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Sowing the Wild Oats: Scandal and Crisis in the Louisiana Grain Industry

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**SOWING THE WILD OATS: SCANDAL AND CRISIS IN THE
SOUTHERN LOUISIANA GRAIN INDUSTRY, 1972-1977**

A Thesis

Submitted to the Graduate Faculty of the
Louisiana State University and
Agricultural and Mechanical College
in partial fulfillment of the
requirements for the degree of
Master of Arts

in

The Department of History

By

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May 2019

Dedicated to John Beach

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It is an oft-used cliché to say that producing this work was a team effort, but in this case, that cliché could not be more appropriate. Much of the research presented here originated with an Oral History collection I began in September 2018. Oral history, more than any other form of research, cannot be performed as a one-woman show (despite how much of the collection was produced through my own sheer determination). Therefore, I have to thank the men and women who were kind enough to share their grain stories with me. Those cited directly in the text: Bart Bauer, Clara Beach, Jack Coleman, Ricky Creed, Timothy Duncan, Robert Isakson, and Jim Norris. Those not cited in the text: Joshua Adams, Richard Guerts, Alvin Gumpert, Lynn Larsen, Allen Litton, Mike Niedenfuer, and Louis Thibodeaux. All of these individuals expanded my knowledge of the grain industry, which began as a blank slate, and those who were not cited here very well may find their stories incorporated into future work.

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In addition to sharing the story of his family’s connection to the Lake Arthur, Louisiana rice trade, Eric Broussard has been a constant source of support and encouragement. He and I

spent a long Saturday night trying to sort out the sequence of events related to the 1975 Cereal Heist. He has also given feedback on numerous conference papers and other grain-related materials, along with offering suggests for “punny” titles.

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My family may not understand what I am talking about most of the time, but they have still been supportive of my latest research pursuit. My parents have provided a non-academic perspective to the ideas of corruption in the grain industry and trade routes - my dad especially offered explanations for the complexities of domestic grain trade that I had not even considered. Thanks to my brother, I now own several rare promotional items related to the Louisiana grain industry of the early twentieth century.

Finally, my biggest thanks go to the man to whom I have dedicated this entire project: my grandfather John Beach. If he had not offered the kernel of information pertaining to the 1975 FBI investigation in a family interview I did with him in 2014, I would not have been compelled to look into the grain industry. Without him, I would have never been able to get the Oral History collection off the ground because his name and reputation granted me access to the members of the Grain Elevator and Processing Society. Because of his openness with me back in 2014, I have uncovered a largely hidden history that is both personal and global in scale and I am forever grateful for his contribution to the historical record.

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ABSTRACT

In 1972, U.S. Agriculture Secretary Earl L. Butz commented, "The grain trade is one of the most fiercely competitive industries in this country;" yet to the general public, the grain trade is a largely unknown entity.¹ *Sowing the Wild Oats* seeks to address some of the gaps in our knowledge of the grain industry created by the industry's general invisibility and a lack of writing on the topic, particularly in reference to the latter half of the twentieth century. In the mid-twentieth century, a major investigation of the New Orleans grain trade sparked national changes affecting the entire United States grain industry. The Gulf port also played a central role in determining global grain prices and facilitating international trade, making it one of the most influential ports in the world. As journalist Dan Morgan succinctly puts it, "New Orleans is to grain what Bahrein is to oil."² Through centuries of expansion and generations of employees, the secrecy of the industry allowed things to transpire that would have lasting effects once they were uncovered in the 1970s.³ The whole system unraveled in less than a decade simply because a massive grain sale to the Soviet Union in 1972, conducted behind closed doors, led to suspicions of theft on the New Orleans docks in 1975. The story of the Louisiana grain industry is filled as much with fraud, explosions, theft, and threats, as it is with trade negotiations and crop news.

¹ James Trager, *The Great Grain Robbery* (New York: Ballantine Books, 1975), 160.

² Dan Morgan, *Merchants of Grain* (New York: The Viking Press, 1979), 313.

³ According to Morgan, "the transformation of the global economy" at this time brought the grain companies to the forefront of public interest. In the succeeding decades, the scandals of the industry were quickly forgotten and the companies are just as elusive as they were in the early twentieth century. See Morgan, *Merchants of Grain*, vii.

INTRODUCTION

There was a grain investigation by the government and we went through a really tough, tough time with the FBI and the grain inspectors and all that. There was a couple of people that I knew at that time that got indicted. And they spent a little time in jail but not that much. . . . You were constantly under pressure. I was accused of a lot of things by the FBI and none of them were true. But they pistol whip you just about every way they could.

-John Beach, Superintendent of the New Orleans Public Grain Elevator, early 1970s¹

When asked in a 2014 interview what the most difficult thing in his life had been, John Beach revealed he had been under investigation by the FBI while working as the superintendent of the Public Grain Elevator in New Orleans in the 1970s. His memory of the events around the investigation and its specific motives have gotten understandably hazy with age but he does remember seeking guidance from his preacher throughout the ordeal. That detail generates a narrative similar to the classic Marlon Brando film *On the Waterfront* (1954). With its mob bosses and labor unrest, any comparison to that film suggests the New Orleans investigation had something major at stake. Grain, being a staple of diets around the world, is a revenue generating powerhouse and one has to wonder if New Orleans' storied past with the mafia had led to widespread corruption on the docks. Agents working this particular case have stated that it was a fully internalized operation, meaning only grain companies and their employees were involved.² The American grain industry is renowned worldwide for its highly secretive existence and perhaps even the mafia, as powerful as it is, could not crack that shell.

Although he was not charged with anything, Beach makes it seem like federal investigations were just part of the day-to-day operations of the elevator: "You were always

¹ John Beach, Personal Communication, June 2014.

² Robert Isakson, Unprocessed Oral History Interview conducted March 24, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

under the gun for these kinds of things because you're dealing with a lot of money on the screen all the time. You don't even [know] . . . If it wasn't bad, they would claim it was bad and then that just opened up Pandora's box."³ Whether his work as elevator superintendent was truly being constantly watched, Beach's brief statement in 2014 certainly opened Pandora's box in trying to explain and understand how something like the grain industry could find itself mixed up with the feds. What criminal activity could possibly come out of something so simple? It turns out, the big business to be found in grain is highly susceptible to fraud and theft. The political climate of the 1970s was almost as turbulent as that of the Trump years but the FBI had just begun pursuing large cases of fraud and corruption. Publicly accessible information about the grain case has become limited over time and an online search yields only a few *New York Times* articles, giving the impression that the case was not significant and quickly disappeared. But this limitation could also raise questions of whether there was pressure to withhold information and make the case go away. The flat truth is there was constant press coverage of the case, both in the local papers and national ones like the *New York Times* and *Chicago Tribune*, that coverage has just become buried in the depths of the digital archive.

For those like Clara Beach who made a habit of saving clippings from the local news, information on the case was limited simply because only a few papers were available in the area. Even though she was well aware of the investigation because she often saw agents outside her home, she was surprised at how much she did not know about her husband, John Beach's, industry. That information was just not accessible to her primarily because the operation of the grain industry has been a carefully guarded secret for generations. When journalists did venture to document industry news, it was difficult to explain the inner workings of the elevators to the

³ John Beach, Unprocessed Oral History Interview conducted December 23, 2017. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

uninitiated. Clara remarked in her 2018 oral history interview, "I never worried about him all that time, but afterwards I realized how dangerous it was where he was working."⁴ Not only was her husband under potential scrutiny much of the time, his life was put on the line numerous times because of dust problems or fumigant exposure. The case, which ultimately saw upwards of seventy individuals and several of the biggest companies indicted, has never been given the academic focus it deserves. In fact, only a few books have given it a passing reference (one written by a reporter for the *Washington Post* who had covered the case as it was unfolding).⁵

The case served as a major turning point for the grain industry on a national and global scale as it led to the creation of the Federal Grain Inspection Service that would make federal oversight part of the day-to-day operations of the elevators. At the center of the case was a scheme to defraud international grain customers who were quick to judge the trustworthiness of the American grain trade when news of the investigation broke. A loss of such international business would really damage the United States' standing in global trade and hurt the innocent bystanders, the farmers, the most severely. The United States Department of Agriculture had just moved past its own negative press from huge sales of wheat to the Soviet Union in 1972 when more grain controversies arose in 1975. The 1975 scandals more than likely came to light as a direct result of the 1972 deal because so much grain was involved in the 1972 sales that it revealed shortcomings in the stock of the elevators. The increased, and almost panicked, movement of grain coming out of the 1972 sales created pressure within the elevators to keep

⁴ Clara Beach, Unprocessed Oral History Interview conducted December 12, 2017. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

⁵ Dan Morgan, *Merchants of Grain* (New York: The Viking Press, 1979).

Robert Isakson, an FBI agent who worked the case, believes there were close to 100 individuals indicted in the case but all press coverage from the time tops out at around seventy-one. See Robert Isakson, Unprocessed Oral History Interview conducted March 23, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

moving at a breakneck pace that ultimately created a hazardous work environment with a buildup of dust and no time for cleaning. For one elevator in Westwego, Louisiana, in 1977, this combination of risk and vice, putting business before safety, proved fatal in the worst elevator explosion in American history.

A century of Louisiana grain history vanished in the 1970s, quite literally for the Westwego elevator that was first built in 1873, at the hands of these three key incidents: the 1972 “commodity crisis,” the 1975 “cereal heist,” and the 1977 elevator explosion. Each sparked its own changes on the federal level that are still evident in elevators throughout the country and yet the specific historical moment that is the Louisiana grain industry in the 1970s has never been given the credit it deserves in transforming a global industry. These three events of the 1970s did not exist in a bubble as is clear by their relationship to each other and the legacy they have left behind. Contemporary accounts prefer to view these events independent of each other, if they are given any attention at all, but the reality is they were intimately connected in a ménage à trois dating back to the early twentieth century.

Only in the first half of the twentieth century did scholars begin to look at the grain industry with a critical eye and trace its origins and its widespread influence. For Louisiana, this meant looking at the role of the grain industry in the various wars of the eighteenth and nineteenth centuries. Dan Morgan’s 1979 book *Merchants of Grain* may exclude New Orleans from its 1880 grain trade routes map, but the plentiful scholarship on the early New Orleans grain industry would suggest it played a bigger role in global grain trade at that time than even Chicago. Two large volumes of work on agriculture in the antebellum south were produced in the 1940s and at least three Master’s theses focused on the topic of rice and grain in nineteenth century Louisiana. For unknown reasons, grain scholarship ceased being produced in the 1960s

as if that history had stopped being productive. Journalists picked up where these historians left off with the publication of books written as the events unfolded. James Trager, an advertising writer, released his take on the 1972 Russian sales, *Amber Waves of Grain*, in 1973, and Dan Morgan released what some consider “the first global look at the grain trade” in 1979. Martha Hamilton, a researcher for the Agribusiness Accountability Project, contributed the ever-significant book *The Great Grain Robbery & Other Stories* in 1972. The significance of this book comes primarily from the introduction of the phrase “the Great Grain Robbery” to describe the 1972 Soviet sales.

From the 1960s to the early 1980s, the grain industry, especially in Louisiana, experienced major changes that have not been discussed at length either on their own or within the context of the histories developed by those early scholars. Much of the focus of grain history writing has been on the Great Plains because they are a primary site of production. Secretary Butz's statement from 1972 makes clear, however, that grain production (farming) is only part of the picture as trade plays an even bigger role in the overall system. It is the big grain companies with their export elevators in key locations along the Gulf Coast that influenced the most change for the U.S. grain trade in the shortest amount of time, and at the center of it all stood Louisiana.⁶

The history of the Louisiana grain industry simultaneously represents two industries: the processing and export of wheat, corn, and soybeans through the port in New Orleans, and the cultivation of rice in the Southwest. Coincidentally, the New Orleans export industry grew out of the rice industry that once dominated the city when the rice farmers erected their own mills to assert more control over the process. Since that first dispute between farmer and miller in the late

⁶ The impact of the American grain trade reaches far beyond economic and agricultural interests. The very term “grain elevator” is an American invention as indicated by the Oxford English Dictionary. See Brown, *American Colossus*, 1.

nineteenth century, the grain industry has been anything but immune to controversy, scandal, and crisis. While grain may seem like a simple commodity, it is actually a revenue generating powerhouse, making it highly susceptible to mishandling. Dr. William J. Brown, in what he calls “the first in-depth history” of the grain elevator, argues that the first granaries constructed by Joseph in Egypt, as described in the Bible, “would inevitably attract vermin and would also be obvious targets for bribery, theft, intrigues, and sabotage” because grain was such a highly sought-after commodity. Even into modern times the demand for grain and its place in global economy is just as high and the attraction of vermin is just as real as it was for Joseph.⁷ For the companies at the center of the system, discretion and secrecy was seen as an even more valuable commodity. In 1844, a Boston representative of the British merchant house of Baring Brothers wrote to an agent in New Orleans, “Economy is desirable, but secrecy is essential.” This statement was in reference to an order for corn to be purchased as relief aid for the famine in Ireland. Perhaps secrecy was needed to execute such a sale and shipment in the midst of the Mexican-American War. At any rate, the precautions worked as the corn had been safely in Cork, Ireland for two weeks before any American competitors knew of the sale.⁸

Louisiana's significant role in the U.S. and global grain industry supplies answers for two questions posed by Alfred D. Chandler in a 1959 article: "What in the American past has given businessmen the opportunity or created the need for them to change what they were doing or the way they were doing it?" and “What encouraged them to alter their relations with their working force, their customers and competitors, and with the larger American public?”⁹ While countless

⁷ Brown, *American Colossus*, 20.

⁸ Morgan, *Merchants of Grain*, x.

⁹ Alfred D. Chandler, "The Beginnings of 'Big Business' in American Industry," *Business History Review* (Spring 1959): 2.

writers have commented on the shadowy existence of the big grain companies and the grain elevators, the historical record shows that what created the need for this industry to change the way they were doing things and their relationship with their customers was largely scandals and crises of their own creation. The industry's growth in Louisiana was driven by such catalysts for change as financial crises of price fluctuation and control, facility crises, safety crises, and monetary scandal.

See also John Robert Moore, *Grist for the Mill: An Entrepreneurial History of Louisiana State Rice Milling Company, 1911-1965, River Brand Rice Milling Company, 1946-1965, and Riviana Foods, 1965-1999* (Lafayette, LA: University of Louisiana at Lafayette, 2000), xi-xii.

COMMODITY CRISIS

We were loading Russian ships for several years. I can remember that, too, because they're usually the biggest ships and they always have that hammer and scythe insignia on the smokestack of the ships. . . . Then all of a sudden it just kind of quit. I don't know if this is one of the main reasons, but I had heard that . . . the United States was . . . subsidizing grain to Russia because the Russians would take the grain and their people were not doing so well and then somehow . . . the grain got to the ports of Russia and then it would just sit there and there was no infrastructure to get it inland to the people and the grain rotted on the docks. And so eventually America just quit doing it. There's probably more to that story, you know, politically, but who knows.

-Bart Bauer, Zen-Noh Grain Corporation¹

The politics of America's agricultural trade relationship with the Soviet Union is indeed complicated, fraught with contradictions, crises, and potential conflicts of interest. The growth of Louisiana's grain industry long relied on export markets like that of the Soviet Union. Political decisions throughout the early twentieth century influenced what those markets could be and who America's grain competitors were. For decades, the Soviet Union had been cut off from the benefits of American trade as a consequence of the chilling standoff between the two nations. Bad harvests in the Soviet Union in the 1960s created internal crises that required them to seek grain from outside sources. It was a business as much as a political decision to allow them to purchase American grain at that time. Unfortunately, this generated a hunger for American wheat and soybeans. By the early 1970s, another bad harvest created a rush on the American grain market with the Soviets buying at such unprecedented rates that they threatened to collapse the American wheat market. The American grain companies at the center of the Russian purchasing deals found themselves in the midst of crisis to meet this incredible demand without catastrophically damaging the domestic grain market. The sales agreements between the U.S.

¹ Bart Bauer, Unprocessed Oral History Interview conducted February 26, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

companies and Soviet officials inadvertently revealed the biggest scandal in Louisiana grain history when the physical supplies fell far below what was supposedly there on paper. In the summer of 1972, Soviet government officials met with executives of a few U.S grain companies behind the closed doors of a New York hotel. There had been some indication of activity with the Soviet Union but the details remained sparse for a significant amount of time. In mid-July, *The Southwestern Miller*, an industry paper, could only report that “Heavy futures activity and ship chartering . . . confirm mammoth, but as yet unconfirmed, sales of wheat and other grains to the USSR.” In his first book detailing the intricacies of the deal, investigative reporter James Trager indicates that “no consensus was yet apparent on indicated sales total or breakdown, but many felt that size would be ‘unprecedented.’” On July 18, *The Southwestern Miller* published a “guarded ‘guess’ that the Soviets might possibly have purchased 100 million bushels of U.S. wheat.” Acting on additional rumors of the size of Russia’s demand for wheat, Barney Saunders of Cargill had a study prepared of “an apparent maximum of hard red winter wheat available for ‘extraordinary demand’ such as Russian exports.”² This study, drawing on published USDA data, was finished by the end of July and was brought to the New York meeting between Cargill and the Soviets as part of their negotiation arsenal. All of the New York meetings had generated a sale of at least \$750 million of American wheat, corn, and other grains to the Soviet Union. A problem arose only when it was realized that the U.S. companies involved, eager to secure such business, “had sold wheat [they] did not own.”³ On reflection, it was clear “each [company] was engaged in the delicate process of trying to acquire wheat without disturbing the precarious price balance of the market. No company knew how much wheat any other company had sold the

² James Trager, *Amber Waves of Grain* (New York, Arthur Fields Books, Inc., 1973), 48, 50, 54.

³ Martha M. Hamilton, *The Great American Grain Robbery and Other Stories* (Washington, D.C.: Agribusiness Accountability Project, 1972), 93.

Russians; none knew the total amount of the Soviet purchase. . . . Continental had, in fact, sold at least 5.5 million tons, Louis Dreyfus 2.25 million, Cargill 2 million, Cook 900,000, Bunge 600,000, and Garnac 550,000.” In less than six weeks, Soviet purchases had “exceeded the \$1 billion figure the USDA had projected for a full year’s purchases.”⁴ Agriculture Secretary Earl Butz testified before a subcommittee in September 1972 that “nobody knew then, neither the Department of Agriculture nor the trade, just how much the Russians would buy. The export traders were not telling each other how much the Soviets were booking with them [and] exporters did not tell the Department of Agriculture.”⁵

Conditions for the sale manifested from a thawing in the Cold War in which the United States “decided to promote trade with Communist countries, and . . . the Soviet Union decided to risk dependency on the United States for huge amounts of grain.” The circumstances allowing the sales to progress as they had (directly under the nose of the USDA) raised many questions of scandal and controversy in Washington. Writing in 1990, Joseph G. Gavin, III noted some contemporary observers had placed the blame on “a conspiracy between some government officials and the ‘Export Trade,’ while others suggested it was “bureaucratic mismanagement.” Still others suspected “consumer interests were deliberately traded off to help President Nixon

⁴ Trager, *Amber Waves of Grain*, 57, 67.

⁵ James Trager, *The Great Grain Robbery* (New York: Ballantine Books, 1975), 37.

In 1969 and 1970, the CIA had estimated that the Russians would not spend more than \$50 million on imported grain from the U.S. in any given twelve-month period. This estimate and the small scale of sales to the USSR in the 1960s led USDA officials to miss numerous red flags as they arose throughout 1972. See Joseph G. Gavin, III, *U.S. Grain Exports, Russian Buyers and Short Supplies, 1971-1975* (New York and London: Garland Publishing, Inc, 1990), 124 n.42.

In a press conference detailed by *The Baltimore Sun* on July 9, 1972, the White House said the grain sale with the Soviet Union “will be negotiated between the Soviet Union and American private commercial exporters,” removing the USDA and other government entities from the negotiations from the very beginning. See “U.S. to Sell Soviet Union grain worth \$750 million over three years,” *The Baltimore Sun*, July 9, 1972: 3.

win reelection or to obtain concession from the Soviet Union on Vietnam.”⁶ Perhaps it was simply a lack of information that the Soviet Union used to their advantage. The most striking reality of this unprecedented situation was a severe decline in global grain production amounting to a loss of 35 million tons. Poor harvests, particularly in the Soviet Union, left the United States as virtually the only country with a significant grain surplus. At the opening of the decade, the Soviet Union “had the international liquidity to offset production losses by means of large purchases in the international market.” In 1967, similar crop losses had affected the Soviet Union and the Indian subcontinent almost equally.⁷ It is possible, then, that in this new era verging on famine, Soviet leaders determined knowledge was their most valuable currency and, therefore, shielded their activity on the grain market from the global audience. Of course, purchasing U.S. grain in secret would also keep prices low.⁸

Initial sales to the Soviet Union began in December 1963 when Continental sold them 350,000 tons of durum wheat for \$78.5 million. In addition, the Soviets agreed to pay \$11.5 million for shipping. An Executive Order carried over from the Kennedy Administration requiring half of any Soviet grain sales to be shipped on American vessels resulted in higher shipping costs for Continental. Twenty-five million dollars in subsidies were relied upon to

⁶ Gavin, III, *U.S. Grain Exports*, 3, 6-7.

⁷ Gavin, III, *U.S. Grain Exports*, 84.

⁸ Gavin argues that the USDA would have need three pieces of information in order to even attempt to predict the magnitude of the Soviet’s purchases:

1. Awareness that the Russians had committed to maintaining their livestock herds
2. Awareness that the Russian grain harvest was in trouble
3. Awareness of the global-production demand situation - dwindling supplies outside the U.S.

For the most part, Gavin contends, the decision to purchase U.S. grain was political, not economic, making it difficult to estimate what choices would come out of the USSR. It is also claimed, however, that by the time the Soviets entered the market with a finalized CCC credit agreement, the USDA had a substantial amount of information related to the aforementioned three points but each point was discounted for various reasons and it is probable that the USDA did not consider all three in tandem. See Gavin, III, *U.S. Grain Exports*, 86-87, 89-90.

offset the shipping costs and allow Continental to continue offering wheat at competitive prices.⁹ Shortly after these sales were finalized, Secretary of Commerce Luther Hodges ruled that “no exporting firm could have more than one quarter of the Soviet business.”¹⁰ Whether this ruling influenced the Soviets to take their subsequent negotiations underground is uncertain, but it would offer some explanation for their excessive secrecy.

President Nixon did away with Kennedy’s Executive Order in June 1971 at the same time that he lifted Truman’s embargo on trade with China from 1945 and cancelled the export licensing requirement for items sold to the Communist nations. These actions, Assistant Secretary of Agriculture Clarence Palmby later claimed, were the “roots of the 1971 Russian sales” that threatened to break the grain export system.¹¹ In July 1971, the Williams Commission, a governmental entity charged with studying “international trade and investment problems facing the United States,” produced a report “in favor of increased trade with the Soviet Union.”¹² The objective merits of this document certainly come into question when one considers that the Williams Commission included representatives from the grain trade who could greatly benefit from such increased trade.

