HUNGER COMES HOME

Stop Gambling on Your Daily Bread!

by Marcia Merry Baker

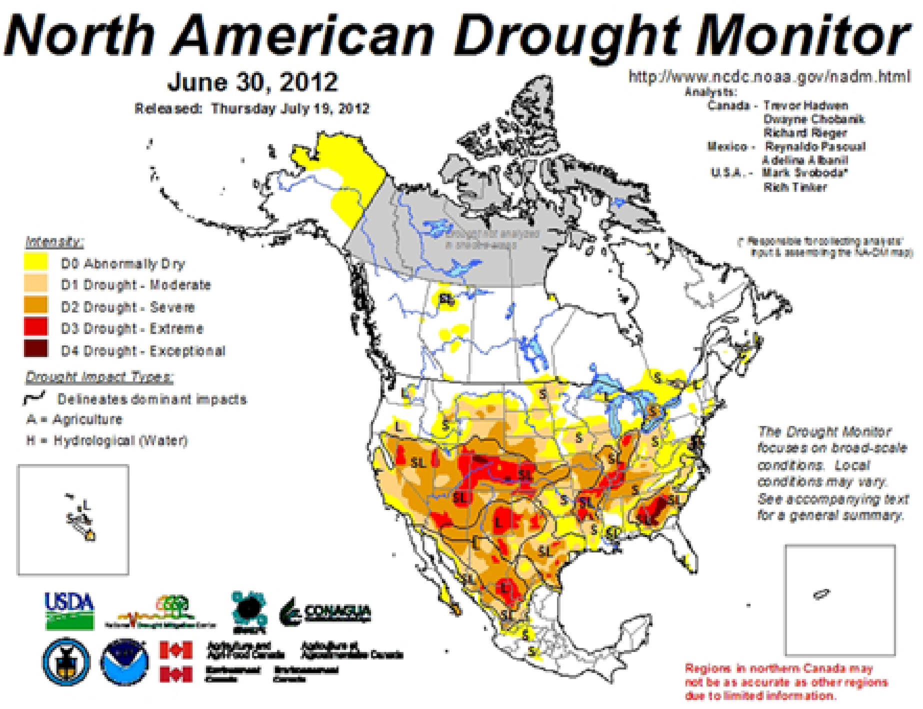
July 30—Hunger has come home. In addition to the 46 million Americans now getting food relief (SNAP) from the Agriculture Department, now the situation is fast-developing for all Americans, where the food won't be there to be bought.

The food supply crisis is occasioned by the extreme drought and heat wave in North America (**Figure 1**)—which we report in detail in the accompanying map-series on the United States. But the cause of the supply crisis, is the imposition of casino-economics domestically, and for worldwide agriculture for decades.

It was said that "market forces" would provide food and other necessities, as codified in the 1995 startup of the World Trade Organization (WTO). This was cover-up jargon all along, on behalf of certain financial/commodities networks—best called the neo-British Empire—which bludgeoned governments to impose floating currency rates and financial deregulation, including a set of destructive practices for agriculture, involving "free" (rigged) trade, elimination of food reserves, import dependency through "global sourcing," cartelization, forced engagement of farmers and ranchers in betting—through futures, hedges and advanced contracting, privatized seeds and agro-research, monoculture, and wild speculation.

These practices were imposed, in place of prior, nation-serving policies of parity-pricing and other kinds of security for farmers and ranchers, policies which also provided to the public a secure and plentiful food supply, with reserves and directed scientific research. For example, in 1988—a terrible drought year in the United States, in which 40% of the corn crop was ruined—there was a year's supply of corn on hand! Right now, there is effectively *no corn carryover* from prior years, and we are weeks away from the next harvest, which is being ruined by drought. The WTO has decreed

FIGURE 1



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to continue, even to the point of famine? Or will the Glass-Steagall law be re-instated quickly, restoring the basis for expanding sound credit for rejuvenating actual agro-industrial progress, and busting up the present system of financial gaming and looting, which has been allowed to undermine our very means of physical existence for far too long.

What is required, in the spirit of the original Glass-Steagall Act—which was associated with jobs and production programs at the time (the TVA, Hoover Dam, rural electrification, soil districts, etc.)—are economic measures to build up the physical conditions of infrastructue and output capacity of the nation, both for short-term emergency measures because of the drought, and for priority projects "on the books" of states and localities, and most of all, for launching the large, long-term continental-scale project of NAWAPA XXI.

that "reserves" and carryover only "distort" free markets.

