**The Agrarian Revolts and the Rise of the Grain Merchants:**

**Cargill and the American State-Corporate Nexus, 1865-1945**

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***Abstract*:** *The growing power of global commodity traders has affected producers, workers, and consumers in politically consequential ways. Yet, we know relatively little about the specific economic challenges faced by corporate merchants, in addition to the role of the state in facilitating or hindering their economic expansion. In this paper, I trace the historical evolution of the commodity trader Cargill Incorporated in the American state-corporate nexus. I argue that the agrarian revolts of the 1890s-1910s, while presenting a significant challenge to merchant capital in the realm of exchange, failed to challenge the social property relations of capitalist agricultural production, catalyzing the rise of agribusiness. I then explain how Cargill fought back state regulation of agricultural marketing in the 1930s and 1940s while leveraging state power to ensure their global competitiveness during and after World War II. I conclude by explaining how the construction of the grain trade between 1846 and 1945 helped set the foundation for a contemporary global agricultural system plagued by the problem of overproduction.*

***Introduction***

The rise of global commodity traders has affected producers, workers, and consumers in politically consequential ways. Four corporations – Archer Daniels Midland, Bunge, Cargill, and Louis Dreyfus – currently control as much as ninety percent of the global grain trade.[1] Since the conclusion of World War II, these powerful transnationals have actively promoted the industrialization of agriculture and the globalization of agricultural trade. The social and ecological consequences of the contemporary agro-food system are, by now, quite clear. Globalized distribution undermines local and regional agricultural markets, catalyzing the process of "depeasantization" and the subsequent growth of slums in the Global South.[2] Industrial agriculture's dependency on petroleum to power equipment, its intense use of chemical pesticides, fertilizers, and water resources, the requisite clearing of temperate and tropical rainforests, and the destruction of biodiversity have called its sustainability into question.[3] The negative effects of contemporary capitalist agricultural production and distribution have generated political responses from social forces ranging from peasant organizations to environmental advocacy groups.[4] Despite the push for reform, transnational commodity traders have extended their dominance over the supply chain, promoting a global agricultural system restructured around financialized commodity markets, a growing biofuels industry, and large-scale land acquisitions in the Global South by foreign investors.[5] Nonetheless, the politicization of the global commodity trade enables us to envision an alternative global agricultural distribution system, restructured to promote egalitarian economic development, environmental sustainability, and a broader political economy responsive to the criticisms of a democratically-engaged polity.

Any sustained political response to the growing power of commodity traders requires recognizing that the actions taken by these powerful transnational corporations are significantly constrained by capitalism's broader market imperatives. In an economy driven by competition,

[1] Sophia Murphy, David Burch, and Jennifer Clapp, "Cereal Secrets: The World's Largest Grain Traders and Global Agriculture," *Oxfam Research Reports*, August 2012.
[2] Farshad A. Araghi "Global Depeasantization, 1945–1990," *The Sociological Quarterly* 36, no. 2 (1995): 337-368; Mike Davis, *Planet of Slums* (London: Verso, 2007).
[3] Peter Oosterveer and David A. Sonnenfeld, *Food, Globalization, and Sustainability* (New York: Earthscan, 2012), 45-49, 87-105.
[4] For an overview of the global peasant movement, see: Annette Aurelie Desmarais, *La Via Campesina: Globalization and the Power of Peasants*, (London: Pluto Press, 2007)
[5] Murphy, Burch, and Clapp, "Cereal Secrets," 7.

capitalist enterprises must expand to ensure their reproduction. Accordingly, the nature of capital's relations to labor, consumers, the state, and even other enterprises, is primarily motivated by profit-maximization. Explaining how capitalism has influenced the historical development of agricultural distribution requires holding social agency in dialectical tension with structural constraints. To paraphrase Marx, human beings make their own history, but not under conditions of their choosing.

The conceptual tools of Marxian political economy have been instrumental in analyzing capitalism as a class-based system of production. However, granting ontological priority to the production process has relegated distribution to a secondary status. This is problematic in an era when transnational distributors – from Cargill in commodity trading to Wal-Mart in retailing – exercise power over the supply chain. Moreover, the historical development of the global commodity trade is itself underexplored. The few concrete analyses of grain traders, for instance, tend to be undertheorized or decontextualized.[6] The growing power of commodity traders is plainly evident, yet we know relatively little about the political-economic strategies that these corporations employ in their insatiable quest for capital accumulation.

This paper aims to answer two core questions concerning the concentration of corporate power in the grain trade in the historical context of globalizing capitalism. First, what are the specific economic challenges faced by merchant capitalists, and, correlatively, what is the role of the state in facilitating or hindering the process of merchant capital accumulation? Second, what political battles arose over grain distribution in the context of mid-nineteenth to mid-twentieth century globalization? In order to answer the first question, I present the "circuit of merchant capital" – a model delineating the "logic of accumulation" specific to the capitalist class fractions engaged in the distribution of commodities. Next, I introduce the concept of the "state-corporate nexus" to capture the dynamic linkages between the state and the capitalist economy. Then, I leverage these conceptual tools to construct an historical narrative centered on the evolving relationship between Cargill, Inc. (now the world's most powerful commodity trader), the state, and social forces involved in grain production and distribution. I conclude by

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[6] For a pioneering, but decontextualized, account of Cargill, see: Roger Burbach and Patricia Flynn, *Agribusiness in the Americas* (New York: Monthly Review Press, 1990), 230-252. For an undertheorized, if not polemical, account of Cargill, see: Brewster Kneen, *Invisible Giant: Cargill and its Transnational Strategies*, (London: Pluto Press, 2002 [1995]).

briefly summarizing how the construction of the grain trade between 1846 and 1945 helped set the foundation for a global agricultural system plagued by the perpetual problem of overproduction.

### *Circuits of Capital and the State-Corporate Nexus*

Although Marx never offered a coherent theory of capitalist distribution, he distinguished between capitalist and pre-capitalist commodity circulation with his "general formula for capital."[7] In pre-capitalist societies, humans used money to facilitate the circulation of "use-values" – that is, goods or services produced primarily to fulfill some human need, as with food, tools, clothing, and so forth. The general formula of pre-capitalist circulation is C-M-C, where a commodity (C) is sold for money (M), which is then used to purchase another commodity (C). The advent of capitalism altered this basic circulation process. Whereas pre-capitalist societies primarily circulated use-values, in capitalist societies, the circulation process became dominated by "exchange-value" – that is, the potential for a commodity to yield a profit for the producer. The general formula for capital is, therefore, M-C-M′, where money (M) is used to purchase a commodity (C), which is sold for the explicit purpose of turning a profit (M′). With this simple circuit, Marx captured a major pillar of capitalism: production is initiated primarily for profitability (exchange-value) and secondarily for the fulfillment of genuine human need (use-value). Accordingly, capitalists will exercise political power to ensure (to whatever degree possible) that economic development guarantees conditions of profitability and system-wide growth. The social reproduction of the capitalist class depends on quenching its insatiable thirst for capital accumulation.

