LAROUCHE EMERGENCY CALL

Food Price Controls Now! Cancel Bailout Genocide!

by Marcia Merry Baker and John Hoefle

June 14—Price controls must be put on foodstuffs and commodities immediately. Without this intervention, there will be guaranted farm/food breakdown and famine, resulting from the processes now underway from the combined impact of weather extremes, out-of-control speculation, and non-action from Washington, D.C.

It will be certain doom to allow the continuation of the policies of monetarism, which have led to the "financialization" of food supplies. Yet it should be clear to all that we are in a period of extreme weather events, including volcanoes and earthquakes, likely associated with increased solar activity. Imposing food price controls right away, is an essential companion to the drive to reinstate the Glass-Steagall law at the earliest time, in order to initiate the credit system for rebuilding agro-industrial and disaster-protection logistics and science.

On June 7, Lyndon LaRouche reiterated his call for imposing controls on food prices, which he had made earlier this Spring. In particular, he warned that no one dare get away with claiming that we should just accept the situation of farm commodity shortages, and accept the lie that prices must rise as an inevitable consequence.

LaRouche said: "We are in a situation, where the United States in particular, and the rest of the world, is being driven into hyperinflation in food prices, and other prices. There's only one way to deal with this: Don't try to resist rises in prices, *crush them!* You go through controls. Because there's no reason, because of a shortage of food, to raise the price! And if somebody wants to do that, and makes an argument, 'Well, you got to do it, because there's a shortage. We got to make a buck, you know?' You say, 'No, you go to jail is where you go!' And we need immediate price controls.

"You'll find that the idea of price controls on food and some other things, right now, is extremely popular. This is going back to what Franklin Roosevelt did under appropriate circumstances—that, under wartime conditions. But we're under combat conditions right now, in terms of food supply, in terms of the conditions of life out there in the field."

Today's situation is in essence like that of World War II, when leaders of the United States, under President Franklin Delano Roosevelt, took action during pressing conditions, to control prices of food and all critical commodities, while at the same time keeping a parity price for farmers and increasing output and production capacity to both maintain domestic consumption, and producing war matériel in unprecented volumes.

Put the Blame Where It Belongs

The first thing to get clear on, is that, yes indeed, food stocks are dangerously low, and harvest projections are grim; but these are not, in and of themselves,

Wikimedia Commons/Jeremy Kemp

On the Chicago Board of Trade (shown here) at present, 90% of wheat futures contracts and derivatives traded "long," are being bought and sold by speculators with no connection to agriculture—food production, or distribution.

causing the wild price fluctuations (see below). To fall for that, is to believe in fairy tales about "the law of supply and demand." No. *Commodity speculation is the intention of the prevailing Obama/London/Wall Street policy*. They are subsidizing it!

The Federal Reserve Bank lends the chosen few banks money at extremely low interest rates, and these banks put this money where they can get the highest rate of return. With the home mortgage game dead, the stock market flat, and bond yields low due to the Fed's low-interest-rate regime, one of the places the banks have been putting this money is in the markets for food, oil, and other commodities—things which people continue to need, even in an economic meltdown. This flood of money into these exchanges and gambling opportunities has caused a sharp run-up in prices.

It is estimated that in 2003, the commodity futures markets held some $13 billion in bets. But since then, and especially since 2008, when the mortgage bubble had popped, money has flowed into commodities. During the first two months of 2008, $55 billion was pumped in; by July that year, $318 billion worth of outstanding futures contract bets existed.

Among the primary mechanisms involved in this speculation, are the various commodity funds set up by the major banks—Goldman Sachs, JPMorgan Chase, AIG, Barclays, and others—to gamble their own and their clients' funds in the commodities casino. These outfits have no interest at all in buying food or oil—the last thing they want is to actually take delivery of physical product. They are just continuing the game of derivatives speculation, but moving it from the mortgage sector to the commodities sector, doing to food what they were already doing with oil.

For example, on the Chicago Board of Trade (CBOT) at present, 90% of wheat futures contracts and derivatives traded "long" (i.e., buying into inflation), are being bought and sold by speculators with no connection to agriculture or food production or distribution. This was stressed June 10, at a speech in New York by Gary Gensler, head of the Commodities Futures Trading Commission (CFTC), the government agency established in 1974 to supervise futures trading on the CBOT and elsewhere. Under Obama, and the Dodd-Frank dudd law, the CFTC just looks on and winks.

