ADM, Cargill—The Enron and Halliburton of the Ethanol Swindle

by Marcia Merry Baker

Before there was Halliburton or Enron, there was the food cartel—the leaders of the pack on today's ethanol bubble and swindles. For decades, Archer Daniels Midland (ADM) and Cargill, leading cartel globalizers, have laid the basis for the disastrous energy "technological downshift" into ethanol and biofuels. Right from the 1970s start-up of corn-based ethanol (then called "gasohol") for the U.S. "market"—as the false energy alternative to nuclear power—these two companies accounted for 70% of the new bio-fuel production capacity at that time, and have dominated every policy turn since.

Now, although their share of U.S. ethanol output may be "only 24%," because of the bubble-boom of other new capacity coming on line in recent months, ADM and Cargill are still preeminent internationally in the promotion of biodiesel, ethanol, and other biofuels; as they are controllers of vast worldwide patent rights over seeds for bio-inputs of corn, soy, and other crops and agriculture wastes. These two firms, with a few others, dominate food processing globally. Along the way, they have raked in billions of dollars of Federal subsidies directly for ethanol—but also through Food for Peace and other commodity programs—and through outright illegal operations, for which they have been convicted or negotiated plea bargains.

In addition, these two companies, and a select few others, have come to dominate agriculture-related transportation and storage, as well as processing infrastructure, so they have a lock on food and farm practices—with or without the biofuels mania.

It is critical to understand the pedigree and record of these entities, in order to bust up the "romance of bio-fuels" now spreading its haze of quick-money dreams.

Today's manic bio-fuels bubble is not the culmination of a natural evolution toward "alternative energy," but of schemes put into effect deliberately, by networks of financial circles, acting against national interests, for their own control and gain. In fact, the origin and practices of ADM and Cargill trace back directly to the centuries-old "merchants of grain," based in Europe, and interconnect with financial syndicates notorious in the 1930s and 1940s period for their backing of fascist economics, or as it was called, synarchism.

Here we provide a short timeline of ADM and Cargill's recent history, and need-to-know highlights of their operations, both general and focussed on biofuels.

ADM, Cargill—Globalism

ADM, a publicly-traded company, headquartered in Decatur, Ill., is today the world's largest processor of corn, soybeans, wheat, and other commodities, operating in 180 countries, with a workforce of 30,000. ADM was founded by former Cargill executive Dwayne Andreas in 1965.

Cargill, privately held, is headquartered in Minnetonka, Minn., and operates in 59 countries, with a workforce of 124,000, producing directly or in various forms of partnership, commodities ranging from salt to steel, as well as agriculture products, fertilizer, energy, and futures trading.

The degree of dominance held by these two companies, and related firms in various agriculture commodity cartels, is dramatic. Look at their rank in market share in the United States, for the following selected items. These statistics name the top four companies, and the ratio of concentration they hold, as of early 2005. (From ongoing studies by Bill Heffernan et al, University of Missouri; see National Farmers Union, www.nfu.org).

Flour Milling: The top four firms account for 63% of capacity; Cargill is first, and ADM second.

Soybean Crushing: The top three firms account for 71% of capacity; ADM is first, Cargill is third; (Bunge is second).

Animal Feed Production: The top four firms account for 34% of output; Cargill ranks second, and ADM third.

Beef Packing: The top four firms control 84% of production; Cargill ranks second.

Turkey Processing: The top four firms control 51% of production; Cargill ranks first.

Internationally, these companies exert corresponding dominance, with varying patterns from country to country. The most striking part of the global picture, has been the rapid spread of their their control operations in South America, centered in Brazil, Argentina, Paraguay, and Uruguay. (See p. 9).