Continental signed their first contracts with the Soviets in July or October 1971 (available documentation offers inconsistent dates for this initial sale). Michel Fribourg, the head of Continental was “an idealist,” as Trager sees it, and in the early 1970s had “a burning, selfless

⁹ Gavin, III, *U.S. Grain Exports*, 36-37.

Export subsidies had been available for rice between 1958 and 1966. As the world price for rice rose, the subsidy was eliminated in mid-1967. The subsidy got as high as \$2.91 in 1960. See Marshall R. Godwin and Lonnie L. Jones, eds., *The Southern Rice Industry* (College Station, TX: Texas A&M University Press, 1970), 27.

¹⁰ Gavin, III, *U.S. Grain Exports*, 67.

¹¹ Gavin, III, *U.S. Grain Exports*, 39.

¹² Caroline Miles, "US Trade Policy in the 1970s: The Report of the Williams Commission," *The World Today* 28, no. 3 (1972): 102. See also Gavin, III, *U.S. Grain Exports*, 41.

desire to cement East-West political relations through increased trade relations.” Since the company’s first sales to the Soviet Union in 1963, Fribourg had been on “a first-name basis with Moscow’s grain buyers,” paving the way for their grand deal a decade later.¹³ When negotiations began again with Continental in 1972, the leader of the Soviet buying group “led the Continental people to believe he was buying grain only from them. He cautioned everyone at the meeting on the need for absolute secrecy.”¹⁴

Cargill joined Continental in the big sales in October 1971 when they sent a group of representatives to Moscow. Cargill came out of this meeting with contracts to sell 2 million tons of corn and 1.5 million of oats and barley to the USSR.¹⁵ For the USDA, this purchase “[w]as a momentous breakthrough [and] as a promising opportunity.”¹⁶ In 1972, Continental and Cargill were the two largest grain companies in the United States, handling close to “50 percent of the world’s grain shipments,” according to *Business Week*.¹⁷ At the time of Cargill’s first sale of oats and barley, the Commodity Credit Corporation was the only American entity with enough supply to meet the Soviet order. Thus, Cargill would need to work with the USDA to purchase from the CCC stocks. A bargain was struck in which “the CCC would accept bids from the exporting firms for barley and oats at prices below prevailing domestic prices so that the exporters would be able to offer these commodities at prices competitive on the work market. In return, the traders would undertake to sell certain quantities of U.S. corn at market rates.” Cargill purchased oats and barley from the CCC even though they did not yet have contracts with the Soviets for

¹³ Trager, *The Great Grain Robbery*, 22.

¹⁴ Trager, *The Great Grain Robbery*, 30-31.

¹⁵ Gavin suggests the total amounts were 2 million tons of corn and 1 million tons of oats and barley split between Cargill and Continental at a cost of \$150 million. See Gavin, III, *U.S. Grain Exports*, 46-47.

¹⁶ Trager, *The Great Grain Robbery*, 9.

¹⁷ “The Incredible Empire of Michel Fribourg,” *Business Week*, March 11, 1972: 84. See also Hamilton, *The Great American Grain Robbery*, 13.

the full amount of corn they had promised to sell. Cargill had told the USDA they would sell 12 million bushels of corn by the end of 1971, yet only half of that corn actually found its way to the USSR.¹⁸

The oats and barley arrangement became problematic when the CCC “was caught short on the amount of barley it had agreed to make available to the trading firms at reduced prices,” forcing them to look to the open market to fulfill that part of the deal. But the farmers they were relying on to sell their barley at cheap rates withheld their crops even when a three cent per bushel storage bonus was offered for those farmers if they turned in crops under loan from the previous three years ahead of schedule. As Gavin sees it, through the oats and barley arrangement, “the Department bent over backwards to help the Export Trade open up the Soviet market even if it meant manipulation of non-market policy tools to provide this assistance.” It became increasingly clear that the USDA’s desire to accommodate the needs of the grain traders “exceeded [their] ability to administer the sales without problems.” The 1971 sales with the shortage of oats and barley were only the beginning of a pattern of overextension reliant on grain stocks that proved insufficient.

On May 25, 1972, Secretary of State William Rogers and Peter Flanigan, Director of the Center of International Economic Policy, met with Soviet officials in Moscow to discuss a grain-credit arrangement. From this discussion and others with National Security Advisor Henry Kissinger, the Soviets agreed to a purchase of about \$130 million of American grain in 1972, paying in all cash.¹⁹ At the end of June, the Soviets sent two teams of specialists in grain purchasing, maritime shipping, and financing to the U.S. under the auspices of finalizing the

¹⁸ Gavin, III, *U.S. Grain Exports*, 45, 49.

¹⁹ Gavin, III, *U.S. Grain Exports*, 49, 51, 60, 79.

credit arrangement. One team went into secret negotiations with the Department of Commerce while the other team went to work with the grain companies.²⁰ The Commerce discussions were kept secret “because their content was market-sensitive,” while the company discussions were kept secret for obvious reasons of market balance.²¹ For James Trager, what was surprising about the agreement reached at this time as compared to that of 1963, “was that Moscow accepted terms it had previously called unacceptable. The Russians agreed to buy U.S. grain worth \$750 million over the next three years, \$200 million of it [in] the first year. The USDA’s Commodity Credit Corporation agreed to extend \$500 million in credit at six and one-eighth percent interest any time during the three-year period the Russians chose to buy. The credit was [wholly] contingent on the Russians buying grain.”²²

The 1972 sales were supported by subsidies from the U.S. government that averaged less than 30 cents a bushel. It was the astonishing size of the Soviet purchases that created a problem for the U.S. taxpayer because they would be paying roughly \$132 million for the Russian wheat plus an additional \$180 million towards grain shipments to other locales. In early July, that only amounted to only a few cents per bushel, but by late August 1972, the export subsidy had climbed to 38 cents per bushel. Unfortunately, even that was not enough to maintain the target price of \$1.63 per bushel because wheat was now selling for \$2.11 a bushel.²³ Martha Hamilton points out that in the previous fiscal year, “wheat export payments cost taxpayers \$141 million” and Cargill had made a hefty sum of \$34.8 million from those subsidies.²⁴ On July 3, 1972,

²⁰ Gavin does indicate that the presence of two teams was known to U.S. officials yet later testimonies suggest Washington was kept in the dark about meetings between Soviet representatives and the grain companies. See Gavin, III, *U.S. Grain Exports*, 80, 92.

²¹ Gavin, III, *U.S. Grain Exports*, 80.

²² Trager, *The Great Grain Robbery*, 20.

²³ Trager, *Amber Waves of Grain*, 71.

²⁴ Martha Hamilton, *The Great American Grain Robbery*, ii.

Bernard Steinweg, Senior Vice President of Continental inquired with the USDA if the current subsidy policies for wheat would be maintained. Steinweg was assured by Assistant Secretary for International Affairs, Carroll Brunthaver, that nothing would change. It is significant to note that Brunthaver was new to his position, having held the job for less than two months, and made the subsidy decision without consulting other USDA staff members.²⁵ At the time, he believed the subsidy was needed to keep the Soviets from taking their business to other markets, not realizing these other markets did not have enough stock on hand to pose a real threat.²⁶ Brunthaver's previous position with Cook Industries, a grain exporting company, also raised questions as to the true motivations behind his single-handed subsidy decision.

In a complex system tied to a target price determined by statistics from the Gulf ports, the grain companies could greatly benefit from delaying their application for export subsidies.²⁷ The companies asked the USDA for greater flexibility in registering for the subsidies and lobbied for the ability to register for them even before any sales contracts were actually signed. As one USDA official commented in 1971, "The traders virtually wrote the set of (subsidy) regulations." In the past, subsidy registrations by the grain companies had been used to track export sales. The recently modified regulations that the companies were working under in the summer of 1972 allowed them "to speculate on the subsidy by holding off registration for days of higher prices." This also kept the full scope of sales statistics out of the hands of the USDA. Clarence Palmby

²⁵ Gavin, III, *U.S. Grain Exports*, 94.

²⁶ Gavin, III, *U.S. Grain Exports*, 95.

²⁷ According to Trager, "The export subsidy was set each day; it was announced in Washington at 3:30pm Eastern time, and normally went up or down a penny or two, according to the market, although there was nothing automatic about it. If the price at Gulf ports dropped below \$1.63 a bushel, no export subsidy was required." See Trager, *The Great Grain Robbery*, 26-27.

The Gulf was established as the reference point with the International Grains Agreement of 1967. Why the Gulf was chosen for this role is uncertain, but it places the Louisiana grain industry in a significant position on the global stage. See Gavin, III, *U.S. Grain Exports*, 55.

had wanted quarterly reports on Russian shipments to be produced, but that request was not made a mandatory policy and was ultimately dropped.²⁸ Shipowners were also eligible for subsidies related to these sales but they would only receive their money after a shipment was completed and the costs of the trip were fully audited. Still, as close to \$9.69 per ton, they could expect about \$55 million in subsidies. Because shipments were delayed both domestically in trying to get the grain to export terminals and internationally through disputes over freight rates, the bulk of the shipments and subsidy payments would be made in 1973. It was estimated that subsidy payments for all commodity shipments in 1973 would amount to \$215 million with less than 13 percent of that money being dedicated specifically to the Russian grain movement.

James Trager reports, “Continental, which sold 191 million bushels of wheat to the USSR, applied for subsidies on about 70 million bushels in mid-July, when the subsidy was only between 13 and 15 cents a bushel. It applied for subsidy on another 50 million bushels . . . the second week in August, when the subsidy was from 31 to 36 cents. When Continental applied for subsidy on 71 million bushels in the final week of August, the subsidy was at its all-time high of 47 cents; but by then, says Continental, the company was registering contracts for wheat on which it had paid prices ranging over \$2.10 a bushel to cover the sales it had made. Continental insists it lost money on those [last] 71 million bushels.”²⁹ By the end of August, when Clarence Palmby and James Good of Continental visited Brunthaver about a potential new grain buyer, speculated to be the People’s Republic of China, Brunthaver had begun taking steps to end the

²⁸ Gavin, III, *U.S. Grain Exports*, 58, 96, 119 n.11.

²⁹ Trager, *Amber Waves of Grain*, 85, 72-73.

It is interesting, given their reliance on the subsidies, that in February 1970, Continental produced a produced a print advertisement for *The Southwestern Miller* in which they proclaimed, “To find the most efficient producer of any given product, competition for markets must be free of government intervention, subsidies, tariffs, restrictions, licensing and other blocks to free trade.” See Hamilton *The Great American Grain Robbery*, 26.

subsidy. The new policy was a two-tier system. For sales made prior to August 24, 1972, the grain companies had one week to register them at the flat subsidy rate of forty-seven cents. For sales made after August 24, the government subsidy would no longer hold the price at \$1.63.³⁰ The subsidy was fully eliminated of September 22, 1972 when the export price for wheat at the Gulf was \$2.45 per bushel.³¹

Cargill, who made money on their overall sales in 1972, also claimed to have lost money on the Soviet deal.³² When the company sold one million tons of wheat (37 million bushels) to the Soviets in early July, “it owned less than 7 million bushels [and] was ‘short’ the other 30 million.” By the end of July, they were still short 20 million bushels but were confident enough to sell another one million tons to the Soviets in early August. Cargill only owned the grain that was sitting in its elevators waiting to be loaded onto ships for export, meaning the company would have to purchase the remaining grain from American farmers or small country elevators. Both Cargill and Continental were faced with the dilemma of acquiring enough grain to meet their contracts without sparking a purchasing frenzy that would drive up prices. Their delicate approach to these purchases was also meant to dissuade government intervention in the sales. The purchasing scheme adopted by the two companies is further complicated by the immensely intricate futures market: “The standard 5,000-bushel wheat contract [as of 1973] can be bought or sold on margin (earnest money) of only 5 to 10 percent. If the price of wheat to be delivered in

³⁰ Gavin, III, *U.S. Grain Exports*, 100, 101.

The new system was not immune to abuses as its hasty implementation “was an open invitation for firms to make registrations for subsidies on sales that had not yet been made.” See Gavin, III, *U.S. Grain Exports*, 102.

An Export Marketing Services audit from September 14, 1972, revealed that “subsidy registration for 5,689,631 bushels with subsidy value of \$2,739,915 were invalid . . . and two companies refunded payments already received.” See Gavin, III, *U.S. Grain Exports*, 129 n.58.

³¹ Gavin, III, *U.S. Grain Exports*, 106.

³² Their losses were reported to be over \$600,000. See Gavin, III, *U.S. Grain Exports*, 110.

March, May, July, September, or December goes up, the trader [i.e. Cargill or Continental] who has agreed to deliver wheat in that particular month (that is, sold short) must put up the difference between his original contract price and the actual market price; a 5 to 10 percent price rise can wipe out his stake – his broker will liquidate his contract unless he puts up more margin. If the price of wheat goes down, the trader who has agreed to accept delivery in a given month (bought long, that is) still has a commitment to pay the price in his original contract.”³³

Cargill was certainly no stranger to the significance of profits and losses to their image with the federal government. Hamilton recounts, “In December 1971, the Eighth U.S. Circuit Court of Appeals upheld government arguments that Cargill violated the Commodity Exchange Act in trading on the Chicago Board of Trade. The charge was manipulating the market price of wheat futures through a ‘squeeze’ (a dominant position in the futures market). Cargill’s defense was that it made money on the deal. To be guilty of manipulation under that act, a trader must commit an ‘uneconomic’ act, Cargill said. The company also contended that ‘squeezes’ weren’t prohibited.”³⁴ A similar charge had been brought against Cargill in September 1937 when the company was suspected of attempting to corner the corn futures market on the Chicago Board of Trade. Ultimately, the courts and the Board of Trade ruled against the company, and it was “assessed a number of severe financial and trading penalties.” The company’s CEO, John MacMillan, Jr., retaliated by pulling Cargill out of the Board of Trade and using outside agents to work the market for several years.³⁵

³³ Trager, *Amber Waves of Grain*, 73, 37.

³⁴ “Cargill Appeal Denied on Charge of Juggling Wheat Future Prices,” *Wall Street Journal*, December 13, 1971. See also Hamilton, *The Great American Grain Robbery*, 22.

³⁵ Wayne G. Broehl, Jr., *Cargill: Trading the World’s Grain* (Hanover, NH: University Press of New England, 1992), xviii. Wayne G. Broehl, Jr., *Cargill: From Commodities to Customers* (Lebanon, NH: University Press of New England, 2008), 5.

In 1978, ADM pleaded no contest to charges of fixing prices on contracts in the Food for Peace program. Repeatedly, ADM found itself on the receiving end of complaints linked to price fixing. This

On September 18, 1972, “The CEA [Commodity Exchange Authority], the USDA agency responsible for regulating the futures markets” opened a formal investigation into reported “inaccuracies in the mandatory grain trade reports about the size of open cash and futures positions.”³⁶ These inaccuracies pertained largely to the size of the grain companies’ outstanding sales commitments. The CEA had additional problems with trading speculation and the grain companies because the CEA “had largely relied on the professional traders to police themselves. Regulation, they said, actually declined in the years from 1965 to 1972, a period in which the volume of commodity trading zoomed from \$65 billion a year to more than \$200 billion.” Trager argues that “a group of grain traders was [also] alleged to have rigged wheat futures on the Kansas City Board of Trade in 1972. . . in order to drive up the export subsidy.” He notes, “The CEA referred the charges to the Kansas City Board itself, and the board’s investigation committees, made up of influential board members, including some Continental Grain Company officials, declared there was ‘no basis for complaint.’”³⁷ It was also revealed that several of the grain companies “were using questionable measures to keep the size of the [overall] Soviet purchases secret to prevent the market from exploding until they had bought enough to meet their contractual obligations.”³⁸ As Trager notes, these “grossly inaccurate” reports and other charges “arising out of the rush of activity in the grain market following the

ultimately led to a large FBI investigation into the company’s activities in the late 1990s. See Kurt Eichenwald, *The Informant: A True Story* (New York: Broadway Books, 2000), 27.

³⁶ Trager, *The Great Grain Robbery*, 199. Gavin, III, *U.S. Grain Exports*, 105.

³⁷ Trager, *The Great Grain Robbery*, 99.

In 1991, ADM officials “disclosed that they had uncovered more than \$6 million in trading losses dating back years . . . Fraudulent trading records were [later] discovered, and the total losses eventually exceeded more than \$14 million.” See Eichenwald, *The Informant*, 27.

³⁸ Gavin, III, *U.S. Grain Exports*, 134 n.66.

Russian wheat deals, led in 1974 to new federal legislation to overhaul the nation's commodity exchange law."³⁹

In an October 21, 1974 memorandum to the President from Ken Cole, it was noted the Commodity Futures Trading Commission Act of 1974, H.R. 13113 "provides needed reform to the nation's commodity futures markets. These markets have become increasingly volatile due to improper activities by some merchants."⁴⁰ H.R. 13113 removed the responsibility of the Commodity Exchange Authority from the USDA and created the independent Commodity Futures Trading Commission. Under the USDA, the CEA was responsible for "administering the Commodity Exchange act of 1922," wherein their role was "to protect the hedging and price functions of the Nation's commodity futures markets with respect to 18 specific agricultural commodities," including wheat, soybeans, and rice. As trade relations with the Soviet Union began to broaden in the 1960s and early 1970s, concerns emerged over the narrowness of Federal regulation under the CEA system. The strain placed on the grain market in the early 1970s as a result of the uneven handling of the Russian sales represented "one of the first manifestations of the increasing vulnerability of domestic economies to global economic developments."⁴¹ There had been "nothing in the [1972 credit agreement with the Soviets] setting maximum tonnages of any commodity, because it did not occur to the American delegation that the Russians could ever buy too much."⁴² In 1974, Washington officials sought to remedy these commodity issues by establishing "a full time, independent regulatory commission . . . with five Commissioners . . .

³⁹ Trager, *The Great Grain Robbery*, 100.

⁴⁰ Ken Cole, "Enrolled Bill: Commodity Futures Trading Commission Act of 1974, H.R. 13113," October 21, 1974, Box 10, folder "10/23/74 HR13113 Commodity Futures Trading Commission Act of 1974 (1)" of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

⁴¹ Gavin, III, *U.S. Grain Exports*, viii.

⁴² Joseph Albright, "The Full Story of How America Got Burned and the Russians Got Bread," *New York Times*, November 25, 1973: 36.

appointed by the President.” This new regulatory body would “significantly enlarge the jurisdiction of the government’s regulation . . . to include all future trading including lumber and metals.”⁴³ President Gerald Ford signed the bill into law only two days after Cole’s first memorandum was delivered.⁴⁴

Regardless of the monetary (and later political) implications of the game of wheat exchange undertaken in 1972, the real crisis arose from the short supply Cargill, Continental, and the other companies encountered, raising questions of U.S. supplies that existed on paper in the elevators but failed to materialize. This hit hardest at the smallest country elevators where some operators “who had not bought wheat futures to hedge their sales to exporters were forced into bankruptcy and thus reneged on contracts they had made with exporters.” In addition, “foreign buyers had ordered twice as much of the remaining 1972 soybean crop as the Agriculture Department considered ‘available for export,’ [meaning] the exporters had sold more soybeans than there were to sell. And even before the first bushel of the new wheat crop was harvested, nearly 38 percent of that crop - 18 million tons - had been sold for export, including 2.5 million to mainland China.”⁴⁵ Some dock workers, especially in the Gulf, tried to hinder the delivery of such grain by boycotting the loading of ships bound for the Soviet Union, but grain still made its way to the contested Communist ports. They understood that the Gulf stood in the eye of the wheat storm and diminishing grain stocks at home to supply these foreign buyers would only spike prices for basic foodstuffs like milk and beef. In preventing grain from leaving the Gulf

⁴³ “Enrolled Bill H.R. 13113 - Commodity Futures Trading Commission Act of 1974,” October 17, 1974, Box 10, folder “10/23/74 HR13113 Commodity Futures Trading Commission Act of 1974 (1)” of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

⁴⁴ Public Law 93-463.

⁴⁵ Trager, *The Great Grain Robbery*, 77, 201.

they could perhaps buy time for the federal government to intervene and change the nature of the sales to keep repercussions for the American taxpayer to a minimum.

Continental's 1963 sales had been severely challenged by a strike at East Coast and Gulf ports. This strike was in response to the Kennedy Administration agreement that grain shipments should be sent equally in Soviet and U.S. ships. The U.S. shipping industry publicly stated they "did not have enough bottoms to carry half of a four and one-eighth million-ton grain order, [yet] the powerful International Longshoreman's Association (ILA) flatly refused to load Russian vessels unless American ships were allotted the same amount of cargo the Russians got." The strike finally ended in late February 1964, but there is a belief that if members of Congress, the shipping industry, and these unions had been more cooperative from the outset, the grain sales to the Soviet Union at that time could have been much greater in scale. By the time the strike came to an end, "U.S. wheat [was selling] at \$2.30 a bushel [and] required a 55-cent export subsidy . . . to enable Continental . . . to sell that wheat to the Russians at \$1.75 a bushel, which was the world price at the time." In response to the strike, President Nixon, "acting by authority granted him under the Export Control Act . . . scrapped an old rule that required special export licenses for anything sold to the Soviet Union . . . [O]nly a general export license [would be] needed [and] exports did not have to be reported until after shipment [was] made." When the next big sale was finalized in November 1971, various maritime unions, including the ILA, "waived their demand that American ships be allotted the same amount of cargo as Russian ships" because any disruptive behavior on their part would only guarantee them "50 percent of nothing." Strikes tied to "work-rule" disputes still blocked shipments from East and Gulf ports in 1971, but grain was able to leave through the Great Lakes ports.⁴⁶ In October 1972, a shipment agreement had been

⁴⁶ Trager, *The Great Grain Robbery*, 17-18, 25-26, 18-19.

made with the maritime unions allocating one-third of the grain cargo to be shipped on U.S. vessels, one-third in Soviet vessels, and one-third in other vessels. Disputes over shipping rates delayed the shipments from leaving the U.S., with Russian interests claiming the world market rate was \$7.50 a ton while the Americans believed it was closer to \$10.35. The first American ship arrived at the port of Odessa on December 20, 1972, although some grain had arrived earlier on third party ships.⁴⁷ The delivery logistics tied to the July 1972 contracts bleed into sales procured in the following years, making it possible that the final shipments were not delivered until 1975 when a new trade agreement was finalized between the United States and the Soviet Union.⁴⁸

The massive 1972 deal was made entirely in secret between representatives of the Soviet government and executives of the U.S. grain companies. The highly competitive nature of the grain trade itself promoted such secret negotiations and the Soviets took advantage of that fact. At the same time, numerous USDA officials resigned from their posts to take jobs with the big grain companies. Clarence Palmby, who was Assistant Secretary of Agriculture for Foreign Trade and Commodity Programs under President Nixon and served in that role until 1973, left that job to become corporate vice president for marketing, planning and development at Continental, the very company that had initiated grain sales to the Soviet Union in 1963.⁴⁹

⁴⁷ Trager, *Amber Waves of Grain*, 81, 83.