The market-forces-will-feed-you outlook also decreed over the past four decades, that it would be "uneconomical" to build up irrigation projects, large-scale water conveyance, nuclear-powered desalination, and similar systems, which would assist and protect agriculture. In particular, in the 1960s—a policy turning point period, after the assassination of President Kennedy—the North American Water and Power Alliance (NAWAPA) continental-scale water-diversion project for the western drylands, was halted.

Now we are hit with a severe and extensive drought. During the week ending July 24, fully 64% of the continental United States was classified as experiencing drought, according to the Federal Drought Monitor. The current pattern is the worst since 1956, in the judgment of the National Oceanic and Atmospheric Administration. Huge losses of corn, soy,and other crops, decimation of cattle herds, feed shortages for hogs and poultry, and other effects are rippling through the food chain. Prices are soaring. Once meat supplies from the current mass cattle slaughter are consumed this Winter, there will be severe beef shortages.

This calls the question: Will we allow monetarism

Emergency Action: Physical Economy

For the farmbelt and food supply, the emergency measures needed are: Ban speculation and derivatives on food and farm commodities on the Chicago Mercantile Exchange (CME Group) and all exchanges. Institute food-price controls at necessary points along the food chain, and on key farm inputs—fertilizer, chemicals, seeds, fuel. Preempt attempted price gouging in the name of the drought.

Create price stability for farmers and ranchers through immediate floor prices for their commodities, especially meat, and institute parity-based pricing for their output across the board. Intervene in the current crisis, with grants, low-interest loans, and related assistance, to help producers to retain productive capacity, especially farmers and ranchers, to save breeding stock.

Put a dead-stop to the use of corn for biofuels, extending immediate support in the process to any farm producers who are involved in the ethanol facilities or supply lines, so their actual farming operations, livelihood, and output potential can be protected for the food chain.

The policy fight on this way of thinking, is now joined in Washington, D.C. around the crucial question of Glass-Steagall, and when will it be re-instated. Anything else is just perpetuating gambling, and making way for starvation.

Cancel Gambling

The spirit of this fight came out in the July 25 hearing of the House of Representatives Agriculture Committee, on "swaps" and derivatives. Many members of the 46-person committee denounced the out-of-control speculation taking place, and the patterns of criminality that go along with it—the Libor-rigging, the blowout of MFGlobal and Peregrine, and the vast volumes of betting on the markets, disconnected to any purpose of physical commodity sales and actual usage.

Rep. Collin Peterson (D-Minn.), the ranking Democrat, zeroed in on this in his opening remarks, saying that Congress did wrong to authorize gambling in 2000. He denounced the Commodities Futures Modernization Act of 2000, the companion law to the 1999 Graham-Leach-Bliley act which repealed Glass-Steagall. He said that the CFMA Act deregulated futures markets, giving "legal certainty" to swaps, which went from $80 billion to $600 trillion in eight years. "This is gambling. We gave it legal certainty. Look at what we did. When we did Dodd-Frank, we didn't bite the bullet."

Peterson stressed that the New York Federal Reserve (during the chairmanship of Timothy Geithner) knowingly presided over the Libor rate-rigging. The Commodity Futures Trading Commission (CFTC) was not contacted by the N.Y. Fed on the infractions. He said, "The whole damn system is set up to benefit Wall Street. I'm tired of it."

Peterson is one of 7 members of the 46-person Committee, who have co-signed H.R. 1489, to revive Glass-Steagall. Committee chairman Frank Lucas (R-Okla.) identified Glass-Steagall, as passed in 1933, as the law which separated commercial from speculative banking, after this policy was called for by Rep. Chellie Pingree (D-Me.), who then said, "For the record, I am in favor of Glass-Steagall." Pointing out that even former Citigroup head Sandy Weill now calls for Glass-Steagall to come back, Pingree said, "We should reinstate Glass-Steagall."

The focus on getting in Glass-Steagall, and stopping all the financial bailouts and gambling, throws into perspective the two very specific policy fronts affecting agriculture and food at the Federal level: the inadequacy of the Obama Administration's relief-as-usual disaster program announced on July 23, which remains squarely within the "markets" mentality; and the fight to get a new five-year farm bill into effect, before the 2007 bill expires Sept. 30. Nothing is worse for farming than uncertainty.