Take futures trading in corn—a grain for which the United States accounts for 45% of the entire world harvest. On June 9, within minutes of the issuance by the Agriculture Department of their monthly *World Agricultural Supply and Demand Estimates* report (WASDE-495) by the World Agricultural Outlook Board, saying that that the U.S. corn crop would be down, because of the weather impact, and end-of-season corn stocks would fall to historic lows this year, an orgy of speculation broke out in Chicago.

In one day, 15,000 corn futures contracts were bought and sold on the CBOT, and futures prices rose to an all-time high of $7.93 a bushel (the price touched $8 once in 2008). The price rose 22.5 cents in one day, pushing toward the daily 30 cent trading limit. Speculative traders, not commercial users (processors, shippers, wholesalers) dominated the mayhem. This is the Obama/London policy in action.

Still more, the owner of the Chicago Board of Trade, the CME (Chicago Mercantile Exchange) Group—a longtime, London-serving outfit—last month applied to the CFTC for the right to better "accommodate" current corn futures price volatility in view of grain shortages, by raising the daily trading limit up to 40 or 50 cents!

In the midst of all this evil, stand the food cartel companies, whose futures trading divisions are raking in killer-profits from speculation, and whose processing and shipping divisions are profiteering from scarce food, and hyperinflation. Only four mega-companies—Cargill, ADM, Louis Dreyfus, and Bunge—control 80% of the world grain trade today. They are all posting record earnings.

The speculators in Chicago, and on other key food commodity exchanges in London, Kansas and elsewhere, by trading among themselves in phantom bushels and all kinds of "paper" food, ultimately transfer the cost to the consumer. Such paper trading now dominates the market. It is putting the cost of food out of the reach of millions of people around the world. It is putting the cost of producing food—fertilizer, fuel, chemicals, animal feed—out of the reach of farmers.

FDR'S 1942 Declaration On Price Controls

Here are excerpts from President Franklin D. Roosevelt's January 1942 wartime Declaration on Price Controls.

The Emergency Price Control Act of 1942 is an important Weapon in our armory against the onslaught of the Axis powers.

Nothing could better serve the purposes of our enemies than that we should become the victims of inflation. The total effort needed for victory means, of course, increasing sacrifices from each of us, as an ever larger portion of our goods and our labor is devoted to the production of ships, tanks, planes, and guns. Effective price control will insure that these sacrifices are equitably distributed.

The Act, taken all in all, is a workable one. It accomplishes the fundamental objectives of setting up a single Administrator, and empowering him to establish maximum prices and rents over a broad field, to prohibit related speculative and manipulative practices, and to buy and sell commodities in order to obtain the maximum production. . . .

. . .This Act, while granting the Administrator broad powers, imposes upon him a responsibility of equal breadth for fair play. He must, so far as is practicable, consult with industry members before issuing price regulations, and must accompany each such regulation by a statement of the considerations upon which it is based. . . .

The farm program which has been developed since 1933 has set parity prices and income as a goal. There is nothing in this Act to prevent farmers receiving parity or a fair return. But I feel that most farmers realize that when farm prices go much above parity, danger is ahead. One of the best ways of avoiding excessive price rises, of course, is abundant production. And I hope agricultural prices can be maintained at such level as to give farmers a fair return for increasing production.

In giving my approval to this legislation, I am acting with the understanding, confirmed by Congressional leaders, that there is nothing contained therein which can be construed as a limitation upon the existing powers of governmental agencies, such as the Commodity Credit Corporation, to make sales of agricultural commodities in the normal conduct of their operations. . . .

Finally, all bulwarks against inflation must fail, unless all of us—the businessman, the worker, the farmer, and the consumer—are determined to make those bulwarks hold fast. In the last analysis, as Woodrow Wilson said, "The best form of efficiency is the spontaneous cooperation of a free people."