Although Marx expanded the general formula for capital to model the process of accumulation for productive capital[8], the specific political-economic strategies impelling the behavior of merchant capitalists remain undertheorized.[9] When understood internally, the imperatives

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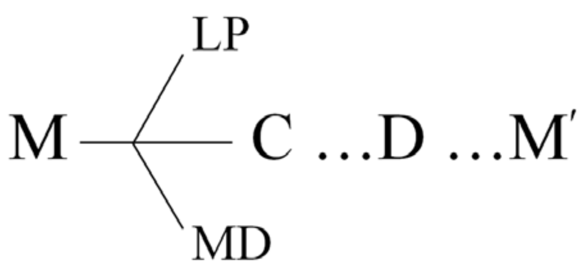
[7] Karl Marx, *Capital: A Critique of Political Economy, Volume One* (New York: Penguin Books, 1976), 247-257.
[8] Karl Marx, *Capital: A Critique of Political Economy, Volume Two* (New York: Penguin Books, 1978)
[9] Marx understood merchant capital to act as a catalyst, accelerating the realization of profit for productive capital, and as a parasite, simultaneously siphoning profits from producers. See: Marx, *Capital: Volume One*, 645; and Karl Marx, *Capital: A Critique of Political Economy, Volume Three* (New York: Penguin Books, 1981), 387-389. While Marx sought to understand how merchant capital affected

driving merchant capital accumulation are far more dynamic than Marx's simple model of M-C-M′ suggests. Figure 1 presents the circuit of merchant capital – a heuristic device that delineates merchant capital's unique logic of accumulation. Although this paper presents an analysis of the commodity trade, the circuit of merchant capital is applicable to any corporation involved in distribution, including retail.




(M) Money
(LP) Labor power
(MD) Means of distribution
(C) Commodity output of production
(…D) Distribution process
(…M′) Realization process
*Key*

*Figure 1: The Circuit of Merchant Capital*

In this circuit, money (M) is used to purchase three key commodities: labor-power (LP), the means of distribution (MD), and the commodity output of the production process (C). The purchased commodities (C) are advanced through the distribution process (…D), where they are resold for money, plus a profit (…M′). As capital flows through the circuit, it takes multiple forms – as money, labor-power, means of distribution, purchased commodities, and the distribution and resale processes. Slowing down, or worse, halting the flow of capital during these metamorphic phases may spur an economic crisis.[10] For example, the ability of corporate merchants to purchase commodities from producers at favorable price and quality standards (M to C) may be blocked by protectionist trade policies. The collective actions of organized labor (LP) may disrupt the distribution process (…D), bringing trade to a grinding halt. If merchants cannot find outlets for the resale of commodities (…M′), inventories will backup and profits will fail to be realized. The inability to secure the necessary transportation and communications infrastructure for distribution (M to MD) may halt the flow of capital outright. *Accordingly, the political-economic strategies pursued by merchant capital center largely around*

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production, he did not develop an internally coherent theory of merchant capital – that is, a theory that seeks to explain the process of accumulation from the perspective of merchants themselves.
[10] David Harvey, *The Enigma of Capital and the Crises of Capitalism* (New York: Oxford University Press, 2010)

*circumventing or transcending potential barriers to accumulation*.[11] The specific political-economic challenges faced by merchant capital are presented in *Table 1.*

| Phases of Capital | Corporate Economic Challenges | State Activity Spheres |
|---|---|---|
| Money (M) | Access to credit, hedging and speculation, reinvestment | Financial regulatory and tax policy |
| Labor-power (LP) | Class relation to labor | Labor market and immigration policy |
| Means of distribution (MD) | Transportation /communications infrastructure, vehicles | Public infrastructure investment and subsidies |
| Commodity purchasing (C) | Class relation to productive capital (suppliers) | Commercial, trade, and transportation policy |
| Distribution process (…D) | Global market access and logistics systems | Commercial, trade, and transportation policy |
| Realization process (…M′) | Surplus absorption | Public purchases, investment, and marketing |

*Table 1. Merchant Capital: Political-Economic Challenges*

In each metamorphic phase of capital, corporations face specific economic challenges that may be addressed in a corresponding state activity sphere, which encompasses public policies and other state-directed economic actions. The state may also initiate policies or actions which restrict the flow of capital (such as taxation, protective tariffs, or other regulations), spurring resistance from corporate merchants. The examples below capture the tensions between corporate merchants, the state, and social forces involved in the distribution process through each phase of capital.

- Money (M): Commodity traders secure lines of credit to make mass purchases, while hedging prices in futures markets. Retailers offer credit lines to cash-strapped consumers to ensure sales. Online retailers fight against the exaction of a sales tax by the state. Money or credit must be secured to purchase labor power and means of distribution.

- Labor-power (LP): All points in distribution networks are powered by labor producing surplus value for merchant capital.[12] Workers involved in the transportation,

[11] Ibid. Although Harvey's analysis in *Enigma of Capital* proposes general laws of capital accumulation and crisis, I appropriate his thesis with specific attention to merchant capital.

warehousing, and resale of commodities may engage in class struggle for a variety of grievances. These actions may have broader economic consequences, as disrupting the distribution process may slow down or halt the overall flow of capital, spurring a crisis.

- Means of distribution (MD): Merchant capital may lobby federal, state, and municipal governments to ensure the construction of necessary transportation and communications infrastructure. Merchants attempt to win subsidies or externalize the entire costs of constructing communication networks, ports, railways, roadways, warehouses, and retail outlets onto the public. Advancing the means of distribution drives time-space compression.[13]

- Commodity purchasing (C): Merchants pursue monopsony power in an effort to become the single purchaser of commodities, enabling the exaction of strict price and quality standards from producers. With the supply chain squeezed, producers respond by amplifying the rate of labor exploitation and/or debasing the quality of their output. Because merchant capital extracts a significant portion of surplus value from producers, this phase of capital has spurred a range of political struggles, from agrarian resistance against commodity traders, to labor struggles in the manufacturing sector.

- Distribution process (…D): Securing access to commodities for purchase and markets for resale is predicated upon the free movement of global capital. Accordingly, merchant capital will push for favorable commercial and trade policy, often secured through bilateral (NAFTA) or multilateral (WTO) trade agreements between states. Merchants use advanced logistics technologies to secure the market information necessary to track shifting supply and demand trends, optimizing the effective distribution of commodities around the globe.

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[12] Marx, *Capital: Volume Three,* 392-392. Marx concluded that no surplus value (original profit derived from the exploitation of labor) is created in the distribution process, stating that "in the process of circulation, no value is produced, and thus also no surplus value." Yet, such an understanding of circulation disregards the labor needed to power the distribution process itself. Accordingly, merchant capital derives its profits from the exploitation of its own workforce (who construct and operate the means of distribution), while siphoning profits from direct producers. Marx's suggestion that the primary function of commercial capital was to decrease circulation time *to the benefit of industry* reflects a pre-capitalist view of merchants as static agents, buying cheap and selling dear, not dynamic capitalists driven by market imperatives to dominate producers. Marx's explanation is understandable, given the power of productive capital and the relative infancy of merchant capital during his era.

[13] David Harvey, *The Condition of Postmodernity: an Enquiry into the Origins of Cultural Change*, (Oxford: Blackwell, 1989). Harvey defines time-space compression an acceleration of the circulation of capital brought about by advances in transportation and communications infrastructure. Such advances generate an expansion in the geographical range of market transactions, coupled with the shortening of transaction time.

- Realization process (…M′): Merchant capital is perpetually faced with the problem of surplus absorption, as mass purchases must be realized through mass sales. Retail inventories must be turned over, and commodity surpluses must be sold. Merchants may lobby the state to purchase or dump surpluses abroad, assist with marketing efforts, or invest in industries which will help absorb surplus (as with corn surpluses and ethanol production, for instance).

As these examples illustrate, merchant capital's accumulation process may be aided or restricted by the state. The nature of the state in capitalist societies has been the subject of fierce debates in Marxian political economy which need not be rehashed here. Nevertheless, understanding how a single capitalist class fraction – merchant capital, in this case – comes to a position of power relative to other capitalists, in addition to workers and consumers, requires a theory that grants ontological priority to what I call the "state-corporate nexus" – that is, the sets of internal relationships that have historically developed between state institutions and capitalist corporations.

