliver. It's a certain cut-throat type of ethics, meaning very much let the buyer beware, and one pays for one's mistakes very brutally sometimes, but it's still amazing to me that such large quantities could be bought and sold with essentially no down payments.

The private exchange is another example of how the large companies can evade, or operate outside of, the rules and regulations set up by various governments. Prices set on the private exchange and the grains moved from one part of the world to another as a result of transactions made on that private exchange will most certainly affect supply and demand worldwide, and that will also affect the prices showing at the various official, government-regulated grain exchanges around the world.

The grain companies are possessed of such a huge amount of proprietary information from all over the world, and have the physical resources and the finance, so that they are literally the most efficient engine to move these grains from where it is in abundance to where it is needed, far beyond the abilities of any government to duplicate, let alone to try to monitor and regulate, completely.

Any government, even the US government, finds it almost impossible to find out who is selling what grain to what customer, or at what price a transaction was made. As in, 40 million tons of American grains sold to Russia between 1971 and 1977 for which the US government has no clue as to the prices involved. That's a lot of grain to be in the dark about.

He gives a couple pages to discussing the many different prices of, say, wheat around the planet, depending on local circumstances and the world demand at the time, and the many pitfalls waiting for traders in this arena to make mistakes, due to lack of knowledge about specific factors, some of them not obvious to mortals, which affect supply and demand in various parts of the world, and thus prices, and thus one's ability to make a profit or not. Fascinating and well worth reading in detail.

The big grain companies all use professional weather forecasters that cover the world, and the grain traders follow many threads of news sources continually. Cargill at the time of the book received 14,000 separate communications a day at its Minnesota headquarters. Traders live with a constant stream of facts and news bits coming at them, and their job is to calculate the various effects of all the events happening around the planet on the various grains that their company buys and sells. And to judge what the various prices will be. And to make decisions to buy or sell based on those judgements. Not for the faint of heart.

The largest grain exchange on the planet is the Chicago Board of Trade, one of several on the planet. [The Chicago Board of Trade merged with the Chicago Mercantile Exchange in 2007 and I do not know the details of how it operates today.] It is a loud, raucous place filled with much shouting, as traders in the "pits" fill orders to buy or sell a multitude of commodities, including grains. The first impression is that this is where grain prices are set, through the tumultuous hubbub on the trading floor, but in reality, according to the author, prices are really

set at the places on the planet where large quantities of grain are actually physically sold, such as at Geneva, Winnipeg, Ottawa, Paris, London, and Moscow. [And, I would say, Minneapolis for wheat.] He compares the floor traders to mercenary soldiers doing the bidding of generals at the trading desks of Cargill, or Continental, etc., who make the major decisions.

Chapter 10:

This chapter gives more details of the international interdependency of the grain trade, and the resources available to the international grain companies to operate within that arena.

We see an example in 1976 in Zaire, Africa, how the then-ruling government got strapped for cash when the price for their copper exports fell on the world market. Many companies doing business in Zaire had to wait in line to be paid. Continental had built a flour mill three years before, only to see an uncle of the President get a license to import European flour into Zaire. What to do? In this case Continental diverted a monthly shipment of wheat to another destination and its flour mill reduced its output of flour. It didn't cut off the flow of flour, but only cut it back. The almost instantaneous result was long lines and people hoarding flour. Government officials soon agreed to what Continental wanted which was: Cash payments for all future shipments. Repay the old debt at the rate of \$1 million a month. Only American wheat can be imported, in all but a few special circumstances. Continental has the exclusive right to produce flour in Zaire. Continental gets to approve or disapprove all requests by others to import flour into Zaire. [Brings to mind some of the alleged deals made by Rockefeller back in the late 1800s regarding railroads and oil and kickbacks, etc.]

For Zaire and other developing nations, their exports financed their imports. Bread was largely unknown before the arrival of Europeans who often took over the country. As time passed the local citizens grew more and more to like bread, either because they liked the taste better than their locally-grown foods, or because it was associated with the elites who had previously run the country. The developing nation didn't export manufactured goods, which it had added value to, only raw materials, such as copper, rubber, specialty fruits, coffee, cocoa, bauxite for aluminum, etc. The value of these items fluctuated on the world commodity markets due to a wide range of factors. If housing starts goes down in America, then demand for copper for copper pipes goes down, and then the price of copper goes down and then a copper exporting nation has less money to buy wheat and other needed items. If Russia goes on a buying spree for wheat, then the price of wheat goes up, and developing nations have to pay more for their wheat, or else make do with less wheat.

At the time of writing, several Swiss companies specialized in constructing flour mills, soybean processing facilities, factories for extracting a multitude of sweeteners and other materials out of corn, all over the planet on behalf of the five big grain companies and other outfits such as Ralston Purina, Archer-Daniels Midland, Pillsbury, General Mills, and others.