⁴⁸ Grain sold in 1975 was likely still making its way through the Gulf when Bart Bauer began working at the Zen-Noh elevator in 1982.

Palmby's timing for his departure is a bit suspect as it came after the CCC credit arrangement was finalized in Moscow but prior to the first meetings between the Soviets and Continental. Considering Continental was the first company the Soviets approached, did Palmby's transition into his new role with the company ensure that they benefitted from the opening of Soviet purchases? Continental had offered Palmby a job in March prior to his trip to Moscow, raising further suspicions of conflict-of-interest throughout the progression of the Russian deal. See Gavin, III, *U.S. Grain Exports*, 94, 132 n.62.

Richard Nixon, in an interview for ABC News, commented that he thought the sale of 150 million bushels of wheat to the USSR in 1963 would "turn out to be the major foreign policy mistake of [the Kennedy] administration, even more serious than fouling up the Bay of Pigs." In his view, the U.S.

Palmby had worked for the U.S. Feed Grains Council prior to joining Clifford M. Hardin's USDA team.⁵⁰ One president of the Council during Palmby's tenure was Samuel Sabin, a vice president of Continental.⁵¹ As head of the Feed Grains Council, Palmby concluded "the solution to the farmer's income problem was to eliminate production restraints and to increase the volume of U.S. grain exports."⁵²

Hardin had joined the USDA after serving as the Dean of Agriculture at the University of Nebraska and was succeeded by Earl Butz in 1971. Clarence Palmby was succeeded by Carroll Brunthaver in 1973. Butz had come to the USDA from Ralston Purina (later owned by Cargill) and Brunthaver had gotten his start at Cook Industries.⁵³ Further complicating the interconnectedness of the USDA and the grain trade, Martha Hamilton points out that two former "grain trade officers" had moved over to the USDA and "one of the four firms [Bunge had] recently picked up a fifth USDA official, the Export Marketing Services' retiring chief administrator," Clifford Pulvermacher.⁵⁴ In the midst of all this staff changeover, "Senator George McGovern . . . had come out with a charge that the 'cozy' relationship between the USDA and companies such as Continental, as illustrated by the job-jumping of men like

was subsidizing Khrushchev "in a time when he's in deep economic trouble. It pulls him out of a very great hole and allows him to divert the Russian economy into space and military activities that he otherwise would have had to keep in agriculture." See Trager, *The Great Grain Robbery*, 16. Ironically, the Russian grain sales that took place during Nixon's administration were considered his biggest economic policy gaffe.

See Gavin, III, *U.S. Grain Exports*, 66.

⁵⁰ The U.S. Feed Grains Council is a nonprofit industry organization that sponsored projects in the 1970s to increase livestock and poultry production in foreign countries that would in turn boost export levels of U.S. grains. The Council's current website notes they "develop export markets for U.S. barley, corn, and sorghum." At the heart of their past and present missions lie the interests of the grain trade. See Gavin, III, *U.S. Grain Exports*, 65. See also U.S. Grains Council, "About the Council," 2019, <https://grains.org/about/about-the-council/>.

⁵¹ Hamilton, *The Great American Grain Robbery*, 164.

⁵² Gavin, III, *U.S. Grain Exports*, 32.

⁵³ Trager, *The Great Grain Robbery*, 28.

⁵⁴ Hamilton, *The Great American Grain Robbery*, 59. Wayne G. Broehl, Jr. *Cargill: Going Global* (Hanover, NH: University Press of New England, 1998), 193-194.

Clarence Palmby, had somehow enabled the export companies to reap windfall profits” from the Soviet sales. Trager maintains “no scandal was ever substantiated [and] a Justice Department investigation found no criminal wrongdoing on the part either of a government employee, past or present, or of a grain company executive.”⁵⁵

Palmby’s testimony before the House Subcommittee on Livestock and Grains in September 1972 led many congressmen to believe that he had “acted improperly” in his role with the USDA. The Justice Department and the FBI both looked into conflict of interest charges against Palmby given that he had helped facilitate these large sales for Continental, only to join their forces shortly thereafter. Two items cited by Hamilton in reference to this case state a federal conflict of interest statute existed that “prohibits any former officer of an executive agency from acting as an agent for anyone other than the United States in connection with any contract or other particular matter involving specific parties in which the United States has substantial interest.” Additionally, these documents reference USDA rules “which bar a former employee for one year after his service with the department has ended from representing anyone in connection with any such matter within the boundaries of his former official responsibility.”⁵⁶ Given this evidence, how could Palmby not be guilty of improper conduct, or even abuse of his position within the USDA? Yet, the FBI found no evidence to support such charges. There was still enough suspicion in the air outside Washington, however, for numerous farmers to file lawsuits against Palmby, the USDA, and some of the big grain companies.⁵⁷

⁵⁵ Trager, *The Great Grain Robbery*, 103-104.

⁵⁶ 18 U.S.C. § 207 (a). Sec. 7 C.F.S. § 0.735-14. See Hamilton, *The Great American Grain Robbery*, 67-68.

⁵⁷ Trager, *The Great Grain Robbery*, 27-28.

The notoriety of what later became known as “The Great Grain Robbery” was the very scandal believed to be at its core. Had the Russians robbed the United States? Had the USDA been in cahoots with the grain companies to generate larger profits for them? Were there ulterior motives for the Soviet purchases such as keeping U.S. grains out of the hands of the Chinese? What the sales ultimately did was trigger a “trade boom that caused earnings and net worth in the export Trade to double and triple in the following two years.”⁵⁸ Cook Industries reported record earnings in 1974 of \$46, 226,000 as a result of this trade boom. Cook was the only grain company required by law to publicly report its financial activities because it was the only publicly held company.⁵⁹ It is widely acknowledged that “the grain trade leadership is a close-mouthed bunch. . . . With fewer than 500 stockholders and no desire to sell stocks publicly, the companies need not report to the U.S. Securities and Exchange Commission. SEC requirements . . . provide for reporting only basic corporate financial data and information on types of diversification and areas of growth. Cargill, Continental, Bunge, and Dreyfus [did] not have to reveal even this much.”⁶⁰ The men at the helm of these companies, according to Trager, “were allowed, in effect, to determine U.S. foreign and economic policy.”⁶¹ By the time all was said and done, Continental, Cook, and Cargill were responsible for the majority of the trade with the Soviet Union, including increased movement of soybeans beginning in late 1972.⁶²

In 1973, as Russian purchases showed no signs of slowing down, President Nixon ordered a temporary embargo on the export of soybeans as supplies of the crop began to shrink. The soybean embargo primarily affected Eastern European nations. The following year, President

⁵⁸ Gavin, III, *U.S. Grain Exports*, 110.

⁵⁹ “The Incredible Empire of Michel Fribourg,” 84. See Hamilton, *The Great American Grain Robbery*, 13.

⁶⁰ Hamilton, *The Great American Grain Robbery*, 42-43.

⁶¹ Trager, *The Great Grain Robbery*. 199.

⁶² Gavin, III, *U.S. Grain Exports*, 157.

Ford implemented “voluntary” controls on grain exports destined for the Soviet Union. A 1974 deal between the Soviets and the U.S. grain companies to purchase more than \$500 million of corn and wheat was ultimately cancelled when Agriculture Secretary Earl Butz admitted he “had not been ‘firm enough’ in warning Russian officials and U.S. grain company executives against such large sales.” Butz introduced a new monitoring system that would require the USDA to “approve all large [grain] sales to foreign buyers”⁶³ in an attempt to prevent a repeat of the 1972 sales and the disruption they had created in the U.S. market. The monitoring system was also intended to answer to Butz’s critics who had been calling for his resignation. As with the 1972 sales, the decision coming out of the White House was heavily influenced by the circumstances of an upcoming election. George Anthan of the *Des Moines Register* commented in a 1974 article, the Ford administration did not want to “saddle Republican candidates with another political liability just weeks before the November 5 election.” According to Representative Wiley Mayne, the U.S. government was “supposed to have some right to inspect [the Russian] harvests . . . [The Soviets] reneged on that . . . and followed it up with the deliberate concealment of their intentions at the same time the Japanese and Europeans were telling us approximately what their needs are going to be.” At the same time, Representative Neal Smith accused Butz of being “unduly influenced by the big grain companies” and “incapable of looking out for the public interest.”⁶⁴ The 1973 embargo on soybean exports had left a bad taste in the mouths of some and Representative William Scherle asked, “Next year, when we have grain running out of our ears, who are we going to sell it to [if we are seen as unreliable]?”⁶⁵ All grain sales to the

⁶³ Clark Mollenhoff, “Butz Admits He Erred in Grain Deal,” *The Des Moines Register*, October 8, 1974: 1.

This deal had been brokered with Continental and Cook.

⁶⁴ George Anthan, “USDA Officials: Sale ‘Lost’,” *The Des Moines Register*, October 8, 1974: 4.

⁶⁵ George Anthan, “USDA Officials: Sale ‘Lost’,” *The Des Moines Register*, October 8, 1974: 4.

Soviet Union were suspended in early 1975 only to be lifted that October with the signing of a “five-year agreement to regularize Russian grain purchases in the U.S. market.” In the late 1980s, the United States and the Soviet Union signed a new five-year agreement for grain sales that was a virtual replication of the deal arranged in 1975 that had been designed to alleviate the grain shortfalls from the original sales of 1972.⁶⁶ The first sale in this new arrangement was two million tons of wheat by Cook Industries and 1.2 million by Cargill in July 1975.⁶⁷

For some, “the most striking and unique characteristic of the grain sale episodes is how intensely consumer interests were engaged, directly or indirectly, in the formulation of trade policy.”⁶⁸ The realization that the big grain companies had essentially been driving U.S. foreign and economic policy up to this point led to stronger protest from consumers who were forced to pay higher prices at the grocery store as a direct result of the Russian sales. In response, the U.S. government revised their policies on grain exports and took steps to regulate domestic prices. The new system required grain sales “in excess of 100,000 metric tons” to be made public knowledge by 3:30pm on the next business day after the sale was finalized.⁶⁹

The 1972 sales had long lasting effects that were primarily felt by New Orleans and the Gulf ports and grain shipments from interior origination points bottlenecked or elevators struggled to find enough railcars to move the amount of grain in question.⁷⁰ It took several months to a year for Continental and Cargill’s initial contracts to be completely fulfilled.⁷¹ A

⁶⁶ Gavin, III, *U.S. Grain Exports*, 5, ix.

⁶⁷ “Corn Delivery to Begin in October,” *The Des Moines Register*, July 22, 1975: 4.

⁶⁸ Gavin, III, *U.S. Grain Exports*, xi.

⁶⁹ “Tighter Grain Sales Reports Culled from Commodity Bill,” *The Town Talk*, August 20, 1978: 47.

⁷⁰ Trager, *Amber Waves of Grain*, 185.

According to the traffic manager of a country elevator group, trying to coordinate such large movement the aftermath of the sales was “the worst mess I’ve seen in the twenty years I’ve been in this business. We’re grabbing anything we can get our hands on – coal cars, baggage cars, anything that will hold a bushel of grain.”

⁷¹ Trager, *Amber Waves of Grain*, 83.

1978 proposed Senate bill had similar requirements to the policy changes from 1972, mainly that the name of the firm that made the sale and the price of the grain involved be released.

Representative Neal Smith argued the system introduced by the USDA in 1972 had a “large loophole because foreign grain purchases made from foreign affiliates of American companies are not reported to the Agriculture Department” making the additional disclosure requirements a necessity in preventing another grain scandal.⁷²

⁷² “Tighter Grain Sales Reports Culled from Commodity Bill,” *The Town Talk*, August 20, 1978: 47.

SCANDAL ON THE DOCKS

Private inspection was pretty much entrenched in the export industry for a lot of years. And then they had some governmental changes that occurred in the late seventies that required the Federal Grain Inspection Service to supervise at the beginning. And then, typically, in a two or three-year period, they took over all exported grain in the country. So they had to be there and it kind of minimized the role of the inspection companies, private inspection companies.

-Ricky Creed, Health and Safety Manager, Zen-Noh Grain Corporation¹

The 1972 sales to the Soviet Union, while greatly increasing farm income and opening previously frozen trade relations, incidentally exposed the largest scandal in U.S. grain history: private inspectors succumbing to bribes and stealing grain. As Louisiana elevators processed more grain than anywhere else in the United States, suspicions emerged that somehow grain was being stolen on the New Orleans.² The FBI began investigating such information, thinking physical theft was at the heart of the issue. However, their investigation quickly revealed that it was bigger than simply “stealing bags of grain” as a key witness, dubbed “the crawfish man,” revealed patterns of widespread misgrading of grain, fraudulent grain sales, and bribery in elevators in New Orleans, Baton Rouge, and Texas. Much of the scandal originated with grain inspection, a process that was privatized in the late 1920s. With no oversight, the inspectors could easily manipulate scales and falsify documents to reflect higher receipts than actually

¹ Ricky Creed, Unprocessed Oral History Interview conducted April 5, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

² “Baton Rouge grain probe to be resumed,” *The Times*, January 29, 1978: 8.

It was not uncommon for people to steal international cargo at the Port because it was always so busy. After September 11, 2001, security at the Port and the elevators became much tighter as a national security measure, but it was pretty lax up until that point. Bart Bauer even contends that some ships that had been loaded at the Zen-Noh grain elevator in Convent, Louisiana, were captured pirates en route to their overseas customer. See Robert Isakson, Unprocessed Oral History Interview Conducted March 23, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University. See also Bart Bauer, Unprocessed Oral History Interview conducted February 26, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

existed. This became a breaking point in 1972 when stock amounts on paper did not match stock amounts in the elevators. Or, as was the case with Cook Industries, the elevators somehow exported more grain than they received.³ In 1976, the U.S. government, responding to the scandal and the precariousness of the grain trade's reputation, created a reorganized Federal Grain Inspection Service within the USDA. New FGIS inspectors were tasked with "watch[ing] the flow of grain in and out of the facilit[ies];"⁴ and since the Gulf coast was not the only home to terminal grain elevators, the FGIS became a body of national regulation, overseeing the grading and inspection of the nation's grain as outlined by the Grain Standards Act.⁵ The primary effect of the new FGIS was the removal of inspection duties from private hands, but the presence of federal personnel working alongside elevator inspectors was nothing new.

³ USDA records showed the Cook elevator in New Orleans had exported 18.6 million bushels more than it had received from 1971-1973. See James Risser, "Errors Seen in Records of Shipments," *The Des Moines Register*, June 21, 1975: 1.

⁴ "5 Die in Silo Blast," *The Town Talk*, December 22, 1977: 1.

⁵ The first bill advocating for federal standards and inspection of grain was introduced in 1890 during the first session of the 51st Congress. "Strong opposition from groups against any federal involvement in the grain industry" prevented this bill from being passed. A renewed version of the bill calling for a "uniform standard of classification and grading" of various grain was passed by the Senate in 1892 but denied by the House. In 1906, the Division of Grain Standardization was organized. The passage of the United States Grain Standards Act, Public Law No. 190, in 1916 "provided for federal enforcement of uniform [grading] standards. See Lowell D. Hill, *Grain Grades and Standards: Historical Issues Shaping the Future* (Urbana and Chicago: University of Chicago Press, 1990), 60, 66, 88.

In addition to changing how the grain industry conducts business and is policed, the Heist investigation changed how the FBI approached cases. According to Robert Isakson, the FBI had previously been a statistics-driven regime in which quantity overpowered quality, meaning having more car theft arrests was preferable to having one convicted politician. After the successful returns of the Heist investigation, the mindset shifted to privilege quality over quantity. The focus became things like fraud, embezzlement, espionage, and extortion; so-called "white-collar" crimes. They were "getting major corporations, major people, politicians," where they previously would not have taken the time to see such an investigation through because it takes time to tackle these larger targets and they "had to make those statistics." See Robert Isakson, Unprocessed Oral History Interview Conducted March 23, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

Kevin McKean suggests this shift began two years earlier in 1973 when New Orleans and three other cities were chosen for the "Quality vs. Quantity" pilot program. See Kevin McKean, "FBI in N.O. Has Eye on White Collar Crime," *The Town Talk*, October 20, 1977: 24.

The Decatur Herald stated in a 1917 article, “W. D. Smith left Decatur Wednesday for New Orleans, where he will take a position in the federal grain inspection service as a sampler, whose duties are quit[e] similar to the duty of a grain inspector under the usages of the Illinois inspection bureau.”⁶ In the 1930s, it was also noted in the press that “all weighing [was] done by licensed weighers” who were likely working for private inspection companies. These weighers issued “warehouse receipts . . . based on these weights” they recorded for each shipment of grain; something, it turns out, that was easy to manipulate.⁷

What has become labeled the Cereal Heist of 1975⁸ was borne out of and intimately connected to the Great Grain Robbery of 1972. The *Times Picayune* argued that “some Agriculture Department officials succumbed to industry pressure in the past and falsely upgraded low quality grain for sale to foreign countries”⁹ and *The Advocate* expressly stated, “the corruption [of 1975] flowed from the rising stakes in the grain export trade since 1972, when Soviet purchases and a surge in foreign demand caused exports to boom.”¹⁰ Additionally, as Wayne G. Broehl, Jr. indicates, the high volume of grain being moved as a result of the Soviet sales encouraged tendencies of short changing and corner cutting within the elevators: “With the costs very high to ocean ships for demurrage while waiting to load . . . and with all sorts of shipping being called upon to load grain, the temptation to short-circuit the inspection procedure

⁶ “Goes to New Orleans,” *The Decatur Herald*, February 22, 1917: 6.

⁷ *Times-Picayune*, June 6, 1937.

⁸ Journalists of the time were slightly unoriginal when they dubbed it the “Great Grain Scandal.” As it would seem that the details of the 1975 investigation point more towards literal theft than the 1972 sales, I have chosen to rebrand the investigation as the Cereal Heist.

See, for example, Bill Crider, “Gallinghouse denies patronage system,” *Pampa Daily News*, October 20, 1977: 21. Bill Crider, “He’s after ‘public scoundrels’,” *The Times*, October 2, 1977: 19. Bill Crider, “Stalks the Public Wrong-Doers,” *The Evening Times*, September 27, 1977: 5. Bill Crider, “Gallinghouse Exception to Patronage Rule,” *The Town Talk*, September 27, 1977: 3.

⁹ Don Kendall, “Grain Claims Under Probe,” *Times-Picayune*, September 11, 1975: 3.

¹⁰ Dan Morgan, “Grain Scandal: Word No Longer Good as Bond,” *Advocate*, November 29, 1975: 25.

was always present - and succumbed to in a number of instances.”¹¹ The stage was set for scandal (even though signs of it had been present for decades). According to historian Lowell D. Hill, “The USDA quietly initiated investigations into grain-grading practices in the United States” in 1901 in response to “complaints of foreign buyers about the quality of U.S. grain.” Their investigation lasted until 1906 and was done without any authority from Congress. Even in this early investigation, they found that “the grain trade lacked uniformity in grading.” Many of the inspectors were simply grading the grain based on “visual impressions of its quality, unsupported by any tests or numerical values.” Charges of “eye balling” would resurface throughout the 1975 case.¹²

When Ricky Creed began his career as a private inspector with South Louisiana Grain Inspection and Weighing in the late 1970s, he joined an industry created by the Grain Standards Act of 1916. Under this Act, the Agricultural Marketing Service “designate[d] official inspection agencies to inspect grain in the United States. . . . The inspection agencies, which [could] be operated by state governments, local boards of trade, or private individuals, [were] responsible for hiring and training the samplers, technicians, and inspectors who [were] licensed by USDA to do the actual inspection.”¹³ No particular education was required for samplers, but they did have to pass a USDA written and practical exam within a month of being hired in order to obtain a USDA license. Samplers earned between \$10,000 and \$12,000 annually and their income was primarily based on how efficiently the grain companies loaded ships.¹⁴

¹¹ Wayne G. Broehl, Jr., *Cargill: Going Global* (Hanover, NH: University Press of New England, 1998), 268.

¹² Lowell D. Hill, *Grain Grades and Standards: Historical Issues Shaping the Future* (Urbana and Chicago: University of Chicago Press, 1990), 65-66.

¹³ “USDA Suspends Inspection, Weighing License of Indicted Officials,” *Daily World*, August 26, 1975: 7.

¹⁴ “Probe May Slow Export of Grain,” *Morning Advocate*, May 28, 1975: 2. Anita Schrodt, “Grain Inspector Lack Cited in Wake of Federal Probe,” *Times-Picayune*, May 25, 1975: 13.

The New Orleans Public Grain Elevator, which began operations on February 1, 1917, utilized employees of the Board of Trade Grain Department as grain inspectors until January 1, 1929. The elevator's inspection arrangement with the Board of Trade was set to expire at the end of December 1928 so the Board elected to permit the duties of grain inspection to henceforth be "performed directly by the operating force of the elevator." It was estimated such a shift to privatized inspection would attract a considerable amount of additional grain movement to the city, allowing New Orleans to emerge as one of the most profitable ports in the country.¹⁵ The new policy also created an environment that fed the general "existence of secrecy" that the grain industry so enjoyed by internalizing all aspects of grain handling. According to the FBI's key witness, theft within the New Orleans elevators began at this moment of privatization and as new generations of employees entered the elevators, they saw that this was the way things were done: "My daddy did it. My grandfather did it. They've been doing it for seventy-five years. . . . I'm brought up the way this is how we do it. This is the kind of money you make."¹⁶

Beginning as early as 1903, members of the grain trade in New Orleans were finding ways to bend established rules in their favor. Rail lines to the Gulf, in an agreement with those running to the Atlantic ports, were to charge two cents per 100 pounds lower from the Missouri River than the established rate to the Atlantic seaboard. When business to the Gulf did not live up to the expectations of the rail operators, they violated this agreement and began charging rates far below what had been agreed to. They "promised to be good" numerous times but consistently reverted to violating the terms of the agreement. Because the Eastern rail lines refused to play

¹⁵ "Weighing Charges Eliminated at Public Grain Elevator," *The American Elevator and Grain Trade* XLVII, No. 7 (January 15, 1929): 419.

¹⁶ Robert Isakson, Unprocessed Oral History Interview conducted March 24, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

along and reduce their rates to correspond to the Gulf reductions, the Atlantic ports began losing business to their Gulf competitors.¹⁷ Cheap rates for rail transport and lower inspection costs combined to make the Gulf an attractive site for merchants with grain to sell (and for customers looking to purchase grain).