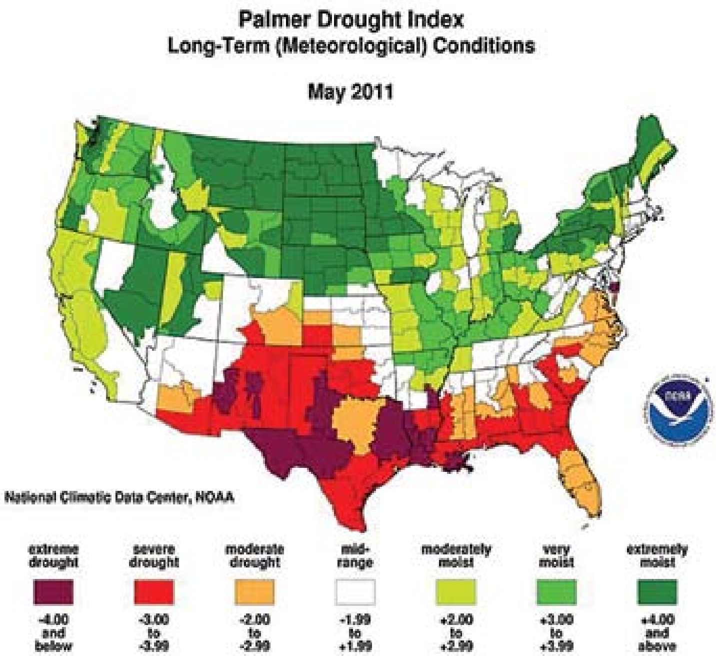
Perpetrating and tolerating these practices constitutes bail-out genocide.

Go All the Way: Price Controls!

Declaring controls on food prices stops this cold. It reasserts sovereignty over national economic activity, in particular, the government responsibility for the general welfare, in terms of securing "our daily bread." Done in the same mobilization as to reinstate Glass-Steagall to restore credit-serving banking for economic recovery, measures can be taken to defend against the current wave of weather and other natural disasters, and to build up agriculture, including creating food reserves for emergencies.

In fact, over the last 30 years, as food and derivatives speculation grew, at the same time as the campaign for "world markets" finally succeeded in establishing the World Trade Organization (WTO) in 1995, the globalization principle was enforced, that no nation would be allowed, under WTO "free" trade rules, to even possess, or attempt to create, food reserves! National food reserves were denounced by the free-trader financial networks as "distorting" to free trade, and to price-determination on commodity markets (see box). This is classic imperial British East India Company thinking that must be trashed.

FIGURE 1
Palmer Hydrological Drought Index



This map, produced by the National Oceanic and Atmospheric Administration for May, uses the Palmer Hydrological (long-term cumulative) Index, to delineate relatively dry and wet areas, reflecting groundwater conditions, reservoir levels, etc. The impact of weather extremes stands out in the High Plains, one of the world's most important food-producing regions. In the southern Plains, acute drought is causing extensive damage to wheat, cattle, and other farming. In the northern Plains, flooding and waterlogged fields are causing losses to wheat, corn, livestock, etc.

In contrast, the American republican legacy—in implementation of the Preamble to the Constitution—is to support the general welfare, by providing for a stable, sufficient food supply. Under the FDR Administration, the concept of an "ever normal granary" was put forward. The principle is to build food reserves during years of surplus harvests, to be available during lean times. This is just the opposite of what is being done in today's crisis.

FDR, in anticipation of the war, was always thinking of preparedness, from a very early stage. This included moves toward mobilizing the necessary resources for war production, including supplies to those fighting against Hitler. This began in the late 1930s, and then moved more rapidly in the 1940s.

• On May 11, 1941, the Office of Price Administration and Civilian Supply was established, to ensure supplies of war matériel, including food, and to avoid wild price inflation.

• On Jan. 16, 1942, within weeks after the attack on Pearl Harbor, the War Production Board was established, including participation of the Secretary of Agriculture.

• On Jan. 30, 1942, the Emergency Price Control Act went into force, giving power to the Office of Price Administration to put controls on commodities, and to ration as well. Goods such as sugar, meat, coffee, processed foods, as well as fuel oil, tires, and even farm machinery—all were ultimately rationed. The law also gave power to provide subsidies for production, and permitted sanctions—including fines and imprisonment—for violations of the rules.

During the war years, government price controls, along with the full spectrum of pro-production economic policies—parity-pricing for farm commodities, backing for adequate food processing, etc.—led to a huge increase in foodstuffs, improvements in domestic consumption, and provisioning for the military, and for Lend-Lease aid to allies (see box).

Total U.S. farm output during the period 1939-44 was twice the output of the period of 1919-23 to 1935-39. It was figured that output per farm worker in the Plains States resulted in a 42% increase in gross farm production from 1939 on.

Some specifics: There were 50 million hogs in 1939, and 84 million in 1944. Poultry production increased by over 35% during the same period. Milk per cow went up by 15%. There were 4,100 pounds per cow in 1935, and 4,800 pounds in 1945. The most spectacular acreage increase was in oil-seed crops—peanuts, soybeans, etc. Acreage for peanuts, picked and threshed, increased 171% from 1941 to 1942. Production of soybeans harvested in 1942-44 was 338% of the production in 1935-39.