In this light, the state cannot be understood simply as an instrument of the ruling class to further its own interests. Although the system of territorial states predated the advent of global capitalism, [14] state institutions have historically coevolved with the capitalist system. Accordingly, the nature of the contemporary state is indelibly linked to the political struggles generated by the historical expansion of capitalism – specifically, political struggles between capital and labor, as well as internecine battles between capitalist class fractions engaged against each other in competitive profit-maximization. For example, as discussed below, the conflicting interests of commercial farmers, merchants, and bankers provoked the agrarian Populist movement in the United States during the 1890s. The eventual resolution of this intra-capitalist struggle was both shaped, and shaped by, the political-economic, social, and technological transformations imbricated in development of American capitalism. Accordingly, politics cannot be abstracted from the economy or state-society relations.

It is important to emphasize that the interest of state managers do not wholly overlap with the interests of the capitalist class. Political elites work to maintain the internal and external security (broadly defined) of the state, while attempting to maintain their power and legitimacy

[14] Benno Teschke, *The Myth of 1648: Class, Geopolitics, and the Making of Modern International Relations*, (London: Verso, 2009 [2003]).

in the face of political competition. These goals may or may not align with the goals of capital, generally speaking, or particular capitalist class fractions.[15] Moreover, working class interests are also represented within state institutions, though under a qualitatively different set of imperatives. The legitimacy of political elites in liberal democracies depends upon some degree of representation and responsiveness to the interests of working people. However, the state's imbrication with capital is much tighter than its ties with labor. The state and capital exist in a relationship of mutual dependency, with the state dependent on capital for its material reproduction through taxation and its legitimacy through the maintenance of viable economy. In turn, capital needs the state to enforce privative property rights, contracts, and the general legal framework for economic activity. But, as Fred Block points out, the state cannot set the economic rules of the game without careful consideration of the interest of the capitalist class:

> In a capitalist economy the level of economic activity is largely determined by the private investment decisions of capitalists. This means that capitalists, in their corrective role as investors, have a veto over state policies in that their failure to invest at adequate levels can create major political problems for the state managers. It also means that state managers have a direct interest in using their power to facilitate investment, since their continued power depends on a healthy economy. There will be a tendency for state agencies to orient their various programs towards the goal of facilitating and encouraging investment. In doing so, the state managers address the problem of investment from a broader perspective than that of the individual capitalist. This increases the likelihood that such policies will be in the general interest of capital.[16]

In Block's formulation, state managers have a powerful incentive to maintain a healthy "business climate" for capital, regardless of specific efforts by capital to lobby politicians for favorable public policies or state actions.

Correlatively, the working class is institutionally separated from democratically influencing decisions on social investment, which is the primary domain of capital. This means that the general trajectory of economic development under capitalism is geared towards ensuring conditions of profitability. In other words, to return to Marx's general formula for capital,

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[15] Alex Callinicos, *Imperialism and Global Political Economy,* (Malden, MA: Polity Press), 84-85. See also: Kim Phillips-Fein, *Invisible Hands: The Making of the Conservative Movement from the New Deal to Reagan* (New York: W.W. Norton, 2009). In the depths of the Great Depression, some capitalist class fractions accepted the America state's turn to Keynesian demand management as a means to economic stabilization, while other fractions engaged in a prolonged struggle to roll back New Deal reforms.
[16] Fred Block, *Revising State Theory: Essays in Politics and Postindustrialism*, (Philadelphia: Temple University Press, 1987), 58-59.

society is built around the production and circulation of exchange-values, not use-values. Therefore, genuine social and ecological needs may go unmet, so long as corporate profitability is ensured through three percent annual compound economic growth or the upwards redistribution of wealth through expropriation.[17] Accordingly, under capitalism, rising unemployment, decaying infrastructure, a declining education system, polluted air and public water systems, and a malnutritious food supply can easily coexist alongside record corporate profits. This contradiction is not the fault of individual capitalists, yet alone some abstract deadly sin, like "greed." The reasons are systemic. Corporations are significantly constrained by the market imperatives of competitive profit maximization. As Harvey puts it, capitalists practice the politics of *après moi le deluge* – the short-term profit-motive overwhelms the need for long-term sustainable economic planning, despite capitalism's heavy social and ecological costs.[18]

In what follows, I build upon the theory of capitalist development originally articulated by Robert Brenner and Ellen Meiksins Wood to explain the qualitative difference between pre-capitalist and capitalist commerce, with specific attention to the construction of international markets for grain in the mid-nineteenth century. Next, shifting focus to the United States at the time of the Civil War, I set the political-economic and historical context in which merchants like Cargill emerged as key players in the grain trade. Agrarian political unrest during the period between 1892 and 1914 presented grain merchants with the first major threat to their economic power. I argue that, despite its democratic impulses, Populism's economic agenda was significantly limited by its class biases. By failing to challenge the market imperatives at work in capitalist agricultural production, Populism could not counter the rising productivity and falling prices that would generate farm consolidations and the eventual liquidation of America's agrarian classes. My focus then shifts to Cargill and the formation of the state-corporate nexus in the grain trade. Although the grain trade agreed to state regulation during World War I, the Great Depression and World War II marked a significant shift in the posture of the company. Beginning in the 1920s, in the context of heightened global competition, Cargill embarked on an aggressive strategy to advance the means of distribution, battling against state

[17] Harvey, *Enigma of Capital*; David Harvey, *The New Imperialism*, (New York: Oxford University Press).
[18] Harvey, *Enigma of Capital*, 64. 71.

regulations that may have restricted agricultural production and trade on the one hand, while leveraging the state to ensure their corporate expansion on the other.

### *Capitalist Commerce and the Grain Trade*

The Marxist historian Robert Brenner locates the origin of capitalism in the decline of feudalism in sixteenth-century England, where conditions of market dependence developed in the agricultural economy.[19] Peasant resistance spurred the dissolution of feudalism in the late medieval period, freeing direct producers from the coercive bonds of serfdom. In the wake of feudalism's collapse, English landlords began consolidating their holdings, undermining peasant freeholding.[20] The relatively large size of English estates meant that an unusually high portion of the land was rented by tenant farmers. Tenants are market-dependent producers, impelled to pay rents, set by market conditions, to secure land access. Tenant farmers competed with each other to increase productivity in order to secure land access, creating a market in leases that "stimulated the development of commodity production, the improvement of productivity, and self-sustaining economic development."[21] By the onset of the Parliamentary enclosures of the eighteenth century, capitalism's basic class relation – tenant farmers as capital and dispossessed peasants as labor – was institutionalized.

The development of capitalist agriculture underwrote English industrialization by stimulating demand for agricultural means of production and by initiating the process of proletarianization, which generated the first mass markets for consumer goods.[22] The working class, separated from the means of subsistence, was impelled to purchase basic wage-goods – food, clothing, and other essentials – in order to ensure their social reproduction, an historically unprecedented

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[19] Robert Brenner, "Agrarian class structure and economic development in pre-industrial Europe." *Past and Present* (1976), 30-75.
[20] Brenner, Robert. "The Origins of Capitalist Development: a critique of Neo-Smithian Marxism." *New Left Review* 104, no. 1 (1977), 77. Brenner contrasts the English case with that of continental Europe, where the peasantry was more successful in maintaining direct access to the land. French freeholding, for instance, shielded peasants from market forces. Thus while rising food prices in the late seventeenth century spurred increased agricultural production in England, productivity in continental Europe stagnated, directing a relatively higher portion of social productive power to maintaining adequate levels of subsistence, undermining the development of manufacturing.
[21] Ellen Meiksins Wood, *The Origin of Capitalism: A Longer View*, (New York: Verso, 2002), 102.
[22] Brenner, "Origin of Capitalist Development", 77; Wood, *Origin of Capitalism*, 142-146.

phenomenon. The growth of the proletariat generated enough aggregate demand to influence the nature of the production process. While the commercial success of other European powers depended upon pre-capitalist carrying trade, growing domestic demand for basic goods, such as textiles, drove English industrialization.[23]