By the early twentieth century, one of the busiest elevators in Louisiana was the Westwego facility operated by the Texas and Pacific Railroad. This grain terminal included “two grain elevators, one of 1,000,000 bushels’ and one of 400,000 bushels’ capacity. From these houses three belt conveyors extend[ed] to the river, which [could] deliver 75,000 bushels of grain per hour into three ships loading simultaneously.”¹⁸ The elevator had been setting export records since its construction in 1892 and had become a sprawling complex “occupying more than thirty city blocks, in the heart of the business district” by 1904.¹⁹ A good amount of the grain making its way to the Westwego facility likely came down the Mississippi River from Chicago and its surrounding markets. In his 1921 report on the Industrial Canal, Thomas Ewing Dabney notes that with new canal routes, water shipment from Chicago traveled an identical distance to New Orleans or New York: 912 miles.²⁰ Lower rail rates to New Orleans probably worked to attract more business from Chicago farmers and merchants. For decades, the shipping process in Chicago had privileged individual farms with grain being transported in sacks that could easily identify the grain’s origin point. According to historian William Cronon, this prevented grain mixing while ensuring “nothing adulterated the characteristic weight, bulk, cleanliness, purity,

¹⁷ “New Orleans Takes the Lead,” *The Times-Democrat*, September 25, 1903: 1.

¹⁸ “Geo. W. Roth,” *The American Elevator and Grain Trade* XX, No. 9 (March 15, 1902): 410.

¹⁹ Texas and Pacific Railway Advertisement in *The Washington Herald*, January 26, 1913: 4-5.

²⁰ Thomas Ewing Dabney, *The Industrial Canal and Inner Harbor of New Orleans: History, Description, and Economic Aspects of Giant Facility Created to Encourage Industrial Expansion and Develop Commerce* (Board of Commissioners of the Port of New Orleans Second Port U.S.A., May 1921), 78.

and flavor” of the grain.²¹ As elevators emerged in the late nineteenth century as the dominant storage and shipping site for grain, it became evident that mixing grain into a mass stock to draw from for shipments was more economical. The USDA’s investigation between 1901 and 1906 that revealed a lack of “uniformity in grading” likely showcased the chief issue with shifting away from weighing and grading by the sack. A single producer’s crop maintained the same grade as it made the long journey to its final customer because it never left the packaging it started in. The intermingling of grain from different origins would challenge the established grade at each step on its journey. New Orleans appears to have returned to the sack system in 1906 when the state legislature adopted the Larche law that specified each *sack* of grain had to be weighed and certified individually. The only elevator in New Orleans capable of handling the law’s new requirements was the Illinois Central Railroad’s Elevator C on Poydras Street.

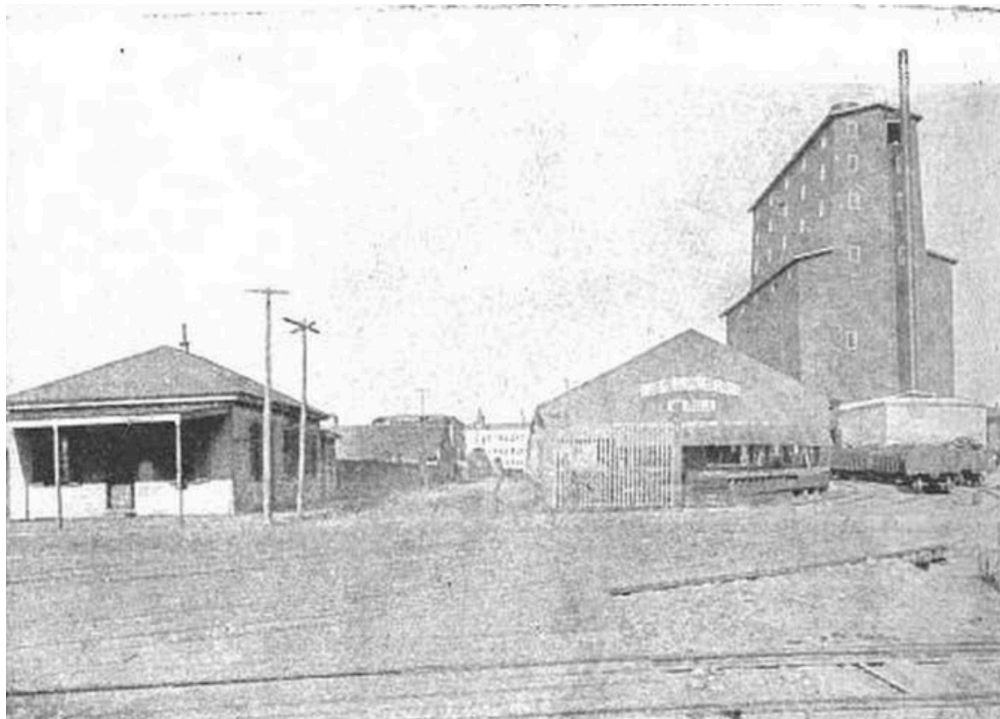


Figure 1. Elevator C on Poydras Street as seen in *The Railway and Engineering Review*, July 23, 1898.

²¹ William Cronon, *Nature’s Metropolis: Chicago and the Great West* (New York and London: W. W. Norton & Company, 1991), 107.

According to an 1898 article in *The Railway and Engineering Review*, Elevator C “is not situated on the river but . . . has only railroad connections.” Although it was a small elevator with a capacity of 250,000-500,000 bushels, it was “arranged especially as a cleaning house and handle[d] and improve[d]” the grain it received. The elevator was equipped with automatic scales that allowed grain to be sacked and weighed at the same time. *The Railway and Engineering Review* noted the elevator’s equipment was all “necessary to take care of any ‘off grade’ grain which may come to the port. . . . [N]o ‘off grade’ grain [was] allowed in the export elevators,” making the work in elevator C vital to the Louisiana grain trade.²² Competing elevators in New Orleans would either have to build their own facility with similar equipment or pay the additional expense to allow Elevator C to handle all grain packaging in order to meet the demands of the global grain markets.²³

One of the first indications of scandal within the New Orleans elevators was when the Illinois Central Railroad and the Central Elevator and Warehouse Company abruptly shut down Elevator C in November 1930. The two companies argued the elevator was being operated at a loss and that there were plenty of other local facilities that could handle the grain traffic. Still, Elevator C was viewed by the Louisiana Public Service Commission as a public utility “whose service could not be discontinued or curtailed without authority from the commission.” If Elevator C was still the only facility equipped to meet the requirements of the Larche law, its closure would prove a serious detriment to the industry as a whole, although Illinois Central’s defense suggests other facilities had installed the necessary equipment in the intervening twenty-

²² “Elevator System of Illinois Central R.R. At New Orleans,” *The Railway and Engineering Review*, July 23, 1898: 400.

²³ “Grain Trade Problem,” *The Times-Democrat*, July 28, 1906: 5.

four years.²⁴ Coinciding with the dispute over Elevator C, Robert C. Jordan, who had been the superintendent of the Public Elevator since June 1929, was suspended for 30 days. The reasons for his suspension were never made public, but he came to the elevator from a position with Illinois Central after having previously served as the superintendent of the Stuyvesant Elevators (conveniently operated by Illinois Central). It stands to reason that Jordan somehow found himself involved in the controversial closing of Elevator C and was asked to step down.²⁵ Jordan was succeeded by Clarence Sears who was replaced in early 1932 by John B. Sanford.²⁶ When Sanford was asked to resign in October 1940, he was replaced by Charles J. Winters.²⁷

It is unclear how long the Larche law was in effect but it was the earliest attempt at “protect[ing] both buyers and sellers of grain and other commodities through standardization of grades and other factors bearing on quality and price,” as the president of the New Orleans Board of Trade emphasized in 1953.²⁸ The *Town Talk* of Alexandria also wrote in 1953 that the Port of

²⁴ “Hearing on Closing of Grain Elevator Called,” *The Town Talk*, August 25, 1930: 5.

²⁵ As the *Times-Picayune* notes, “it was definitely understood in local grain circles that before the expiration of the 30-day period Mr. Jordan’s term of employment will be formally ended by action of the [dock] board.” See “Head of Public Grain Elevator Off ‘On Leave’,” *Times-Picayune*, November 19, 1930: 1.

²⁶ “Public Elevator Employee Given Day to Help Long,” *Times-Picayune*, September 12, 1934: 2.

²⁷ Sanford is an anomaly in that he was named superintendent of the elevator in 1923, succeeding his brother C.F. Sanford. John B. Sanford stepped down as superintendent in 1929 to devote his attention to the bulk commodity plant, allowing Robert C. Jordan to take over as superintendent of the elevator. See “He Is New Superintendent of Port’s Grain Facilities,” *Times-Picayune*, June 3, 1923: 8. “Expert to Help Expedite Grain Movement Here,” *Times-Picayune*, May 10, 1929: 1. “Heavy Movement of Grain to Tax Port Facilities,” *Times-Picayune*, June 11, 1929: 12. “Grain Movement Over Wharves of Port is Resumed,” *Times-Picayune*, November 10, 1937: 33. “Heavy Movement of Grain is Seen for New Orleans,” *Times-Picayune*, November 21, 1937: 8. “Names Prominent in Politics on Dock Pay Roll,” *Times-Picayune*, August 28, 1939: 14. “Dock Board Head Bares Request for Two Resignations,” *Times-Picayune*, October 11, 1940: 1. “Removal of Two Employees of Dock Board Announced,” *Times-Picayune*, October 12, 1940: 1. “Grain Elevator Men Give Orleanian Post,” *Times-Picayune*, May 22, 1948: 16. “Grain Society Plans Meeting,” *Times-Picayune*, December 10, 1949: 20.

²⁸ “Grain Elevator Dedication Held,” *Times-Picayune*, December 1, 1953: 43.

A new act was adopted in June 1916 promising to “provide for the inspection and analysis of all commercial feeding stuffs sold for use in the State of Louisiana, and for the payment by the seller of the inspection fee therefor.” See Mr. Norris, “Act No. 38. House Bill No. 120. An Act,” in *Acts Passed by the*

New Orleans was “second only to New York in dollar value of cargoes . . . [and] rated first by shipping men in honesty and efficiency.”²⁹ It is significant, therefore, to note that the earliest incident directly related to what would become the Heist investigation happened in January 1953 when an investigation was opened into controversial mixing of “unfit” Canadian wheat at public grain elevators in New Orleans and Houston. More specifically, the wheat had been marked “unfit for human consumption,” and had only been permitted to enter the United States for export, presumably as animal feed elsewhere.³⁰ Charles J. Winters, superintendent of the Public Elevator, admitted to accepting \$36,000 from Transit Grain, Co. of Fort Worth, Texas, for the mixing of this wheat with quality American wheat, as well as for “supplying information about grain stocks in storage.”³¹ A representative of Transit Grain asserted the company was “not now and never has been an exporter of grain” and “never applied for or received any subsidy payments under the international wheat agreement.”³²

In a more detailed report of the investigation, Stephen S. Serrapede stated Bunge Corporation along with “an allied firm in Minneapolis” had imported 8 million bushels of the unfit wheat. Some of the wheat, Serrapede contended, “went into American flour” while some was exported.³³ From the various news reports, the issue at the center of this small-scale scandal

General Assembly of the State of Louisiana at the Regular Session Begun and Held in the City of Baton Rouge on the Eighth Day of May, 1916 (Baton Rouge: Ramires-Jones Printing Company, 1916), 100.

²⁹ *The Town Talk*, January 28, 1953.

³⁰ “Court Considers Dismissal of Charges in Grain Hearing,” *The Waco News-Tribune*, December 15, 1954: 2.

³¹ The practice of mixing inferior stock into a good supply was not a novel idea in 1953. Historian Lewis Cecil Gray reports “owners, factors and ship captains” outside Philadelphia would mix “condemned flour with their cargoes after inspection,” delivering a notoriously poor product to Virginia. See Lewis Cecil Gray, *History of Agriculture in the Southern United States to 1860*, Vol. II (New York: Peter Smith, 1941), 608.

³² “Reported in Houston – Wheat ‘Bootleggers’ Mix Good Grain with Inferior,” *The Baytown Sun*, January 30, 1953: 1.

³³ Fred Othman, “Not Fit for Pigs,” *The Pittsburgh Press*, May 14, 1953: 19.

appears to have been monetary as opposed to the actual safety of consumers. Fred Othman, writing for the *Pittsburgh Press*, stated, “The plot is simple enough: Shriveled and broken kernels of wheat can be imported from Canada under our customs regulations as wheat unfit for human consumption. The duty on it is eight cents per bushel, as compared to better than 20 cents for first class grain.” Another article conclusively noted, “Under terms of a 1935 law, no duty was paid on low-grade Canadian wheat when it entered” the United States and “no duty must be paid unless the grain [was] sent out of the U.S.” Therefore, it is likely the U.S. government was “cheated out of \$4 million in duty payments” in this scheme.³⁴

Othman further notes, “D. E. Young, who actually did the mixing in Houston with his little shovel, received between \$8000 and \$9000 . . . while the chief clerk, Jack Cherry, got between \$6000 and \$7000. All these gentlemen were fired.”³⁵ Winters resigned a few months after the investigation opened, citing “personal reasons,” although his true reasons were later revealed to the public when he was indicted in March 1954 and full details of the investigation were published in area newspapers.³⁶ Winters’ indictment was ultimately dismissed in February 1955 but cracks were beginning to appear in New Orleans’ reputation for honesty and efficiency. Even with action taken against the personnel involved, Othman’s article from May 1953 still raises the question of why offer a label of “unfit for human consumption” if it was of small consequence that “you may have eaten some of it and so, doubtless, have I.”³⁷ As the grain trade came under closer scrutiny over the next two decades, the substandard quality of grain being

³⁴ “Port of Houston Grain Scandals Spreads,” *The Baytown Sun*, April 24, 1953: 1, 2.

³⁵ Fred Othman, “Not Fit for Pigs,” *The Pittsburgh Press*, May 14, 1953: 19.

³⁶ “Elevator Probe Data Withheld,” *Times-Picayune*, April 18, 1953: 3.

Winters was succeeded by Dunkin Welte of Bloomington, Illinois, who was followed by Arthur F. Lenz, Jr. in 1961 and John Beach in 1962. See “Clarkson Given Dock Board Job,” *Times-Picayune*, June 24, 1953: 7. “Billion Bushels Mark is Reached,” *Times-Picayune*, February 15, 1955: 25. “Grain Elevator Men Promoted,” *Times-Picayune*, October 19, 1961: 20.

³⁷ Fred Othman, “Not Fit for Pigs,” *The Pittsburgh Press*, May 14, 1953: 19.

offered to consumers was always a secondary issue to monetary schemes that could divert money from the U.S. government.

By the early 1960s, when orchestrated schemes of theft and shortweighting were in their infancy at various elevators in Louisiana and Texas, there were calls for the USDA to begin investigating some of the companies in the area. Those calls went unheeded. Some European customers had lodged complaints with the U.S. government about inferior shipments, and in December 1968, Japan suspended U.S. wheat purchases due to a “quality issue.”³⁸ Again, these complaints focused more on being delivered a lesser quality than what they had paid for. There was never a strong concern for what poor quality grain could lead to once it found its way into bread and other consumables. According to James Trager, when the Russians were negotiating their large-scale purchases in 1972, they refused to buy American spring wheat despite its similarities to Russian-grown wheat. The Russians were worried about possible ergotism in the American spring wheat. Ergot fungus contains traces of the alkaloid drug ergotamine, which, if baked in dough, “is transformed into LSD, the most powerful hallucinogen known to man.” A major epidemic of ergotism had swept through parts of Russia in the late 1920s, making the consequences of poor-quality grain consumption very real for Russian grain buyers in 1972.³⁹ The specifics as to why the Canadian wheat was labeled “unfit for human consumption” are not

³⁸ “Wheat Situation,” ERS-USDA, WS-207, February 1969, 3. Hamilton, *The Great American Grain Robbery*, 82.

³⁹ Historians have even argued ergotism was the root of the Salem Witch Trials. “Toxicologists now know that eating ergot-contaminated food can lead to a convulsive disorder characterized by violent muscle spasm, vomiting, delusions, hallucinations, crawling sensations on the skin, and a host of other symptoms – all of which . . . are present in the records of the Salem witchcraft trials.” The case for ergotism linked to the supposed outbreak of witchcraft in Salem, Massachusetts remains circumstantial, but it is still compelling in suggesting that there are real effects to eating bad grain. See “The Witches Curse: Clues and Evidence,” *PBS*, <http://www.pbs.org/wnet/secrets/witches-curse-clues-evidence/1501/>.

clear but the presence of ergot fungus spores were never mentioned in news reports.⁴⁰ Later charges of inferior grain shipments pointed to the presence of rocks, dust, and “foreign material,” a signal of laziness at the elevators more than anything truly sinister. Japan’s exit from the U.S. grain market and the Soviet Union’s entrance both occurred at critical moments for the USDA and the White House, disrupting agricultural policy and the literal flow of grain.

When Japan suspended their purchases of U.S. wheat in 1968, Richard Nixon had just won the presidential election, with his slim victory coming largely on the back of votes from farm states. By early August 1968, wheat prices had fallen to their lowest point since 1960, fetching \$1.19 per bushel. At the time of his reelection in 1972, the price had risen to about \$2.29 per bushel. This was a far cry from the average price under \$2 the market had held since March 1964 and Nixon’s administration sought to “reduce pressures on wheat prices.”⁴¹ In December 1972, the USDA announced “farm and warehouse loans on stored grain would not be extended,” meaning farmers who had been holding onto wheat from previous harvests would have to sell. In January 1973, the Commodity Credit Corporation was “ordered to dispose of all grain stocks ‘except for small quantities for emergency reserves.’” As a result of this order, Trager says, “farmers with bins full of wheat (some had 40,000 to 60,000 bushels in storage) loaded up their

⁴⁰ Under the new FGIS regulations, inspectors were instructed to look specifically for ergot in the samples. Twenty-first century standards indicate that “anything over .05% of the sample being ergot,” automatically means the grain is graded as the lowest quality. The FDA has also released guidelines to keep “dangerous” items from entering the food stream which includes wheat contaminated by ergot or other grains registering a high concentration of aflatoxins. Kia Adams-Mikesh notes, by 2019 toxin testing was far more frequent as a result of numerous outbreaks of food-borne illness in other sectors of agricultural production. See Kia Adams-Mikesh, “Getting the Most of The Grain Grading System,” webinar presented for Grain Elevator and Processing Society on March 21, 2019, <https://register.gotowebinar.com/recording/219305688360506113>.

⁴¹ Price statistics derived from “Wheat Prices – 40 Year Historical Chart,” *Macrotrends*, <https://www.macrotrends.net/2534/wheat-prices-historical-chart-data>.

trucks and converged on country grain elevators. But grain elevators throughout the wheat belts were backed up with wheat they were unable to move for lack of rail-cars.”⁴²

A representative of the Burlington Northern Railroad noted the bottleneck was caused by a sudden need to move “three- or four-years’ crops in one year.” This was a result not only of the order to the CCC but of the purchases made by the big grain companies to meet their Russian contracts. “The railroad pipeline to the Gulf ports is full,” the Burlington representative said, “and is going to stay full through December of 1973 and probably through the first half of 1974.” Strikes at the ports protesting the Russian sales were also tying up rail cars. Because longshoremen, particularly at Gulf elevators, were not loading ships, rail cars arriving at the elevators could not be unloaded. Even as this incoming stock sat idle at the elevators, it was becoming evident that all of the grain brought out of storage still would not be enough to cover the extreme size of the contracted sales. It is interesting to note that the USDA’s behavior throughout the 1972 “Great Grain Robbery” came under scrutiny and was investigated by the FBI in July 1975 as the Cereal Heist case was growing.

Louisiana’s rice industry may have been exempt from price pressures and the disposal of CCC stocks but it certainly was not free from scandal. In the early 1950s, while the grain industry was distracted by the Canadian wheat controversy, the roux of scandal in the southwestern rice prairies began to thicken. This particular scandal was more localized but its affects were far more personal because of the intimate nature of the rice producing community. Eric Broussard, a few generations and several hundred miles removed from his family’s place in the rice industry, expresses some annoyance in knowing that his family once had a profitable

⁴² James Trager, *The Great Grain Robbery* (New York: Ballantine Books, 1975), 182-183.

stake in the Lake Arthur rice dryer. He was told they lost the drier long before he was born but he still remembers the legend surrounding that loss that was passed down to him:

Supposedly, my great-grandfather [Louis] . . . in some way, shape, or form came to own it, the rice dryer in Lake Arthur [Louisiana]. . . Well, the story that's been handed down in my family has to do mostly with my great-aunt, whose married name was Jewell Boutte. . . . When Louis passed away, my great-grandmother, Hattie [Broussard], had led a pretty sheltered life, meaning that she did not know how to run a business or had any desire to. So somehow the responsibility fell to Jewell even though there were two brothers who were older than she was. But she came to deal with the administrative, day-to-day running operations of the Lake Arthur rice dryer, and some time in the late sixties had either become divorced or widowed because she started seeing this man from out of town and she let him have access to the rice dryer's accounts, ledgers, and he had access to the bank accounts themselves. . . . One season some time between the actual sale of the rice and the pay out, the tall, dark stranger from out of town that Jewell had shacked up with emptied the accounts and was never heard from again. As a result, the dryer - Well, more importantly, or more to the fact, my great-grandmother, Hattie, had to file bankruptcy. And in an attempt to settle the debt with the farmers, the rice dryer changed hands and was out of my family's control.⁴³

Because of the nature of the rice industry's voucher system pay structure in which the farmers did not get paid until the rice had been sold by the dryer, it was easy for dryer operators to defraud their own customers or simply make poor decisions. For the Broussard family, finding an explanation for their loss of control at the rice dryer resulted in the creation of this con narrative that has proven inaccurate. It is possible that there were gendered implications behind the story in that Jewell and Hattie's femininity could have easily led them to be taken advantage of. If Louis had been in charge of the mill's operations for much of the time it was in the Broussard family, did these two women even have a working knowledge of the rice industry or the mill's functions within it? Business records show Jewell and her husband Juluis A. Boutte listed as agents for Lake Rice Mill (also called Smith and Boutte Rice Co., Inc) beginning in July 1958 – the company was renamed Maple Hughes, Inc. at some point between 1958 and 1985.⁴⁴

⁴³ Eric Broussard, Personal Communication, March 2018. See "Eric Broussard," *Sowing the Wild Oats: An Oral History of the Southern Louisiana Grain Processing Industry*, <https://www.louisianagrainshistory.com/eric-broussard.html>.

