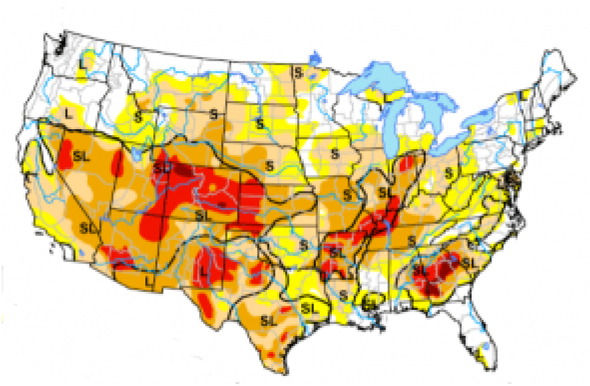
FAT AL GORE COLLUDES WITH BANKSTERS IN THE MIDWEST



There's an ominous storm brewing in flyover country that may amount to little more than higher food and fuel prices, or may amount to something else.

First there's the drought. Last week's heat wave and the last month's dry weather hit just as much of America's corn crop was set to pollinate. And if the corn doesn't pollinate, it never grows kernels. Even as I've been writing this post, USDA sharply cut forecasts for the corn harvest.

As a result, corn prices (soy prices too) are rising sharply. Which will, for better and worse, have repercussions on all the aspects of our super-processed life that relies on corn.

> "The drought of 2012 will be one for the records," said Peter Meyer, the senior director for agricultural commodities at PIRA Energy Group in New York, who forecasts a drop in output to 11 billion bushels if the hot, dry spell lasts another three weeks. "Whether it's ethanol or livestock, no one is immune from this impending disaster. The ramifications will be widespread, affecting everything from your food to your gasoline."

And all that's before any follow-on effects, if the drought continues. Even in Grand Rapids, we've had some unusual fires. Rivers that were experiencing historic floods last year are approaching record lows this year; traffic on the Mississippi has already slowed.

Yet all that–even with our country's industrialized reliance on corn–might be no more concerning than other droughts, such last year's drought in Texas.

Meanwhile, banksters keep stealing farmers' money–first via MF Global and now with Peregrine.

> The U.S. futures industry reeled as regulators accused Iowa-based PFGBest of misappropriating more than $200 million in customer funds for more than two years, a new blow to trader trust just months after MF Global's collapse.
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> Centered in the heart of farm belt, the firm handled agricultural futures accounts for a number of clients who grow corn, soybeans and cotton.
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> "For the farmers who are directly affected it can be a very severe financial blow," said Dave Miller, director of research for the Iowa Farm Bureau.
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> Doug McClelland, who runs Plains Commodities, a one-man brokerage in Lincoln, Nebraska, with about $500,000 in accounts at PFGBest, said three of his farmer customers had already sworn off futures trading after first losing money to MF Global.
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> Initially, the customers said, "We'll give it one more shot," McClelland said. Traders and exchange officials have said the collapse of MF Global does not seem to cast a lasting chill over market activity. Now, says McClelland, they

> feel that “somehow the public’s money is becoming a depository for a CEO.”

I’m sure the percentage of farmers affected by these two scandals is relatively small. But farmers are one of the groups for whom futures really do serve an important purpose, but trust is likely to crumble quickly after these two scandals.

Note, this article quotes Debbie Stabenow talking tough about fixing this problem; having Stabenow Chair the Ag Committee is far better than the alternative on a number of fronts, but getting tough with banksters–particularly in an election year–is not one of them.

Then there’s this. While the rest of the real estate market was in doldrums in the last few years, the Midwest has had a farmland bubble based in part on banksters’ need to invest somewhere but also on farmers’ revised assumptions about the profitability of farms based on the same crops being affected by the drought.

> Part of what has economists and rural bankers on edge is that Midwest farm prices are climbing at rates last seen in the go-go 1970s, the period that set the stage for the farmland bust of the 1980s, when prices sank by half. The bust ignited a rural crisis that pushed many farmers out of business and hundreds of their banks to the brink of collapse.
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> “Land prices are too high. Things are getting out of whack” said Michael Swanson, an economist at banking giant Wells Fargo & Co. He figures that Midwest farmers have historically bought an acre of land for the value of corn it can produce over four years. Now, an acre of land easily fetches six years of crop production–at a time when crop prices are well above historical

> averages.
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> The Federal Reserve issued a memo to farm bankers in late October warning that the market for cropland "may reflect overly optimistic long-term expectations" and that land values would fall if interest rates increase abruptly and farm profits shrink.
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> Land values are soaring again because prices for crops such as corn and soybeans are more than double what they were before mid-2006. That is thanks in large part to a surge in demand for food from China's expanding middle class and the rapid emergence of a corn-to-ethanol industry, which now gobbles up 40% of the nation's corn crop and supplies about 10% of the nation's gasoline. The Department of Agriculture estimates that net farm income, a widely used measure of profitability, will jump 28% this year from 2010, to $100.9 billion.

I, frankly, have no fucking clue how the drought and futures crisis will affect the bubble (which really continued until early this year). But you need crops to make farmland–particularly expensive farmland–pay off. And a lot of farmers aren't going to have their expected crops this year.

As I said, all this may amount to no more than another big spike in food prices, with all the detrimental effects that will have on those struggling in this terrible economy.

But a lot of the states where this storm is brewing also happen to be the swing states where the Presidential election will be decided (to say nothing of the western drought-affected states like CO where this has manifested as massive wildfires). So it may well have repercussions beyond just the farmers who stand to lose their farms and the poor people who will struggle to pay for food.