ADM, Cargill—Bio-Fuels

On bio-fuels in the United States, ADM and Cargill were the ground-floor ethanol producers as of the 1970s. Over that

Renewable Fuels Association, 2005 (www.ethanolrfa.org)

The location is shown here of the 95 ethanol refineries in operation in 2005. Today there are 97 ethanol biorefineries in operation, with 35 under construction, and 9 expansions underway. The total current capacity is 4.486 billion gallons a year.

decade, numbers of acts were passed to subsidize ethanol producers, in the name of "energy independence," as the oil price spikes hit in 1974 and 1978, and as nuclear power came under assault. In 1977, Congress passed a law mandating the U.S. Department of Agriculture to issue $60 million in guaranteed loans for ethanol distilleries. States likewise issued tax and loan deals. The Carter Administration exempted gasoline containing 10% ethanol from the 4-cents-per-gallon Federal fuel tax, etc. In the course of this, the mother-of-all subsidies was introduced—*the 50-cents Federal tax exemption for every gallon of ethanol produced.*

ADM and Cargill have raked it in. In addition, there were special deals and windfalls. In 1986, the Reagan Administration Agriculture Secretary Richard Lyng announced a new program to *give away* $29 million worth of corn to ADM distilleries, in the name of assistance to ethanol production at a time of corn surpluses.

Over the past 20 years, Cargill and ADM together, along with the next two producers, accounted for major percentages of all U.S. ethanol output:

1987—73%
1995—73%
1999—67%
2002—49%
2005—41%
2006—34%

The decline of production share during the 2000s, does not at all signify the waning of ADM and Cargill's role, but rather the rapid growth of the bio-fuels bubble under the Bush Administration. There has been a rush of investors, as well as farmer-owned cooperatives, lured into an "easy money" corn ethanol market.

Ethanol production nationally went from 175 millions of gallons a year in 1980, up to 900 millions in 1990; to 1.630 billion in 2000; and reached 3.904 billion gallons a year in 2005 (or even higher, up to 4.264 billion, depending on the source).

Today, the percentage of U.S. ethanol production held by ADM alone is 24%. ADM has seven ethanol plants, in five states, with a combined capacity of 1.070 billion gallons a year.

The new CEO for ADM, announced on May 5, will be a former Chevron Oil Vice President, Patricia Woertz. She was in charge of refining, marketing, and trading oil for Chevron. Woertz has proclaimed that she intends to use the "oil company approach" at ADM. Currently under construction are two new ADM biodiesel plants, one in Missouri and another in North Dakota.

Cargill, for its part, is on a global biodiesel binge. Just in the last six months, here are new operations announced:

England: Cargill has a 25% shareholding in Greenergy Biofuels Ltd., otherwise owned by parent company Greenergy Fuels—the leading British bio-energy group; and Tesco, the supermarket giant. Tesco, the foremost biofuel retailer in the UK, offers biofuel blends at more than 40% of its gas stations. Among the planned Cargill/Greenergy Biofuels projects is a biodiesel facility to be built at Cargill's existing crushing plant in Liverpool, on the Mersey River—using international feedstock input. Cargill's February 2006 press release proclaimed its plans, "With biodiesel plants on the east coast Humber estuary and West Coast Mersey estuary, Greenergy will have a presence in two of the most important oil refining regions in the U.K. Having world class biodiesel production facilities on both coasts gives unmatched access not only to the raw materials for production but also to the fuel supply chain."

France: Construction is starting this year on Cargill's new biodiesel facility, to be located next to its rapeseed crushing plant at the port of Montoir in Western France. This is a joint venture of Cargill with a subsidiary of Sofiproteol, a financial holding company specializing in oilseed use and marketing. The Cargill project comes in the wake of the French government action in September 2005, to promote and advance biofuels in the country. Quota allocations are given out by the government to selected operations, to implement the government-set goal of having 5.75% of biofuels in fuel by 2008; 7% by 2010 and 10% in 2015.

The 350,000 tons of by-product meal to be produced at Montoir will go into Cargill's animal feed marketing. The Montoir site is just part of Cargill's existing nationwide operations in France, which include a site at St. Nazaire, where the volume of Cargill's crush of sunflower seed represents more than half of all France's annual production. A Cargill plant already in Brest will focus on rapeseed and soy crushing for biodiesel and livestock feed.