All of these matters taken together, in terms of the absolute certainty that our very food supply is now threatened, means that policy-leaders—from the ranks of citizen-farmers and ranchers, the public, and elected officials—need to change their thinking, and end once and for all, the bewitchment that *monetarism*—the ideology that money is economic value—is true. It's an evil lie. One way to understand the pathology of monetarism, is to look briefly at agriculture over the last 50 years.

When the Food System Still Worked

As of the early 1960s, it was still possible in the United States, for a good farmer to make a living for his family, and the next generation, by farming alone—without off-farm jobs, winning the lottery, or other non-farm income or support. This then, provided food security for the nation. What characterized that situation are the following features:

National food self-sufficiency policy. The role played by the Federal government was to conduct programs to ensure that there was an ample food supply, and food reserves (through the mechanism of the Agriculture Department's Commodity Credit Corporation (CCC)—founded in 1933 under the Franklin Roosevelt food/farm support initiatives).

To keep farming stable year to year, there were still agriculture pricing programs in effect, based on parity-pricing (keeping farmers' income on a par with general incomes, and for the farmer to make a decent profit, by having prices for his output cover his costs of production). The agriculture parity policy was first implemented under FDR, and retained—though in partial effect, after World War II.

So-called "over-production" of any one commodity in any year, never caused a supply-and-demand whack against the farmer, because of the CCC intervention, and income/price maintenance for farmers.

Resource base development policy. As of the 1960s, the commitment to Earth and space science was in effect, and improvements in the resource base for agriculture were underway. Army Corps of Engineers projects were under construction in many watersheds. For example, the Raystown dam and flood control project on the Juniata River in central Pennsylvania, a tributary of the Susquehanna River in the large Chesapeake Bay watershed. In the upper Missouri Basin, President Kennedy dedicated the Oahe Dam in South Dakota in 1963, part of an intended ladder of dams for flood control, and a network of irrigation systems.

The NAWAPA was under discussion for the go-ahead by Congress. In tandem, dozens of nuclear power plants were in line to be built. There was no ethanol program; putting food to use for fuel was considered laughable as well as immoral. The low energy-flux density of biofuel, in contrast to fossil and nuclear, was evident.

Therefore, the farm sector could foresee ample, inexpensive power, water, and land improvements. Only transportation—rail and inland waterways—were lagging behind.

Science: crop and livestock genetics improvements, and related research, were conducted in the general interest by networks based in the U.S. Land-Grant university system, collaborating with public and private centers worldwide. There was a continuing impact from the groundbreaking work in the Green Revolution done by Dr. Norman Borlaug and associates. India became food self-sufficient in 1974, for the first time in modern history, after the depradations and famine under the British Empire. The principle in U.S. law and tradition, which disallowed patenting of food seeds, the means to life, remained in effect.

Mutual-interest trade policy. Trade relations were set between individual nations. There was no supranational body of authority over sovereign national interests. Domestically and internationally, attempted monopoly and cartelization were curbed by anti-trust laws. The legendary grain cartel firms—Cargill, Bunge, Louis Dreyfus, and the upcoming Archer Daniels Midland—were large, but still under constraint of standing law.

International advancement. In conjunction with the U.S. commitment to increasing food for a growing population, much of the world was characterized by development, or attempted growth. The best example is Africa. There were yearly increases in absolute tonnage of food on the continent, and per capita increases.

Meantime, the U.S. was entirely food self-sufficient, and a food exporter, apart from the deep tropical products of coffee, coconuts, cocoa, and the few others.

The Constitutional mandate to "promote the General welfare" includes the right of our citizens to an adequate food supply. That right has been trampled by the monetarist "free-market" dogma. Shown: "Freedom from Want," Norman Rockwell (1943); part of a series illustrating President Franklin Roosevelt's "Four Freedoms."

Money as the Metric

Over the next 10 to 20 years, every one these features was subverted, and eventually rolled back entirely, leading to the crisis we have today.

Why did farmers and ranchers, and the eating public comply? They were told: "Go modern. Go for the money. The markets will provide." A quick snapshot of the degradation which then ensued, can be inferred by reviewing a short list of the relevant changes in law and new programs by decade.

