

Farm bill ignores dire need for grain reserve

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You can't pick up a newspaper these days without confronting anxious headlines blaring about the rising crisis in food costs. From Mexicans protesting sky-high tortilla prices to Italians boycotting pasta, the entire planet faces a growing dilemma of how to adequately feed its growing populations. The U.S. Department of Agriculture projects that world grain supply will plunge to a 53-day equivalent by the end of this crop year, the lowest level since 1960. But you wouldn't even know there was an emerging global food crisis if you listened to the United States Congress.

As the Senate finally considers the Farm Bill, virtually absent from the discussion is the need to have strategic food reserves, akin to the Strategic Petroleum Reserve. Portuguese Farm Minister Jaime Silva, whose country chairs the European Union, said the EU needed to consider the issue of strategic stocks after seeing food protests rock Italy. As a matter of national security, our government should recognize its responsibility to provide a stable market for food in an era of unprecedented risk. Now should be the time to consider the issue, not after a calamity has occurred that could have easily been prevented with better planning.

The idea of a grain reserve to protect societies from starvation and food shortages has Biblical roots, as the Pharaoh counseled Joseph to implement a grain storage program that set aside one-fifth of production to account for seven fat years followed by seven lean years. The Chinese started a grain reserve program under the Qing Dynasty in 54 B.C., and operated it for 1400 years. The U.S. finally put in place a national reserve after the devastation of the Great Depression, which was eliminated under the 1996 Freedom to Farm Act.

Right now, countries around the world are grappling with the increased demand for grain, in part driven by ethanol and biofuels. However, commodity prices are only one factor impacting food prices. Energy costs account for far more of the cost in producing food. In a \$4 box of cereal, there is less than 7 cents worth of corn. Marketing, handling and transportation all comprise a far greater share of the retail price. Food processing is also controlled by a handful of corporations as is the food retailing sector, who have much more power in setting the price of food than farmers.

However, without any sort of grain reserve, we are one drought away from possibly seeing \$8 per bushel corn prices (as opposed to the current \$3), which could have truly destabilizing effects. Agribusiness companies would quickly urge more corn production. Farmers would plant more corn, causing even worse ecological damage, and an inevitable price crash when the surplus hit the market, even in an era of biofuel demand.

A grain reserve not only helps consumers by stabilizing prices for food, it also protects farmers from facing depressed prices and could alleviate the need for costly taxpayer bailouts. Allowing farmers to store their own grain, as was done in the previous Farmer-Owned Reserve, lets farmers ride out inevitable price swings. While some may think farmers are getting rich off the current commodity prices, just last year, I was still selling my corn for under \$2 as my fertilizer and fuel costs were exploding! There are many folks assuming that the current high commodity prices will go on forever. Those of us who have lived through the 1970s export boom and the 1980s farm depression know better. As farmers around the world plant more corn, soybeans and wheat to take advantage of the current gold rush, a price bust is inevitable. According to a banker, a return to \$2

corn would cause farm foreclosures that could be even worse than the 1980s Farm Crisis due to farmers taking on more debt by updating their machinery and paying higher cash rents.

A Strategic Grain Reserve is now just as vital as a Strategic Petroleum reserve. It is not too late for Congress to put in place a sane policy that will benefit both consumers and farmers instead of leaving our fates to the whims and dictates of unstable, globalized markets.

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