⁴⁴ State of Louisiana Secretary of State, Commercial Division, "Maple Hughes, Inc., Business Record," https://coraweb.sos.la.gov/CommercialSearch/CommercialSearchDetails.aspx?CharterID=86409_A42B2A8C36.

If Louis truly did own the rice dryer, that ownership had changed hands on paper six years before Louis died. It is unclear why Louis disappeared from the business records at this point but Jewell and Hattie were not left without a masculine business partner. Beyond Jewell's husband, there was Jack R. Smith – presumably the Smith in Smith and Boutte Rice Co. By forming a partnership with Smith, the Broussard/Boutte family also became connected to Rex Rice Co., which was owned by Smith. Rex Rice was the primary company caught up in scandal.

Rex Rice's drying business fell apart in the mid-1970s and a lawsuit was filed by Louisiana Bank & Trust Co., charging mismanagement on the part of Smith. In the June 1974 hearing, it was stated that the lawsuit "derive[d] from an instrument executed on May 18, 1962, in which Jack R. Smith, Matthew L. Hanagriff, Hattie F. Broussard, and Mrs. Jewell B. Boutte executed a guaranty in favor of plaintiff bank for credit which plaintiff extended to Rex Rice Company, Inc. . . . up to the amount of \$200,000."⁴⁵ Jewell and Hattie's signatures on the loan documentation in question signified their role as stockholders in Rex Rice. An original suit filed on March 25, 1969 was settled in December of that year with the bank receiving "substantially all of the assets belonging to Jack Smith, Jewell B. Boutte, and Hattie F. Broussard" – likely the bankruptcy referred to by Eric.

A separate hearing on June 28, 1974 in the case of Louisiana Bank & Trust Co. v. Roanoke Rice Co-op offers a version of the "pertinent facts" related to the Rex Rice/Lake Rice Mill case:

In the 1940's Maple Hughes was owner and operator of the Lake Rice Mill located in Lake Arthur, Louisiana, and rice dryer and warehouse facilities at Roanoke, Louisiana. Apparently during this period (because of the fact that a mill cannot issue its own bonded warehouse receipts) Hughes began the practice of issuing warehouse receipts, under the name of the Roanoke facilities, as warehouseman, on rice stored at the Lake Rice Mill. The warehouse receipts were then taken to various banks and pledged as collateral for loans to finance the mills' operations Hughes sold the Roanoke facilities to the newly incorporate Roanoke Rice Co-op, Inc. in 1950.

⁴⁵ Louisiana Bank & Trust Co. v. Boutte, 298 So.2d 884 (1974).

After this transaction, Hughes became president of the newly created co-operative, remaining in that position until 1959 when Thomas L. Thomas was elected to the post. In 1951, John P. Hudson, who had previously been an assistant manager under Hughes, became a general manager of the Roanoke Rice Co-op. . . . Roanoke continued to issue bonded warehouse receipts on rice stored in Lake Rice Mill facilities by Hughes.

Subsequently, Lake Rice Mill . . . and another rice mill facility in Eunice, Louisiana, Rex Rice Co., Inc. . . . came under the same ownership and management. Jack R. Smith was the principal stockholder, president, and manager. From time to time Smith also needed financing for his various rice mill operations. In order to obtain collateral for loans which he sought, Smith established the B.H.S. Warehouse Co. in Eunice, also owned by him, for the purpose of issuing warehouse receipts to either Rex or Lake for rice owned or possessed by either at these two facilities. Smith continued the arrangement with John Hudson, the manager of Roanoke's facilities at Roanoke, for Roanoke to act as warehouseman, issuing warehouse receipts in its name for rice stored at the Lake Arthur facility. During this period Lake leased its facilities to Roanoke for \$1.00 a year.⁴⁶

Beginning in 1955, it was reported that Rex was extending its business through the construction of new facilities and the purchase of new equipment. Although the court records do not offer an explicit answer for the financial problems encountered by Smith as the head of both Rex and the Lake Rice Mill, it is possible there was simply not enough rice activity to support the immense growth he had been promoting.⁴⁷ "Around 1968," court records note, "Hudson arranged for LeRoy Martin, a bookkeeper employed by Lake, to act as an agent for the convenience of the operations of Roanoke and Lake . . . allowing him to issue warehouse receipts in the name of Roanoke." Warehouse receipts were then issued to Rex "for rice allegedly contained in the Lake Arthur facilities" that could then be "pledged as security" for various loans made to Rex by Louisiana Bank & Trust, Co. By the late 1960s, those loans were defaulting and the Louisiana Bank & Trust sought to recoup their money. The first suit filed in February 1969 alleged "two large deposited checks, for which credit had been given, had been dishonored and that the two rice mills owed the bank in excess of ½ million dollars." The bank secured an "writ of attachment on all of the properties of Rex and Lake, including the rice stored

⁴⁶ Louisiana Bank & Trust Co., Crowley, La. v. Roanoke Rice Co-op., 298 So.2d 868 (1974).

⁴⁷ "Rice Moved into New Warehouse," *Daily World*, April 24, 1955: 32. "Eunice Firm Begins Construction on New \$30,000 Rice Bins," *Daily World*, February 5, 1956: 28. "New Eunice Rice Mill Being Built," *The Town Talk*, March 9, 1957: 11. "Rex Rice Company Purchases Crowley Tend-O Products," *Daily World*, March 22, 1957: 2.

at the Lake Arthur facilities.” It is significant to note that Rex was also \$117,520 in debt to Bank and Trust of Wharton, Texas. Rex and Lake were “forced into receivership in the state court on March 26, 1969, by their creditors, who were allegedly owed in excess of 2½ million dollars.”⁴⁸ The two facilities were then leased to Farmers Rice Milling Company of Lake Charles for one year to ensure to sale of the rice in storage. By September 1972, the assets for both Rex Rice and Lake Rice Mill were sold at auction in an attempt to get the remainder of the loan money repaid.⁴⁹

Investigations by the USDA ordered by Louisiana Bank & Trust during the time of the lawsuits showed that rice at both facilities was either non-existent compared to the paper records or was of inferior quality.⁵⁰ Much of this same falsified paperwork and non-existent product would soon be uncovered in other areas of the Louisiana grain industry in the FBI’s largest investigation to date. In an attempt to prevent the rice industry from falling victim to larger patterns of theft en route to export points, the farmers requested new weighing inspections be implemented along with the establishment of an inspection station in Eunice, Louisiana. Even if the export elevators were not legally required to pay out based on the weights registered at origins points like Eunice, having an official weight certification before the product arrived at those elevators would make any discrepancies easily recognizable and reportable.⁵¹

One of the first indications of major trouble within the larger Louisiana grain industry came on the heels of the June 1974 rice mill hearings when WBRZ-TV in Baton Rouge aired a story on July 24, 1974, suggesting, “area grain inspectors may be using their positions to defraud grain dealers,” an eerily similar allegation to what had been found in the rice mills. Possibly in

⁴⁸ Louisiana Bank & Trust Co., Crowley, La. v. Roanoke Rice Co-op., 298 So.2d 868 (1974).

⁴⁹ “Sheriff’s Sale,” *Daily World*, June 13, 1972: 5. “Auction,” *The Town Talk*, September 17, 1972: 44.

⁵⁰ Louisiana Bank & Trust Co., Crowley, La. v. Roanoke Rice Co-op., 298 So.2d 868 (1974).

⁵¹ “Stories on Grain Corruption has Effect Locally,” *Daily World*, July 11, 1975: 9.

response to the very fraud discovered in Lake Charles and Eunice, the WBRZ-TV story indicated “federal inquiry is presently concentrating on grain-drying operations in the Port Barre-Opelousas area.”⁵² A letter from Commissioner of Agriculture Dave Pearce offers an earlier possible origin for the case. Dated August 1968, the letter reveals Baton Rouge was already under suspicion for “charging excessive fees (for grain inspections) resulting in one-half million dollars [in] excessive charges.” When Pearce wrote the letter, he was himself in the midst of a controversy over whether USDA inspectors or private inspectors would handle such inspections. At the time, it was believed that higher paid private inspectors “would be less susceptible to corruption.”⁵³

Rufus J. Hebert, owner of a grain drying company in Port Barre, was one of the first individuals to appear before a grand jury in New Orleans in connection with the investigation in 1974. Hebert refused to elaborate on what was said in his testimony when reporters pressured him for information. Even in early interviews and inquiries, like that with Hebert, it was apparent that any possible fraud would center around the role of state licensed employees responsible for inspecting the grain. James Hesburg, a local manager for Cargill, revealed “if an inspector falsified the record his company wouldn’t know it.”⁵⁴ Such a system of ignorance, or blind trust, left the companies and the elevators wide open to any number of abuses. The USDA later admitted that while there had been “a dramatic increase over the past 10 years in the amount of

⁵² “Possible Grain Fraud Probe is Reported,” *Daily World*, July 24, 1974: 1.

Jim Raglin suggests the investigation grew out of a series of investigative pieces written for *The Des Moines Register* by James Risser. Risser provided the most extensive coverage of the investigation as it was developing and told Raglin, “I spent six weeks before I ever wrote a word about the grain scandal and then spent the next year working on the story.” His diligence and through research were rewarded in 1975 with a Pulitzer Prize. See Jim Raglin, “Superreporter Risser in Town,” *The Lincoln Star*, June 6, 1976: 54.

⁵³ “Attorney Named to Aid in Grain Investigation,” *The Town Talk*, July 10, 1975: 25.

⁵⁴ “Possible Grain Fraud Probe is Reported,” *Daily World*, July 24, 1974: 1.

grain being inspected . . . the number of inspectors ha[d] dropped,” another obstacle to the maintenance of proper inspection protocol.⁵⁵

It is not known whether there was an official complaint or complainant that instigated the investigation, although *The Times* reports several indictments came after foreign buyers complained to the U.S. government about receiving wheat or corn shipments containing dirt and other debris. These complaints, however, came over a year after the first published reports about the investigation.⁵⁶ Senator Hubert Humphrey later claimed the USDA had been aware of inspection problems since 1969 but their attempts to correct those problems had “been typified by ‘delay and inaction.’”⁵⁷ A 1973 USDA audit revealed a proposal to investigate Cook Industries, corroborating Humphrey’s claim that the USDA was well aware of issues under their jurisdiction. A USDA source said the request for an investigation stemmed from claims that an inspector at Cook’s New Orleans elevator was “ordered . . . not to issue a cleanliness certificate to [a] ship which had arrived at the Cook dock to be loaded. The reason was said to be that the firm did not have enough grain in the elevator to load the ship with the amount of grain it had contracted to sell.”⁵⁸ Willard W. Griffin of the Office of Inspector General reported “irregularities in the inspection, grading and weighing of grain based upon [a] review of certain elevator records” in 1970. Griffin’s “paper investigation” pointed to the Bayside Elevator in Reserve, Louisiana, and the Mississippi River Grain Elevator in Myrtle Grove, Louisiana. By

⁵⁵ “Grain Export Probe Reported Widening,” *The Times*, June 20, 1975: 17.

⁵⁶ “Grain Export Probe Reported Widening,” *The Times*, June 20, 1975: 17.

⁵⁷ Perhaps any effort at true reform was delayed by the growing interest in trade agreements with the Soviet Union. Certainly, by the time of the 1972 deal, it could have been to the advantage of the USDA to keep the lackluster inspection system in place. See “Grain Export Probe Reported Widening,” *The Times*, June 20, 1975: 17.

⁵⁸ James Risser, “Errors Seen in Records of Shipments,” *The Des Moines Register*, June 21, 1975: 1.

1973 when the USDA performed their audit, Griffin had been told to “drop the matter” as his materials were “not enough to prove negligence by [the] grain inspectors.”⁵⁹

FBI agent Robert Isakson, who served as the co-case agent on the Heist investigation, recalls being approached by a fellow agent (possibly in 1975) with information about grain theft on the docks. Surveilling the docks had turned up no concrete evidence, suggesting the theft was much larger than a few missing bags of grain. The agents then turned their attention to the massive elevators along the Mississippi River. Beginning with the Public Grain Elevator and a few others, Isakson and his co-case agent set about interviewing employees to get at the root of the theft. They narrowed their focus to the men responsible for weighing the grain, thinking, “Okay, well, these are the guys that could actually manipulate something.” In St. Rose, Louisiana, they interviewed an older inspector (the “crawfish man”) who broke the case wide open. As he and the agents were chatting over a meal of crawfish, he confessed, stating, “We’ve been stealing grain at this elevator [the Public Elevator] since 1916.”⁶⁰

The basic fraud scheme, as described by the “crawfish man,” relied almost exclusively on the inspectors. Decades of privatization had worked in their favor since no one was checking their work, allowing them to easily manipulate reports and be manipulated themselves. The established grain inspection system at the Public Grain Elevator was outlined by *Times-Picayune* as follows: “A load of grain comes in aboard a barge or railcar. A sampler, using a 6-foot or 12-foot probe - a long, hollow tube capable of catching and trapping grain its entire length, draws out samples from different areas of the container. A sample is taken from five different places in a boxcar, 15 or 20 places in a barge, and in each compartment of a hopper railcar (which dumps

⁵⁹ “Mystery Surrounds Early Grain Report,” *The Star Press*, July 21, 1975: 14.

⁶⁰ Robert Isakson, Unprocessed Oral History Interview conducted March 23, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

the grain into a hopper on the bottom of the car). Sacked in bags from eight pounds and up and tagged, the grain is brought inside to the laboratory for grading.”⁶¹ As noted by Kia Adams-Mikesh, vice president of North Dakota Grain Inspection (NDGI), the number of inspections undertaken by a single inspection group in one year could climb into the millions, partially because a single crop of grain is inspected and graded more than once throughout its journey. “If you have grain that is being grown in North Dakota, that farmer, a lot of time, is coming to an agency like [NDGI] to determine what it is that they’re growing – what the quality of their grain is. Then it can go into a grain elevator and it’s then sampled and graded again before it’s getting into the elevator so they, maybe, know which bins to put it in (and how to pay the farmer). Then they go to outbound railcars that could be getting sold to the [Providence and Worcester Railroad] and then it’s usually graded again there as it’s probably going onto a ship. . . . The grain can change a lot in its journey, so it’s very important that people are making sure they know what the quality of the grain is no matter where it is in its journey.”⁶² The grade assigned to a shipment of grain is the key component in determining the value of the grain; it’s what keeps the grain industry running as a lucrative operation. Private inspection in the mid-1970s, inspectors argued, was “a \$21 million-a-year business.” By 1975, grain inspection was being performed primarily by privatized entities with “88 federally licensed private groups . . . and by 23 state agencies” in operation.⁶³ There was a serious risk associated with inspectors not only cutting corners because their work load was so heavy but with them becoming developing relationships with elevator personnel that could benefit from “fudging the numbers.” With

⁶¹ Anita Schrod, “Grain Inspector Lack Cited in Wake of Federal Probe,” *Times-Picayune*, May 25, 1975: 13.

⁶² Kia Adams-Mikesh, “Getting the Most of The Grain Grading System,” webinar presented for Grain Elevator and Processing Society on March 21, 2019, <https://register.gotowebinar.com/recording/219305688360506113>.

⁶³ “Inspectors Oppose Takeover of Jobs,” *The Town Talk*, July 8, 1975: 2.

minimal active oversight, the inspectors were permitted to operate on their own judgement, both professionally and morally.

As grain entered an elevator, it was weighed on a highly simplistic scale that would swing back and forth before ultimately settling in the middle with an official number. As each weight was registered, a ticket would be printed for the elevator's records. The men in charge of the scales would squeeze a button to catch that middle spot before the scale stopped on its own because it could take a while to settle and this would speed up the process. They also had the ability to stop the scale on either side, stopping it on the down side as the grain came in and on the up side as it was weighed again on the way out of the elevator, meaning the grain was short weighed as it came in but the loss was "covered" on the other side. According to Isakson, this theft was not meant to be intentional at the outset, "it was the percentage just because of the way the scale was swinging."⁶⁴ Somewhat anticipating the potential for theft given the volume of grain handled by the elevators, *The Morning Advocate* asked in 1962, "How does the [Public Grain] elevator keep tabs on such a vast and fluctuating commodity?" The answer: "In a small room near the front of the elevator on the river side a group of employees constantly chalk data onto a blackboard mockup of each silo. This data includes temperatures, grain types, grade numbers, and other technical information written into circles representing each silo."⁶⁵ Who is to say this blackboard data was also being manipulated. After all, it was not designed to be a permanent record.

As with the 1953 investigation, delivering an inferior product to the customer became a central part of the Heist scheme. In tandem with the manipulated weights, the inspectors were

⁶⁴ Robert Isakson, Unprocessed Oral History Interview Conducted March 23, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

⁶⁵ *The Morning Advocate*, January 28, 1962.

being pressured to grade the grain as wetter when it came in and dryer as it went out. The category of wetness or dryness greatly affects the grade the grain is given and the subsequent value of that grain. By downgrading a shipment as it arrived, the elevator was cheating the grain producer by paying them less than what their grain was worth. Conversely, when the grain was then upgraded, its weight was “increased” for delivery to a customer, the customer was being cheated by being given a lower quality and quantity than they had originally paid for.⁶⁶ One inspector cited by Morgan in 1975 noted, “Whole ships have been loaded with junk” in this cheating scheme, delivering grain loaded with excess dust and foreign material to meet the contracted weight. According to this anonymous inspector, “the quality of the grain in [the] elevator . . . sometimes was so poor that none could be found to make up false samples, so a few bushels of better-quality grain was purchased elsewhere.”⁶⁷



Figure 2. Ed Callen, a veteran South Dakota grain elevator operator, is seen here with an automatic printing scale like those used in the various Heist schemes. Photo featured in “New Krotz Springs Soybean Barge Elevator,” *Daily World*, October 4, 1967: 12.

⁶⁶ Robert Isakson, Unprocessed Oral History Interview Conducted March 23, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

⁶⁷ Dan Morgan, “Poison - New Twist in New Orleans Grain Scandals,” *The Town Talk*, July 4, 1975: 14.

The theft tied to weight and grade began as something the employees did on behalf of the companies, an economic action benefitting the companies' bottom lines. The employees soon realized that they were not benefitting from this system. Working "on the ground" in the elevators on a daily basis, they knew that the elevators' design with multiple silos was almost intentionally planned for such theft; the silos offered a built-in way to store the stolen grain. As the employees began skimming a small percentage from each shipment for themselves, they kept "a side chit-chat of it," a running tab of how much they had and which silo it had been put in. Having thousands of bushels of grain of their own was great except simply storing the grain was not a money-making venture. The grain needed to be sold. In this new twist on the Heist, the elevator employees who had been stealing and storing grain enlisted tug boat operators to "move" it. In actuality, they bribed the tug boat captain to move an incoming barge that had been identified as having an identical amount of grain onboard to what was already in the employees' silo. The inspectors and weighers at the elevator would manufacture tickets to say the barge had been unloaded while the tug boat captain would move the barge to a nearby salvage facility. Once at the salvage facility, the grain would be unloaded into trucks and then brought back to the original elevator where it was then sold. In essence, the elevator paid for the same shipment of grain twice while their in-house records reflected an available stock that was three times higher than the physical stock on hand: the employees' grain counted as 1/3 of the total and the barge/truck grain counted as the other 2/3 even though it was all the same grain. The money from the truck sale was split amongst the elevator employees involved, the tugboat operator, and the salvage company.⁶⁸

⁶⁸ Robert Isakson, Unprocessed Oral History Interview Conducted March 23, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

A tugboat captain in Gretna, Louisiana, confessed to having received a \$15,000 cash bribe to move a barge to the salvage facility but provide documentation that he had moved it to the elevator. He had gotten the money on a Friday and spent it all by Sunday. He told the FBI everything he knew about the roundabout sales strategy: who was involved and how they did it. He was able to point the agents to other captains and the salvage company they used. The checking accounts for the salvage company revealed they were receiving \$250,000-\$350,000 every few weeks from undetermined business transactions. Even in the highly lucrative grain industry, the FBI recognized \$250,000 was a suspiciously large sum of money to be taking in every few weeks. The company's secretary had been tasked with taking the checks for these enormous amounts to the bank to be cashed, so her name and signature were all over the physical evidence from the bank statements – and she was responsible for handling vast sums of cash money before it was distributed to the various miscreants. There were two or three similar companies undertaking the same scheme, and the FBI never found an elevator that wasn't also participating in the overall Heist in some way.

At the time, the Heist investigation produced the “largest civil recovery in the history of the FBI or the Department of Justice. It was around \$400 million that [was] seized, or that [the companies] paid to get out of the criminal [system].”⁶⁹ As evidence of this theft and fraud emerged, the companies argued they never instructed employees to steal. Instead, they merely “encouraged [employees] to be aggressive. Not to sit there and let the elevator thing swing and therefore you take four hours to unload a barge. . . . if you take it one way or the other faster, whatever way it is, you can unload a barge in two hours. So we want to unload more barges and

⁶⁹ Robert Isakson, Unprocessed Oral History Interview Conducted March 23, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

move more stuff along through our grain elevator.” Employees testified that they were given a directive to take the weight on a specific side of the scale because they would “get [a precise] percent every time, not an average that comes to zero.” It was clearly advantageous to the inspectors to move the grain through the elevator as quickly as possible regardless of how the scale was rigged since their pay rate was determined by the efficiency of the elevator’s loading and unloading processes.⁷⁰

Outside the elevators, the Heist was transformed into a true scam by Le Trac Land, Inc., a company formed in 1974. As the *Times-Picayune* notes, the company was established “for the avowed purposed of planting, cultivating, and selling soybeans.” The corporation entered into an agreement with Rufus J. Hebert “for the lease of 250 acres of land, purportedly for the growing of soybeans.” In furtherance of the alleged scheme, “Hebert and John Earl Bonin, Hebert’s bookkeeper, would falsify records to show fictitious costs for the planting, growing, and harvesting of the soybeans, storage at Hebert’s grain elevator, and the trucking of them to the Public Grain Elevator in New Orleans, and the sale to Peavey Co.” When Hebert was indicted in May 1975, the charges additionally claimed that Richard Blades, an inspector, “prepared fraudulent truck grain tickets to show receipt, handling, grading, weighing, and storage of truckloads of soybeans that were never delivered to Hebert’s grain elevator.” It is alleged that “the fraudulent grain tickets were transmitted by wire from the New Orleans Public Grain Elevator to the Peavey company, which would then issue checks to Hebert’s grain elevator or Le Trac Land, Inc.”⁷¹ Blades’ inspection license was suspended as a result of his own indictment.⁷²

⁷⁰ Robert Isakson, Unprocessed Oral History Interview Conducted March 23, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

⁷¹ Gordon Gsell, “Grain Probe: 4 Indicted,” *The Times-Picayune*, May 30, 1975: 1, 8.

⁷² “License of N.O. Grain Inspector Suspended,” *Daily World*, June 10, 1975: 7.