Food price controls, credits, and a production mobi-

U.S. Gave Food Sovereignty, Reserves to GATT/London

In December 1988, at the Montreal Round of "agriculture reform" globalization talks of the United Nations GATT (General Agreement on Tariffs and Trade), a confidential proposal was made on behalf of the United States, that henceforth national food security would be redefined as "access to world markets," and no longer as food self-sufficiency, which nations were to abjure.

The 1988 Montreal stealth U.S. policy memorandum stated:

"Food security and self-sufficency are not one and the same objective or goal. Food security is the ability to acquire the food you need, when you need it. Food self-sufficiency means producing some portion of one's own food supply from domestic resources, regardless of market forces, with deliberate intent of displacing imports or reducing import dependence. . . . In some cases, in fact, self-sufficiency can actually work against food security goals. . . .

"Throughout human history, up until the technical advances of the green revolution, a global food shortage due to crop failures was a conceivable and often real threat. Today . . . it is highly improbable."

The Montreal meeting itself dissolved in dissension among the representatives of the 150 countries attending. But finally, in 1995, the outcome of the GATT Uruguay Round of "agriculture reform" talks—begun originally in Punte del Este, Uruguay, in 1986—was the establishment of the WTO (World Trade Organization) under the evil principle that national governments are subservient to world "markets" for food.

Under the WTO, it is considered a violation of international trade rules to even hold national food reserves for disasters or emergencies. The WTO rationalization is that such stockpiles "distort" world trade and market functions.

Certain nations quietly defy the WTO on this, including Japan, with its "ricebowl" reserve, and China, with grain reserves. But former potentially nation-serving food reserves, built up and managed under differing kinds of mechanisms—such as the U.S. Commodity Credit Corp. program (originating in 1933 under FDR), or the early days of the Common Agriculture Policy in Europe—are almost non-existent.

The instigators of the anti-food sovereignty policy shift in Montreal in 1988, in the false name of the United States, and in general, during the GATT rounds, were the global commodities cartels of the London-centered, Inter-Alpha Group financial networks, including even a Cargill executive, personally. These are the same networks which today are perpetrating murderous speculation, food control, farm destruction, and genocidal pseudo-environmentalism. The chief U.S. agriculture negotiator in Montreal in 1988 was Daniel Amstutz, Undersecretary of Agriculture for International Affairs and Commodity Programs, and a 25-year Cargill top executive.

lization today can have even more spectacular results. But it requires a total break with tolerating any of the Wall Street/London "market forces" thinking and swindles, especially on food. So far this Spring, many prominent associations of farmers, food processors, and others are voicing opposition to the rampant speculation on food commodities. Now it's time to go all the way.

The National Farmers Union (NFU) March 30, issued a statement reporting that they "submitted comments this week to the Commodity Futures Trading Commission, requesting that the CFTC impose strong position limits to curb excessive speculation in commodity markets....

"NFU President Roger Johnson said 'A recent study by the CFTC found that as much as 80% of market activity for some commodities is conducted by speculators. This level of activity certainly qualifies as excessive speculation.... Another commodity price bubble like the one that occurred in 2008 would be difficult for many farmers to weather. The CFTC has the ability to help prevent this from happening again.'

"...In the comments, NFU asked the CFTC to strengthen protections against excessive speculation and market manipulation by lowering the spot-month position limits below the proposed 25% of deliverable supply.

" 'A limit set at 25% will have some effect on market manipulation by eliminating the ability of individual traders to corner a market,' said Johnson....

"NFU supported the Glass-Steagall Act of 1933 and opposed its repeals in 1999, which deregulated banks and financial markets and let to the economic downturn of the past few years."

The American Bakers Association's commodities committee chairman, the CEO of Sara Lee Bakeries, met, on April 29, with Gary Gensler, chairman of the CFTC, asking that there be limits put on the speculative activities of index funds [speculative money funds] on the wheat markets.

The National Grain and Feed Association (NGFA) issued a statement May 24, denouncing the CME Group's demand to up the daily trading limit on corn futures. The NGFA warned that still more inflation and price volatility will result, harming feed manufacturers, grain processors, grain elevators, and others who advance-buy futures contracts, because they actually take possession and use the corn.