Food First NEWS & VIEWS
INSTITUTE FOR FOOD AND DEVELOPMENT POLICY
FALL 2011
VOLUME 33 • NUMBER 122

Occupy the Food System!

By Tanya Kerssen

This fall the US Food Movement has made its presence felt in Occupy Wall Street. Voices from food justice organizations across the country are connecting the dots between hunger, diet-related diseases and the unchecked power of Wall Street investors and corporations (See Tom Philppot's excellent article in Mother Jones).

Oakland General Strike, Nov. 2, 2011, photo by Tanya Kerssen

This is very fertile ground.
http://motherjones.com/environment/2011/10/food-industry-monopoly-occupy-wall-street?page=1

On one hand, the Food Movement's practical alternatives to industrial food are rooted at the base of our economic system. Its activities are key to building the alternative, localized economies being called for by Occupy Wall Street. On the other hand, Occupy provides a space for the Food Movement to politicize its collective agenda and scale-up community-based solutions by changing the rules that govern local economies.

Of course, in the US, what we refer to as the "food movement" is really more of a loose "food network" of non-profit organizations and community groups (CSAs, food policy councils, community gardens, etc) with a sprinkling of bona-fide family farmer organizations and food worker organizations. There's nothing wrong with this diversity. The network has blossomed over the past decade, creating an amazing social infrastructure that is actively using the food system to make us healthier and happier. In the Food Movement we re-learn and re-invent ways of farming, cooking and eating. In doing so, we put back in the social, economic and cultural values robbed by the industrial food system.

But if the community gardens, CSAs, farm-to-school programs and sustainable family farms in the Food Movement are so great why isn't everyone doing it?

The simple answer is, because the rules and institutions governing our food system—Wall Street, the US Farm Bill, the World Trade Organization and the USDA—all favor the global monopolies controlling the world's seeds, food processing, distribution and retail. This should come as no surprise, the "revolving door" between government and corporate food monopolies is alive and well, and goes back many decades. But it means it's unlikely that the Food Movement's alternatives will ever become the norm rather than the alternative fringe—unless the Food Movement can change the rules and institutions controlling our food.

To do that, the Food Movement needs politicizing.

Why? Hasn't it worked to improve school food, legalize urban chickens and reform the farm bill? Indeed, it has made important strides in impacting food policy. But many community food organizations have become dependent on the diminishing funding streams from the very foundations that helped them get off the ground. The nation's economic downturn has further affected community organizations, forcing them to tighten belts, cut staff, eliminate programs and compete for scarce resources at a time when communities need them more than ever. This makes them vulnerable to cooptation: either by the food corporations that wish to green-wash their image or by government officials seeking political support.

This is not to say that the organizations in the Food Movement don't deserve financial support. They do, and the existence of so many community food organizations is testament to positive cooperation with funders. But a broad-based movement is a different animal than an isolated community organization. For a movement, following a funding stream is the tail wagging the dog. Movements are about creating political will for the benefit of all. They converge, unifying and amplifying popular voices around a shared vision. Politically, movements cannot afford to be silenced, disarmed, or divided.

A movement to "occupy the food system" will need to grow food in places where it is hard to find, and will need a powerful voice in the places where political decisions are made about food production, labor, distribution and resources.

A new, collective decision-making process is being fleshed out at Occupy sites across the country, and in the vibrant conversations on blogs, list serves and social media. It's about more than formulating "demands." As Naomi Klein commented in a recent visit with Food First, "Demands are about negotiation and compromise; this movement is articulating a broader vision." As the food movement moves into the new political spaces being opened up by Occupy Wall Street, a bold vision of food sovereignty is being crafted—one in which food decisions, food resources and the food dollar are not controlled by Wall Street or by the food monopolies, but by local communities. This political "convergence in diversity" has the potential to takes us from the current strategies for survival to future strategies for transformation.

Discussion about social movements and transforming our food system with Eric Holt-Giménez at the Oakland General Strike
Photo by Tanya Kerssen

Commodity Index Funds: Food Scarcity á la Wall Street

By Vishrut Arya

A day doesn't go by that the media, industry or even many scientists don't repeat the eternal mantra: "The world must increase food production by 70% by 2050 or there will be mass starvation." The present food crisis—in which nearly a billion people are going hungry—is used as proof of the food scarcity plaguing the planet.

There is scarcity—but not of food.

The world produces 1 ½ times enough

food to feed every man, woman and child currently living. Studies show that sustainable agricultural practices can produce enough food to feed 10 billion people, the planet's expected peak population.

People are going hungry today not because there is not enough food, but because they are poor and can't afford food, especially when prices spike—as they have been doing since 2008. Simple supply and demand doesn't explain the extreme price volatility and price spikes that regularly plague our global food markets and push hundreds of millions of people into poverty and hunger.