The rise of mass markets in basic necessities had important effects on the European commercial system. Though international trade during the Middle Ages was primarily driven by the consumption patterns of the aristocracy, the grain trade was still a major force in pre-capitalist commerce. Yet, the merchants engaged in this trade were not driven competitive profit-maximization. Instead, pre-capitalist merchants took advantage of price differentials set by the geographical disjuncture of grain-producing and grain-consuming regions. Wood writes:

> These disjunctions and imbalances were, needless to say, reinforced by the basic practicalities of transport and communication. The whole system, indeed, was based on the fragmentation of markets, detachment of one market from another, the distance between sites of production and sites of consumption, the geographic separation of supply and demand. Mercantile wealth depended precisely on the relative inaccessibility of markets and the possibility of profiting from an endless process of arbitrage between fragmented markets.[24]

As Wood makes clear, pre-capitalist commerce was driven by market opportunities for commercial profit-making, rather than competition and profit-maximization, the defining qualities of capitalist market imperatives. Only after merchants were integrated into the system of globalizing capitalism through the formation of mass markets were they compelled to abandon the antediluvian strategy of buying cheap and selling dear, adopting the competitive, profit-maximizing strategies characteristic of capitalism. Nevertheless, these markets did not arise spontaneously – they had to be actively constructed by historically-situated social agents.

The repeal of the English Corn Laws in 1846 was the watershed moment in the formation of these mass markets. English landowners had benefitted from protectionist trade policies since 1815, but the expanded reproduction of industry required the importation of grain in order to lower the cost of food and, with it, the cost of labor. With landholders disempowered and trade barriers removed, England was free to import grain from surplus-producing regions, like the Midwestern United States. However, the repeal of the Corn Laws did not generate an

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[23] Wood, *Origin of Capitalism*, 139.
[24] Ibid, 84.

immediate spike in U.K. imports or U.S. exports. Simply put, the international markets were not yet in place to facilitate commercial trade between the two states. The social construction of international grain markets centered on two key processes: the commodification of grain and the development of the means of distribution.

Commodification is the process where a good or service is produced or performed for market exchange. Facilitating market exchange requires the commodification of productive output in order to regularize exchange-value and standardize prices. In the mid-nineteenth century, grain production in the United States was relatively fragmented, with wide variation in quality standards and prices within domestic grain producing regions. This presented a problem for English millers and bakers, who needed grain standards to ensure the viability of their purchases and the quality of their product. Moreover, market institutions were needed to enforce these standards, coordinate distribution, and guarantee contracts. The formation of commodity exchanges in the U.S. and the U.K. addressed these issues. The Chicago Board of Trade launched its first grading system in 1856, and the London Corn Trade Association was formed in 1878 for the same purpose – although the U.K. did not adopt U.S. grading standards until 1898.[25]

The other major obstacle to the construction of global grain markets was inadequate transportation and communications infrastructure. Prior to the 1840s, the means of distribution were not in place for a viable domestic grain trade in the United States, yet alone significant international trade.[26] Southern cotton and tobacco were the primary U.S. exports. Grain production, by contrast, developed as part of a burgeoning "agro-industrial complex," in which the growth of Midwestern agriculture generated demand for more advanced agricultural means of production, spurring industrial growth, while demand for grain from Northeastern urban industrial centers propelled advances in the means of distribution.[27] The construction of the Ohio and Erie Canals in the 1840s enabled increased Midwestern-Northeastern trade via the Great Lakes. Even more crucial was the antebellum railroad construction boom of the 1850s,

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[25] Aashish Velkar, "'Deep' Integration of 19th Century Grain Markets: Coordination and Standardisation in a Global Value Chain," *London School of Economics*, *Working Papers* no. 145/10.
[26] John C. Clark, *The Grain Trade in the Old Northwest*, (Urbana: University of Illinois Press, 1980), 30.
[27] Charles Post, "The American Road to Capitalism," *New Left Review*, 133 (1982), 30-51; Brian Page and Richard Walker, "From settlement to Fordism: The agro-industrial revolution in the American Midwest," *Economic Geography* (1991), 281-315.

which shifted grain traffic from the Mississippi River to Northeastern cities for consumption or export.[28] Chicago, quickly becoming a major transportation hub, saw grain traffic increase from an average of $2-3 million in the early 1850s to over $21 million by the early 1860s.[29]

Overall, with grain commodified, market institutions in place, and the means of distribution advanced, the price differentials characteristic of pre-capitalist commerce were effectively neutralized.[30] Merchants could no longer turn profits simply by buying cheap in one region and selling dear in another. The construction of global commercial markets subordinated merchants to the exigencies of the capitalist market economy. As such, their logic of accumulation became increasingly impelled by competitive profit maximization. Capitalism was now in position to colonize commerce.

In the United States, industrial and finance capital were liberated with the North's victory in Civil War. As Charles Post convincingly argues, the Northeast and the Midwestern economies, linked through the grain trade, expanded *intensively* through increasing the productivity of labor – an inherently capitalist means of economic growth.[31] The expansion of the South's slave system, by contrast, was spatially *extensive*.[32] The geographical expansion of slavery into Western territories threatened to disrupt the balance of power in the federal government. The Compromise of 1850, the last in a series of agreements concerning the status of slavery in the territories and ascending states, held the republic together until the outbreak of war in 1861. The North's victory in 1865 marked a signal shift in the U.S. political economy, lifting "the political and institutional fetters of industrial capitalism," while ushering in a postwar economic policy regime centered on stronger central banking, higher tariffs, freer immigration, the

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[28] Clark, *Grain Trade,* 216-218. Total railroad track in the United States nearly doubled between 1853 and 1860, from 15,500 to about 30,000 miles.
[29] Ibid.
[30] Douglas North, "Ocean freight rates and economic development 1750-1913." *The Journal of Economic History* 18, no. 4 (1958), 537-555. North emphasizes the importance of transportation and communication infrastructure in equalizing prices in world trade.
[31] Post, *American Road to Capitalism*.
[32] Ibid., 32-33. As Post argues, slave systems differ from capitalist systems in that slave owners have little incentive to increase labor productivity through advancing the means of production. While both industry and commercial farmers made profits by increasing productivity, the American plantocracy, by contrast, ensured the reproduction of their class by geographically expanding plantation agriculture westward to new territories.

improvement of internal infrastructure, and the extension of the agricultural economy through railway construction.[33]

The wartime economy was a boom to Northern bankers, and the cession of hostilities in 1865 forced finance capital to seek out new investment opportunities, primarily in industry and transportation systems. Jay Cooke & Company, instrumental in financing the Union war effort, subsequently redirected its capital to the construction of the national railway system, a venture subsidized by massive land grants to the railroad trusts. Rail, along with wired communication, were elemental to the growth of the national market, connecting far-flung regions of the U.S. through a round of time-space compression. Accordingly, the 1866 - 1873 railroad construction boom served as a "spatial fix" to the postwar crisis of overaccumulation, absorbing capital surpluses while laying the material foundation for decades of economic growth.[34]

The postwar economic boom was fueled, in part, by an expanding money supply that benefited both speculators and debtors. This inflation was crushed by the Coinage Act of 1873, a policy which demonetized silver, significantly contracting the money supply. The subsequent liquidity crisis devastated Jay Cooke & Company, which had invested heavily in the construction of a second transcontinental railroad – the Northern Pacific. Unable to finance the project's continuation, Jay Cooke & Company declared bankruptcy, sparking the Panic of 1873 and the subsequent Long Depression – an economic downturn that brought waves of bank and business failures, worker layoffs, and farm closures. It is in this historical context of the Long Depression that merchants like Cargill would stake their claim in the emerging global grain trade.