Cargill, specializing in the protein end of products, has soybean processing facilities in the US, Europe, and in Brazil, the only other major soybean exporter on the planet. Because of that Cargill can export either raw beans or soybean meal for livestock or soybean oil, processed

either close to the point of origin or in Europe. Great flexibility in what is available to offer customers and how to deliver to customers.

In 1975 the USDA reported that the five big grain companies exported 85% of the total grain exports for the year.

There are similar percentages for other countries' grain exports.

He lists a few people/companies who are able to continue in business in this arena, but they are much smaller than the big five. Serafino Ferruzzi in Italy and Alfred C. Toepfer in Germany, Archer-Daniels Midland, Central Soya, The Andersons Co., and a host of smaller outfits in Asia and Europe.

Farmers' Co-ops in Canada and the US have had some success selling direct to International customers, but often sell a significant percentage of their grains to the big five grain companies, who then sell it to an end user. Because the grain co-ops only have grain available from their host country, they are at a disadvantage when the big five companies can find cheaper grain available from another country. The co-op finds its grain going begging because of price.

The author states that some national co-ops were exploring the possibility of combining into a multi-national co-op, which would perhaps give it some flexibility in competing with the multi-national grain companies, but this was not a reality as of the date of the book.

Another phenomenon developing from the 1960s onward is the fact that many farmers buy their patented, high-yielding hybrid corn seeds from the big five grain companies, (or from huge drug companies), and then sell the crop to the same grain companies. The Rockefeller Foundation has financed since the 1940s a wheat research facility in Mexico which has produced "miracle" high-yielding strains of wheat which have spread around the world. At the time of writing there were no commercially available hybrid strains of wheat that produced much more than non-hybrid strains, but the research folks were hard at work on that.

The big advantage of hybrid seeds is that the farmer cannot save some of the produce from this year's crop to use for seed in next year's crop, because the seeds from hybrid plants do not reproduce "true," that is, they do not have the same characteristics as the parent. The farmer, if he wants to have the same benefits of the hybrid seed, such as yield or resistance to certain diseases or drought, has to buy more seed every year from the big company.

If a farmer has a non-hybrid crop, say of "miracle" wheat, then he is able to save some of that seed for planting the next year, and it will pass on the same characteristics to each successive crop. Good for the farmer, not a source of continuing cash flow for whoever produced the seed.

The big grain companies make a big point of claiming to be politically "neutral," and only being a facilitator of trades. As mentioned above they will buy and sell on behalf of anyone who can pay.

An example is given of trade embargoes imposed on Rhodesia in the late 1960s by the UN. Regardless of the embargoes, oil continued to be imported into Rhodesia and white maize, chrome, sugar, and tobacco kept being exported out of Rhodesia, by being funneled in or out through Mozambique and South Africa, and were often facilitated by organizations based in neutral Switzerland. [To me, this is illustrative of the fact that regardless of whether a particular country is in good favor or bad, its people produce certain things and consume certain things and there will thereby be an ongoing pressure to find some way to get the exports out and the imports in, regardless of embargoes.]

Government regulations and controls and governing “boards” all attempt to exert control over these multitudes of food transactions all over the planet, but in the end no one has found a way to entirely restrict the big grain companies and no one has found a government control system that is better than the big grain companies at distributing and selling grain on the world stage.

He discusses the Canadian Wheat Board, the most powerful organization of its type in the world. It was created in 1935 by the government and controls most aspects of grain pricing and distribution and international sales in Canada. Lots of interesting details and anecdotes in this section. In the end, although the Wheat Board sells much of the Canadian grain crops abroad directly, it often has to rely on the big multi-national grain companies to move the rest, and the big five don’t seem any the worse for wear for it. They just keep operating elsewhere where they can, and are available any time the Wheat Board needs them.

Chapter 11:

This chapter looks at things from the viewpoint of how political goals and ambitions have resulted in food being used either as a way to punish or reward other countries, or to gain some perceived advantage. Secretary of State Henry Kissinger was heavily involved in this sort of thing in the 1970s, coming up with the idea to withhold American wheat from Russia unless Russia agreed to sell the US 10 million tons of oil a year at a substantial discount from what the OPEC cartel charged. This was basically an attempt at extortion. It consumed a lot of attention from a lot of people in the US government, trying to make that idea a reality, and in the end came to nothing. The Russians didn’t budge, and they got much of the grain they needed from non-US sources, and the rest from the US, without giving any “discount” on their oil. President Ford took a hit among many of his constituencies in the Midwest, due to his participation in the ill-advised scheme.