The maximum penalties for Hebert, Blades, and others charged in this arm of the Heist conspiracy was five years in prison and a \$10,000 fine, plus 10 years in prison and another \$10,000 fine for any additional charges that may be uncovered.⁷³

By June 1975, with fifteen indictments in New Orleans and five in Houston, the investigation had widened to include Philadelphia, Baltimore, and Duluth, Minnesota.⁷⁴ As the investigation moved into their home turf of Minnesota, Cargill executives were forced to address it. In a letter to Cargill employees, the company's president, Fred M. Seed, noted how the accusations at the heart of the investigation could not only damage the reputation of American grain but, more importantly, the reputation of Cargill. "No one suffers more," he wrote, "than Cargill [if there is a] lack of confidence in the marketing system." Soon after Seed's letter was modified for publication as an Op-Ed in the July 13, 1975 issue of the *Minneapolis Tribune*, Cargill again opened sales negotiations with the Soviet Union, emphasizing the necessity of maintaining international confidence in American grain. Cook had already sold 2 million metric tons of wheat to the Soviet Union and Cargill added another 1.2 million tons. Within a week, the big trio was working together again as Continental sold 5.6 million metric tons of corn and barley to the Soviets. Further sales were temporarily suspended on August 11, 1975, in an attempt to slow the sale of grain to Russia by other countries, some of which were nothing more than international arms of the American grain companies.⁷⁵ On October 20, 1975, a new five-year agreement was made with the Soviets on which they were committed to buying six million

⁷³ James Risser, "Two Indicted in Soybean Fraud Scheme," *The Des Moines Register*, October 1, 1976: 9.

⁷⁴ "Grain Export Probe Reported Widening," *The Times*, June 20, 1975: 17.

⁷⁵ Broehl, Jr., *Cargill: Going Global*, 273, 275.

metric tons of grain annually. Both parties to the agreement also conceded to spacing purchases “as evenly as possible over each 12-month period.”⁷⁶

In the midst of these new developments with the Soviet Union, *The Times* reported the Public Grain Elevator, the New Orleans Board of Trade, and C.B. Fox, Co. had been named as defendants in a federal lawsuit involving Molino Harinero Sula S.A. in Honduras. The Honduran company claimed they were cheated out of \$20,713 when a ship arrived “87 short tons lighter than its certificate specified.” Molino Harinero had initially filed suit against the shipping company, Marine Trading, in May 1974. On July 8, 1975, Marine Trading filed a countersuit against the Public Elevator and the other companies. This lawsuit added further scrutiny to the elevator where three inspectors had already been indicted in connection to the Heist investigation.⁷⁷

Peavey Company, Pike Grain Company, C.B. Fox Company, and Public Grain Elevator of New Orleans, Inc. were all fined \$10,000 in early 1977 in connection with the Honduran short change. The four companies responsible for operating the Public Grain Elevator had been indicted under charges that they had run a conspiracy to shortweigh shipments between January 1970 and June 1976, resulting in “the unearned accumulation . . . of about 1.4 million bushels of salable grain.”⁷⁸ Several of the other major players in the grain industry also found themselves facing such conspiracy charges. In December 1975, six Bunge employees, including a former vice president, pled guilty to a short weighing conspiracy. The company itself pleaded no contest to the charges and was subsequently fined \$20,000. In March 1976, Garnac Grain, Inc. and ADM

⁷⁶ A mutually beneficial agreement was reached with a 5-year agreement for the U.S. purchase of Soviet oil included in the overall deal.

See Broehl, Jr., *Cargill: Going Global*, 276.

⁷⁷ “Orleans Grain Elevator, Agency Named in Lawsuit,” *The Times*, July 19, 1975: 15.

⁷⁸ “Grain elevator conspiracy,” *The San Francisco Examiner*, February 13, 1977: 35.

also pleaded no contest to charges of short weighting; both companies paid a \$10,000 fine. Cook was charged with short weighting on thirty-seven separate instances. The company pleaded no contest and was fined \$10,000 for each of the thirty-seven instances, equating to a fine of \$370,000. By the end of 1976, at least five companies had been charged with such short weighing schemes. Mississippi Grain Elevator, Inc. was levied a \$60,000 fine after pleading no contest to six such counts in May.⁷⁹

Almost forty indictments had been returned by the federal grand jury in New Orleans at the end of July 1975. U.S. Attorney Gerald J. Gallinghouse said at the time that the investigation had not even kicked into high gear and these indictments represented “the tip of the iceberg.”⁸⁰ Bunge was the first company to be indicted by the grand jury, charged with a conspiracy to steal millions of dollars’ worth of grain intended for overseas customers. The Bunge scheme had allegedly begun in the summer of 1961 and, according to James Risser, the company had been investigated by the USDA in 1973.⁸¹ The investigation was ultimately dropped because it “failed to turn up enough evidence warranting legal action against the firm.” The company was suspected of “circumventing” the U.S. Grain Standards Act when they loaded a total of fifteen ships bound for foreign ports with grain that had not been inspected or graded. Risser notes “Bunge officials insisted that [their international] buyers . . . were fully aware that they were buying uninspected and ungraded grain,” a defense the USDA did not accept. Bunge also insisted that as a result of the grain exporting boom of 1972, the facilities simply were not

⁷⁹ Broehl, Jr., *Cargill: Going Global*, 283.

⁸⁰ “Grand Jury to Consider More Grain Activities,” *Daily World*, July 23, 1975: 12.

⁸¹ James Risser, “USDA probed grade evasion by Bunge Corp. 2 years ago,” *The Des Moines Register*, August 31, 1975: 2.

available for conducting the required inspections – a more plausible yet equally problematic defense.⁸²

With the recent indictment of Bunge and the revelations about their long running scheme, Cook soon found itself coming under more intense scrutiny at their Bayside Elevator in Reserve. The former superintendent of the elevator, Melvin L. Hibbets, had been suspended on July 8, 1975. Hibbets had been promoted to vice president of Cook's grain division in 1972, making him increasingly suspect of orchestrating schemes of theft at the elevator. In fact, *New York Times* reporter William Robbins wrote in June 1975, "An official of the Agriculture Department's grain division as early as 1972 named a New Orleans executive of Cook Industries, Inc. [Hibbets] as a figure with 'a long history of being involved in apparent irregularities involving grain inspection.'" ⁸³ News of Hibbets' suspension followed on the heels of accusations from E.W. "Ned" Cook that the company's phones were tapped and the government had planted spies within the Cook ranks. The casual nature of Ned Cook's accusations spoke less to fears about the investigation than they did about the general elusiveness of the grain industry at large. He told an interviewer, "Some guy up there could be getting some information and giving it to some of my competitors."⁸⁴

In August 1975, two of Bunge's Destrehan elevator employees - Debring A. Negrotto, Jr., elevator superintendent, and Harry Otto Dolsen, Sr., elevator manager - were named in an indictment of eleven individuals charged with "failing to pay \$251,581 in income tax on

⁸² James Risser, "USDA probed grade evasion by Bunge Corp. 2 years ago," *The Des Moines Register*, August 31, 1975: 2.

⁸³ William Robbins, "'72 Report Hinted at Grain Scandal," *New York Times*, June 29, 1975: 42.

⁸⁴ "Federal Agencies Deny Bugging Grain Dealer," *The Town Talk*, August 3, 1975: 9.

\$713,840 allegedly earned through illegal [grain sales].”⁸⁵ Less than a week later, twenty-two additional men and one grain company, Adnac, were indicted on charges of fraud and theft, bringing the indictment total to sixty-three.⁸⁶ Adnac, a joint venture of ADM and Garnac Grain Corporation, was formed to operate the St. Charles Grain Elevator. The St. Charles Elevator was also named in the 1972 report that singled out Hibbs. According to Robbins, “The 1972 report cited 26 foreign complaints ‘resulting from grain shipped’ from the St. Charles Elevator Company during a period when Mr. Hibbets was manager of that elevator.”⁸⁷ It is not surprising, therefore that the Louisiana-based venture in charge of the elevator became the second company indicted in the spreading investigation in 1975.⁸⁸

The first full-fledged, multi-state scheme involved in the Heist was uncovered in August 1975. Louis H. C. Matherne, chief grain inspector for Delta Weighing and Inspection Bureau, Inc., was charged with public bribery and perjury. He was accused of accepting \$6,500 from Alan R. Iliff, grain inspection coordinator for Tabor and Co. of Nevada. Matherne then allegedly

⁸⁵ “Jury Indicts Eleven More - Grain Fraud,” *Daily World*, August 6, 1975: 1, 14. “New Orleans Jury Indicts Eleven,” *Florence Morning News*, August 6, 1975: 32.

⁸⁶ James Timonet, one of the men named in this round of indictments, had been charged in December 1974 with “knowingly ma[king] false statements before a grand jury.” His statements may have amounted to perjury but it was found that he had not been provided with full Miranda warnings prior to his testimony. At the time of his testimony, he was just a witness being questioned in regards to the investigation of bribery of inspectors, but that questioning had put him “virtually in [the] position of a defendant.” Suppression was ordered for his statements from that testimony, meaning that even though he was simultaneously charged with issuing a false certificate of inspection, his own testimony could not be used as incriminating evidence against him. See *U.S. v. Timonet*, 385 F.Supp. 1042 (1974).

“Grain Firm, 22 Men Indicted by New Orleans Grand Jury,” *The Monroe News-Star*, August 7, 1975: 1. “22 Men, Grain Company Indicted in Crackdown,” *The Times*, August 8, 1975: 17. “Grain probe continues,” *The Manhattan Mercury*, August 8, 1975: 8.

⁸⁷ William Robbins, “’72 Report Hinted at Grain Scandal,” *New York Times*, June 29, 1975: 42.

⁸⁸ “Grain company officers face grand jury charges,” *The Press Democrat*, August 11, 1975: 7.

At the same time that these indictments were returned in Louisiana, nine eastern Oklahomans were arrested on charges of fraudulent deals “approaching nearly \$1 million in value.” The Oklahoma schemes were basically identical to that of Louisiana with scale manipulations and fraudulent purchases of grain. Interstate transportation complicated this case and it also saw the first husband and wife co-conspirators: Elvin and Mary Katherine Woody. See “Nine Are Indicted in Grain Frauds,” *The Times*, August 12, 1975: 8.

gave \$500 to Clarence P. Baker, Jr., \$200 to Pivon L. Dupuy, both Delta inspectors, and pocketed the rest. Matherne's indictment, returned August 15, 1975, indicated he had been accepting cash from Iliff from as early as December 1972. It is unclear why Iliff sought to bribe these inspectors, but it is significant to note that Delta served as the official inspection agency for the Mississippi River Grain Elevator in Myrtle Grove. Perhaps Iliff was seeking "special treatment" of the grain he was sending to Myrtle Grove, similar to that fraudulently awarded to Rufus Hebert and Le Trac Land's soybeans: inspectors at Cargill's Baton Rouge elevator would allegedly grade Hebert's soybeans "as good quality to make them more valuable [while] soybeans delivered by other firms were downgraded to reduce their price so Cargill would not detect an overall difference in its elevator operations."⁸⁹ The charge of perjury against Matherne originated with an accusation of lying to a grand jury about receiving the initial \$6,500 and passing it on to Dupuy and Baker.⁹⁰ Dupuy lost both his inspection and grain-weighing licenses as a result of his role in this scheme.

In addition to Dupuy, seven other men had their grain-weighing licenses suspended by the USDA in response to numerous indictments returned between August 5 and 7, 1975, charging "conspiracy to systematically steal grain from domestic and foreign commerce."⁹¹ By the end of the month, sixteen indicted samplers, technicians, and inspectors had their licenses suspended or cancelled.⁹² Harry Otto Dolsen, Sr.'s was the first guilty plea returned in the larger Heist case in late August 1975. Debring A. Negrotto, Jr., John H. Gonor, Sr., and Alvin J.

⁸⁹ "3 More Indicted in Grain Fraud, Theft," *The Indianapolis News*, January 20, 1976: 3.

⁹⁰ "Grain Inspector Indicted in Bribery Case," *The Town Talk*, August 16, 1975: 7.

⁹¹ One of the seven men whose license was suspended was Edward H. Fleetwood, chief weigher for the Mississippi River Grain Elevator. It was alleged that Fleetwood was Dupuy's co-conspirator. See "8 Grain Licenses Suspended," *The Town Talk*, August 18, 1975: 3. "USDA Suspends Inspection, Weighing License of Indicted Officials," *Daily World*, August 26, 1975: 7.

⁹² "USDA Suspends Inspection, Weighing License of Indicted Officials," *Daily World*, August 26, 1975: 7.

Morales, Jr. all pled innocent but were involved in plea-bargaining with federal prosecutors, according U.S. Attorney Cornelius R. Heusel.⁹³ Matherne pled innocent in a separate District Court hearing that saw George H. Poprick, a Bunge grain elevator employee, and J. M. Rosen, a former employee of the Mississippi River Grain Elevator, plead guilty to charges of conspiracy and income tax evasion.⁹⁴

Six more guilty pleas were entered in early September 1975, including those of Edward H. Fleetwood, chief weigher at the Mississippi River Grain Elevator, and Adam A. Dufrene, a tugboat captain for River Towing Company.⁹⁵ Robert Isakson testified that each of the six men “had made statements that entire barge loads of grain were stolen.” He went on to say, “in the summer of 1971, the men formulated a plan to steal grain destined for export from the Port of New Orleans.” Allegedly the six men had stolen “at least three barge loads of grain and then falsified records to indicate that it had been properly unloaded.”⁹⁶ Clark D. Smith, a grain inspector at the Mississippi River Grain Elevator, admitted at his arraignment hearing, “I falsified records, knowing they were untrue.”⁹⁷ In a separate case, Andrew Voelkel, assistant superintendent of Bunge’s Destrehan elevator, pled guilty to “conspiracy to fraudulently weigh grain.”⁹⁸ By the end of September 1975, forty of the fifty-two individuals named in various indictments had filed guilty pleas or been convicted.⁹⁹

⁹³ “One Pleads Guilty to Grain Fraud,” *Daily World*, August 21, 1975: 9.

⁹⁴ “2 Men Enter Guilty Plea in Grain Case,” *The Times*, August 28, 1975: 7.

⁹⁵ “6 Men Plead Guilty in Grain Scandals,” *The Indianapolis Star*, September 11, 1975: 9.

⁹⁶ “6 plead guilty in grain scandal,” *The Des Moines Register*, September 11, 1975: 1.

⁹⁷ “Six Plead Guilty in Grain Scandal,” *The Town Talk*, September 11, 1975: 10.

⁹⁸ “6 Men Plead Guilty in Grain Scandals,” *The Indianapolis Star*, September 11, 1975: 9.

⁹⁹ “50 % of N.O.-Shipped Grain Said Misgraded,” *The Times*, September 26, 1975: 17.

Three former employees of the St. Charles Grain Elevator operated by Adnac had pled guilty in late September to charges of income tax evasion and “conspiracy to commit wire fraud.” Each of the three had dramatically under-reported their income from 1973. Robert Paul Nicholas, a weight supervisor for the South Louisiana Port Inspection and Weighing Board, Inc., for example, reported a “taxable income

In a far more controversial shipping incident than Bunge's shipment of "uninspected and ungraded grain" in July 1975, the USDA was summoned to New Orleans in January 1976 to determine how "rocks, seashells, dust, and spoiled grain got mixed in with 3.2 million bushels of corn" bound for Poland.¹⁰⁰ The corn had been sold by Cook and was being loaded at their Bayside elevator. A spokesman for Cook stated the company would appeal the charges that the shipment "contained more than the permitted amount of foreign matter," contending that the condition of the shipment revealed no illegal practices or misgrading.¹⁰¹ After a thorough inspection by government inspectors, the ship was cleared with a "qualified certificate" indicating "all was not well with the loading" of the grain.¹⁰² At the same time, three grain inspectors employed at Cargill's Baton Rouge elevator were indicted for defrauding the government and "taking bribes of some \$67,000 from an elevator company [Rufus Hebert Grain

of \$3,017 when it should have been \$71,689." See "Three Plead Guilty in Grain Case," *The Town Talk*, September 24, 1975: 19.

In April 1974, it is alleged, the three men had flown to the Bahamas and "each banked \$100,000 in the bank of Nova Scotia." See James Risser, "2 elevator officials, inspector plead guilty in grain frauds," *The Des Moines Register*, September 24, 1975: 9.

In the Adnac scheme, it was alleged that operators had "a concealed remote-controlled device" that would allow them to "secretly turn on 'bin number three' and load 'low-quality grain and other matter' onto ships." The secret remote device enabled poor grain to bypass the official sampling device and prevent it from being detected by inspectors. See James Risser, "Inspectors fail to find source of dirty corn," *The Des Moines Register*, February 5, 1976: 5.

Robert W. Johnson, a former USDA grain inspector, told the Senate Agriculture Committee in late September 1975 that he had tried to "put a stop to corruption in grain inspection" by reporting an irregularity to his field office supervisor. After nothing was done to address his concern, he stopped reporting such indiscretions. Even so, he said he received threats of physical violence for not yielding to the established system: "The latest that I heard was that a contract had been offered to break my knee caps." Johnson admitted to accepting "gratuities" totaling about \$1,000 and claimed he had only heard of only other employee taking bribes, although "some of them would look the other way and ignore irregularities rather than rock the boat or make trouble." See "Grain Probe Told of Bribes, Threats," *The Pittsburgh Press*, September 26, 1975: 1. "Grain Inspector Threats Told," *The Town Talk*, September 26, 1975: 4.

¹⁰⁰ A similar incident was uncovered at the Continental elevator in Westwego where USDA officials "found that corn being loaded aboard a ship . . . contained double the amount of broken corn and foreign material indicated by official inspectors' samples." See James Risser, "Grain Weighing at Continental Investigated," *The Des Moines Register*, February 5, 1976: 1.

¹⁰¹ "Federal Probe of Contaminated Grain Ship Begun," *The Town Talk*, January 18, 1976: 10.

¹⁰² "Polish Grain Ship to 'Sail Promptly'," *The Town Talk*, January 20, 1976: 3.

Elevator Co., Inc.,] . . . that had been shipping through the Cargill terminal.” According to Broehl, “Cargill, not involved in this in any way, was the unknowing victim.”¹⁰³ It is claimed that the inspectors were artificially inflating the grades of Hebert’s soybeans to make the more valuable while downgrading other soybean shipments. An FBI agent testified he was told by at least one of the inspectors that they “downgraded grain at the specific request of Cargill personnel and officials. The [inspectors] were threatened by Cargill personnel with the loss of their jobs.”¹⁰⁴ All three Baton Rouge inspectors had their licenses suspended by the USDA despite their pleas of innocence and were fired by Cargill (they later pled guilty to charges of improperly inspecting grain and issuing false inspection certificates).¹⁰⁵ The USDA also complained that the Baton Rouge Port Commission had clearly “‘failed to provide the level of supervision required by the U.S. Grain Standards Act’ and thus should not be allowed to continue” to serve in its present capacity.¹⁰⁶ By the end of January 1976 with these new indictments, the overall total of indicted individuals had climbed to sixty, forty-eight of whom had already been convicted.¹⁰⁷

After months of deliberation, the USDA finally cancelled the Baton Rouge Port Commission’s “authority to check the quality of grain loaded aboard ships for export” in December 1976. According to *The Times*, this was the only state agency to find itself “ensnared”

¹⁰³ Broehl, Jr., *Cargill: Going Global*, 269. “3 Grain Inspectors Are Indicted in B.R.,” *The Times*, January 20, 1976: 8.

In early 1978, the Indian government filed a “\$215 million damage suit against Cargill, Inc. and other grain handling firms, contending [they had] shipped inferior grain to India for 15 years.” Cargill denied any wrongdoing. See “Baton Rouge grain probe to be resumed,” *The Times*, January 29, 1978: 8.

¹⁰⁴ “Five Plead Guilty in La. Grain Scandal,” *The Town Talk*, June 12, 1976: 12.

¹⁰⁵ “Agriculture Moves to Revoke Port’s Power to Inspect Grain,” *The Town Talk*, January 24, 1976: 13.

The charges they pled guilty to were misdemeanors “punishable by a maximum six months in jail and a \$3,000 fine.”

See “Five Plead Guilty in La. Grain Scandal,” *The Town Talk*, June 12, 1976: 12.

¹⁰⁶ “Agriculture Moves to Revoke Port’s Power to Inspect Grain,” *The Town Talk*, January 24, 1976: 13.

¹⁰⁷ “Official Vows Grain Scandal Will Be Solved,” *The Times*, January 21, 1976: 6.

in the growing Heist investigation. The Commission was temporarily replaced by South Louisiana Grain Services, Inc., a private inspection firm.¹⁰⁸ At the same time, Raymond M. Fretz, a former vice president of Cook Industries, was sentenced to eighteen months' probation and a \$500 fine for his role in the short weighting schemes. Fretz pleaded guilty to the misdemeanor of conspiracy to fraudulently weigh grain at Cook's elevator in Reserve. Three former company vice presidents and a former elevator operator were found guilty alongside Fretz, and it was alleged that company executives had "concocted a scheme in 1970 to cheat on the actual amount of grain loaded onto ships."¹⁰⁹ When Fretz joined the company in 1972, he was apprised of the scheme. An FBI agent testified Fretz had ordered the short weighing to be reduced and ultimately stopped.¹¹⁰ The indictment count for the overall investigation was now at seventy-one with sixty-seven convictions, "including six of the world's largest grain exporting companies."¹¹¹

In response to the scale of the case and its impact on the grain industry, the Grain Standards Act of 1916 (which had been substantially modified in 1968) was overhauled in 1976. Under the new Act first proposed by Senator Dick Clark in September 1975, "private inspection agencies were eliminated, replaced with federal inspectors at most ports . . .," and the Federal Grain Inspection Service was reorganized under USDA control.¹¹² Prior to the introduction of the new FGIS, federal inspection and grading of grain was prohibited by law, but professional inspectors had to pass federal licensing exams.¹¹³ Inspectors working in the privatized system

¹⁰⁸ "Port body loses its inspection license," *The Times*, December 16, 1976: 13.

¹⁰⁹ Broehl, Jr. *Cargill: Going Global*, 283.

¹¹⁰ "Ex-grain official sentenced," *The Times*, December 23, 1976: 10.

¹¹¹ "Heusel to Get Award," *The Monroe News-Star*, December 10, 1976: 2.

¹¹² Broehl, Jr., *Cargill: Going Global*, 291.

