

Food as a Commodity

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Food is one of the most basic of human needs. Routine access to a balanced diet is essential for both growth and development of the young, as well as for general health throughout one's life. Although food is mostly plentiful, malnutrition is still common. The contradiction between plentiful global food supplies and widespread malnutrition and hunger arises primarily from food being considered a commodity, just like any other.

For many millennia following the origin of our species, humans were hunters and gatherers—an existence that one might think of as tenuous. However, judging from archeological evidence as well as recent examples, hunters and gatherers generally ate a diverse diet that supplied adequate nutrition. For example, studies in the 1960s and '70s of the !Kung of southern Africa, foragers for literally thousands of years, indicate that although they ate meat that they hunted, about two-thirds of their food was plant-based—nuts (supplying more than one-third of caloric intake), fruits, roots, and berries—and their diet provided approximately 2,400 calories a day. The groups of hunter-gatherers were egalitarian, with everyone participating in the provisioning of food.

Agriculture, which developed some seven to ten thousand years ago, provided surplus food that allowed the development of cities and the hierarchies and civilizations that went along with them—farmers, artisans, priests, kings, warriors, scribes, and other functionaries. But just because there was a surplus did not mean that people were better nourished than hunter-gatherers. In fact, the narrowing of available foods used from the wide variety in the hunter-gatherers' diets, along with the reliance primarily on grains to provide calories, is thought to have caused a decrease in the health of early agriculturalists—as indicated by their decreased height compared that of hunter-gatherers. In these agricultural societies surplus food production was mainly appropriated for the use of the non-food producing classes. Most pre-capitalist agricultural societies had many producers relative to non-productive classes.

In some ancient empires imperial tribute took the form of food shipped long distances from the place of production. North Africa, for

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example, was the granary for Rome. Much of Chinese history involved constructing infrastructure to store and provide food far from its place of production. Nevertheless, in much of the world (including feudal Europe) food was produced either by peasant farmers and consumed by their families or else appropriated by landed aristocracies on a fairly local basis. What markets existed were often on a barter basis and trade in food was in kind, without becoming a commodity.

This changed with capitalism or generalized commodity production. The endless accumulation of profits, the motive force of the capitalist system, occurs through the production of commodities or services to sell at a price in excess of the production costs. Production for the purpose of sale and profit, instead of production for use, is a defining characteristic of capitalism and essentially all commodity exchanges take place in markets. During the early stages of capitalism, when most people still lived and worked on the land, a large portion of food was produced to be consumed locally in the rural areas and did not exist as a commodity. However, farmers near growing cities and/or near water transport shipped food to the industrializing urban centers.

The commodity nature of food became much more pronounced as capitalism grew and conquered most of the world's societies. Imperial powers brought the peasants of their colonies into the money economy by extracting monetary rather than in-kind taxes. The need to obtain money to pay taxes began a process that converted a portion of the food produced into commodities.

The industrial phase of capitalism caused rural populations to decline in Europe, North America, and Japan. People were forced off the land and looked for work in the cities, moving to the growing industrial centers. (Many also migrated from Europe to North America, Australia, New Zealand, South Africa, and elsewhere.) The development of canals, railroads, and road systems allowed for long-distance transport of food within large landmasses. Advances in shipping by sea also greatly decreased the cost of global trade in food.

Almost all of the crops and animals raised using the scale and approach of industrial farming are sold as undifferentiated commodities. Farmers sell their crops to buyers who resell the raw commodities to be processed—or themselves process the raw commodity—with the semi-processed commodities then sold to final processors/packagegers who sell to wholesalers who then sell to retailers who finally sell food to the public. Thus, the farmers producing the bulk of food in the wealthy countries have become greatly separated from the public that finally purchases

their products—not just physically, but also by the long chain of intermediaries between farms and people’s tables. Farm mechanization has increased labor productivity, leading to fewer farmers and larger farms. As industrial methods were applied to raising crops and animals, the agriculture-input sector grew dramatically and became highly concentrated—with relatively few companies now producing and selling farm machinery, fertilizers, pesticides, and seeds. Industrialized food systems also saw concentration and centralization of production and growing monopoly power. For example, large integrated “protein” (meat) firms now contract with farmers to produce poultry and hogs in large facilities under crowded and inhumane conditions. Because corporations mandate that their contractors be located near where they decide to build slaughtering facilities, this frequently means long distance transport of feed. Beef cows are increasingly raised in large feedlots.

