

Globalization's Policy of Famine: Wheat Supplies Plunge

by Marcia Merry Baker

Each year, the October world harvest report issued by the U.S. Department of Agriculture provides an occasion to review the crop-by-crop status of global production, stocks, trade, and consumption. This year, alarm bells are ringing. The statistics in the Oct. 12 USDA's "World Agriculture Supply and Demand Estimates" show that the 2006 world production level for what's called, "total grains"—wheat and all other grains combined—is *below the average annual level of world grain consumption*, for the sixth year, out of the last seven. Therefore, world stockpiles have been drawn down to the level of shortages. In particular, wheat stocks are expected to drop to their lowest level in 25 years, in absolute tonnage terms. Therefore, on a per capita basis, even lower; i.e., below required human consumption levels.

Three features of the situation are important to grasp. First, the extreme dimensions of the crisis. Secondly, how globalization and the cartel "players" are acting to cause food insecurity. And lastly, how insane it is for policy-makers to propose using food and feed crops for biofuels, in the face of the current shortages.

Wheat Harvest Disaster

Global wheat production for 2006 is projected to be 585.1 million metric tons (mmt), down dramatically from 618.85 mmt in 2005, and from 628.84 mmt in 2004. The 2006 plunge in wheat production comes from the immediate impact of drought and other bad weather in Australia, in Kansas and other parts of the U.S. wheat belt, and lowered production in Brazil, China, India, and the EU-25 (European Union). In Australia, instead of a crop of 25 mmt, drought will cut the harvest to barely 11 mmt. These reductions combined, far outweigh the small increase of 0.4 mmt in Canada.

Look at how the consumption level for wheat exceeds this year's production: Consumption is expected to be in the range

of 613.07 mmt, which means a drastic drawdown of stocks. Likewise, for 2005, wheat consumption was estimated at 615.79 mmt, which is higher than production that year. Only in 2004, when output was at a record level of 628.84 mmt, did it exceed usage, which was 610.07 mmt that year.

While this wheat gap is dramatic, the situation is the same for corn and other coarse grains, and for other small grains.

The two graph lines in **Figure 1**, show the tonnage level for total grains production over the past 40 years, and for consumption of total grains over the same time frame. The gap defines the context of shortages, depending on where, and under whose control, the scarce stocks are located.

These conditions are made to order for speculation: Just before the release of the USDA report, wheat futures hit a ten-year high of \$5.51 a bushel, which was an 18% price rise in less than a week. The week the Oct. 12 USDA report was released, agriculture commodity trading went wild.

This process was already playing out in prices for bread, pasta, cereals, and animal feed. This Summer, Kellogg announced price rises, amounting to about 2%, on many cereal products, to cover commodity costs.

Figure 2 shows the decline in grain stocks. Put in terms of how many days of consumption the stocks represent, the level has fallen to less than two months—far below the level needed for minimal food security.

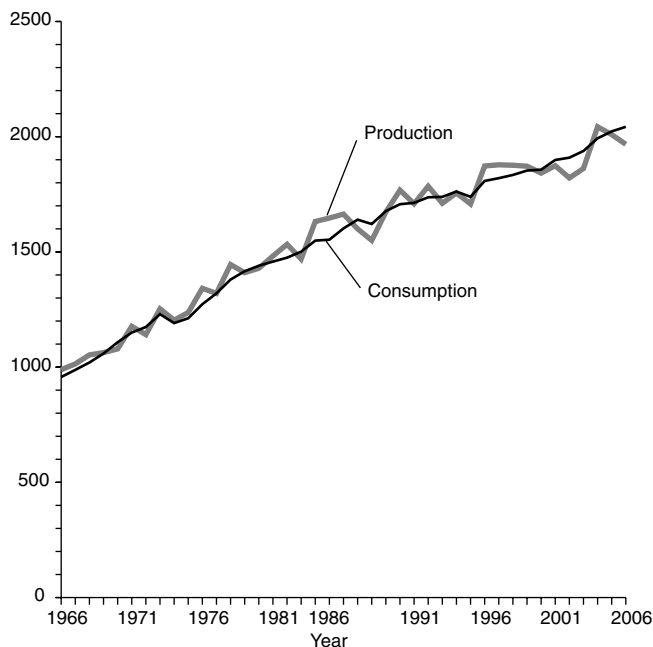
In the 1990s, the UN Food and Agriculture Organization figured that world grain stocks should be well above 20-25% of annual grain consumption. By FAO calculations, the world reaches a danger point when grain stocks fall below 17-18% of a year's average consumption. For 2006, stocks of grain are 319 mmt—barely 16% of today's annual use of 2,043 mmt.