Other examples are given of the uses of American grain after World War II, not always for altruistic reasons, in places as disparate as Europe and Chile. [In my opinion, the US government should have left the market to deal with things as much as possible, and if it became clear that offering a helping hand to a country in dire straits was needed, it should have done so simply, without any strings attached, and it would have reaped huge rewards from a lot of goodwill generated thereby.]

Chapter 12:

Here we get a huge amount of data concerning the growing of rice, and its consumption around the world, and a lot more examples of “diplomacy” involving the rice trades made internationally to several different countries. [Which is, I feel, akin to more extortion and in effect is a taxing of the produce from a lot of farmers. The government asserts control over a valuable product, rice, which the government did not produce, but for which it asserts it has the right to dictate certain important controls over how it is sold and to whom it is sold. More often than not the “control” attempted on the world stage amounts to little more than blackmail. Bogus.]

We also get a lot of detail about a trader from South Korea who set himself up as a socialite in Washington D.C., who gave lavish parties to which various figures in the US government were invited, and attended. There was much maneuvering and plotting and scheming and favors given and received. In the end Representatives were indicted for accepting bribes and South Korea was prohibited from receiving credits for rice purchases.

Chapter 13:

This chapter is entitled, “The Least Forgiving Business,” and it has many examples of companies and individuals getting burned in the grain business. Also many examples of bribery, graft, and questionable practices exercised by the grain companies as the cost of doing business in foreign countries, especially in the developing world.

Cook Industries, run by Ned Cook, was the largest of the grain companies challenging the big five, based in Memphis, Tennessee. Ownership in the company was publicly traded and so it was required to issue periodic statements on its financial condition.

In the mid-1970s indictments were handed down against Bunge, Continental, a company partnered with Archer-Daniels Midland, Cook Industries, and 48 individuals connected with a widespread practice of shipping lesser grades of wheat compared to what was contracted for, shipping 1.5% to 3% less weight of grain compared to what was contracted for, bribing private inspectors to falsely certify ships were sanitary for carrying grain and a host of other misdeeds. (Cargill was not charged.)

The companies pled no-contest and paid fines. The individuals were found guilty and some got suspended sentences and some did light prison terms. The privately-owned companies provided very sketchy data about some of these activities, while Cook Industries was required to file more detailed reports.

It wasn't just the big five grain companies that were doing it, many other multi-national companies reported that they couldn't operate in many countries without bribing local officials, or, if they didn't, they would lose business to European competitors.

Another type of episode involved a big sale by a Continental trader of corn to Russia, for delivery several months later. During that time the price of corn kept going up, meaning that

eventually Continental had to purchase a huge quantity of grain, 4 million tons, at a price higher than what they had sold it to the Russians for. Exact figures not available, but Continental may have lost a few hundred million dollars on that trade. That loss did not threaten the company's survival, but it did cause the company to become more conservative and forego future involvement in huge mega-trades.

In late 1976 Cook Industries decided, based on analysis of data from their research department, that the soybean crop in America would be very good in the fall of 1977, and that prices would be low. So, the decision was made to "short" soybeans, meaning they sold them at the current price, betting that they could buy them later at a lower price to satisfy their contract, and thereby make a tidy profit. However, the prices just kept going up, and Cook had to purchase beans at higher prices for months to satisfy contracts, losing tens of millions of dollars. At the same time it was being sued by the Indian government for defrauding it in the shipment of poor quality grain and underweight grain, and the US government sued Cook to recover \$23 million it alleged had accrued to the company improperly as a result of such shenanigans.

Cook attempted to sell soybeans for several months, and anticipated the price would go down, but it kept going up. Unknown people bought all the soybeans that were being offered for sale, and the price kept going up. It finally became known that Bunker Hunt, and members of his family, were attempting to corner the market and eventually acquired about a third of the soybeans available. Even though the government stepped in and ordered the Hunts to divest themselves of most of their beans, they refused, and the overall result was that the price of soybeans stayed high and Cook Industries became a shell of its former self, selling off most of its assets in an attempt to satisfy creditors and banks. Cook had been right in their analysis of the fundamentals regarding soybeans, but had been tripped up by an unknown participant in the hi-stakes game of the commodities markets.

Three days before Christmas in 1977 a mill owned by Continental blew up, killing over thirty employees.

Five days later a mill formerly owned by Cook, which he had sold only months before to a farmers' Co-op, exploded near Galveston.

The grain business is not easy.

Chapter 14:

This chapter is a long, rambling discussion about the have-nots of the planetary family of nations, and the haves. It discusses internal policy errors on the part of governments that result in poor countries and poor people and, in many real cases, starving people.

The grain companies that are the main subject of this book are not charities. They are businesses supplying vital food all over the world, but they operate under the requirements of making a profit in order to continue in business.