Indeed farming, the actual raising of crops and animals, is only one part of the whole food system. The commodity nature of all parts of the agricultural/food system—farm inputs, actual farming, purchasing and processing raw agricultural goods, and wholesaling and retailing—means that many different types of commodities are produced and sold. Farming itself has been reduced to a component in a larger system of agribusiness, with many of the remaining small farmers in the United States increasingly becoming subcontractors to large corporations. The input side of agriculture was one of the last sectors of the economy to go through concentration of ownership, leading to fewer machinery companies, fewer “agrichemical” (fertilizer and pesticide) companies, and fewer seed companies. A few input and purchasing/processing corporations are able to exert near monopoly power. One of the most recent developments in the inputs sector has been the creation of transgenic (genetically modified, or GM) varieties of crops. Industry consolidation was stimulated by the greater control exerted on prices (and farmers), and today about 40 percent of the entire global seed market is controlled by three firms—Monsanto, DuPont, and Syngenta.

Globally there is still a significant portion of food produced on small landholdings for personal consumption or very local markets—in Latin America, Africa, and Asia. However, in the United States, Western Europe, and Australia (and now in Brazil, and even more recently, Argentina, Paraguay, and Bolivia) crops are increasingly produced on large, highly mechanized farms for either national or international sale. Most of these countries actively promote large-scale production for

export, to either obtain foreign exchange or to help their international balance of payments situation.

Implications

There are a number of important implications of the commodity nature of food production, processing, and consumption. In capitalist economies, as noted, nearly all enterprise is for the sake of producing commodities for sale—whether the “product” is an absolute necessity such as food and health care, or a luxury such as a private jet plane or a huge house. More and more of the natural world, including water supplies and the very genes of life, are being brought under private control with the aim of making profits, rather than to supply the needs of people.

However, there is a critical contradiction when any basic human need is produced and sold as a commodity, whether we are considering food, health care, drinking water, or shelter. Capitalism naturally produces a stratification of wealth that includes the unemployed, the working poor, a better-off working class, a middle class, and a relatively small group of very rich individuals. The bottom strata of society—encompassing the members of what Marx called the reserve army of labor—are absolutely essential to the smooth working of the system. It allows easy access to labor when the economy expands and helps keep wages down, as workers are aware that they can easily be replaced.¹ Even in a wealthy country such as the United States the numerous unemployed and those in low-paying jobs cannot afford all of their basic living costs—rent, electricity, transportation (irrational patterns of development plus inadequate public transportation means that cars are frequently needed to get to work), clothes, medical care, food, etc.

Given that poverty in the United States is not absolute destitution, the poor sometimes have options: they may purchase more or less food of higher or lower nutritional value, skip meals, get food stamps (now called SNAP, the Supplemental Nutrition and Assistance Program), or receive food assistance from charities. The poor commonly have little money left for food after rent and utilities are paid. In the summer of 2011, approximately 46 million people were receiving food assistance through Federal programs, inadequate as it is. Still, despite the abundance of food, a high average per capita income, and various forms of assistance available, some 50 million people in the United States are considered to be “food insecure.” Of these, over 12 million adults and 5 million children have “very low” food security, with one or more members of their households lowering their food intake.

In some parts of the global South, of course, conditions are far worse. The commodity nature of food results in food price levels far above many people's meager means, producing a lack of adequate nutrition. The United Nations estimates that there are close to one billion people worldwide who suffer from malnutrition. This leads to severe health problems and death for millions. Food deprivation, though falling short of severe malnutrition, is still a very serious condition. Hence, a sense of injustice associated with rising food prices and unequal access to food was a major factor spurring revolts in the Arab world over the last year.

Because food products are commodities, and the whole point of the food/agriculture system is to sell more and make more profits, there is massive advertising surrounding food, especially the most profitable sector—processed foods. High caloric but low nutritional-value foods, such as sugary breakfast cereals, are pushed on children. And because these processed foods are relatively inexpensive and available at local convenience stores that often do not carry higher quality food like fruits and vegetables, the commodity nature of food is part of the explanation for the surge in obesity, especially among the poor.