However, this dangerous grain gap coheres with the dictates of globalization, namely that no nation shall be allowed to retain food reserves, nor to intervene to build up its national

FIGURE 1

World Grain Production and Consumption, 1966-2006

(Million Metric Tons)



Source: U.S. Department of Agriculture.

farm production potential, to counter occasional bad crop years. The free-trade idea is that nations are supposed to rely on global “sourcing” and so-called “market forces,” to even out any crop problems.

The banning of national grain reserves was made explicit in the 1995 World Trade Organization tenets, and before that, was part of the years-long talks by the GATT (UN General Agreement on Tariffs and Trade), on how to “reform” world agriculture. The sophism used was that, citizens of every nation had a “right” to access their food on world markets, and not rely on developing their own national food and farm systems. Only Japan has defied this WTO globaloney, and still maintains a “ricebowl reserve.”

That illustrates the question: Where are the scarce stocks, and who controls them? The answer, apart from certain national stores in Japan, and a very few other locations, is that the grain cartel transnationals control the scarce supplies. That was the idea all along, behind the B.S. about agriculture “reform” and the “benefits” of world food trade. The short list of the cartel companies includes Cargill, ADM (Archer Daniels Midland), Bunge, Louis Dreyfus, and a few others.

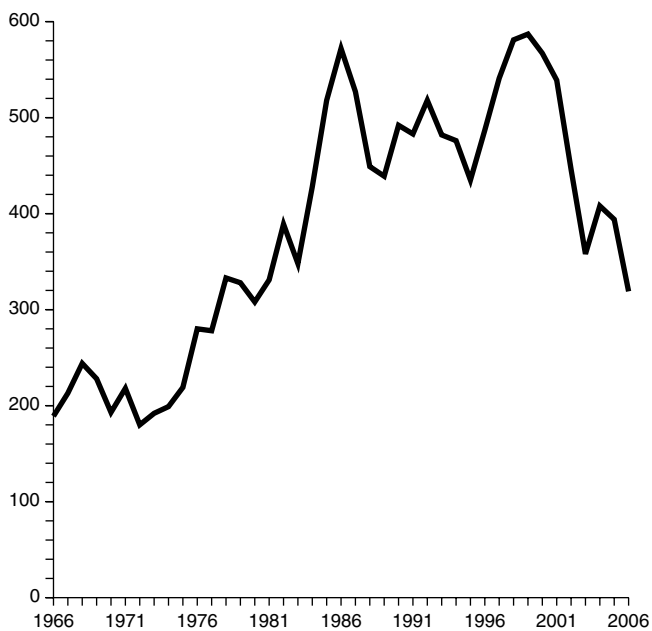
Biofuels Mean Famine

Given this picture, the drumbeat for diverting grain into biofuels is beyond insane. Yet on Oct. 10-12, the U.S. Departments of Agriculture and Energy co-hosted a national confer-

FIGURE 2

World Grain Stocks, 1966-2006

(Million Metric Tons)



Source: U.S. Department of Agriculture.

ence in St. Louis, titled, “Advancing Renewable Energy.” It was sponsored by the financial crowd looking to reap big profits from the biofuels financial bubble—Goldman Sachs, Chevron, Monsanto, and others. President Bush himself appeared Oct. 12, to make a pitch for “making sure we diversify away from oil.” If the delirious proposals to divert mass volumes of U.S. corn into ethanol are implemented, food shortages are guaranteed.

The figures are simple. The United States has come to account for close to half of all the world’s corn production, under recent decades of centralization of crop specialties, imposed by the globalized agriculture system. This year’s U.S. corn crop is estimated to be 277 mmt, out of the world-wide total of 689.14 mmt. Accordingly, U.S. corn has accounted for close to 70% of all corn traded internationally. Especially dependent on U.S. corn imports are Japan, Mexico, and South Korea. Some 20% of all U.S. corn produced has been exported each year. Mexico, the original source of corn, was forced to become corn-import dependent under the North American Free Trade Agreement (NAFTA).

But under the radical shift of corn into ethanol, U.S. exports stand to be wiped out. Of this year’s U.S. crop, 20% is going into ethanol—up from 3% in 2000. Next year, it could be 25%. The following year, 35%. Continuing this direction, given the worsening world grain shortage, involves nonlinear effects amounting to a *policy of famine*.