



NATIONAL ORGANIZATION FOR RAW MATERIALS

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A very brief analysis of recent U.S. economic data relating the agricultural sector to the general economy reveals the following points of interest.

	Production			Price		
	2006	2012	-/+ %	2006	2012	-/+ %
corn	10.5 bil bu	10.8 bil bu	3% >	2.28	6.67 \$/bu	193% >
wheat	1.8 bil bu	2.3 bil bu	22% >	4.26	7.60 \$/bu	78% >
soybeans	3.2 bil bu	3.0 bil bu	< 6%	6.43	14.00 \$/bu	118% >
barley	180.0 mil bu	219.0 mil bu	22% >	2.72	5.98 \$/bu	120% >
cotton	21.6 mil bl	17.3 mil bl	< 20%	0.484	0.757 \$/lb	56% >
sorghum	277.0 mil bu	248.0 mil bu	< 10%	2.43	6.22 \$/bu	156% >
oats	93.5 mil bu	61.5 mil bu	< 34%	1.82	3.80 \$/bu	109% >

CRFM \$240.6 bil \$401.4 bil 67% >
 (CRFM = Cash Receipts from Farm Marketings, or Gross Farm Income from USDA)

NI \$10,914. bil \$12,877. bil 18% >
 (NI = National Income)

ratio NI/CRFM 45.36 32.08
 ag parity ratio 37 42

CPI (1982) 201.6 229.6 14% > over 6 years = 2.3% per year
 (CPI = Consumer Price Index, base of 1982-84 = 100 from USDA)

Increased earnings to agriculture **did not** lead to inflation.

MØ \$741.2 bil \$1,048.9 bil 42% >
 GDP \$13,814.6 bil \$16,197.0 bil 17% >
 pop. 299.0 mil 313.9 mil 5% >

(MØ = currency component of M1 from Federal Reserve; GDP = Gross Domestic Product, NI from Bureau of Labor Statistics; pop. = population from Census.gov)

Purchasing power, liquidity—*money*—fled the stock exchanges in '09 and '10 and sought temporary safe haven in ag commodity markets. This pushed up prices for '11 & '12 and led to increased earnings for agriculture. This price rise, as seen above, *was not related* to significant changes in production. Production times price equals (gross) **earned** income. These increased earnings multiplied through the economy and increased National Income, creating the impression that “recovery from the Housing Bubble” collapse was arriving. It was not sustained beyond 2013 when the money moved back into the stock exchanges. Ag prices slumped and the ag parity ratio now stands (Jan. 2020) at 31, the lowest in 110 years of records. Agriculture is paid 31¢ for every dollar's worth of wealth delivered into our economy; the nation *borrow*s the other 69¢.

A PRACTICAL PROPOSAL

Over the course of 180 years, industrial societies have exhibited a particular yet fundamental reality. A reality much like a puppy needing “house training.” How do we teach the puppy *not* to pee on the rug? How do we learn *not* to foul our own nest? *Can* we learn such a thing?

The price of North Dakota oil (4/2/20) is \$9/barrel. According to a radio report, this price is the result of a “price war” between Saudi Arabia and Russia. An “agreement” is being worked out to *reduce the production in order to raise the price*. The last time crude oil was \$9 was around 1978. With \$9/bbl oil, gasoline then was \$0.48/gal.

Oil is as much a necessity for our industrialized world as are food, feed and fiber. Our belief that “lower production raises prices” is, today, **a myth**. Gigantic piles of money determine prices. With raw materials on “the big board,” being bid up and down by piles of money, prices rise and fall. “Market prices” have nothing to do with quantities produced, whether too much or too little. Witness agriculture’s brutal 70 year testimony to this reality.

Industrially, society depends on raw materials being delivered to processing plants where intermediate and finished goods are made. Such goods are then distributed to points of sale for use and consumption, then waste or unused items are collected and reprocessed or conditioned for disposal. **If those raw materials, at their first point of sale, are priced in balance with the costs of labor and capital in the rest of the economy, we cannot have a depression.** This nation demonstrated that reality with the post-WWII “boom.” We *learned* how not to foul our own nest. Then we went back to peeing on the rug.

Agriculture and oil, a “Kick start” procedure:

We can calculate quite closely the raw materials required annually for our standard of living. For those raw materials we either **a)** pay our fellow inhabitants the proper (*parity*) price, at the first point of sale, creating the necessary income to process, distribute and consume them, or **b)** with too low prices creating too little income, we *borrow the shortage*. In less extraordinary times, issuing dollars to “keep the economy moving” is inflationary when no new wealth is delivered. That simply moves *everybody’s* prices up.

We propose national implementation of **parity agriculture commodity loans**, much as they worked in 1948, on the exact same “program crops” (non-gmo). Make available, immediately and one time only, a 50% draw on each farm’s “base acreage” at the county average yield, for a “program crop” to be delivered at this year’s harvest. That is: 50% times 90% current parity price times individual “base acres” times county average yield, paid to each participating farmer immediately. The balance to be available on delivery at the ensuing harvest, as adjusted to actual crop delivered. “Commodity futures” trading activity concerning domestic production of such program crops is to be suspended. Minimum industrial hourly wage is to be *set and kept equal* with wheat’s parity price per bushel. Imports of similar commodities are to be tariffed.

Oil is to be priced domestically at 90% of the adjusted base price indexed to 1983-85 = 100; “commodity futures” trading activity concerning domestic oil production is also to be suspended and imports tariffed.

With this solid foundation of **raw materials earnings**, the rest of our economy will adjust itself to solvent relationships in less than a year. An infusion of spending power at the base of our economic system, based on real wealth, will be delivered. It will not be inflationary nor cause dislocations other than among the speculative interests that have leveraged our society’s productive efforts to their own private advantage. It is that *private advantage taken unrightfully from our community’s efforts* that stains our “rug” yellow and smelly. It is past time we again do what is right for our *general* welfare by insisting and assuring ourselves that **“No one may profit at the expense of another.”**