

Biofuels Are Famine Policy; Food Shortages Are Hitting

by Marcia Merry Baker

As of the end of Spring 2007 planting in the northern latitudes, the disastrous impact of the global bio-energy craze can be seen in the huge expansion of U.S. corn acreage, the plunge of world grain stocks, and price shocks all along the food chain internationally. Transportation systems, water supply, and other infrastructure are strained to the breaking point. Soil fertility itself is at stake. At the same time, speculation in grain futures—"paper bushels"—on the Chicago Board of Trade, is setting records. Furthermore, farmers are being herded into participating in "carbon trading" and other whacko money-schemes.

This is all part of the "Great Biofuels Bubble" which is a *financial swindle*; and it is causing vast harm. All the rhetoric about energy independence, aiding the environment, or "reviving" dying farm regions, is just a come-on. In reality, the conditions are laid for famine.

Three aspects of the biofuels craze show the dynamics of the threat to the food supply: 1) the extent of displacement of land and farm capacity from food into non-food production; 2) the context of low world stocks of grains and other staples; and 3) the present-day marginalization of farm regions, resulting from both decades of globalization, and today's "anti-global warming" swindles. Summary particulars are given below; they are stark.

However, so far, the U.S. Congress, and institutions of other leading food producing nations are casting a blind eye to food supply threats, in deference to the financial and agro-cartels involved in the stampede for bio-energy. It therefore appears as ironic that even Cargill and the other cartel firms that dominate food globalization and energy crop processing, are themselves issuing warnings of food shortages. They ought to know.

The May 29 London *Financial Times* gave a round-up of

such cartel warnings, from Tysons, Cargill, and others. Gregory Page, the new CEO of Cargill, said that "The big risk is that we are sowing the seeds of unintended consequences," referring to "distortions" in the allocation of land for energy-related production, and the potential for poor harvests from "weather-related crop problems." Cargill and ADM (Archer Daniels Midland) are the world's largest biofuels makers, as well as grain and oilseed processors. ADM's CEO Patricia Woertz, formerly a top Chevron officer, warned in May of inflation ahead in food and gasoline prices.

Among the most prominent shocks to the food system to date is the corn-for-tortillas crisis in Mexico, where as of December 2006, prices had spiked 60%! (ADM owns a major stake in Gruma, Mexico's largest tortilla manufacturer, so ADM scores in both biofuels and food hyperinflation). In the United States and elsewhere, prices are soaring for livestock feed—cattle, chickens, and pigs.

World food relief agencies are trying to deal with the problem of skyrocketing prices for supplies. Nevertheless, at the present rate of U.S. ethanol expansion, *half* of the U.S. corn crop could be siphoned off into ethanol during 2008!

Food Crops Diverted to Non-Food Use

In 2000, about 6% of U.S. corn production went into ethanol. In 2005, this had jumped up to 14% of the corn crop for biofuels. In 2006, 20% was converted into motor ethanol, the same percentage of production that typically has gone into U.S. corn exports in recent years.

For 2007, the latest U.S. Department of Agriculture projection is that 27% of U.S. corn production will go to ethanol, and corn exports will decline to 19%. But this is just early June, and the bounty of the harvest is far from certain. Given

that the United States has accounted for some 40% of all corn traded worldwide, any decrease in U.S. corn for food or livestock feed automatically constitutes a major grain supply problem internationally.

The U.S. crop projections were released in the May 11 “World Agricultural Supply and Demand Estimates,” the first such USDA report of the year. (Starting in July, these reports are issued monthly, after the wheat harvest, and during the growing season for other crops). The May 11 USDA report estimates that U.S. corn acreage planted will hit 90.454 million acres this year, a jump of 13% over last year’s 78.45 million acres, and back to the acreage of 1944, when corn yields per acre were far lower than today. Corn seed shortages showed up regionally this Spring, in Kansas and elsewhere.

Some of this corn acreage expansion is taking land out of soybean and wheat plantings. The USDA estimates that U.S. soybean production this year might drop by 14% from last year, given the switch over to corn in some states, plus other factors.

In Mexico, a “tequila crisis” looms, as land now in the agave, the cactus source for the distillate—is converted to corn for ethanol. Fully one-quarter of all agave acreage might be shifted into corn during 2007.

The same kind of displacement process is hitting other crops around the globe. For example, Indonesia and Malaysia are in the throes of a mad, cartel-led rush to supply palm-oil biodiesel to Europe. In recent years, these two countries accounted for 85% of the world’s supply of crude palm oil—a key part of which met the edible oil component of the Asian diet. But now, there is a diversion to biodiesel.

Malaysia has undergone so much deforestation for new palm oil plantations, that the nation is considered to have reached its land area limit for cultivated palm. So much new land in Indonesia is going into oil palms, or other biofuel related crops (sugar cane, jatropha), and so much of that is peatland, that gigantic clouds of smoke are created as the land is cleared and burned in preparation for palm planting.