In fact, there's hardly been any change in world food demand over the last three years. And despite often repeated arguments about high food prices due to increased demand from China and India, aggregate and per capita grain consumption has, on the contrary, fallen in both of these countries.[1]

Fundamental market pressure exists on the supply side, not in demand. The falling land productivity of industrial agriculture, the spread of agrofuels diverting arable land to fuel crops, massive land grabs that displace poor farmers, climate change and inadequate investment in agroecology are all adversely affecting food supply. But despite their devastating impacts, these supply-side factors don't explain the extreme volatility and price spikes in global food markets seen in recent years.

Food price surges are the result of a new phenomenon: massive hoarding of food commodity derivatives.[1–5] These are specialized financial products invented by powerful financial institutions. These institutional investors include Wall Street in general, and investment banks, hedge funds, mutual and pension funds, university endowments and sovereign wealth funds in particular.

How does it work?

First, institutional investors "financialize" food commodities by turning them into a speculative asset class. As a result, speculative profit—not demand for food—becomes the dominant force guiding food prices. Second, powerful investors lobby, pressure, and bribe lawmakers to deregulate financial markets in order to cut the strings tethering them to public responsibility. Third, these institutional investors hoard these newly-created and unregulated food derivatives by repeatedly rolling over "buy" contracts prior to their maturity date waiting for prices to go up. By refusing to sell futures of food commodities they create a scarcity of futures. No grain in the future drives up the price of grain today.[5]

End result? Prices skyrocket because these institutional investors have created a financially-induced demand shock on food, thereby imposing immense artificial scarcity on the global food market. In 2008 and again in 2010, prices for staple crops like rice, wheat, and corn doubled and tripled and extended the grip of poverty and deprivation to hundreds of millions of people around the world. And what's more, institutional investors knew their speculation was driving food prices higher. Hedge fund managers Michael W. Masters and Andrew K. White note a few of these comments in their exposé on the role of financial speculation in the food and energy commodity markets[5]:

> "You have a generalized commodity bubble due to commodities having become an asset class that institutions use to an increasing extent." - George Soros, April 17, 2008

> "The entry of new financial or speculative investors into global commodities markets is fueling the dramatic run-up in prices." - Greenwich Associates, May 2008

> "Without question increased fund flow into commodities has boosted prices." - Goldman Sachs, May 5, 2008

The financialization of our food began in 1991 when the Wall Street investment bank Goldman Sachs created the Goldman Sachs Commodity Index fund (GSCI). The GSCI is a tradable index which lumps together basic agricultural commodities such as wheat, corn, sugar, and livestock with oil, gas and metals like aluminum, copper, gold and silver. Commodity indexes of this sort turn some of the basic necessities to life into a speculative asset to be hoarded and traded by financial firms seeking to buy low and sell high.

The trading of agricultural commodities in itself is not new and serves an important function amongst physical hedgers because they use it to smooth and plan their operations. Physical hedgers have a real stake in agricultural commodities because they grow, harvest, store, transport, market, manufacture, or sell retail food. On the other hand, financial speculators are concerned with financial profit—not the destination of the food commodity or the functionality of the global food system.

Then in 2000, and on the back of a wave of deregulation starting with Reagan, President Clinton signed the Commodity Futures Modernization Act into law, officially deregulating financial products traded Over-the-Counter (OTC).[6] This allowed institutional investors to trade commodity futures contracts without position limits, disclosure requirements or regulatory oversight. As a result, financial capital flooded the market, taking massive positions in food and concentrating them in just a few, corporate hands—without having to report any of it![1], [5]

With the crash of the housing bubble, followed by the economic recession, banks moved money back to safer assets to cover their losses in the subprime market. Institutional investors flocked to the unregulated commodity index funds. The funds promised stock market-like returns on safe, fundamental assets like food commodities, livestock, and important metals. Massive amounts of capital poured in. According to the Bank of International Settlements, excluding gold and precious metals, investment in these commodity index funds went from $0.77 trillion in 2002, to $5.9 trillion in June 2006, to $7 trillion in June 2007, to a whopping $12.6 trillion in June 2008 when food prices reached their first peak.[7]

By opening up food commodities to financial speculation, global food commodity markets have seen the most price volatility and biggest price surges ever. The Occupy Wall Street protestors are not off the mark. Wall Street has been occupying our food system for far too long—with disastrous results.

Notes

[1] "Excessive speculation in agricultural commodities - Selected Writings from 2008-2011," Institute for Agriculture and Trade Policy, Apr. 2011.

[2] O. de Schutter, "Food Commodities Speculation and Food Price Crises - Regulation to reduce the risks of price volatility," United Nations Special Rapporteur on the Right to Food, Oct. 2010.

[3] F. Kaufman, "The Food Bubble," *Harper's Magazine*, 2010.

[4] F. Kaufman, "How Goldman Sachs Created the Food Crisis," *Foreign Policy*, 27-Apr-2011.

[5] M. W. Masters and A. K. White, "The Accidental Hunt Brothers - How Institutional Investors Are Driving Up Food And Energy Prices," Jul. 2008.

[6] D. Harvey, *A Brief History of Neoliberalism*. Oxford University Press, 2007.

[7] "Regular OTC Derivatives Market Statistics," Bank of International Settlements, Nov. 2008.

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