1970s: In 1971, floating currency rates were established, ending the fixed-exchange rates policy of the post-war Bretton Woods system, and ushering in price volatility and speculative bubbles. Farmers and food-consumers were repeatedly slammed.

A series of deregulation measures was imposed on transportation in the U.S., leading to rail takedown and drastic loss of transport service in the farm sector. In 1974, U.S. shipping law was changed, to allow any foreign vessels into U.S. ports, a precursor to the commodity globalization ahead.

Contrived environmentalism was institutionalized in the National Environmental Policy Act (adopted Jan. 1, 1970), along with other laws, and greenie propaganda promoting the lies that resources were fixed, human activity fouled the Earth, and scientific and technological advances were bad.

Legal changes began to further privatize control over agricultural research and food seeds. The 1970 Plant Variety Protection Act paved the way for private interests to patent food seeds, for the fist time in U.S. history.

In 1979, a national tractorcade of over 6,000 farmers drove into Washington, to protest the worsening conditions for family farmers.

1980s: Mass demonstrations by farmers continued against the increasingly impossible price conditions, as parity-based policies were phased out, and double-digit interest rates were imposed by Fed chairman Paul Volcker. Thousands of family farms were bankrupted.

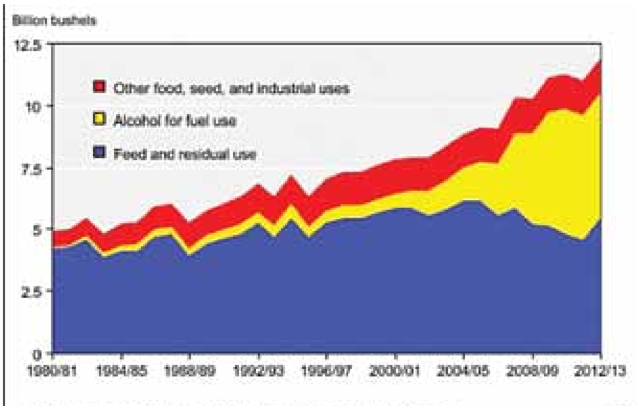
In 1986, international talks to impose global commodity control began in Uruguay in the name of the UN GATT-General Agreement on Tariffs and Trade. The cover-story used, was that agriculture policy needed to be "reformed" and "modernized," i.e., brought under a one-world trade authority, and global multi-national control. Farmers were told that you don't need parity, nor national food sovereignty. Instead, you farmers must plan to compete on world markets, and you will do well. The motto of the 1988 Montreal Round was, "One World, One Market." The United States re-defined its national food security policy, to be *access to world markets,* and not self-sufficiency.

1990s: In 1992, the North American Free Trade Act (NAFTA) went into effect, eliminating national sovereignty for Canada, the United States, and Mexico.

1995: The WTO went into effect, eliminating national food sovereignty for eventually 155 member-nations. WTO rules outlaw national food reserves, outlaw support for farmers, and outlaw any protectionism for domestic food processing, as "trade distorting" and impermissible. The WTO "financial services" policies call on nations to take down national banking and credit, and accept globalized financial operations.

1996: The U.S. passed the "Freedom To Farm" Act, a radical free-trade law, called by farmers, "Freedom To Fail." A new Risk Management Agency went into operation in the USDA. Extensive outreach operations were conducted by the USDA and collaborating agencies, to engage and train farmers and ranchers in using futures, derivatives, forward contracting, and other financial dealing, as a savvy agriculturalist.

FIGURE 2
U.S. Domestic Corn Use



Source: Calculated by USDA, Economic Research Service. Updated: June 2012.

1999: The Glass-Steagall Act was repealed.

2000s: In 2000, the Commodity Futures Modernization Act (CFMA) went into effect. It deregulated derivatives and other bets sold over-the-counter, that is, off the exchanges, which otherwise would be regulated as futures, under the authority of the Commodity Exchange Act of 1936. Huge balloons of multi-trillions of notional value of OTC derivatives ensued, traded by banks and financial securities firms, especially credit default swaps, until in 2007-08 came the first big blowout.

The U.S. food supply now is entirely food-import dependent, except for the bulk commodities (wheat, corn, soybeans) going into the cartelized global grain trade. The number of family farms has fallen dramatically in the last 30 years.

