

Speculators deny rights of the hungry

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From Dr Fadhel Kaboub.

Sir, While I enjoyed Sarah Murray's article "[Production must rise to banish hunger](#)" (World Food, Special Report, October 15) regarding the ongoing concerns about rising food prices worldwide, food riots in Mozambique and the Russian ban on grain exports due to severe droughts, I was puzzled by the absence of any reference to commodity bubbles and speculation.

Like most financial commentators, Ms Murray puts the blame on global population growth, rising living standards in China and India pushing up the demand for food, global warming and the demand for biofuel, and natural disasters such as droughts and floods hindering grain production. Although these factors do indeed contribute to rising food price around the globe, she has arguably omitted the most predatory factor, namely commodity speculation. Financial Times readers, as well as writers and editors, are well aware of the 1991 creation of the Goldman Sachs Commodity index, and the passage of the Commodity Futures Modernisation Act of 2000. Both financial innovation and market deregulation have allowed commodity speculators to go long on a wheat futures contract, for instance, and to keep rolling it over into the next contract in a continuous manner, thus creating an artificial excess demand and pushing up prices. Despite record-high wheat production in 2008, the price of hard red wheat, which normally trades between \$3 and \$6 per 60-pound bushel, climbed to an all-high level of \$25 a bushel in February 2008.

Unfortunately, this speculative scheme did not end there. It also allowed Goldman Sachs and its Wall Street copycats to generate billions of dollars in cash from their investors, only a fraction of which was placed in good-faith promise to hold their positions. The rest was invested in Treasury bills and leveraged to raise more cash for more speculation with complete disregard to the devastating consequences of their actions on millions of people around the world.

To paraphrase John Maynard Keynes, I would argue that when the provisioning of food for the global community becomes a byproduct of the activities of a casino, the job is likely to be ill done. Food security is no joke, it is a human right, and no speculators have the right to take that away from the people.

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