¹¹³ Don Kendall, "Grain Scandals May Require Takeover of Dock Inspection," *The Town Talk*, June 6, 1975: 20.

argued that “a shift to [the] use of federal employes” would only drive up the cost of inspection fees and would “leave no separate agency to conduct ‘appeal’ inspections,” something the Agriculture Department had been overseeing, when grain grades were contested by customers.¹¹⁴ FGIS was scheduled to take over inspection duties at the Destrehan Board of Trade (Bunge) on February 12, 1976, the New Orleans Board of Trade (Public Grain Elevator) on May 7, 1976, and the South Louisiana Grain Services, Inc. (Cargill) on August 27, 1976. Until that time, the private firms listed would continue to operate, likely under greater pressure to conduct their work by the book.¹¹⁵ L.C. Carpenter, vice president of Midcontinent Farmers Association, saw additional consequences within the act: “Under the new law,” he said, “the cost of grain inspection has increased because of the greater number of federal supervisors. These increases are passed along to grain farmers. . . . The new procedure results in an assessment of more than \$6 million a year against U.S. grain farmers to pay for what is essentially a public interest cost.” The victims of the widespread theft schemes in the elevators were being victimized once more by having to pay for the repercussions of the elevators’ criminal activity.¹¹⁶ Every Louisiana representative have voted against the reform bill calling for the implementation of the FGIS despite the damage the Heist has done to the state’s reputation as a grain source.¹¹⁷

¹¹⁴ “Inspectors Oppose Takeover of Jobs,” *The Town Talk*, July 8, 1975: 2.

Broehl suggests Cargill and the other big grain companies were fearful of the changes to the Grain Standards Act, particularly the requirement that exporters be registered with the FGIS, because of terroristic threats like high profile kidnappings. Two of the children in the powerful Argentinian Bunge y Born family (the parent company of Bunge) had been kidnapped in September 1974 only to be released unharmed after a payment to the Montonero terrorists of \$60 million and a promise of free food and wide publicity for the group from Bunge. See Broehl, Jr., *Cargill: Going Global*, 291.

¹¹⁵ Cecil Williams, “Growers Victims of Grain Scandal,” *The Town Talk*, December 21, 1976: 15.

¹¹⁶ “Grain industry appealing to revamp inspection law,” *The Sedalia Democrat*, February 4, 1977: 3.

Jeffrey Mills, “Grain firms complain about inspection law,” *The Daily Leader*, February 4, 1977: 12.

¹¹⁷ Kenneth A. Weiss, “Grain Reform Bill OK’d,” *The Times-Picayune*, April 3, 1976: 1, 21.

As of 2019, grain inspection was partially privatized once more with “unbiased third party” companies, like North Dakota Grain Inspection, working on behalf of the Federal Grain Inspection Service. See Kia Adams-Mikesh, “Getting the Most of The Grain Grading System,” webinar presented

The Cereal Heist's potency was largely a result of new revelations of power abuse in the age of Watergate.¹¹⁸ It was estimated that the big grain companies had stolen over \$1 billion in the multiple years the Heist scheme was active. Seventy-one individuals were convicted on fraud charges and four of the world's biggest grain companies "pleaded no contest and paid fines of \$10,000, the maximum under the law."¹¹⁹ The *Daily World* commented in a short piece in March 1978, "A federal investigation of insurance claims fraud in the metropolitan area may affect the insurance industry like the grain scandal that led to 70 indictments affected the grain business."¹²⁰ The investigation was drawing to a close by February 1977 although some lawsuits were still being filed against the big companies by various parties. Any active litigation or other developments related to the investigation were soon overshadowed by a bigger industry crisis.

for Grain Elevator and Processing Society on March 21, 2019,
<https://register.gotowebinar.com/recording/219305688360506113>.

¹¹⁸ Broehl, Jr. *Cargill: Going Global*, xiv.

¹¹⁹ Bill Crider, "Stalks the Public Wrong-Doers," *The Evening Times*, September 27, 1977: 5.

¹²⁰ "Insurance Probe Might Be 'Big'," *Daily World*, March 24, 1978: 2.

LEGACIES OF RISK AND VICE

Grain elevator explosions? Well, they had one at Continental Grain. I don't remember the year it was, but it's way back. I was in the fumigation business then, but I think they had, like, thirty-four people killed in that explosion. A bunch of guys I had hired when I was there.

-Jack Coleman, Manager of Cargill grain elevator in Reserve, Louisiana, early 1970s

As the grain industry expanded with the advent of the grain elevator in the late nineteenth century, new hazards were created by the vast amount of grain being moved through these facilities at such a fast pace. While the dust of agricultural products like wheat and rice pose an equal risk of combustion, press accounts note only three instances of rice mill explosions (and all of them occurred in Asian countries).² A 1982 report, however, does indicate that a rice mill explosion occurred in Jonesboro, Arkansas, on May 28, 1964, but this appears to be a minority event compared to the nearly 5,000 reported grain elevator explosions documented by the American press since 1882.³ The volatility of grain dust may be a reality for elevator employees that must be contended with on a daily basis but for the uninitiated, the extreme danger posed by such dust is a surprising fact even though, as Mike Lyman commented in 1977, “Grain dust is about 50 times as explosive as coal dust.”⁴ To illustrate the power of this dust, press reports have often described elevator explosions in terms of war: “[the area] resembled the bombed-out buildings of a war-torn city,” or the blast reminded witnesses of an atomic bomb mushroom cloud.⁵ When the Continental grain elevator in Westwego went up in smoke in December 1977,

¹ Jack Coleman, Unprocessed Oral History Interview conducted November 17, 2017. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

² Statistics from a search for “rice mill explosion” on newspapers.com as of January 27, 2019.

³ National Materials Advisory Board, *Prevention of Grain Elevator and Mill Explosions* (Washington, D.C.: National Academy Press, 1982), 124. Statistics from a search for “grain elevator explosion” on newspapers.com as of January 27, 2019.

⁴ “Ag officials quiet about Galveston reports on dust,” *The Terre Haute Tribune*, December 29, 1977: 11.

⁵ “3 Killed, 33 Injured in Grain Explosion,” *The Town Talk*, April 8, 1981: 8. “5 Die in Silo Blast,” *The Town Talk*, December 22, 1977: 2.

The *Daily World* quoted one witness as saying the elevator “went up like and H-bomb.” See “Grain Elevator Explodes; Workmen Tossed into River,” *Daily World*, December 22, 1977: 1. See also “20 Thought Dead in Elevator Blast,” *The Daily Review*, December 22, 1977: 11.

it became the single largest crisis in the history of Louisiana grain as 36 people lost their lives only a few days shy of Christmas. Charles Roemer noted “there were no realistic standards in effect” at the time to ensure the safety of grain elevator operations. It became vital for Louisiana with its high concentration of elevators to develop solutions to the dust hazard.⁶ The innovations to facility design and equipment that came about in response to the Continental explosion were implemented in elevators beyond the Gulf coast, setting national and international standards.

Occurring in the aftermath of the Cereal Heist investigation and the 1972 grain sales to Russia, the Continental explosion raised questions of sabotage and terrorism. The large-scale devastation from the explosion also raised concerns about facility design and construction since the Continental facility was one of many built with a concrete head house. If grain dust is a literal ticking time bomb of unpredictability, new designs and safety measures were needed to ensure the industry didn’t crumble under the weight of its own facilities. While some employees believed “you have a better chance of getting hurt walking across the street than you do in a grain elevator,” the loss of life at the hands of an explosion made the dangers of the industry more immediate.⁷ Dust hazards were only becoming more pronounced as the volume of grain moved through the Port kept increasing to meet global and domestic demand. New regulations put into place by the Environmental Protection Agency also increased dust problems within the elevators and it was a struggle to balance both sides of such a health and safety crisis: profits vs. protection.

As early as 1915, the issues of grain dust and combustion were being discussed by industry experts and government officials alike. In January 1915, the *Times-Picayune* wrote, “the

⁶ “Army’s Aid Asked to Help Prevent Elevator Blasts,” *Daily World*, February 3, 1978: 8.

⁷ “Grain Elevator Precautions Taken,” *The Town Talk*, February 28, 1979: 30.

same care employed to prevent coal dust explosions should be applied to guard against grain dust blasts.” The article goes on to quote a mine expert who commented, “We are forced to conclude that if an explosion with such terrible force and violence could occur at [the Husted Milling Company elevator in Buffalo], then the grain elevators of this country are at all times subject to the possibility of this occurrence, if favorable conditions exist.”⁸ The explosion in Buffalo in late June 1913 killed five men instantly while upwards of sixty individuals were injured with many later dying from those injuries. John Dickinson Sherman, writing for the *Saint Charles Herald* explained in 1921:

The flat truth is that many kinds of dust are like so much powder - only more powerful in explosive force. Scores of substances quite harmless in the mass become highly dangerous when pulverized and blown into the air, with each particle surrounded by sufficient oxygen to burn it. Combustion, under these circumstances, takes place with explosive violence and destroys lives and property as effectively as dynamite or TNT.

It takes very little to set off one of these tremendous explosions. An electric or friction spark, a lighted match, a flame of any kind - and an atmosphere full of powdered dust. Usually the primary explosion is slight. But this slight primary explosion shakes loose the accumulated dust from beam and sill and crevice. Then comes the big explosion. The little local explosion has aided as a sort of priming charge for the detonation that kills and wrecks.

Sherman went on to note that “the more solid the construction the worse the destruction,” and this certainly proved to be true with the concrete Continental elevator.⁹ The Continental disaster was also made worse by the explosion pattern outlined by Sherman.

On the morning of December 22, 1977, the eyes of the nation were on the small town of Westwego as they watched the aftermath of the country’s deadliest grain elevator explosion unfold. Shortly before noon, while a ship was being loaded at the facility, volatile grain dust somewhere inside the elevator “was ignited and blew the tops off 43 giant silos.”¹⁰ According to one witness, “the blast started at the front and rippled backwards through the string of silos -

⁸ “Grain Dust Blasts,” *Times-Picayune*, January 10, 1915: 32.

⁹ John Dickinson Sherman, “Watch Your Dust, Lest it Go ‘Bang!,” *St. Charles Herald*, April 2, 1921: 4.

¹⁰ The ship was reportedly undamaged by the blast. See “New Orleans silo blast toll reaches 31 as workmen continue removing debris,” *The Sun*, December 24, 1977: A6.

shattering the concrete tops and scatter[ing] debris and dust for hundreds of yards.”¹¹ The blast had buried a two-story control house and lunchroom adjoining the elevator’s 250-foot tall head house and a majority of those killed were trapped inside. Commenting on the wreckage, the *Daily World* noted the little control house did not stand a chance once the nearby “25-story grain elevator exploded.”¹² Compared with elevator’s predecessors from the early twentieth century, this facility was a monumental structure and half of it, 48 of the 73 silos, was decimated in a very short span of time.¹³ According to Michael Gavron who was working on the ship docked at the elevator at the time of the explosion, “In a matter of seconds, the main head house of the elevator had fallen to the ground and it looked like the inspection lab and control room where they have all their scale equipment was completely leveled.”¹⁴

When the Continental elevator was built in the 1960s, it was a reinforced concrete structure, as concrete had become the primary material used for all terminal elevators, no matter their location. For nearly fifty years, advertisements had proclaimed that concrete elevators were built to last or more simply “built for keeps,” and their fireproof nature was always at the center of any praise.¹⁵ Concrete was certainly fireproof in the sense of containing a blaze and preventing it from spreading, but that was exactly the problem on the morning of December 22, 1977. The elevator was constructed in a way that added to the severity of the explosion and subsequent damage, as the facility was stacked with the control room above the conveyors and silos. It was a very geometric and somewhat condensed structure consisting of seventy-two silos and a 250-foot tall head house that served as the primary “elevator.” Inside the head house was a

¹¹ “Grain Elevator Blast Leaves 5 Dead Near N.O.,” *The Monroe News-Star*, December 22, 1977: 1.

¹² “22 Are Dead in Explosion,” *Daily World*, December 23, 1977: 1.

¹³ “Number 1: 22 Are Dead,” *Daily World*, December 23, 1977: 10.

¹⁴ “5 Die in Silo Blast,” *The Town Talk*, December 22, 1977: 1.

¹⁵ See, for example, the advertisements featured in the first few pages of *The American Elevator and Grain Trade* XXXVI, No. 10 (April 15, 1918).

bucket elevator system where, as Tim Duncan explains, “grain gets put into buckets bolted to a belt...with a conveyor running up. It elevates the grain vertically and discharges it onto distribution conveyors that then drop it into the silos.”¹⁶ Evidence of this system is clearly shown in a 1967 press photo of the facility: the grain was carried from the river up the conveyor to the head house, where it was carried up in the bucket elevator, and then deposited for temporary storage. When the blast occurred, it triggered another in an adjacent area of the elevator and the structural support collapsed.



Figure 3. 1967 Press Photo of the Continental Grain Elevator in Westwego, Louisiana. Historic Images Part Number: nob04921.

For marine terminal engineer Tim Duncan, the legacy of the Westwego explosion is immediately evident in how it affects his work:

It spurred a lot of design changes. It was an older design that utilized a head house design and bucket elevators, which are since – You try to get it . . . If you have the real estate, you try not to do that. You try to get the product elevated using more conventional belt conveyors rather than bucket elevators if you can. . . . bucket elevators had a reputation of just, a potential for problems with either fire or burned out bearings or whatnot. That, in this particular case, a spark or something can be carried from silo to silo to silo to silo. *Boom. Boom. Boom. Boom. Boom.*¹⁷

¹⁶ Timothy Duncan, Unprocessed Oral History Interview conducted March 29, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

¹⁷ Ibid.

Research into grain dust explosions had been going on since the early twentieth century but elevator designs remained relatively the same until this catastrophic moment. The Public Grain Elevator in New Orleans was continuously praised in the trade press for its concrete construction despite an explosion there in 1938.¹⁸ While a strong construction material, it can certainly be argued that the concrete proved the fatal ingredient at Westwego because of its strength and heft. The compact nature of these elevators was also a key to the disaster because the explosion itself really had nowhere to go. In November 1978, the New Orleans Dock Board approved a \$200 million bond issue “to pay for the building of a bigger, safer facility to replace the Continental Grain Co. elevator.” This elevator, still under the operation of Continental, was expected to be fully functional by 1980.¹⁹

Only a few weeks after the blast, the Occupational Safety and Health Administration issued a safety alert to the industry outlining such safety measures as the grounding of electrical wiring and proper ventilation, as well as precautions related to worker exposure to excessive grain dust and toxic fumigants.²⁰ OSHA Director Eula Bingham urged elevator operators to seriously reassess their existing procedures and carefully follow the alert’s recommendations. “Workers’ lives may literally depend on your taking appropriate action,” she said in a letter, adding, it is “the employer’s general duty to furnish a workplace free from recognized hazards causing or likely to cause death or serious harm to workers.” The OSHA alert stressed the need for a comprehensive maintenance program in all elevators to ensure all equipment was properly

The Zen-Noh Grain Corporation elevator built in Convent, Louisiana in 1982 was designed to address all of the safety measures described by Duncan.

¹⁸ One of the men killed in this explosion, George Herrle, had been employed at the elevator as a spout operator since 1917 when the elevator began operations. See “Funeral Services to be Held Today for 5 Blast Dead,” *Times-Picayune*, April 6, 1938: 3.

¹⁹ “Dock board approves \$200 million in bonds,” *The Times*, November 10, 1978: 8.

²⁰ See, for example, “Chemical Fumes Are Fatal to 2 Men in N.O.,” *State Times Advocate*, October 10, 1973: 1.

maintained. “Slipping conveyor belts on bucket elevators, hot surfaces caused by lights and appliances, [and] sparks from electrical equipment” could all provide the source for a deadly blast.²¹

In early February 1978, Louisiana Commissioner of Administration Charles Roemer appealed to the Army Research and Development Command to conduct a study of grain elevator hazards “because of [their] expertise in the field of accident prevention and explosion suppression.” Roemer hoped that such a study would offer some insight into how explosive conditions could be suppressed as well as what equipment could be installed to serve as a warning system should hazardous conditions present themselves. Studying the hazards inside grain elevators was especially important to those in the Louisiana grain industry because of the “high concentration” of elevators and silos.²² Most of the older elevators were built in a similar manner to the Continental elevator and others, like the Bunge elevator in Destrehan, were built perilously close to populated areas or public buildings. On September 23 and again on October 10, 1970, the Bunge elevator suffered minor explosions. Seven men were injured in the first explosion and “chunks of concrete . . . were found lying at the entrance to the [Pecan Grove elementary] school grounds” 150 yards away from the facility. It was just lucky that the blast happened when the kids were not at school.²³

²¹ “Alert Issued for Grain Industry,” *The Town Talk*, January 6, 1978: 15.

²² “Army’s Aid Asked to Help Prevent Elevator Blasts,” *Daily World*, February 3, 1978: 8.

²³ “Seven Injured as Blast and Fire Rip Grain Elevator in Destrehan,” *The Town Talk*, September 14, 1970: 14. “Westwego Facility Fourth Grain Blast Since 1970,” *Morning Advocate*, December 24, 1977: 4-B. “McKeithen Gives Destrehan Area 3-Point Goal,” *Times-Picayune*, October 4, 1970: 8. According to the *Picayune*, there had been protests meetings and legal action taken to stop the elevator from operating because of the dust generated by the facility.

In April 1970, two men had been killed at the Westwego facility when they were buried under tons of wheat after adjusting the rate of grain flow from one of the silos. See “Two Men Killed,” *The Town Talk*, April 27, 1970: 5.

In the wake of these explosions, the Labor Department was urged to undertake an elevator inspection project. Their inspections revealed at least one safety violation in 75 percent of the elevators examined. With only 1,500 compliance officers nationwide, it was acknowledged that there was no realistic way for OSHA to effectively monitor and inspect the thousands of grain elevators in the U.S. along with the other industries they were responsible for monitoring. Eula Bingham said in July 1978 (not even a year after the Westwego blast), OSHA “will have to lessen the emphasis on grain elevators and intensify efforts in other high-hazard industries.” In response to the investigation of multiple elevator explosions in 1977, Bingham said, “Generally, OSHA’s investigators found that employers of the devastated elevators failed to maintain appropriate supervision over their workplace conditions.” In addition to dust accumulation and handling, investigators found numerous violations of the National Electrical Code, including the guarding of electrical circuits.²⁴

In less than a week, the Westwego explosion had become one of four, with others occurring in Texas, Illinois, and Mississippi. All together, these explosions took the lives of fifty people and injured fifty more. It was only a few hours after the Westwego blast that a pet food factory in Tupelo, Mississippi exploded, killing two men. An industry expert quoted by the *Terre Haute Tribune* suggested that “unusually dry weather and government regulations on ‘grain dust’ probably were factors in all four incidents.”²⁵ For decades, part of the effort to reduce the risk of dust explosions relied on the expulsion of excess grain dust into the air outside the elevators. With the creation of the Environmental Protection Agency in 1972, the Clean Air Act, and numerous studies linking this practice with increased instances of asthma in New Orleans, the

²⁴ “Grain Elevator Checks Uncover Many Violations,” *The Town Talk*, July 19, 1978: 2.

²⁵ “Ag officials quiet about Galveston reports on dust,” *The Terre Haute Tribune*, December 29, 1977: 11.

elevators were directed to internalize that dust and remove it with vacuum systems.²⁶ Mike Lyman, director of engineering for Far-Mar-Co (the country's largest grain marketing cooperative), told UPI in December 1977, "I put a lot of the blame for these explosions on the EPA because they say we can't put a lot of this fine dust out in the atmosphere. We've had to revamp the (grain storage) systems and trap all this (dust) and go somewhere with it. Most of it goes right back into the elevator. That is the explosive element."²⁷ Recirculating the dust into the grain stream "improve[d] the feed content - and dollar value - of the grain," but it also created a dustier, and therefore more hazardous, work environment.²⁸ Felicia Kahn, a candidate for the Louisiana House, filed a civil suit against the Public Elevator in October 1975, charging that "dust and exhaust from the public grain elevator exceeds state and federal standards for clean air and endangers the health and environment of uptown New Orleans."²⁹ For seven years, elevator officials had negotiated with the community over improvements to their dust control, but dust was nonetheless still a public nuisance.³⁰ In the aftermath of the Continental explosion, OSHA, the USDA, and the EPA all recommended "grain handlers stop the practice of recirculating grain dust inside their elevators."³¹ If the weather on the morning of December 23, 1977 had been

²⁶ Hans Weill, Morton M. Ziskind, Richard C. Dickerson, and Vincent J. Derbes, "Epidemic Asthma in New Orleans," *The Journal of the American Medical Association* 190, No. 9 (November 30, 1964): 811-814. R. Lewis, M.M. Gilkeson, Jr., and R.O. McCaldin, "Air Pollution and New Orleans Asthma," *Public Health Report* 77 (November 1962): 947-954. H. Weill, et. al., "Further Observations on New Orleans Asthma," *Archives of Environmental Health* 8 (January 1964): 184-187.

A 1982 study concluded that the grain elevator employees had an increased frequency of respiratory issues and "changes in pulmonary function [were] directly related to [their] level of dust exposure." See P. Corey, M. Hutcheon, I. Broder, and S. Mintz, "Grain Elevator Workers Show Work-Related Pulmonary Function Changes and Dose-Effect Relationships with Dust Exposure," *British Journal of Industrial Medicine* 39, No. 4 (November 1982): 335.

²⁷ "Ag officials quiet about Galveston reports on dust," 11.

²⁸ Michael Isikoff, "Cutting grain dust sought for safety," *The Decatur Herald*, July 12, 1978: 26.

²⁹ "Suit Filed," *The Town Talk*, October 15, 1975: 33.

³⁰ John Alan Simon, "Grain Elevator Violates Pollution Laws - Agency," *Times-Picayune*, August 8, 1976: 1.

³¹ "Grain elevator Checks Uncover Many Violations," *The Town Talk*, July 19, 1978: 2.

especially dry, the lack of moisture in the grain would have greatly contributed to the explosive conditions inside these elevators housing more dust than they had in previous years.

According to John Graziano, special assistant for grain elevator investigation and safety, “The two elevators that exploded in [Westwego and Galveston] . . . the devastation was so tremendous it was almost impossible to reconstruct the evidence.”³² OSHA recommended a \$116,000 fine against the company operating the elevator in Texas and a \$47,000 fine for Continental. At a House Education and Labor Committee hearing, additional fines were proposed in response to six smaller explosions that happened in the winter of 1977.³³ But would fining the companies and collecting their money actually do anything to increase the safety of these facilities?

To improve safety and address the various violations that had been discovered, a new federal program was established requiring export elevator operators to submit “detailed safety plans to federal grain inspectors for approval.” If those plans were not submitted, the Federal Grain Inspection Service could cease weighing and inspecting grain at those facilities, forcing them out of business as they would no longer be in compliance with post-1975 inspection regulations. The plans needed to specify “maintenance, housekeeping, safety, security, and evacuation procedures” because these various procedures all contributed to an efficient and safe operation and showed sufficient preparation for emergency situations.³⁴ Leland Bartelt of the Federal Grain Inspection Service additionally maintained that it was FGIS policy “to provide inspection and weighing conditions that will not result in serious health hazard, injury or death of any of our employees. We will suspend our operations at export grain elevators when we

³² “Grain Elevator Probe Continues,” *Daily World*, February 20, 1978: 2.