[33] Gareth Stedman Jones, "The specificity of US imperialism." *New Left Review* 60 (1970), 70.
[34] David Harvey, *The Limits to Capital,* (New York: Verso, 1982). Harvey defines the spatial fix as a potential remedy to a capitalist crisis of overaccumulation. In situations when capital has limited opportunities to invest surplus, state managers may initiate large-scale infrastructure projects such as road or railway construction, altering built environment to generate new investment opportunities.

***The Agrarian Revolts and the Rise of the Grain Merchants***

For W.W. Cargill, patriarch of the Cargill commodity trading dynasty, the Long Depression represented an unprecedented opportunity for expansion. Although securing financing was difficult throughout the 1870s, Cargill took advantage of a credit line offered by the prominent Minnesota banker Jason C. Easton to purchase grain warehouses from distressed traders at favorable prices in the aftermath of the crisis.[35] A consistent source of financing also enabled Cargill to expand the geographical scope of his operation. In 1878, Cargill pushed into Wisconsin's coastal corridor, purchasing smaller warehouses along strategic transit points and leasing a large terminal elevator in Green Bay – a move that enabled shipment to New York City via the Great Lakes and Erie Canal.[36]

While the Long Depression provided an opportunity for Cargill's expansion, the fate of Midwestern farmers was comparatively bleak from the start. Most farmers found themselves immediately indebted to land speculators. Of the 500 million acres of public land granted between 1860 and 1900, 300 million were given directly to railroad companies, or to individual states who in turn sold them at bottom dollar to land speculators.[37] The often romanticized Homestead Acts only distributed about 80 million acres to smallholders, who faced an uphill struggle to remain commercially viable despite acquiring their land through homesteading.[38] Moreover, transporting grain from the Midwest to distribution hubs like Chicago required a qualitatively new system of warehousing, geographically dispersed along railroads that stretched through the countryside. In the absence of local markets, farmers were at the mercy of merchants and railroads to sell their crops. In a sense, grain merchants like Cargill enjoyed a default monopsony over farmers, who had few marketing options. The exercise of monopsony power meant that merchants could effectively name their purchase price. Midwestern farmers found themselves in generalized relations of dependency – on banks for credit, on merchants for inputs and grain purchases, and on railroads for transportation.

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[35] Wayne G. Broehl, Jr., *Cargill: Trading the World's Grain*. (Hanover, New Hampshire: University Press of New England, 1992), 26-31.
[36] Ibid., 50.
[37] Willard W. Cochrane, *The Development of American Agriculture: A Historical Analysis*, (Minneapolis: University of Minnesota Press, 1993), 78-83.
[38] Ibid.

Although farmers perceived merchants, bankers, and railroads to be at the core of their economic problems, capitalist agriculture galvanized a productivity revolution that significantly increased global crops surpluses, driving down prices worldwide. Motorization and mechanization, coupled with the extensive expansion of landholdings, resulting in explosive productivity growth during the postbellum period. Total farm output in the United States increased by 135 percent in the period between 1870 and 1900, while wheat production in particular nearly quadrupled.[39] By the 1890s, the global agricultural economy was mired in its first generalized crisis of overproduction .[40] While industry and consumers viewed a falling food bill positively, perpetually low crop prices generated farm closures, consolidations, and, ultimately, political unrest in the countryside.

Agrarian Populism in the U.S. began in the 1870s when the Grange agitated against the railroads over high transportation rates. During the 1880s, regional Farmers' Alliances formed to counter the growing power of corporations involved in the provision of agricultural inputs and marketing. By the 1890s, the global agricultural overproduction crisis catalyzed Populism into a national political movement. In 1892, the People's Party outlined their agenda in the Omaha Platform, which called for a series of agrarian reforms, including the nationalization of railroads and the expansion of the money supply through the coinage of silver. [41] After the surprising success of the People's Party in the 1892 elections, the Democratic Party adopted a number of agrarian demands, including free silver. The People's Party would subsequently endorse Democrat William Jennings Bryant, whose failed 1896 presidential bid abruptly ended Populism as a political force.

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[39] Ibid., 92-93.

[40] Marcel Mazoyer and Laurence Roudart, *A History of World Agriculture: from the Neolithic Age to the Current Crisis* (New York: Monthly Review Press, 2006), 375.

[41] Charles Postel, *The Populist Vision*, (New York: Oxford University Press, 2007). Although its overall economic agenda resulted from political battles internal to the organization itself, the leadership of the Populist movement reflected the interests of its most wealthy and powerful members, subsequently marginalizing smallholders, including black farmers. For example, Southern Alliance cooperatives were often run as joint-stock companies that paid dividends to shareholders. Smallholders that could not afford stock were effectively barred from participating in the cooperatives, while management decisions were left to a small board of directors consisting of large shareholders. Attempts to create cooperatives that barred dividends and eliminated profits were shunned by the Farmers' Alliance leadership. Although it attempted to create cooperative exchanges in southern cities, the success of the Colored Alliance, a regional farmers' alliance consisting of black smallholders, was limited by its lack of resources, the poverty plaguing black farmers, and the discriminatory practices of white farmers.

The economic goals of the Populist movement were the creation of cooperative agricultural marketing and finance systems that would circumvent merchants, bankers, and railroads, recapturing profits lost to corporate monopolies. The Populists were rhetorically anti-corporate. However, while rallying against corporate middlemen, Populists modeled their own cooperative enterprises off of those very same corporate monopolies.[42] By mimicking the corporate organizational form, Populist constructed their cooperatives with hopes of winning monopoly power in the economy, capturing enough market share to become "price makers" instead of "price takers." Populists did not view capitalist agricultural production as problematic – their discontent was direct at corporate domination of the marketing system. Ultimately, the Populists' attempts at cooperation failed primarily (if not ironically) due to a lack of capital, in addition to the political organization the financiers, merchants, and railroads they battled against. [43]

During the highpoint of agrarian populism, Cargill was in its adolescent stages of corporate development. Nonetheless, Cargill was already a key regional player in the Midwestern grain trade. In Minnesota, where grain merchants rapidly extended their control over agricultural marketing, Populists won passage of the 1895 Minnesota Country Warehouse Act, which mandated state regulation of country warehouses and elevators. Fearing a profit squeeze, Cargill challenged the law in the Minnesota State Supreme Court, which ruled against the company, citing the semi-public nature of the marketing process as grounds for regulation.[44] Cargill appealed the decision to the U.S. Supreme Court which, in *W.W. Cagrill Co. v. Minnesota* (1901), upheld the lower court's ruling. Although Cargill failed in its attempts to stem state regulation of the marketing system, its legal challenge against the state of Minnesota reflected merchant capital's recognition of the state as a key battleground of political struggle.

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[42] Postel, *The Populist Vision.* Postel (2007, 104-105) writes that the Populists "looked to the burgeoning corporate institutions for models of empowerment" with the hopes of creating cooperatives based on "centralized direction, rapidly coordinated communications, bureaucratic organization, and salaried agents and lobbyists" in order to mirror "corporate innovations in the manufacturing and transport industries that fostered cooperation and suppressed competition."

[43] Ibid. Although the explicit links between California's Populist movement and its emerging agribusiness sector were less strong than in the Midwest, the Golden State's capitalist cooperatives in fruit and vegetable distribution proved to be successful and enduring. For instance, the California Fruit Growers Exchange would eventually become the massive coop Sunkist, now the United States' most powerful produce distributors and one of California's most prominent landowners.

[44] Broehl, *Cargill,* 93-94.

