

Dodging the Rising Cost of Food

By [The Mogambo Guru](#)

09/07/10 Tampa, Florida – I was surprised when Mike Burk of Alpha Investment Management wrote that “Some of the NYSE breadth indicators look pretty good, but that is from strength in fixed income which makes up about half of the issues traded on the NYSE. Fixed income looks like a bubble.”

Well, being an admittedly stupid guy who just wants effortless and instantaneous satisfaction of every desire, I am, as such, not really into the “nuts and bolts” of things.

Not surprisingly, then, I never heard that fixed-income makes up half of issues traded on the stock exchange, but it seems somehow important, in a menacing, sinister kind of way, like when I first noticed that my wife was no longer the same woman I had married, but was instead now some old crazy woman who thinks I can “change” after all these years of not changing.

So I wrote to Mr. Burk, and I was going to ask him, you know, as a kind of ice-breaking opener, if his wife thought, for some bizarre reason, that he could be “changed,” but instead I stuck to business and asked him if he was sure about this “half of the issues traded are fixed income” thing.

I was thinking that, you know, it seems so somehow strangely significant that I was hoping he could define “shares of fixed income.”

Well, he writes back and says that he was referring to the fact that “Only about half of the issues traded on the NYSE are operating companies,” and that “the rest are preferreds, some variety of bond fund or other interest bearing instrument.” Hmmm!

As an example, he said, “Last Friday there were 3,143 issues traded on the NYSE, and 1,768 of them were operating companies.”

Well, I’m a guy who is already petrified at the low interest rates that Treasury bonds are yielding, because it means that bond prices are so high that bond prices will collapse when interest rates rise to at least some vaguely average, roughly historical shouting-distance semblance of normalcy, which is up around 3% more than inflation.

Now I am even more freaked out that half of the issues traded on the NYSE are some kind of weird bond derivatives or something, making the Bad, Bad News (BBN) that is that inflation is now running over 8% (according to John Williams at shadowstats.com) even more frightening! Yow! We’re freaking doomed!

And when bond prices will collapse, it will hand unfathomable losses to idiots around the entire globe who, for some stupid reason, bought high-priced bonds to capture these low rates instead of buying gold, silver and oil when gold, silver and oil were priced at bargain-basement lows!

And it makes you wonder how it is even possible that you can even have low interest rates when you see things like *The Wall Street Journal* article titled “Consumers Dodging Jump in Food Costs.”

If you have ever played dodgeball when you were in phys ed class in school, then you know how dodging things usually works out. Perhaps you broke a wrist, or maybe you got a concussion when you caught one – pow! – in the head from Ernie, the kid who is some kind of gigantic freak of nature who has been held back three times, looks like adult linebacker, and who is rumored to be dating some of the teachers.

And it is that kind of dodgeball experience that perhaps gives you a little insight into this new concept of perpetually managing to dodge things like higher prices, especially since the price rises are not insignificant, as in “Compared with a year ago, the farm-level price of soft red wheat grown in the Midwest is up 91%, the price of hogs in Iowa and southern Minnesota is up 52%, the price of eggs is up 32% and the price of corn in central Illinois is up 15%.” Yikes!

Perhaps not coincidentally, the article goes on “Fast-food giant Burger King Holdings recently authorized its franchisees to raise the price of its Whopper Jr. sandwich to as much as \$1.29 from \$1,” which is an immediate 29% jump in price, which sounds bad, but which may be, as I may recall, the result of taking back a previous price reduction, done as part of a national frenzy of “value meal” craziness, but I don’t really know, mostly because it is just my job to eat them, not record their prices, and I have held up my part of the bargain and done a wonderful job of eating Whopper Jr. hamburgers over the years. So don’t lay your guilt on me.

As bad as it sounds to have someone accuse me of not eating my share of delicious meat-oriented fast-food products, even more horrific was the paragraph containing the Absolutely Freaking Unbelievable (AFU) statement that “If the US economy picks up steam next year, the USDA expects food-price inflation to accelerate in 2011 to a more typical rate of between 2% and 3%”! Food has a “typical” rate of inflation of 3% inflation? Gaaaahhhh!

Immediately, I know what I have to do; get to the safety of lock-down in the Mogambo Battle Bunker (MBB), now a central part of the newly-discovered Mogambo Tribe of Native Americans that wants to open an Indian casino and take paleface wampum, an obvious ruse that will hopefully take decades to get through the courts.

I am the only known survivor and spokesman for this proud, ancient people whose myths and legends tell of the terrible tortures of an expanding fiat money supply, and I am called Crazy With Fear (CWF), which certainly seems apropos when talking about a “typical” 3% inflation in the price of food! Yikes! This is outrageous!

Even worse, *The Financial Times* notes that “fast food chains” in the US are “rolling out more expensive premium products,” including McDonald’s and Burger King, and that the “pricing trend” is, according to a McDonald’s spokesman, such that “five dollars will be the new \$2.99,” which is a statement that I admit I don’t understand, and I get more confused when I look at it closely, but I get the chilling idea that what once cost \$2.99 will start costing \$5.00! Yow! A 67% price inflation!

If I am right about this, then if you are not buying gold, silver and oil in the face of such obvious inflation in prices, then I am sorry to tell you that you were right in your secret suspicions about yourself; there IS something Very, Very Wrong (VWW) with you.