

Editorial

New financial system, or no food

In the past month, international appeals have been raised for emergency food donations to locations in East Asia, eastern Europe, Africa, and other points in need, involving millions of people. These emergencies are part of a breakdown pattern that also includes farmers facing ruin in the major food-belt regions of the Americas and western Europe, and includes collapse of agricultural trade around the globe.

What's the connection? The chain-reaction effects of the disintegration of the global financial system are causing links to snap in the food chain. Each week, *EIR* provides documentation of the latest blowout events of the speculation-based financial system. Here, we make the point that, either we move fast toward a replacement financial system—a New Bretton Woods—or we face the prospect of widespread famine.

Begin by looking at the most obvious breakdown point: food exports and imports. In recent years, world food trade has been rigged, in the name of “free” trade, but rigged or not, the trade is halting, because the financing for it is blown out.

For example, in East Asia, the 1997 drop of currency values against the dollar automatically made traditional imports of foodstuffs from the United States 30-80% more expensive. Beginning in the summer of 1997, East Asian import orders were slashed, or cancelled, for U.S. specialty foods (cherries, apples, and so on), then for staples (feed grains, cereal grains, meats, dairy products).

The reason is clear. One day, an apple from Washington State cost the equivalent of 15¢ in Thailand; then, in a matter of weeks, it cost \$1.50. Washington State apple exports to the Pacific Rim nations fell 70% in autumn 1997.

In response, the U.S. Department of Agriculture rushed in, over the past six months, to extend emergency credits to East Asian nations to buy agricultural commodities from the United States. For example, South Korea received \$1.5 billion from late 1997 through spring 1998. How long can this go on?

Secretary of Agriculture Dan Glickman is keeping up a good face. On April 20, he said, in his latest announcement of \$400 million in credit guarantees for

South Korean food importers, that “Korea has been a good customer for many years.” Of the \$400 million, he said, “today’s increase will help Korean importers to buy needed food and agricultural products and help maintain the stability of the Korean economy, while providing U.S. farmers with access to an important export market.” In 1997, Koreans bought \$3.3 billion in U.S. agricultural goods.

The government agencies of Australia and other trading nations are likewise pumping out emergency trade financing, as is the U.S. Ex-Im Bank, for non-food merchandise trade.

The result? Trade continues to plunge. Take corn, the commodity in which the United States is the world’s leading producer and exporter. U.S. corn exports from Sept. 1 through March 26, and outstanding unshipped sales, were down a huge 24% from a year earlier—which itself was at a low level. Most of this decline is due to the impact of the financial crisis in Asia.

U.S. farmers are told that because demand is down for what they produce, they must accept a price dictated by the “free market,” which is far below their production costs. Corn prices are at around \$2.20 a bushel to the farmer, way below his costs to produce. Wheat prices have dropped \$1.00 a bushel since this time last year. Some farmers are holding onto their product, trying to avoid “distress-sale” prices. In Washington State, a wheat exporter, a whopping 35% of last year’s wheat crop is still in storage, instead of what would be a normal 10% this time of year—planting season for spring wheat!

In March, Congressmen held meetings in North Dakota and Minnesota to publicize the fact that farmers are facing ruin. In April, 1,600 farmers came to Aberdeen, South Dakota to confront Secretary Glickman.

European farmers are likewise in revolt. This spring, mass protest rallies took place in Spain, France, Germany, Belgium, and Italy, against the European Union’s Agenda 2000 free-market policy.

The financial collapse means that there will be no markets and no food, unless we force a new, nation-serving financial system into being.