Stagnating productivity and rebounding farm prices in the 1900s sealed Populism's fate as a political movement. Historians of rural America often refer to the period from 1900 until the outbreak of World War I in 1914 as the golden years of American agriculture.[45] Nevertheless, state-level agrarian discontent continued through the Progressive era. The North Dakota Nonpartisan League formed in 1915 with similar grievances, and remedies, as those of the Populists – high transportation costs and difficulties accessing credit, potentially mitigated through publically-owned systems of agricultural marketing and finance. The League's policy platform was explicitly statist, calling for public ownership of "terminal elevators, flour mills, packing houses, and cold-storage plants; state inspection of grain and grain dockage… and rural credit banks [that] operated at cost."[46] This simple and direct set of policy demands quickly gained support among North Dakota farmers, which translated into an unprecedented victory in the 1916 state elections, with a slate of NPL candidates (run under the Republican Party ticket) taking control of the state House and governorship. With the NPL in power, the government of North Dakota enacted a number of agrarian reforms, including state ownership of grain warehouses, elevators, and railroads, and a public banking system which supplied farmers with secure access to credit. The popularity of the NPL's policy agenda quickly spilled into neighboring Minnesota – the home state of Cargill, which, by the outbreak of World War I, had become a major player in the national grain trade.

For Cargill, the possibility of the NPL's expansion into a regional or national movement posed an existential threat. In a letter to the president of the Chicago Board of Trade, Cargill's chief executive, John MacMillan Sr., expressed his concern over the NPL's party platform:

> I think all of us in the Northwest are quite alarmed over the [Nonpartisan] League. They are spending unlimited money apparently to teach the farmers that they are very badly abused… preaching Socialistic doctrines, viz: that the State should take over all the mills and elevators. You can see that if their program succeeds, there will soon be no occasion for grain exchanges or grain merchants.[47]

MacMillan's concerns were not unfounded, but the speed of the NPL's rise to prominence was matched its rapid collapse. The NPL's (initial) anti-war stance and its statist political agenda

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[45] For instance, see: David B. Danbom, *Born in the Country: A History of Rural America*, (Baltimore: The Johns Hopkins University Press, 1995).
[46] Robert L. Morlan, *Political Prairie Fire: The Nonpartisan League, 1915-1922*, (Minneapolis: University of Minnesota Press, 1955), 26
[47] John MacMillan Sr., quoted in Broehl, *Cargill*, 254.

were ideological fodder for violent mob reprisals as the organization spread to neighboring states.[48] A.C. Townely, the movement's leader during its formidable years and a former member of the Socialist Party, was subjected to intense red-baiting. In 1921, the Minnesota Supreme Court denied Townley 's appeal from a 1919 conviction on "charges of conspiring to discourage enlistments" after an NPL pamphlet questioned the U.S. war effort.[49] With the movement's image tarnished outside of North Dakota, declining crop prices after the war's end limited funding for the state-owned elevator and milling infrastructure, hastening the NPL's decline as a political force.

The decline of agrarianism, historically linked to the rise of corporate capitalism, was a watershed moment in the historical evolution of the U.S. political economy, along with its agricultural system. To Populism's credit, its economic agenda was paralleled by a series of liberal democratic reforms, including "the graduated income tax, restrains on monopoly, education, the direct election of senators, the Australian ballot, the initiative, and the referendum."[50] As sympathetic scholars like Grant McConnell have argued, the transformation of agrarianism into the commercial farming lobby eviscerated the democratic impulses of rural reform.[51] But Populism's democratic demands were generally limited to the sphere of political procedure. Despite its attempts to level the economic playing field by promoting cooperatives and regulating the marketing system, Populists excluded farmworkers and smallholders from their organization, subsequently jettisoning any demands for substantial egalitarian rural economic reform.

Radical alternatives to Populism arose in the period between 1900 and 1914. Agrarian socialists (principally in Oklahoma and Texas), challenged capitalist social property relations by demanding guaranteed land tenure based on use and occupancy, recognizing that capitalist agriculture's tendency towards land consolidations through technologically-driven productivity grains had led to the dispossessions of tenants and the structural unemployment farmworkers.[52] Counterfactually, a system of land tenure would have insulated smallholders and farmworkers

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[48] Morlan, *Political Prairie Fire,* 152-182.
[49] Ibid.: 336
[50] Grant W. McConnell, *The Decline of Agrarian Democracy,* (New York: Atheneum, 1953), 5.
[51] Ibid.
[52] James Green, "Populism, Socialism, and the Promise of Democracy," *Radical History Review*, Fall 1980, 7-40.

from the market imperatives of competition and profit-maximization, mitigating, if not eliminating, capitalist agriculture's tendency for overproduction and land consolidation.

In this light, perhaps the ultimate irony of Populism is that system of capitalist agricultural production it supported led to the evisceration of agrarianism itself. The rising productivity characteristic of capitalist agriculture spurred a sustained demographic decline of American's farmers.[53] Although Populists advocated for the nationalization of key components of the marketing and financial systems, they did not challenge the market imperatives at work in agricultural production. Consequently, even if the Populists won their reforms at a national level, the productivity treadmill would not have been slowed, and the liquidation America's farmers would have continued unabated.

### *The State-Corporate Nexus and the Grain Trade*

Until the onset of World War I, the links between corporate grain merchants and the state were in their early stages of development. However, as Leo Pantich and Sam Gindin illustrate, the American state was active in constructing the capitalist economy during the so-called "laissez-faire" period of 1865 – 1914.[54] Prior to the Civil War, the state was active granting public lands to railroads and speculators, initiating protective tariffs, constructing means of distribution, and regulating commodity and labor markets.[55] After the Civil War, the state established a national banking system, provided liquidity through the U.S. Treasury, and created the Interstate Commerce Commission to prevent ruinous price competition between railroads.[56] State activism continued during and after World War I, with the creation of the Federal Trade Commission and the extended powers of the Department of Commerce.[57]

World War I marked an important moment in the concretization of the state-corporate nexus in the grain trade. The war generated a massive spike in demand for US commodity exports to

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[53] Bruce L. Gardner, *American Agriculture in the Twentieth Century,* (Cambridge, Massachusetts: Harvard University Press, 2002), 98. The U.S. farm population fell from over 32 million in 1910 to under 16 million by 1960.
[54] Leo Pantich and Sam Gindin, *The Making of Global Capitalism: The Political Economy of American Empire,* (New York: Verso, 2012), 31-35.
[55] Ibid.
[56] Ibid.
[57] Ibid.

Europe – including grain. State managers took a relatively heavy hand in regulating the grain trade during the war, as stable food prices were viewed as essential to political and economic security. In May of 1917, Herbert Hoover, designated with the task of running the U.S. wartime food economy by President Woodrow Wilson, held a meeting with the country's most prominent grain traders, including John MacMillian Sr., Cargill's chief executive, who represented the Minneapolis Chamber of Commerce, a key Midwestern grain exchange. The Committee of Grain Exchanges in Aid of National Defense agreed to a sweeping government takeover of the agricultural marketing system, including price controls and a ban on the trading of futures contracts, along with the regulation of grain exports.[58] Although Cargill's profits were squeezed by the wartime regulations, the war strengthened the relationship between corporate merchants and the state. MacMillian was elected as the national president of the Council of Grain Exchanges, the central organization representing the country's fifteen major grain exchanges in the state-corporate nexus.[59] The American state's posture towards the grain trade reflected its broader relationship to capital beginning in the 1920s: promote conditions for accumulation, while giving corporations a greater role in influencing America's international affairs.[60] By the fall of 1920, wartime government controls were removed, the grain trade resumed in earnest, and Cargill embarked on their most significant corporate expansion project to date – a project that would continue in earnest through the Great Depression and World War II.