Germany: In March this year, Cargill held a groundbreaking in Frankfurt, for its new biodiesel plant in the Höschst Industrial Park, intended to process rapeseed oil and other vegetable oil feedstocks, to reach 250,000 metric tons of capacity and utilize ship, rail, or road tanker transportation.

Malaysia: Here, Cargill Palm Products Sdn Bhd will supply crude palm oil, as the primary feedstock in a new five-year contract, for a just-announced biodiesel plant. The facility, designed for a 100,000 ton annual capacity, will be done by Mission Biofuels Ltd, listed on the Australian stock exchange. The biodiesel output is already booked for a five-year supply contract, for shipment to Austria-based commodity trader Godiver Handelsgesellschaft GmbH, which then will market it to Germany.

Lock on Feedstock—and Ethanol?

To cap off this picture, look at the hold ADM and Cargill have over the seed supply for the major bio-energy feedstock crops, corn and soybeans. As of 2004, it was estimated that Monsanto—which works in partnership with Cargill and Pioneer/Du Pont—controlled 60% of the U.S. corn and soybean seed market.

This has come about from a series of crucial changes made in U.S. and world patent law over the past 20 years, granting sweeping rights over food genetics seed-stocks to an interlock of cartel commodity and chemical companies. For example, Cargill or ADM—which dominate soybean and corn processing, whether for feed, food or bio-energy—can decree that they will accept only "Round-Up Ready" soybeans, the Monsanto seed, and farmers have no recourse.

The control side of this is underscored by some recent announcements of new Cargill/Monsanto ethanol production methods associated with ethanol designer-seeds.

In Eddyville, Iowa, Renessen LLC, the joint Cargill/Monsanto biotech company, announced in January that it will test a new production process for ethanol, using a new biotech seed, with an oil-rich trait designed for biodiesel, and pitched as a high-nutrient livestock feed. In February, the Agriculture Department granted marketing approval for the new seed, a high-lysine corn (LY038), to be marketed under the usual strict patent controls, as "Mavera High Value Corn with Lysine."

Documentation

ADM/Cargill Record of Global Corruption

1945-1952: Dwayne Andreas, born in Illinois in 1918, worked for Cargill, starting as general plant manager, ending as vice president in charge of soybean and linseed oil. His assistant James R. Randall (hired at Cargill in 1948), later became president of ADM.

1945: Andreas met Hubert Humphrey, then mayor of Minneapolis, and elected to the U.S. Senate in 1948. Their collaboration involved some 85 world trips; Humphrey was godfather to Dwayne's son, Michael, later (1999) sent to jail for international price-fixing as chairman of ADM.

1952: Andreas made his first trip to the Soviet Union, as 34-year-old vice president sales representative for Cargill, Inc., one of few U.S. citizens to get visas to the U.S.S.R.

1954: The Food for Peace law, PL-480, was enacted. Humphrey and Andreas travelled to Poland and to the Vatican, as a showcase bipartisan move with the Eisenhower Administration, to pave the way for paying Cargill and other cartel firms to ship food to the East Bloc.

1965: Archer Daniels Midland was formed, merging assets of the Archer, Daniels, and Andreas families.

1966: Dwayne Andreas became president of ADM.

1968: Andreas "loaned" $100,000 to Humphrey's Democratic Presidential campaign, and was charged with illegally transferring corporate funds for election purposes. A Minnesota Federal judge, a close friend of Humphrey's, dismissed the case.

Andreas, via a Minneapolis business partner, Kenneth Dahlberg—chairman of Minnesota branch of Nixon's Committee to Re-Elect the President, or CREEP—funnelled $25,000, which ended up in the account of Watergate burglar Bernard Barker. Rep. Wright Patman (D-Tex.), whose Banking and Currency Committee was investigating the case, expressed concern that Andreas was one of the investors who were granted a Federal bank charter in a Minneapolis suburb. Dahlberg was among the five applicants for the charter. After Nixon's resignation in 1974, $100,000 in cash, provided directly by Andreas, was found in the White House safe. Andreas got his money back in full, and reportedly, was able to successfully dodge subpoenas from Sen. Sam Ervin's impeachment hearings, by living in Europe.

