

ENDLESS APPETITES

How the Commodities Casino Creates Hunger and Unrest

Alan Bjerga

BLOOMBERG PRESS

An Imprint of



Copyright © 2011 by Alan Bjerga. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600, or on the Web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at www.wiley.com/go/permissions.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books. For more information about Wiley products, visit our web site at www.wiley.com.

Library of Congress Cataloging-in-Publication Data:

Bjerga, Alan.

Endless appetites : how the commodities casino creates hunger and unrest / Alan Bjerga. — 1st ed.
p. cm. — (Bloomberg ; 151)

Includes index.

ISBN 978-1-118-04323-3 (hardback); 978-1-11-16959-9 (ebk); 978-1-118-16961-2 (ebk);
978-1-118-16960-5 (ebk)

1. Food prices. 2. Food security. I. Title.

HD9000.4.B485 2011

363.8—dc23

2011029936

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1



Contents

Author's Note	viii
Prologue	xi
CHAPTER 1: Floors, Fields, and Famines	1
CHAPTER 2: Chicago Makes a Market	13
CHAPTER 3: Elephants in the Kiddie Pool	25
CHAPTER 4: A Recipe for Famine	39
CHAPTER 5: The View from Rome	51
CHAPTER 6: Hot Air	65
CHAPTER 7: Promise	79
CHAPTER 8: The Price of a Cup of Coffee	97
CHAPTER 9: A Better Banana	113
CHAPTER 10: Thai Quality	131
CHAPTER 11: Steps Up	147
CHAPTER 12: Harvest of Hope	159
Notes	169
Acknowledgments	189
About the Author	191
Index	193

Prologue

The headlines of July 20, 2011, were typical fare for a summer news cycle. Congressional leaders and President Barack Obama were negotiating an agreement to forestall the forecast calamity of breaching the U.S. government debt ceiling. Embattled News Corporation Chairman and CEO Rupert Murdoch was fighting to keep his company's phone-hacking scandal under control, and British Prime Minister David Cameron was trying to limit his own entanglement. Financial markets ended the day with slight declines. Corn prices fell because of hopes that rain would limit a heat wave.

Less prominent, though still in the headlines, was the United Nations declaration of a famine in southern Somalia as the Horn of Africa experienced its worst drought in six decades. Food assistance is a way of life for many in that part of the world, the result of poor rains and poorer people, but a famine is a problem of a higher order; for a United Nations famine designation, malnutrition rates among children in an area have to exceed 30 percent; more than two people per 10,000 must die from hunger-related causes each day; and people have to be unable to access food and other basics of life because they're either nonexistent or simply too expensive.

The Dadaab refugee complex in neighboring Kenya, built for 90,000 people, was caring for more than 400,000. Across the Horn of Africa, more than 11 million people were threatened as farms failed and food costs tripled. Tens of thousands had already died before the declaration was made. Aid appeals ranged from \$120 million to \$300 million to \$1.6 billion. Distribution of aid would be difficult, given the civil war raging in Somalia, a nation that hasn't had a functioning central government for two decades.

Maybe that's why the famine in Somalia wasn't the top news that day. Famine and warfare in Africa: Where's the surprise? Suffering is easier to forget when it seems constant. In the rush for the newest scandal or the latest score, the everyday tragedy of worldwide hunger may fade into the background. An overcrowded camp holding the equivalent of the population of Wichita, Kansas, and a population equal to that of Ohio being threatened

with starvation are both depressing, but seemingly far away from the citizens of a well-fed nation. Maybe it's seen as inevitable, yet malnutrition is unnecessary today. Each person on the planet can be fed with existing agricultural production. With the right decisions, people threatened by famine today could even feed themselves—and help out the rest of us tomorrow, when we will need one another to thrive on a crowded planet.

This is a book about globalization—its (intended and unintended) consequences, its challenges, and its opportunities. It is about violent collisions and everyday hopes. It is a journey into hunger, wild markets, and the global food business, featuring the world's most humble farmers and its most powerful leaders, all seeking answers in an increasingly uncertain world. And it's about how new connections being forged can make famine a memory.

To feed everyone, we need everyone. To make famine a memory, we first must stop forgetting about it. And we have to understand and explore the ties that bind the fortunate to the famished.

We begin.