On May 8, the United Nations released a report warning of the harmful impact of the biofuel craze on the food supply, and on poor populations. The document, “Sustainable Energy: A Framework for Decisionmakers,” quantified the sweeping increases under way in bio-energy crop plantings of various kinds—palm oil, corn, sugar cane, and oil seeds—dislocating local practices, and taking over new land areas. While otherwise toeing the UN line supporting “alternative” energy for a “sustainable environment,” the report states: “Use of large-scale mono-cropping could lead to significant biodiversity loss, soil erosion, and nutrient leaching. Even varied crops could have negative impacts if they replace wild forests or grasslands.”

Low World Food Stocks

These biofuels-induced shifts in agriculture occur at a time of record low food reserves. The May 11 USDA report

projected that worldwide grain stocks of all kinds (wheat, rice, corn) at the end of the 2007/2008 crop year will fall to 305.08 million metric tons (mmt), significantly below 319.79 mmt in the 2006/2007 crop year, and far below the 390.14 million metric tons for 2005/2006 ending stocks. Grain stocks per capita are at danger ratios.

The topic of food shortages came up, in terms of food aid, at a May 24 House of Representatives hearing on “International Food Aid Programs: Options to Enhance Effectiveness,” held by the Subcommittee on Africa and Global Health, of the House Foreign Affairs Committee. Chairman Donald Payne (D-N.J.) said in his opening remarks that, the increased ethanol production is occasioning a rise in the “cost of corn,” which, in turn, is creating problems. He cited the increased costs for livestock feed, and the “decreased land for other crops.” He drew out the point that any increase in U.S. funding for food aid would not even cover the increasing costs of food.

But this adverse “biofuels effect” follows a 52% drop in the average tonnage of international food aid delivered by the United States from 2001 to 2006. The United States is the largest donor worldwide, accounting for nearly half of all aid. The drop has led to severe localized shortages. At the House hearing, Ranking Minority Member Christopher H. Smith (R-N.J.) said that there are situations in Africa where HIV patients are well supplied with anti-retroviral medications, but are short of food. They are being told “to wait” for weeks or even months, until food might arrive.

Overall, the UN estimates that there are some 850 million people short of food, up from 819 million 10 years ago, when the UN World Food Summit pledged to reduce hunger.

Thus, given the low food reserves, and the radical biofuel crop shifts, a famine is set to happen if a bad weather episode or crop disease hits one of the world’s breadbasket areas. The Australian wheat crop was cut by more than half from drought during the 2006-2007 crop season.

On the disease front, an outbreak long dreaded by wheat experts has occurred. Wheat stem rust, *Puccinia graminis*, has shown up in East Africa, after first appearing in Uganda in 1999. Dubbed Ug99, the disease has since spread to Kenya and Ethiopia, and as of late 2006 into Yemen, is heading into south Asia. At least 25% of the world’s wheat lies in the spread path of the fungus.

Marginalizing Farmers, Soils, Agri-Potential

Why do farmers—most of whom “know better”—go along with any of the biofoolery? They are trying to subsist and “adjust” under conditions of decades of low-cost globalization, instead of under policies serving national food security. Relative to their costs of production, farmers everywhere have been consistently *underpaid* for their output for decades, by the cartels dominating “free” (rigged) trade. U.S. family farms continue to operate, due to off-farm income. Even the much-publicized 2007 run-up in the futures price of U.S. corn

to \$4 per bushel, double the price of 18 months ago, doesn't cover the farmer's cost of producing that corn, for which a parity price of \$7-8 is required.

Yet, for the family farmer who produces livestock, and gets underpaid for his meat, \$4 a bushel feed-corn is a killer. (For the record, a U.S. bushel of corn has sold for \$4 in 1996 and in other times past, so all the "blame" on high corn prices for high food costs is a reductionist *Wall Street Journal*-style analysis).

This cost-of-a-bushel-of-corn question typifies the interconnectedness throughout the farm/food situation, all of which has been driven down. Soil fertility itself is at stake.

"No Soil, No Food, Or Fuel," is the title of an article in the May-June issue of *Successful Farming*, a U.S. farm periodical (www.agriculture.com), which raises the question of what will happen to soil resources in the United States, given the ethanol boom. A companion article, "Saving Earth's Skin," opens, "Are we trading cheap oil for cheap soil? As industry rushes to grow more corn to feed fuel tanks as well as stomachs, that's a question many are asking." The danger referred to, is that if all biomass is constantly taken off the land—not just corn and wheat grain, but the corn stover, wheat straw, and switch-grass—then no biomatter is returned to the soil. "How long will it be before topsoil, the thin skin that supports terrestrial life on this planet, slowly begins to disappear?"