During the 1920s, Cargill initiated an ambitious new expansion strategy dubbed the "Endless Belt" – an advanced logistics system that would enable the company to "control the movement of grain from the time it left the farmer until it reached the final buyer."[61] This strategy centered on constructing an extended distribution network composed of: 1) country elevators, which enabled Cargill to control points of purchase, ensuring monopsony power over farmers; 2) transfer terminals in key transportation hubs like Chicago, streamlining the distribution of grain across space; and 3) export terminals in key coastal cities, enabling access to foreign markets. Cargill's increased carrying capacity would be complimented by new shipping and trucking fleets that would increase flexibility in delivery while putting downward price pressure on

[58] Broehl, *Cargill,* 223-231.
[59] Ibid., 231.
[60] Pantish and Gindin, *The Making of Global Capitalism,* 51.
[61] Broehl, *Cargill*, 284.

railroads.[62] Cargill also pushed to expand its private communications systems, as success in the global grain trade is heavily dependent upon taking advantage of updated market information. The results of this strategy are reflected in Cargill's vastly increased storage capacity, which rose from 14.7 million bushels in 1929 to over 63 million bushels by 1940.[63]

Perhaps the most important component in the early construction of Cargill's Endless Belt was the Albany Terminal Elevator. The elevator's opening in 1932 was a watershed moment in American commerce, with dignitaries like New York governor Franklin Delano Roosevelt on hand for its dedication. By providing a terminal storage point in route to New York City, the Albany elevator expanded the export market for Midwestern grain at a time of increasing international competition. European firms like Andre, Bunge, and Continental had begun encroaching into U.S. markets by the late 1920s, and Cargill respond by ramping up its efforts to establish itself as a major global exporter.[64]

Cargill's forceful pursuit of the Endless Belt was part of an overall shift in the political-economic posture of the company. The international grain markets that were constructed in the mid-to-late nineteenth century generated fierce global competition in the grade trade by the conclusion of World War I. In the context of heighted competition, Cargill's business model emphasized aggressive expansion, while the company became less tolerant of any state actions that might restrict the flow of capital. Although Cargill put up with a state takeover of the U.S. grain marketing system during World War I, it would resist state regulation during the Great Depression and World War II. During this period, anti-statist ideology becomes a central pillar of Cargill's communiqués to business and political elites. Contrarily, Cargill would welcome government contracts and state actions if they potentially increased profitability. In this sense, Cargill was an early advocate of what today is known as neoliberalism – "an open-ended and contradictory process of politically assisted market rule."[65] While rallying against state regulation of agricultural marketing, Cargill would promote the expansion of government agencies designed to facilitate increased agricultural productivity, while levering state power to

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[62] Ibid., 564. Cargill Carriers Incorporated was formed in 1930 to create a company fleet through shipbuilding and external purchases. Cargill proved to be a major innovator in shipbuilding, construing an innovative steel barge that vastly increased grain carrying capacity and transport speed in canal travel while decreasing locking time compared to standard barges.
[63] Ibid., 582.
[64] Ibid., 382-385, 480.
[65] Jamie Peck, *Constructions of Neoliberal Reason,* (New York: Oxford University Press, 2010), xii.

construct the means of distribution necessary for another round of corporate expansion after the conclusion of World War II.

### *Corporate Expansion in the 1930s and 1940s*

Cargill would experience its most profitable years to date during the domestic and global turmoil of the Great Depression and World War II. The situation for Midwestern grain farmers was comparatively bleak, propelling agricultural reform to the top of the national policy agenda. Rising crop prices during World War I were coupled with a boom in rural land markets, with land prices rising 70 percent between 1913 and 1920.[66] Falling crop prices during the 1920s spurred a particularly fierce round of farm closures and consolidations, as waves of farmers were unable to repay debts inflated by the speculative boom in land prices.[67] The Hoover administration, ideologically opposed to heavy-handed regulatory measures such as price-fixing, emphasized the creation of state-sanctioned cooperative marketing systems – cartels that would have, in theory, enough purchasing power influence crop prices. The Agricultural Marketing Act of June 1929 created the federal Farm Board, which offered low interest loans to promote the establishment of cooperative marketing systems, in addition to creating a state-run Grain Stabilization Corporation that would help manage commodity crop surpluses. Despite Hoover's explicit avoidance of price-fixing, the grain trade opposed any type of state intervention into agricultural marketing.[68] Reflecting the anti-statist ideology influencing the company's leadership at the time, one Cargill executive opined that Hoover's attempts at market manipulation presented "a menace to the whole structure of American political philosophy of the very gravest nature" and a direct assault upon the "Anglo-Saxon code of law."[69]

The collapse of the U.S. stock market in October 1929 set off further fears amongst the grain merchants that the Farm Board would begin fixing crop prices. In the early stages of the Great Depression, the Hoover administration began using the Grain Stabilization Corporation to

[66] Cochrane, *Development of American Agriculture,* 100-101.
[67] Ibid.
[68] Broehl, *Cargill,* 341.
[69] Ibid.

purchase crop surpluses in order to raise prices. As European traders expanded their global reach, the government's purchase of surpluses restricted the flow of exports, hampering Cargill's ability to market grain internationally.[70] Despite the Hoover administration's attempts to raise prices through surplus purchases, crop prices continued to fall. Cochrane writes that the Farm Board "did not have the financial capacity to stem the fall in the world prices of the great staple commodities, and it could not find a way of reducing the stocks it had accumulated without further depressing farm prices."[71] By the early 1930s, average farm prices would fall to their lowest levels since the agricultural overproduction crisis of the 1890s.

The presidential election of Roosevelt in 1932 opened a new window for agricultural reform. A range of policy proposals were put forth, from dumping surpluses abroad to raise prices (the so-called McNary-Haugen Plan, advocated by American Farm Bureau Federation, a lobby representing the largest commercial farmers)[72] to direct government price-fixing (advocated by more progressive farm lobbies like the National Farmers Union). Ultimately, the Roosevelt administration won passage of the Agricultural Adjustment Act of 1933 (or AAA). The AAA centered on raising farm prices through production controls by subsidizing farmers to fallow portions of their land, bringing prices into "parity" with the golden years of 1900-1914. The subsidy to farmers was paid with a tax on food processors, a provision at the center of the U.S. Supreme Court's 1936 decision to declare the AAA unconstitutional. Later that year, the Roosevelt administration would win passage of the Soil Conservation and Domestic Allotment Act, reinitiating the subsidies (paid by general funds) for fallowing land under the aegis of saving topsoil in the context of the Dust Bowl. The AAA of 1938 would concretize the government policy of supply management.

True to form, the grain trade "saw the legislation as a constraint on supply and demand and upbraided the administration for what they saw as an attack on free enterprise."[73] In fact, Cargill began to publically declare its hostility to any government legislation – in agriculture or the broader economy – which potentially constrained corporate profitability. In reaction to Roosevelt's election, Cargill circulated a nine-page letter to political and business elites

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[70] Ibid., 352.
[71] Cochrane, *Development of American Agriculture,* 120-121.
[72] McConnell, *Agrarian Democracy*, 63-65.
[73] Broehl, *Cargill,* 421.

outlining their policy agenda in the face of new state regulations. In the document, Cargill laid out a bevy of proto-neoliberal reforms, ranging from the removal of protective tariffs and the rejection of public works projects as economic stimulus to drastic tax cuts.[74] Above all, Cargill called for austerity measures as the remedy to the Great Depression, arguing that "determined efforts be made to bring the price of everything, especially labor and freights, down to [the low price of grain], rather than to bring the levels of grain and other raw materials up."[75] John MacMillan Sr. blamed the Great Depression on working class demands for higher standards of living. In his view, organized labor "got entirely out of hand and demanded the maintenance of the highest labor scale plus reducing the number of hours worked to forty hours a week. It is making the cost of everything so great that neither the farmer nor anyone else can live,"[76] adding that "[w]hat is needed by economists and politicians is a close study of the principles first clearly enunciated by Adam Smith."[77]