Food crops have many different uses other than direct human consumption. They can be processed into a variety of forms—breads (pitas, tortillas), potato chips, frozen dinners, pasta, ice cream, etc. Corn is commonly processed to obtain industrial starch and sugars (high in fructose). A relatively high percent of the corn and soybeans grown in the United States are used to feed poultry and hogs as well as beef and dairy cows (that, from an environmental point of view, should be eating grass and legume forages that the bacteria in their rumens convert into usable energy and protein for the animals). And with the push to lessen dependence on imported oil and to have a supposedly more “green” source of liquid fuels—corn, soy, rape, sugar cane, palm oil, and jatropha (a non-food crop raised only to make biofuel) are being grown to produce either ethanol or biodiesel.

In the United States and Europe, there are governmental mandates and subsidies encouraging production of both food and non-food crops, which are then used for biofuel feedstocks. This is an important part of the explanation for the tight markets and high prices for corn and oil crops. A UN Food and Agriculture Organization report says: “By generating a new demand for food commodities that can outbid poor countries and food-insecure populations, industrial biofuels highlight the tension between a potentially unlimited demand (in this case for energy) and the constraints of a world with finite resources.”² It was

the search for another market for corn that induced Dwayne Andreas, CEO of the grain purchaser/processor and feed grain conglomerate Archer Daniels Midland (ADM), to gain influence over politicians and spend lavishly on both Democrats and Republicans. ADM was the main backer for the corn-to-ethanol industry and might be considered the grandfather of the current mandate to mix a certain percent of ethanol with gasoline (in the process of increasing from 10 to 15 percent).

The commodity nature of food by itself limits access by the poor. Market pressures and incentives contribute to the interchangeability of key food crops that can also be used for animals or fuel production; the possibility to grow crops for strictly industrial use instead of food, if the price is right; and huge amounts of hoarding and speculation on agricultural commodities (see below). Land can be used to grow crops for a number of purposes: food for people, food crops that are also potentially feeds for animals, and industrial feedstocks (cotton, jatropha, corn to make sugar or other products, and crops like hay which are strictly for animals). Market prices guide farmers' production. When ethanol prices increase, more land goes into corn for ethanol. If cotton prices increase, a portion of the land that would have gone to grow corn and soybeans will be planted with cotton. Market prices also guide the ultimate utilization of crops that have multiple uses. For example, should soybeans be used to make vegetable oil for human use, be feed to animals, or be converted into biodiesel fuel? The need to feed hungry people does not enter the calculation.

When a poor (so-called "developing") country attempts to solve its food problem primarily by encouraging farmers to produce more, bumper crops tend to depress prices, thus helping the poor gain greater food access. However, depressed prices may be problematic for farmers, many of whom themselves are poor. This has happened recently in Zambia, where "massive production can send prices tumbling. The smallest farmers, who are the least productive, suffer doubly by producing little and getting paid a pittance for the crop."³ Thus, bumper crops in capitalist agricultural tend to favor the larger farmers, especially those using inputs such as irrigation and fertilizers that help produce high yields. However, the resulting low prices may force large numbers of small farmers, many unable to protect their crops from the vagaries of nature and lacking the financial resources to weather hard times, into deeper poverty.

A new dimension has been added to the phenomena of food as a commodity—a new land grab, with private capital and sovereign wealth funds purchasing or leasing land in Africa, Asia, and Latin America to produce food and biofuels for markets for the home countries of the

investors.⁴ As with food, the most basic input for its production, soil, becomes a commodity ripe for either speculation or to go to the highest bidder. In many countries of the global South, traditional land tenure systems are thrown aside as land is purchased or rented under long-term agreement by private capital or national sovereign wealth funds. The purpose is either to make money, or to produce food or fuel (jatropha or other fuel crops) for the “home” markets. This creates even more rapid “depeasantization” as more farmers are pushed off the land and into city slums that have no jobs for them. It is estimated that some 20 million hectares (50 million acres) have either been sold or are under long-term lease to foreign countries or foreign capital. “In Africa they are calling it the land grab, or the new colonialism. Countries hungry to secure their food supplies—including Saudi Arabia, the Emirates, South Korea (the world’s third largest importer of corn), China, India, Libya, and Egypt—are at the forefront of a frantic rush to gobble up farmland all around the world, but mainly in cash-starved Africa.”⁵