Gulliver's Travels, 'Carbon Farming'

On top of this food supply vulnerability, comes the havoc in agriculture capacity caused by the lunatic proposals for "carbon farming," and buying and selling carbon "allowances." Even Gulliver, with all his Travels, would be amazed.

The whacko idea involved, is that farmers—especially in the U.S.—are to agree to have their arable lands and forest lots "monetized" in the form of licensed units that can be traded as an "anti-greenhouse gas" permits, on a carbon exchange. The scheme involves a pledge by the farmer to use "no-till" cropping methods—which have been around for 40 years, in the name of preventing the release of carbon dioxide from the ground, because the biomass will not be churned up by ploughing.

The U.S. Department of Agriculture explains how the carbon trade works for farmers in its promotional brochure, "Growing Carbon: A New Crop That Helps Agricultural Producers and the Climate Too." It states that credits can be given "to agricultural producers who increase their stores of carbon in the soil or in trees. Producers can then save the credits or sell them to others (for example, to electric power companies) that want them in order to offset their own greenhouse gas emissions."

The pitch to (underpaid) farmers: Go for the green. The USDA brochure says outright of carbon trade, "It could also create opportunities for farmers to supplement their income."

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Chinese Ministry of Foreign Affairs

Chinese Vice Premier Wu Yi, meeting with U.S. representatives in Washington, said that China will determine its own financial policies, thank you, and that it must take such measures as it deems necessary to deal with “risks within the financial system.”

on the prerogative of a sovereign nation to control its own economic destiny.

President Bush was brought in for a session of finger-pointing. In a White House meeting with the Chinese trade minister on May 24, Bush said, “I emphasized to Madame Wu Yi as well as to the delegation that we will be watching very carefully as to whether or not they will appreciate their currency.”

What Can China Buy From the U.S.?

Regarding the trade deficit, China has argued that it would be more than happy to buy more from the United States, if the U.S. were willing to supply those items that were most important for the Chinese economy in its present state of development. Most of the items that they really need, and which the U.S. could provide, fall into the category of high-tech products, which, under the dual-use arguments of technological apartheid adherents, are restricted for sale to China, viewed by some in the Pentagon as a possible military threat.

In addition, the United States has become such a rust-bucket economy that we don’t produce as many products that might be of use to China. China is interested in mag-lev trains, but we have no industry to produce them. China wants to rapidly expand its generation of power by nuclear energy, but where are they to buy them from the U.S., except from Japanese-owned firms like Westinghouse, which fortunately has kept its production in the United States?

Nevertheless, China, knowing the climate that is developing in the Congress around trade issues, came to the session with a laundry list of products that it will purchase from the United States. Some of these items will be useful,

like railroad equipment and clean coal technology. Some of them may simply be to placate the “trade hawks.”

Pressure Tactics May Backfire

The recent session has significantly soured some Chinese leaders on the “economic dialogue,” one analyst remarked. To them, it’s beginning to look like a forum in which the U.S. can corral Chinese leaders, to wring from them more trade concessions. Scapegoating China for U.S. economic woes could result in a backlash from those in China who don’t believe in a partnership with the United States, the analyst warned.

But the Chinese representative made very clear in statements following the meetings, that the value of the renminbi will be a matter for the Chinese government alone to decide. Speaking at a banquet held at the conclusion of the session by U.S. business groups, Wu said, “I believe the floating band of the RMB exchange rate will be constantly expanded with market change. China’s exchange-rate reform

will be advanced in an orderly way, under the principles of self-initiative, controllability, and gradual progress.” “In the meantime,” she said, “we must take measures to effectively control and duly dispose of risks within the financial system.”

Nevertheless, China, under intense pressure, made numerous concessions to opening up its economy to the financial vultures, who are eager to exploit the growing Chinese market, allowing greater leverage for foreign firms to begin dealing in brokerages, insurance operations, and renminbi operations.

But in her address to the U.S. business groups, the Chinese Vice Premier also made very clear that there are limits to how far China is willing to be pressured to come to the aid of a bankrupt global financial system. “Any attempt to impose pressure on the RMB for its considerable revaluation cannot help at all and could probably injure the interests of the two countries and the public,” Wu said.

If the United States were interested in a serious economic dialogue with China, it would have to focus on the fundamental issue facing the world’s governments: to replace the rotten International Monetary Fund system with a New Bretton Woods-style arrangement of fixed currency rates and credit for productive development. As Lyndon LaRouche has emphasized, this would begin by forging an alliance among the United States, Russia, China, and India, around which other nations could coalesce. An attempt by the Bush Administration and/or the Democratic-controlled Congress to force China to finance the U.S. trade deficit by a major revaluation of the renminbi could open the floodgates to the very financial blowout, which they are so desperately trying to forestall.