³³ “Grain Elevator Checks Uncover Many Violations,” *The Town Talk*, July 19, 1978: 2.

³⁴ Michael Isikoff, “Cutting grain dust sought for safety,” *The Decatur Herald*, July 12, 1978: 26.

determine that drastic action is necessary to protect lives.” According to James Stanberry, a survivor of the Continental explosion, the elevator never completely ceased operations. “What blew up was where they stored the grain. They never even slowed down, I don’t believe. They kept right on going, man, loading them ships. Money. Money hunting.”³⁵

There was clear animosity towards the FGIS in official correspondence from Galveston, Texas prior to the explosion there on December 27, 1977: “Their attitude seems to be that Congress imposed the FGIS on them and that they have to have us around, but they don’t have to cooperate.”³⁶ The chief USDA investigator issued a warning to grain inspectors “to leave elevators if the dust collectors break down on days when the humidity is less than 45 percent,” but what about the welfare of other employees?³⁷ James S. Phelps, a grain inspection supervisor at the Galveston facility, had warned the FGIS and elevator management about excessive dust in the facility. One USDA official who had visited the facility described how the dust “piled up like snowdrifts against the walls,” and upon inspection, E. K. Bauman of the FGIS also found the “untenable hazard” of allowing welding to be done during grain handling operations.³⁸ Failure to

³⁵ James Stanberry interview featured in *The Continental Grain Elevator Explosion* (dir. Royd Anderson, 2007) videodisc: 33min., sd., col., 4 3/4 in.

³⁶ “OSHA Plans to Issue ‘Alert’ Outlining Grain Elevator Safety,” *The Town Talk*, December 31, 1977: 8.

³⁷ “Grain Elevator Probe Continues,” *Daily World*, February 20, 1978: 2. “Grain Elevator Guidelines Listed,” *The Times*, January 7, 1978: 2. “Attitude of officials at grain elevator hit,” *The Times*, December 31, 1977: 2.

Another report citing Bartelt claims he advised the industry that export elevators might have to be closed if a solution was not found, stating, “We cannot afford another tragedy.” See Thomas O’Toole, “Operators of Grain Elevator Were ‘Hostile’ to Safety Inspectors,” *The Star Press*, December 31, 1977: 7.

³⁸ Thomas O’Toole, “Operators of Grain Elevator Were ‘Hostile’ to Safety Inspectors,” 7. Some employees had been forced to wear masks while working because the dust problem was so bad. See the Associated Press, “Official: Grain Outfits Disregarded Inspectors,” *Fort Lauderdale News*, December 31, 1977: 5.

Phelps also reported “space provided by the elevator is weevily, has rats living in the ceiling and the air conditioner doesn’t work 75 percent of the time.” See Thomas O’Toole, “Operators of Grain Elevator Were ‘Hostile’ to Safety Inspectors,” 7. “Attitude of officials at grain elevator hit,” *The Times*, December 31, 1977: 2.

heed the warnings of these inspectors led to the deaths of fifteen individuals, three of whom worked for the FGIS.³⁹

In several ways, the Continental explosion was directly linked to the major crises and scandal of the early 1970s. The *Town Talk* concludes the possibility of a deadly explosion was “worsened as agriculture exports increased [following the 1972 Russian sales] and elevators began to work at peak capacity.” In April 1976, the company had paid a \$500,000 fine for short weighing ships in connection with the Heist scandal, and most of the inspectors killed or injured in the 1977 explosion were graduates of a “special school which was born of [the] grain scandals.”⁴⁰ In an incredibly revealing statement, the *Town Talk* reported on December 22, 1977, five bodies had already been recovered “from the burning grain elevator and its adjacent offices, where government inspectors worked to prevent theft or fraud in the scandal-ridden grain business.”⁴¹ The FBI, still working on the last details of the Heist case, opened a separate investigation of the explosion. Although their investigation proved inconclusive, it raised questions of whether the explosion was a result of dust combustion, terrorism, or sabotage.

Val Cantu, an elevator employee told the *Town Talk* that the elevator had been on the receiving end of multiple bomb threats beginning in 1975. “When they had a bomb scare,” Cantu was quoted as saying, “people wanted to knock off (work) . . . (Then) the company decided they were going to put their foot down on people taking off when bomb threats were made. Not even a week before the explosion they had a meeting and said they were going to take disciplinary action. The following week - boom. I think the bomber made his threat good, I really believe

³⁹ “Names of Dead, Injured Listed,” *The Galveston Daily News*, December 29, 1977: 1.

⁴⁰ “Inspectors Had Graduated from Special Grain School,” *Times-Picayune*, December 23, 1977: 8.

⁴¹ “5 Die in Silo Blast,” *The Town Talk*, December 22, 1977: 1.

that.”⁴² Louisiana Agriculture Commissioner Gil Dozier countered Cantu’s belief, saying, “There is a theory that sabotage was involved because of [various strikes] or the fact that grain inspection has been moved from the private sector to the federal sector. . . . Some people believe that human wrongdoing was involved . . . but I discount the wrongdoing. I don’t believe they will find there was an attempt to harm the elevators.” It was reported that Dozier was aware of the bomb threats, but determined that “from the nature of the explosion . . . a gas buildup is the most likely cause.”⁴³ One investigator also put forth the possibility that the explosion was the result of “a buildup of grain during the recent national dockworkers’ strike,” an incidental consequence not tied to sabotage. Dozier supported this notion, stating, “The strike, which slowed shipping at ports from Maine to Texas for two months this fall, may have forced Continental officials to hold on to their grain supplies too long. If you put any grain in an enclosure it’s like using the grain for mash and gasses are created. It’s not the grain that explodes, it’s the gasses that build up.”⁴⁴

Dozier never offered a firm conclusion as to the cause of the blast, blaming a gas build up or a mechanical failure linked to the conveyor. “If mechanical failure let the conveyor run dry [of lubrication],” he said, “It could cause friction that would set off an explosion.” Perhaps it was a combination of factors. Although it is unlikely, sabotage has never officially been ruled out, meaning the explosion could have been an instrument of diversion from the Heist investigation that had thoroughly tarnished the industry’s reputation.⁴⁵ Ultimately, the cause of the explosion

⁴² “20 Thought Dead in Elevator Blast,” *The Daily Review*, December 22, 1977: 11.

⁴³ While others also discounted the idea of sabotage, the FBI did send three agents to investigate the situation, “just in case.” See “New Orleans silo blast toll reaches 31 as workmen continue removing debris,” *The Sun*, December 24, 1977: A6.

⁴⁴ “22 Are Dead in Explosion,” *Daily World*, December 23, 1977: 1.

⁴⁵ Even if the explosion was not a purposeful act of sabotage or terrorism designed to distract from the investigation, it managed to do just that. For many industry members who lived through the 1970s, they can recall the 1972 Russian deals and the 1977 explosion but the 1975 investigation is lost. Marine

can best be reduced to negligence of some kind whether in the form of improper housekeeping practices or discounting the bomb threats.⁴⁶

For nearly a decade after the Continental explosion, industry officials had been in a deadlock with OSHA over new regulations aimed at preventing such deadly blasts. During that time, there were 190 elevator explosions that killed sixty people and injured more than 300 others. Industry officials successfully fought the implementation of new regulations, citing a cost of more than \$1 billion a year to the companies if such changes were made.⁴⁷ Between 1970 and 1977, there was a reported average of 9 elevator explosions a year which represents an extreme minority when considered alongside the thousands of elevators in the U.S. that continued to operate without issue.⁴⁸ A reporter for the *Town Talk*, sharing the sentiments of industry leaders, commented, “Aside from the human factor, grain elevator safety is important to America’s balance of trade because \$14 billion worth of grain exports moved through elevators on their

terminal engineer Tim Duncan, when asked if he was familiar with investigation, responded with a great deal of surprise, “In the grain industry?!” The quick and collective amnesia related to the investigation is most evident in how the press commented in 1977 that Gerald Gallinghouse, the U.S. Attorney in New Orleans, “goes back to the days of the Great Grain Scandal.” In two short years, it would appear, the case was closed and all was well in the land of grain. See Bill Crider, “Gallinghouse Exception to Patronage Rule,” *The Town Talk*, September 27, 1977: 3. See also Timothy Duncan, Unprocessed Oral History Interview conducted March 29, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

⁴⁶ One theory as to the cause was put forth by an insurance company fire investigator: “a foreman using a portable telephone hookup in the complex created a spark when he withdrew his metal alligator connection from the electrical box he was using for power. As the foreman released the clip, it drooped over a power switch on the box and created the arc that ignited grain dust in the area.” An additional theory put forth by the federal task force investigating the explosions was dust being collected outside the elevator in so-called “bag rooms” had been brought back into the elevator to mix with the grain for shipping. “The returned dust could be drier than the dust gathering inside the elevators and create a more hazardous environment.” See *Times-Picayune*, April 24, 1980. Thomas O’Toole, “Operators of Grain Elevator Were ‘Hostile’ to Safety Inspectors,” 7.

⁴⁷ “U.S. Government Agencies Place Different Values on Human Life,” *Albuquerque Journal*, July 16, 1990: 4.

⁴⁸ Comptroller General, “Grain Dust Explosions - An Unsolved Problem,” <https://www.gao.gov/assets/130/125953.pdf>.

way to foreign nations in fiscal 1977.”⁴⁹ The economics of the whole enterprise is likely why grain industry officials and government bureaucrats in the 1980s seemed to place a higher value on business than human life. Even though the federal government was not willing to assign blame to any specific party in the aftermath of the explosions, officials did *suggest* “the hectic pace of work at many export elevators had created a climate where safety might take a back seat to business.”⁵⁰ In April 1980, the families of those killed three years earlier finally got some closure when Continental “agreed in principle” to a \$25 million settlement.⁵¹ Citing Continental’s faltering sales in the decades after the explosion, Cargill acquired the company and took over the Westwego facility in 1998.⁵²

⁴⁹ “Criticism of Grain Elevator Regulations Seen in Talks,” *The Town Talk*, July 10, 1978: 15.

⁵⁰ Thomas O’Toole, “Operators of Grain elevator Were ‘Hostile’ to Safety Inspectors,” *The Star Press*, December 31, 1977: 7

⁵¹ “\$25 Million Settlement in Grain Blast,” *Times-Picayune*, April 24, 1980: 2.

⁵² Wayne G. Broehl, Jr., *Cargill: From Commodities to Customers* (Lebanon, NH: Dartmouth College Press, 2008), 124. “Cargill Timeline,” <https://www.cargill.com/doc/1432078093613/pdf-cargill-timeline.pdf>.

THE BEST KEPT SECRET ON THE MISSISSIPPI

And I saw . . . ADM was buying Bunge. I saw some article. And they were saying in the fifties . . . ADM has a storied history because in the 1950s, they had an anti-trust. And I'm thinking, "The grain investigation is just gone. It's not in the public domain." Because they're not . . . Here they got a merger, and they're talking about their terrible days in the 1950s having an anti-trust case. But they're not talking about pleading guilty to stealing grain in the . . . seventies.

-Robert Isakson, Co-Case Agent in the Cereal Heist Investigation, 1975¹

In 1982, the U.S. government elected to close five regional offices of the Federal Grain Inspection Service as a cost saving measure.² The Fort Dodge, Iowa, facility only employed six inspectors responsible for "origin inspections and official weighing of grain" for 150 country elevators. Their work would be absorbed by a larger nearby office but some in the grain trade feared the move would just create a reprise of the conditions in 1975. "We're concerned about what happens after the office is closed," one trader was quoted as saying. "We're worried about the closeness of grain operations to [federal] inspection and about the greater intervals between on-the-spot [federal] inspection."³ A reorganization plan had been put into effect for the FGIS at all levels the previous year, resulting the elimination of 271 positions in 43 locations.⁴ According to the *Des Moines Register*, "One effect of the reorganization will be to eliminate the jobs of several top officials who played key roles in uncovering and correcting the corruption that permeated the inspection and weighing of U.S. export grain in the mid-1970s." Congress had already eliminated the requirement that grain be weighed as it arrived at export elevators,

¹ Robert Isakson, Unprocessed Oral History Interview conducted March 24, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

² Proposals to limit the number of FGIS employees working away from the port areas had been debated in 1977, only a year after the grain inspection reform law was adopted. Proponents of such a limit argued the grain scandals preempting the reform had taken place at the ports. But, Senator Dick Clark argued, such limitation would only "open the way to possible 'malfeasance' ranging from grain thefts to improper inspections." Plus, as Senator Clark pointed out to the Senate, 18 people had been indicted "in connection with offenses at interior markets" and 19 additional investigations were pending. See "Senator Wants Federal Limit On Grain Inspection Lifted," *Daily World*, June 10, 1977: 10.

³ "Grain inspection office in Fort Dodge to close," *The Des Moines Register*, July 27, 1982: 13.

⁴ "One grain inspector will be eliminated in Galveston office because of embargo," *The Galveston Daily News*, October 28, 1981: 25.

arguing, “since outbound grain headed for foreign countries still is weighed, honest weights for foreign buyers are assured.” Without weighing both inbound and outbound grain, it seems unlikely that problems of short weighing would truly be caught or eradicated.⁵ As with the question of how much a life cost in the aftermath of the Continental explosion, how could these budgetary cuts to the FGIS only five years after it was created not be setting the system up for a repeat of the very activity it was created to police? Members of the grain industry had been arguing since the inception of the FGIS that the industry was “a victim of over-regulation.” For them, such personnel cuts were seen as a victory.⁶

In 1992, Wayne G. Broehl, Jr. released the first in a hefty three volume series on the history of Cargill. This was one of the first thorough accounts of any of the grain companies and none have been produced since Broehl’s final volume in 2008. He notes in the acknowledgements for the first volume that he was granted “full access to all records and all employees” while conducting his research.⁷ The company’s corporate website fails to recognize their role in the 1975 scandals or the 1972 Soviet sales, choosing instead to emphasize the company’s expansion into other markets like flour milling and cotton merchandising. This suggests the records made available to Broehl, Jr. may have been intentionally limited to produce a specific historical narrative. In fact, Broehl characterizes the 1970s as a period of “great success” whereas those examining Cargill from the outside would probably be more likely to label it a period of “great scandal.” Certainly, as noted in the Peer Reviewer’s Note of volume three, Broehl, Jr.’s task was made all the morning challenging by the fact he was in part

⁵ James Risser, “Grain,” *The Des Moines Register*, September 23, 1981: 8.

⁶ James Risser, “Grain inspection agency to cut staff, do less regulating,” *The Des Moines Register*, September 23, 1981: 1.

⁷ Wayne G. Broehl, Jr., *Cargill: Trading the World’s Grain* (Hanover, NH: University Press of New England, 1992), xiii.

chronicling a history still in the making. It is difficult to address all of the conflicts, especially personal conflicts, within a company “when the people are still alive and kicking,” but it seems thoroughly problematic given Cargill’s track record in the 1970s that Broehl focuses on the high ethics of the company’s leadership.⁸ It has been similarly noted by retired employees that Bunge’s legal team “has to approve anything that is shared,” indicating the industry would still prefer to remain out of the public’s purview.⁹

Broehl acknowledges that Cargill’s role “as the largest firm in [the grain] industry” resulted in the company becoming “a centerpiece of the testimony on the grain trade” in 1975 and the second volume of his history dedicates an entire chapter to the case (the only known instance of such a substantial academic treatment).¹⁰ For a brief moment, the veil of elusive secrecy was lifted, but forty years later, it has been wrapped even more tightly around the company’s role in this landmark case. Broehl notes that the case initially focused on inspectors accepting bribes from shipping companies, emphasizing the bribes were not coming from the grain companies. Based on the internal records he was given access to, Broehl suggests Cargill was ahead of the investigation, having “quietly called in private investigators at [their] Houston terminal” and then asking them to look into the Baton Rouge facility. Cargill executives also supposedly made their “noninvolvement” public knowledge, available for quotation in any Minneapolis paper. A memorandum from the company’s president, Whitney MacMillan, dated November 5, 1975 makes explicitly clear that there would be no secrets within the company about any internal practices going forward. Challenging the company’s very own stance of

⁸ Wayne G. Broehl, Jr., *Cargill: From Commodities to Customers* (Lebanon, NH: University Press of New England, 2008), xii.

⁹ “Louisiana Grain History Oral History Collection.” Property of the T. Harry Williams Center for Oral History at Louisiana State University.

¹⁰ Broehl, Jr., *Cargill: Going Global*, xiv. 266-293.

noninvolvement, it was indicated that “such secrets had been unearthed in the earlier investigations by the Company legal department of the practices at the Baton Rouge elevator, where, even after having been given explicit statements not to shade grades *Company* personnel had continued to do so.”¹¹ According to Broehl analysis, Cargill found itself in hot water “*before* the late 1990s, when corporate exuberance elsewhere was heading toward enormous bubbles in the business system, with their excesses leading to the so-called ‘Enron-style’ management sleight of hand of unreal performance goals and results.”¹² Yet, the Cereal Heist developed from such sleight of hand expectations in which elevator employees were given the directive to trick the scales as shipments came in and went out.

From a deal that they supposedly lost money on in 1972, Cargill apparently came out of the so-called “export explosion of the early 1970s” as a “capital-rich” entity overnight.¹³ They poured this money into a new elevator in Reserve, Louisiana, the largest on the Gulf coast, that opened in 1977. And, according to Broehl, they were at the forefront of explosion research, with the design innovation of inclined elevator legs supposedly originating at Cargill’s grain lab. With that in mind, it is a little troubling that Cargill is the company that swooped in and took over the infamous Continental site and its parent company. In 1972, Cargill and Continental were the two biggest grain companies with the most power. Could Cargill have withheld valuable knowledge from their main rival just to stand by and watch them fail? What Broehl’s history tells us is that the grain industry is still eager to conceal or spin parts of their history. Published at the beginning of the digital revolution and written for an academic audience, Cargill was probably counting on Broehl’s volumes having a very limited impact on their public face. The fact they are portrayed

¹¹ Broehl, Jr., *Cargill: Going Global*, 279. Emphasis added.

¹² Broehl, Jr., *Cargill: From Commodities to Customers*, xiv.

¹³ Broehl, Jr., *Cargill: From Commodities to Customers*, 13.

as the victim in Broehl's telling of the Heist investigation and their corporate website purposely dismisses the two biggest incidents of the early 1970s, of which they played a large role, suggests they are ready to pretend these events didn't happen. Unfortunately for them, it is impossible to wish these things away (even though they have been very effective at erasing it from public memory) because of the visible presence of the FGIS. Explaining why agents of the FGIS must have a space within the export elevators of Louisiana in 2018 requires consideration of the upheaval of the industry at these three key moments of the 1970s.

The FBI investigation of 1975 could have happened at any other port but it was the Port of New Orleans and its role in international trade that made the case as significant as it was. Through the various scandals and crises that have flavored Louisiana's grain history, the state has been given a central role in driving change for the industry as a whole. After Continental, facility designs and building materials have changed and certainly safety and housekeeping are primary concerns for all elevator employees. Not only is Louisiana responsible for a major portion of the country's grain exporting business, it has been largely responsible for numerous changes to how the industry does its work.

Tim Duncan said it best when he suggested that the grain elevators of Louisiana quite literally feed the world.¹⁴ As early as 1955, *The Times* of Shreveport commented, "Today with modern farming methods and technological development, the American farmer is vitally concerned with foreign markets. Free countries of the world, too, have recognized this interdependence and have counted on foreign trade to help feed the peoples of their lands."¹⁵ Certainly, New Orleans found a central place in the system of foreign trade as early as 1718

¹⁴ Timothy Duncan, Unprocessed Oral History Interview conducted March 29, 2018. Property of the T. Harry Williams Center for Oral History at Louisiana State University.

¹⁵ "N.O. Elevator to Handle Billionth Bushel of Grain," *The Times*, February 14, 1955: 3.

when the first grain was cultivated in the area.¹⁶ Yet significance of Louisiana's grain industry has gone largely unnoticed by the greater American populace and the quick amnesia of the Cereal Heist of 1975 have rendered Louisiana grain the best kept secret on the Mississippi.

¹⁶ The cultivation of maize in Louisiana began as early as 1710 with farmers selling 116 barrels of the crop to the government that years. See Lewis Cecil Gray, *History of Agriculture in Southern United States to 1860*, Vol. I (New York: Peter Smith, 1941), 66.

See also Armando A. Calleja, "Agronomic Practices and Their Influence on the Development of the Louisiana Rice Industry," (unpublished Master's dissertation, College of Agriculture, Louisiana State University, 1938), 9. Lawson P. Babineaux, Jr., "A History of the Rice Industry of Southwestern Louisiana," (Master's thesis, The University of Southwestern Louisiana, 1967), 6. Steven Linscombe, "The History of U.S. Rice Production - Part 1," LSU AgCenter, December 8, 2006, https://www.lsuagcenter.com/portals/our_offices/research_stations/rice/features/publications/the-history-of-us-rice-production--part-1. *The Rice Journal*, XXX, 11 (December 1927). Mildred Kelly Ginn, "A History of Rice Production in Louisiana to 1896," *The Louisiana Historical Quarterly* 23, No. 2 (April 1940): 7. *Rice Journal and Southern Planter*, (June 1913), 6.

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VITA

Chandler Taylor, born in Fort Collins, Colorado, holds a Bachelor of Fine Arts in Stage Management from the Savannah College of Art and Design and a Master of Arts in Film Studies from Columbia University. Her decision to pursue a dual Master's degree in History and Library Science at Louisiana State University was inspired by her first thesis project, "The Untitled Natalie Wood Communist Fan Magazine Project," in which she looked at Eastern European fan magazines from the 1960s that had been well-preserved by local fans. The preservation work of these "home archivists" stimulated ideas about actively preserving the present for the benefit of the future. Chandler's work as a graduate assistant for the T. Harry Williams Center for Oral History allowed some exploration of those ideas and she utilized her oral history training for her present thesis project. While she took her research in a different direction for this present project on grain, she still exercises her cultural history muscles through conference presentations. One of her research projects, "The Bra and the Law: Women Censoring Women in the Silent Film Era," was accepted to the 2019 Society of Cinema and Media Studies conference. Excerpts from "Sowing the Wild Oats" were presented at various conferences throughout 2019, including: The Gulf South History conference; the Louisiana Historical Association conference; the Southern Forum on Agricultural, Rural, and Environmental History conference; and the Agricultural History Society conference. Her research was also used in a webinar for the Grain Elevator and Processing Society. Upon completion of her MA and MLIS degrees, Chandler hopes to continue working in the Oral History field and assisting students with their research projects.