In 2005, the Federal Renewable Fuels Mandate was enacted, in tandem with the push for corn for ethanol. Farmers were told, "This is where the money is. Forget science. Forget economics. Go for the money." Farmers not only sold corn for ethanol, but formed cooperatives and partnerships to build and own ethanol and biodiesel facilities.

'Risk Management': Farmers as Gamblers

By 2010, the entire farm sector was completely transformed, all towards more vulnerability for the farmer and rancher, and more threat to the food supply. At the same time, the pattern of weather extremes has intensified, in line with larger patterns in the solar and galactic systems.

According to monetarism, how is the farmer and rancher supposed to react? By being "farm smart" and relying on financial "risk management." The Risk Management Agency described what farmers must do, in an April 2012 press release, announcing a new RMA round of farmer-training seminars this year: "RMA helps producers manage their business risks through effective, market-based risk solutions. RMA's mission is to promote, support, and regulate sound risk management solutions to preserve and strengthen the economic stability of America's agricultural producers." In particular, crop farmers can turn to various types of insurance, though livestock producers can't.

Both draft five-year farm bills in Congress extol risk management. The measure passed by the House Agriculture Committee is titled FARRM—Federal Agriculture Reform and Risk Management Act. The Senate-passed bill is praised by Agriculture Committee chair Sen. Debbie Stabenow (D-Mich.), as a shining example of risk management policy.

Now look at what this monetary ideology forces on the farmer—betting and gambling, not only on his own livelihood, but on *your* food supply. Take the case of a Midwestern corn and hog producer. Begin last Winter.

To begin with, you bet on the weather. This year, you knew we were overdue for a drought, but you prayed it wouldn't come. Then you gambled on how much corn to plant. You knew national corn stocks were low, so you hoped that the corn prices would remain firm, even if a lot of farmers decided to plant to the hilt this season. So you decided to go ahead on the gamble.

You invested in planting as much acreage as you could, and figured for a yield of 200 bushels of corn an acre (a high average)—investing in the fertilizer, seeds and all that was required to achieve do it. The input costs were high.

You took out crop insurance, and gambled on how much of it to pay for—pay a lower monthly premium, and get reimbursed at a lower rate (maybe 35%) if your crop failed; or pay a bigger premium, and get a high-end rate, maybe 85%?

Then you gambled on when to plant. The Winter was mild, so you planted early. But soon, some of your fields showed trouble, so you gambled that they would have yield problems, and you went to the expense of replanting them.

Now it's May and June, and the Agriculture Department reports that your fellow farmers have planted a huge area of 96 million acres of corn (the largest since 1937), and the national corn-yield average is expected to be a high 166 bushels per acre. The futures price per bushel tanks. You have some corn in storage from last year, so you gamble that you'd better sell most of it now, given the huge crop that might come in this Fall. You get $5.50/bushel. Then within weeks, under the reports of the impact of the spreading drought, the corn price soars up to $6, then $7, and higher. You sell out the last of the corn you have left in your bins from 2011. The price climbs even higher.

Now you wonder: How far will the price go up, relative to how much the Fall harvest will be hit by drought? You decide to forward sell some of your crop, at what seems like a great price for Fall futures delivery. You sell 60 bushels per acre out of your original expectation of getting 200 bushels/acre.

But soon, the weather gets even hotter and drier. Your crop doesn't pollinate properly. It's withering. You figure you'll be lucky to get 100 bushels an acre, or even 60. Maybe even no crop at all. You'll be stuck to find corn with which to lose money, to fulfill your advance sales. You could even cut your parched corn down now, and chop it for silage to be fed to cattle. But you don't have cattle anymore.

Corn futures prices are now over $8 and heading for double digits. The weather forecasts are bad. You hope and pray for rain.

Worse, you needed your own corn, and solid crop sales, for your family partnership's hog operations. There is no insurance for livestock losses. All your immediate family members are already working off-farm jobs, to cover farming losses, so there's no help there.

With the skyrocketing corn prices, you are now losing money on every pig you are fattening. You can't even locate a reliable feed supply. There's no corn. You have to decide to quit or not. The farrowing operations are starting to send their sows to slaughter—the breeding stock. The same kind of process is happening in cattle.

What should you do? Can you try to "win" because everyone else fails, and you're the last man standing?

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