The “highest and best use” of any commodity is where it can get the best price, regardless of the social, ecological, or humanitarian consequences. One small example of the contradictions that arise from this is a result of the growing market in the North for quinoa, a grain grown in the Andes that is especially nutritious because of its balance of amino acids. This benefits farmers by increasing crop prices, but at the same time it means that this traditional and nutritious food is becoming too expensive for local people.⁶

Another implication of the commodity nature of food is that it is increasingly subject to speculative price movements. Raw commodities such as metals and food crops have become a prime target of speculators who want to bet on the price changes of tangible products, rather than completely relying on the complex bets embodied in many “financial instruments.” The Chicago Board of Trade (CBOT, owned by the Chicago Mercantile Exchange), opening in 1848, is the oldest organized foodstuffs futures and options trading exchange. Throughout most of its history the CBOT and the other commodity exchanges were used primarily by those interested in hedging prices because they bought, sold, or used the physical products—farmers, buyers, and food processors. It was a sound way to protect your business against the vagaries of weather and competition. But with the financialization of the economy everything has become fair game for speculation, so food and other agricultural products (as well as other raw commodities) have become just more bets that can be made. With the so-called “Commodity Futures Modernization Act,” commodity markets

were deregulated in 2000 and “structured” financial products were developed to allow various types of speculation. In addition to straight bets on individual commodities, commodity index funds (pioneered by Goldman Sachs) began to track prices of commodities. The amount of money in these funds increased from \$13 billion in 2003 to \$317 billion in 2008. As U.S. hedge fund manager Mike Masters explained: “Speculators today have about 70 percent of the open interest in commodity markets. Ten years ago, they controlled roughly 30 percent of the market.”⁷ With so much money flowing into the food commodity markets, prices are driven up in a speculative upswing. This, of course, does not mean that commodity prices will only keep going up—they fluctuate based on economic conditions, world food stock levels, crop yields, rumors, and fads. But speculation drives prices up and down further and faster, and as a result contributes to hunger for many—sometimes millions—when prices peak, and to the ruin of small producers when prices crash.

When food—a basic necessity for human health and survival that is currently produced in sufficient quantity to feed everyone in the world a basic nutritious diet—is a commodity, the results are routine hunger, malnutrition, premature deaths, and famines when tight supplies result in exceptionally high prices. There are examples of farmers and the public organizing alternative ways to grow food for people instead of the market—such as Community Supported Agriculture (CSA) farms in which people purchase (frequently on a sliding scale according to ability to pay) a share of the produce during grown during the season. These types of arrangements between farmers and the public are encouraging because they demonstrate an alternate approach to food. However, the only way to guarantee that food reaches all people in sufficient quantity and quality is to develop a new system that considers food a human right and no longer considers it a commodity. Only then will we be able to fulfill the slogan, “Food for People, Not for Profit.”

NOTES

1. For a discussion of the reserve army see Fred Magdoff and Harry Magdoff, “Disposable Workers: Today’s Reserve Army of Labor,” *Monthly Review* 55, no. 11 (2004): 18–35.

2. High Level Panel of Experts on Food Security and Nutrition, “Price volatility and food security,” Committee on World Food Security, Rome, July 2011, <http://fao.org>.

3. Samuel Fromartz, “The Production Conundrum,” *The Nation*, October 3, 2011, 20–22.

4. GRAIN, “The New Farm Owners: Corporate Investors and the Control of Overseas Farmland,” in Fred Magdoff and Brian Tokar, eds., *Agriculture and Food in Crisis: Conflict, Resistance, and Renewal* (New York: Monthly Review Press, 2010).

5. Margareta Pagano, “Land Grab: The Race for the World’s Farmland,” *The Independent*, May 3, 2009, <http://independent.co.uk>.

6. Simon Romero and Sarah Shahriari, “Quinoa’s Global Success Creates a Quandary at Home,” *The New York Times*, March 19, 2011, <http://nytimes.com>.

7. Deborah Doane, “As food speculators make money, the world’s poorest suffer,” *CNN Opinion*, June 22, 2011, <http://cnn.com>.