

January 10, 2008

Incredible Inedible Ethanol

by The Mogambo Guru

"An entire third of the grain output of the American farm system will disappear from the world's food supply? On top of the terrifying increases in prices we are already seeing? Yow! We are totally, totally, totally freaking screwed!"

Economic seismographs picked up ominous tremors in the world economy, as a January 4, 2008 [Bloomberg](#) news item read, "European inflation stayed at the highest in more than six years in December as food and energy costs soared... The inflation rate in the euro area was 3.1 percent", even as the European Central Bank, "last month raised its 2008 inflation forecast to about 2.5 percent from 2 percent." It's worse than previously thought, and anticipated to get worse than this! Yow!

Without the slightest indication of scorn, laughter, bemusement or outright sneering disparagement of any kind despite being richly deserved, Bloomberg went on, "Inflation in the euro region may remain above the 2 percent ceiling for a ninth year in 2008, even as economic growth slows, according to ECB staff forecasts." Hahaha!

Inflation in prices that is above the ceiling for nine years in a row? Nine years? Hahaha! And growing worse! How incompetent can the ECB be, which sounds like ECBB, which makes it even funnier? Hahaha!

These ECB weenies have been a total failure for nine consecutive years in controlling inflation, but let my little cost center office merely break even, instead of showing a profit, and suddenly there are sneering corporate auditors are all over the place, and my boss is licking her lips and saying, "We're taking you down, Mogambo!"

But ECB incompetence in controlling inflation is all the rage, and in fact, Junior Mogambo Ranger (JMR) Eric. C went to Bavaria and Austria for the holidays, and reports that "the Germanic folk are very, very upset about THEIR high inflation", probably as a result of the fact that "Things cost as much in euros ([EUR](#)) as they did in Deutschmarks in the year 2000. That's 10% inflation every year for seven years!"

And inflation in consumer prices is everywhere. For example, the [FinancialPost.com](#) had the story titled "Forget Oil, The New Global Crisis Is Food", and then there was Chris Powell of GATA writing that "Thursday's edition of the New York Sun decided to try valuing Manhattan residential real estate in terms of gold and found values to be falling sharply", as you would expect from the Sun's story, "Gold Value of Apartments Sinks."

Mr. Powell said, "Of course GoldMoney's James Turk, editor of the Freemarket Gold & Money Report and consultant to GATA, long has been valuing oil in gold terms to show that oil's rising price is largely a matter of the [depreciating dollar](#). Maybe now some others in the news media are catching on to the monetary debasement game."

But it was the subhead of the FinancialPost.com story that grabbed me by the heart and almost killed me as it said, "BMO strategist Donald Coxe warns credit crunch and soaring oil prices will pale in comparison to looming catastrophe."

If you are like me, then you know two things from your years and years of experience of dealing with Earthlings. One, these people are idiots in groups, and they are all out to get you. Two, you know that the word "catastrophe" is a Bad, Bad Thing (BBT).

And if you did NOT know that people are idiots in groups and/or that the word "catastrophe" is a BBT, then hold onto your seats, because you are about to get the education of your life because, "The impact of tighter food supply is already evident in raw food prices, which have risen 22% in the past year." Yikes! 22%!

The Astute Mogambo Scholar (AMS) who can detect the slightest whiff of panic in any random factoid, instantly notes that I was right; you should have a bullet-proof bunker in your backyard and as much raw firepower as you can carry, because people get angry about food prices that will gradually reduce them to starvation, which is the subject of Chapter Ten in the Big Mogambo Book Of Economic Stuff (BMBOES), which bears the title "The Lesson To Be Learned From The French Revolution And Several More Since Then."

For those of you who are disinclined to read the entire chapter in the BMOES because you are either too distracted by the inclusion of so much gratuitous, raunchy pornography - which has apparently been included for no particular reason other than because I wanted to and because I could deduct it as a business expense - or you are too repulsed by such a filthy piece of trash that you feel soiled even touching the book, let me tell you in a nutshell the gist of it; people get really, really angry when they start going hungry, and then everything really starts going downhill, and then prices start spiking as the currency starts losing so much purchasing power as the government starts creating so much money to try and buy its way out of the problems it has caused, and then, after a while, relatives lose their minds from the hunger and come over here to my house thinking that, you know, surely a guy with as much gold as I am rumored to have must be [rich as hell](#), and surely I can certainly spare little enough money to keep them from literally starving in the cold, rainy streets for one more day, and then I can see them in the crosshairs of the bunker's periscope, gathering and standing out there with the wife and kids, all whining and begging for the same thing! Suckers! Suckers who bought food and clothing when they should have been buying gold!

Well, there is nothing in the Financial Times story about this kind of illegal, mob assault on the Mogambo Bunker Of Doom (MBOD), which only serves as proof of a cover-up at the highest levels, but you get the same sort of hysterical panic as the story goes on, "Wheat prices alone have risen 92% in the past year, and yesterday closed at US\$9.45 a bushel on the Chicago Board of Trade." Yikes! 92%!

"At the centre of the imminent food catastrophe," they say, "is corn - the main staple of the ethanol industry. The price of corn has risen about 44% over the past 15 months." Hahaha! The "benefits" of the [ethanol boondoggle](#) are sure going to be hard to measure! Better get Alan Greenspan and Michael Boskin working on a way to disguise this, too!

But covering it up may be harder than anyone realizes, as "Mr. Coxe warned U.S. corn exports were in danger of seizing up in about three years if the country continues to subsidize ethanol production."

And how is this possible? Easy! He says, "Biofuels are expected to eat up about a third of America's grain harvest in 2007." A third! An entire third of the grain output of the American farm system will disappear from the world's food supply? On top of the

terrifying increases in prices we are already seeing? Yow! We are totally, totally, totally freaking screwed!

And, coincidence or not, it is all made much, much worse when he said, "The amount of U.S. grain currently stored for following seasons was the lowest on record, relative to consumption."

And you thought I was kidding about higher food prices? Hahaha! The joke's on you!