It was stated that the problem was poor people and a lack of money that was the cause of malnourished people and actual starvation. [I would take it a step back and say that the problem was a lack of production of things people want and a lack of getting paid for that production, coupled with often very real corruption and destructive policies set within the various local governments involved.]

The End

Comments of the summarizer:

I found myself more and more admiring the families behind these companies for their survival over a very long time period, for rising to the top in a turbulent and difficult arena, for managing somehow to instill the necessary qualities in successive generations of family members to take over the reins of power when needed, and for being the best at what is an incredibly difficult and complicated activity.

I started the book thinking it would reveal vast conspiracies to rig prices and manipulate markets, and, while I can't rule out that such activities have been attempted or even succeeded at different times and places, I think that as of the time the book was written, late 1970s, such played a small part in the overall planetary drama being acted out every day regarding the production, storage, and shipment of food around the planet.

Today, there are some changes to our list of five companies:

Cargill is still going strong.

Ditto for Bunge.

Continental in 1999 sold its American grain marketing end of things to Cargill, and now seems to be as much an investment company as anything else. Run by Paul Fribourg as far as I have been able to find out. Changed its name to Contigroup or similar.

Georges Andre changed its name somewhere along the line to Andre and Cie, still based in Switzerland, but a "rogue trader" made a very bad trade in 1999 which cost it about \$200 million, or more, and even though it tried recovering, by 2001 it filed for bankruptcy, with much of its assets being bought by Archer Daniels Midland (now called ADM) and Noble Group Ltd, based in Hong Kong. Noble had shares trading for less than a dollar at one point and I have no idea what its future is, even though it reportedly had the backing of the China Sovereign Fund.

Louis Dreyfus is still going strong, under the control of Robert Louis-Dreyfus. (with a hyphen, though the hyphen is not used in the name of the company.)

ADM now seems to be a major player, along with Bunge, Cargill and Louis Dreyfus, in the grain markets and other food industries. (Called the ABCD companies)

So, even though Continental and Andre had very long runs, they ran into things that were too much for them and resulted in either massive restructuring or complete liquidation. Some of the accounts I have read said that the four ABCD companies were finding some competition from smaller companies and newer operations coming out of Asia.

Nothing stays the same and one has to continue to produce and stay profitable, and not make any major mistakes and keep one's wits about one, if one wants to continue to flourish in this arena, even if your company has been around for over a hundred years and you've got immense resources around the planet and an intelligence network unrivaled by probably any private company on the globe.

There are no guarantees of continued success and survival.

If I were going to make any recommendations for this sector I think it would be to review the underlying laws and regulations that determine what is legal food to produce in America and what is not. What practices are legal and which ones are not legal? That is, these huge companies and the individual farmers and ranchers who produce all the food operate according to rules from the FDA, Department of Agriculture, etc., that says what is legal and what isn't legal.

I feel some of the ingredients used to make food are of very questionable value from a health perspective, and are quite likely harmful. Such as high fructose corn syrup and sodium nitrite and sodium nitrate and monosodium glutamate. The rise of organic foods has demonstrated that producers and processors and retailers can bring good foods to market without the above items. One should establish objectively and dispassionately whether or not the above foods, and others, are healthy or harmful. If harmful they should be phased out of production, over a reasonable time span, and that all by itself would do much to increase the overall level of health in the country, and reduce our expenditures on medicine. (don't get me started)

Certain practices in the raising of cattle, hogs and chickens strike me as barbaric and demean both the producers and the consumers of these animals. Why validate them by giving them the sanctity of legality? Ban them. Producers will adjust accordingly.

Does it make sense to feed corn to a carnivorous fish, salmon?

Does it make sense to produce and sell Genetically Modified Organisms (**corn**, which is in a multitude of processed foods on supermarket shelves) to an unsuspecting and uninformed public because of commercial advantage?

What laws and regulations make it so difficult for a new, local, meat packing operation to get started? I think there should be greatly reduced regulations in this area, to make it much, much easier for new entrepreneurs to gain a toehold in their local markets.

We have accepted the role of government as a referee in many areas of commerce, and I think the main responsibility of government is to be a good referee. And that includes

establishing the rules of the game so that it's a good game for all, in this case, including the consumer and the little guy producer.

That includes the idea that rules and regulations should be kept simple and only what is required for a fast, fun game that as many people as possible can partake in.

It will always be hard for a small outfit, or an individual, to compete with a huge company, and I don't see any way around that. But the rules and regulations active in that industry should make it as easy as possible to get started, so that we can have local production and local creation of new businesses that really do serve people in delivering what people want and need. If they can then grow and hold their own against larger, more established companies, well, that will be up to them. But the playing field does not have to be so strewn with regulations and requirements and licenses that only the largest operations can cut their way through the thicket.

Sincerely,

cleangov

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