Agricultural corporations boast huge profits in midst of food crisis

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As inflation and shortages expose billions to hunger worldwide, agricultural giant Archer-Daniels-Midland Company revealed a 42 percent leap in quarterly profits. The announcement follows similarly skyrocketing earnings reports from half a dozen other agribusinesses and suppliers, as well as from major oil companies BP, Shell, and Exxon.

For the third fiscal quarter ending March 31, ADM reported $517 million in profit. In an April 29 conference call, executives attributed record earnings throughout all of the company's operations to an enormous increase in speculative activity in commodities markets.

"Volatility in commodity markets presented unprecedented opportunities," ADM chief executive Patricia Woertz told investor analysts in on the call. "Once again, our team leveraged our financial flexibility and global asset base to capture those opportunities to deliver shareholder value."

Commodities markets have been flooded with investors from out of the credit and housing markets looking for more sound sources of profit. As a result, the grain, metals and oil markets have been subject to rampant turnover of stocks and huge fluctuations in the valuation of the most basic goods.

The price of oil, which has risen 75 percent in the past year, drove up freight and farming and fertilizer production costs substantially, greatly affecting grain production costs.

More directly, speculation and investment in the food system have soared. According to data from agricultural research firm AgResource, investment in corn, soybeans, wheat and livestock trades has ballooned from $10 billion in 2006 to over $47 billion.

In the past year, per bushel wheat prices have risen by 64 percent, corn is up 68 percent; soybeans 76 percent. Rice prices have risen by 134 percent.

In addition to speculation, however, as ADM CEO Woertz's comments reveal, the enormous price rises for staple grains have also been attended by the deliberate influence of the corporations at every stage along the production and supply lines, as well as on the trade floors.

Significantly, amidst the most severe global grain shortfall and inflationary surge in decades, the company recorded a sevenfold increase in profit—from $46 million quarterly to $366 million over the year—in its grain storage, transportation and trade operations. These operations comprise the company's agricultural services division, which, as the Associated Press noted Wednesday, "includes a large grain-trading operation that tries to profit from shifts in commodity prices and that buffers Archer-Daniels against price spikes."

As with the continual record-breaking profits of the big oil companies, the fortunes of the large agribusinesses find their direct express in the exploitation of the world's population. Food price spikes have triggered rioting, social breakdown, misery, and desperation in countries throughout Latin America, Asia, the Middle East, Africa and Eastern Europe.

In developed countries, including the US, food and fuel inflation are increasingly burdensome for working class families already struggling in a worsening job market and housing crisis. For the poorest populations around the world, the cost of food has become untenable.

In an expression of nervousness over the situation, many national governments, international organizations and the press have called for emergency controls on exports, lowering of import barriers, and aid for food programs. Governments have also sought to stockpile grains, scooping up US crops for relatively less cost as the dollar declines, as a form of domestic insurance against unrest. However, the massive purchases have had the consequence of exacerbating volatility on the US grain exchanges and further inflating grain futures.

Agriculture is increasingly a vertically integrated industry, with a few mega-companies dominating the fundamental aspects of the food system—allocation, trading, processing and distribution—with the goal of maximizing the amount of profit that can be turned between payment to farmers and sale to higher-level purchasers. As the largest grain processor in the US, ADM oversees a huge proportion of the country's corn, soybeans and other crops. It also processes raw grains into ethanol and meal for animal and human food industries, and distributes grains on the domestic and international markets.

On Wednesday, the *Wall Street Journal* noted enormous profit increases for all of the largest agricultural suppliers and processors. The second-largest grain processor, Cargill, recorded quarterly earnings of $1.03 billion February 29, up 86 percent from a year ago. Third-largest processor Bunge reported $289 million, shooting up 1,964 percent over last year. Farm equipment manufacturer Deere & Co. reported a 55 increase in quarterly earnings over the year, to $369 million.

Monsanto, a company with a virtual monopoly on crop seed and herbicide production, reported $1.13 billion in profits for the latest quarter, more than doubling profits of the preceding quarter. Other corporations with significant agricultural operations, including Syngenta AG, DuPont and Dow Chemical, have also posted huge profits.

Mosaic, a leading producer of fertilizer components potash and diammonium phosphate, took in over $520 million in the last fiscal quarter, up 1,134 percent, according to the *Wall Street Journal*. As *Fortune* magazine pointed out May 1, as high as Mosaic was able to sell fertilizer over the quarter, it was actually selling for less than half of the contemporaneous market prices due to the "time lag in its sales contracts."

The magazine cited comments from Merrill Lynch analyst Don Carson, who suggested that while record-breaking quarterly profit-taking was "significant, it will appear minor when compared to the margin expansion in coming quarters."