In practice, the U.S. government's regulation of the grain trade during the Great Depression was minimal. Cargill held a key position in the Grain Committee on National Affairs, a trade group, lobby, and public relations apparatus for the grain trade. The Department of Agriculture agreed to a plan of self-regulation devised by the trade group, with a moratorium on options trading in the Chicago Board of Trade as the only significant change to the grain trade's normal state of affairs.[78] Ultimately, efforts by Henry A. Wallace and the farm lobby to establish an "ever-normal granary" – a public commodity crop storage system with power to regulate prices – failed in the face of the organized opposition of grain merchants. Nevertheless, it is important to emphasize that the AAA production control scheme failed to stem the rising productivity gains (and mounting surpluses) at the core of capitalist agriculture.[79]

By the outbreak of World War II, Cargill had firmly established itself not only in the grain trade, but also a proponent of proto-neoliberal economic policy. As Harvey and Jamie Peck have

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[74] Ibid., 402-403.
[75] Cargill Inc., quoted in Broehl, *Cargill,* 402.
[76] John MacMillan Sr., quoted in Brohel, *Cargill,* 429.
[77] Ibid., 403.
[78] Broehl, *Cargill,* 426-427.
[79] Jack Ralph Kloppenburg Jr., *First the Seed: The Political Economy of Plant Biotechnology, 1400 – 2000*, (Madison, Wisconsin: University of Wisconsin Press, 2004 [1988]), 89.

emphasized, neoliberalism is inherently contradictory in theory and practice.[80] Ideologically, neoliberals promulgate free market orthodoxy while, in practice, leverage state power to facilitate capital accumulation. This contradiction was clearly apparent in Cargill's relationship toward the state during World War II. Anticipating a major loss to the global merchant fleet during the war, Cargill directed substantial resources towards shipbuilding. Already an innovator in the sector, Cargill won contracts from the U.S. Navy to construct auxiliary oil and gas carriers for the duration of the war.[81] More importantly, Cargill engaged the state to aid the construction of a new shipyard along the Minnesota River at Savage – a site affectionately dubbed "Port Cargill" by ownership. Although Cargill paid for the majority of the dredging, the project's labor costs were bared solely by the Army Corp of Engineers. Although Cargill's government contracts were not a major source of company revenue in the war years, the emphasis on shipbuilding ensured Cargill's global competitiveness after the war concluded. As early as 1938, Cargill viewed the construction of a global shipping fleet as the key to competing with their global rivals like Louis Dreyfus, Bunge, and Continental.[82]

During the war, the increased demand for grain exports, along with other commodities, posed major logistical problems agricultural marketing. With domestic waterways and railroads clogged, Cargill took profited handsomely from the "carrying charge" exacted through its capacity to store unprecedented quantities of grain. Indeed, Cargill laid claim to the best storage capacity in the country, its distribution network coving vast a territory, with terminal elevators in Kansas City, Omaha, East St. Louis, Memphis, Duluth, Minneapolis, Buffalo, Albany, and Toledo.[83] With its distribution network in place and wartime demand increasing global demand for grain, Cargill would enjoy record profits during World War II.

### *Conclusion: Overproduction and the Problem of Surplus Absorption*

In general, capitalism tends towards increasing productive output and subsequent crises of overproduction. However, realizing these tendencies is never mechanical or automatic.

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[80] David Harvey, *A Brief History of Neoliberalism,* (New York: Oxford University Press, 2005); Peck, *Constructions of Neoliberal Reason*.
[81] Broehl, *Cargill,* 622-633.
[82] Ibid., 586-591.
[83] Ibid., 620-621.

Although the market imperatives of competition and profit-maximization lay the foundation for increased agricultural production, public policies, state and private institutions, and requisite technologies must be put into place to facilitate productivity gains. Beginning in the early nineteenth century, U.S. state managers recognized the essential role of government in promoting agricultural research to facilitate the increased output necessary for the expanded reproduction of industry.[84] The period between 1860 and 1890 saw the American state create a number of institutions designed to forward agricultural science, from the founding of the USDA and the land-grant university system in 1862, to the Hatch Act's establishment of state agricultural experiment stations in 1887. By the 1890s, scientists at land grant universities and experiment stations began to focus on the genetic manipulation of plants through hybridization as a means to increasing agricultural productivity.[85] The overproduction crisis of the 1890s, engendered by advances in motorization and mechanization, gave way to stagnating productivity in between 1900 and 1930. During this period, the state institutionalized the county agent system with the passage of the Smith-Lever Act of 1914. County agents were tasked with promoting the adoption of new technologies by farmers in order to break through the stagnation impasse. The Smith-Lever Act itself was the brainchild of agribusiness, with key lobbies, including the Council of North American Grain Exchanges, pushing for its passage,[86] and the American Farm Bureau Federation, the largest commercial farming organization, active in its implementation.[87] By the mid-1930s, the rapid adoption of hybrid corn initiated a new spike in agricultural productivity, with crop prices falling in turn. During the 1940s, further innovations in mechanization, along with the use of agricultural chemicals, especially surplus nitrogen used in fertilizers after the conclusion of World War II, further spurred productivity gains.

For grain merchants, systemic agricultural overproduction generated a perpetual problem of surplus absorption. The grain trade is predicated upon moving high volumes of commodity crops at relatively low margins. Accordingly, although grain merchants make profits by charging for storage, their primary economic strategy is to decrease turnover time in the circulation process. Mass purchases must be realized through mass sales. The vast commodity

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[84] See: Kloppenberg, *The First Seed,* 54-55.
[85] Ibid., 68.
[86] Ibid., 74-75.
[87] McConnell, *Agrarian Democracy*, 48.

crop surpluses confronting grain merchants and state managers after the conclusion of World War II presented a serious obstacle to capital accumulation for agribusiness. In 1954, the American state-corporate nexus took a major step towards resolving the surplus absorption problem with the initiation of P.L. 480, the "Food for Peace" program. Cargill was a major beneficiary of the program,[88] which allowed commodity traders to dump surpluses in Third World countries as part of the United States' push to establish itself as the global hegemon in the geopolitical context of the Cold War.

Domestically, the decline of America's farmers was part of a broader political project of economic restructuring which transformed rural labor market in the 1950s and 1960s. Food processors were major corporate players in this restructuring. For commodity traders, food processing, along with the growth of the livestock complex, absorbed crop surpluses through the use of derivative components in durable foods (such as high fructose corn syrup) and feed grains, respectively. Beginning in the 1970s, the lifting of production restrictions would only deepen the problem of surplus absorption, with trade liberalization (through NAFTA and WTO negotiations) and the rise of the state-supported biofuels complex as the latest responses to the perpetual crisis of agricultural overproduction. In order to ensure surplus absorption, commodity traders would embark on a sustain effort at vertical integration into food processing, while strengthening their ties to agribusinesses involved in industrial agricultural production and the biofuels industry.

In conclusion, analyzing the rise of global commodity traders requires explicit attention to the internal relation between agents and structures. Capitalist market imperatives set the conditions of possibility for corporate actions – but these actions are never predetermined or executed in a mechanical sense. Employing the circuit of merchant capital gives us an idea of the economic challenges facing corporate merchants, and the role of the state in facilitating or hindering the transcendence of these challenges. As a conceptual tool, the state-corporate nexus gives ontological priority to political-economic development at the level of state-society relations. In this light, meaningful regulation of the agricultural system must hold the state, the economy, and society in dialectical tension. Consequently, focusing on legislation to regulate particular aspects of the agro-food system – trade or subsidies or GMOs or biofuels – without

[88] Burbach and Flynn, *Agribusiness in the Americas*, 236.

attention to how these policies relate to other, seemingly disparate policy areas (for example, labor and immigration, infrastructure, finance policies) and social spheres may not generate the structural changes necessary to democratize agricultural production and distribution. Politically, these dynamics shed light on the need for a popular-democratic political force that demands reform across entire policy regimes.