1971: Michael Andreas joined ADM at age 23, having been trained in speculation by Cargill's Julius Hendel.

1973: Dwayne Andreas's nephew, Martin Andreas, became ADM's chief salesman for corn sweeteners.

1974: ADM entered into a price-fixing scheme, overcharging the U.S. government by $19 million in sales of soy-fortified food to the Food for Peace program. ADM was convicted in both criminal and civil suits, but evaded repaying the government its share of $19 million.

1976: ADM pled no contest to Federal charges of systematically short-weighting and misgrading Federally subsidized grain shipped abroad. ADM lost no contracts, and continued all its shipments.

ADM/Cargill started up ethanol production at this time, lobbying for Federal subsidy for the non-food use of crops, because Andreas needed a way to dispose of a huge corn syrup excess.

1977: The newly enacted Federal sugar price support netted ADM millions of dollars by preventing sweetener prices from dropping. The staff author of the law, David Gartner, was a top aide to Humphrey; ADM bribed Gartner with a contribution of $72,000 worth of ADM stock to a trust fund established for Gartner and his family.

1978: Gartner was appointed to the Commodity Futures Trading Commission. The story of ADM's bribe to him broke into the news, but Gartner refused to resign or to pay ADM back.

1984: President Reagan appointed Andreas to chair a task force on private initiative; Andreas recommended creating an Economic Security Council, which became the Economic Policy Council. The joke around Washington was: "Ask not what you can do for your country; ask what your government can do for ADM."

1990: The Clean Air Act was a boon for ethanol output, with Cargill and ADM owning over 70% of the capacity.

1990s: Under the U.S.-Canada Free Trade Accord, ADM and Cargill extended their control and repositioned their operations in North America. Dwayne Andreas joined the board of the British intelligence publishing empire, Hollinger Corp., run by Canadian Conrad Black.

1994: Federal grand juries took anti-trust evidence on Cargill, ADM, Tate & Lyle (U.K.), and CPC International—on price and supply fixing of lysine, citric acid, corn sweeteners, and starch. These four companies control 74% of U.S. wet corn milling.

1995 On June 27, the FBI raided ADM executive offices and homes in Decatur, Ill.

1996: In October, top ADM executives Michael Andreas and Terrence Wilson left the company. On Oct. 14, ADM pled guilty and agreed to pay fines of $100 million for criminal price-fixing of lysine and citric acid.

1998: Michael Andreas and Terrence Wilson were convicted of criminal price fixing. Sentencing was scheduled for Feb. 26, 1999.

1999: Michael Andreas was sent to jail. Later, G. Allen Andreas, cousin of Michael Andreas, took over as Chairman of ADM.

2003: Cargill's Chairman and CEO Warren Staley was named in February to the President's Export Council, to represent food and agriculture among the 28 private sector executives.

2004: Cargill agreed on March 12 to settle $24 million in charges against it by 18 plaintiff food firms, from 1995, for conspiring with ADM et al, to fix sweetener prices.

2006: Cargill pushed its international bio-diesel operations with new plants under way in France, England, Malaysia, Germany, and elsewhere. Cargill's workforce numbers 124,000 in 59 countries.

ADM commands the world's largest processing capacity for corn, soybeans, and wheat; operates in 180 countries, with a 30,000 person workforce. ADM operates 170 processing plants, 300 grain elevators, 10,000 rail cars, 15,000 trucks, and 2,000 river barges.

In May, former Chevron Vice President Patricia Woertz became President and CEO of ADM; G. Allen Andreas, Interim CEO, stayed on as Chairman. Woertz stressed her intent to use her experience to operate ADM like a petroleum-marketing company.