Thank heavens for speculation in commodities futures! [1]

Written by **Tim Worstall** [2] | Thursday 20 September 2012

Isn't it just absolutely marvellous that we've got all those bright people and all that vast amount of lolly tied up in speculation in futures on agricultural commodities [3]?

> The mass slaughter of millions of farm animals across the world is expected to push food prices to their highest ever levels.

Well, not quite.

> Nicholas Higgins, a Rabobank commodities analyst and author of the report, said: "There will be an initial glut in meat availability as people slaughter their animals to reduce their feed bills. But by next year herds will be so reduced that there won't be enough animals to meet expected demand and prices will soar."

That's it: the price of meat is likely to rise next year: after the fall caused by people slaughtering the animals they won't be able to feed next year. And this is why we're so lucky we've got all those people selflessly providing price signals to us.

This year's harvest looks like being pretty miserable. At least for nothern hemisphere corn and wheat they do. As a result of this those speculators, doing good in their gilded towers, have bid up the price of corn and wheat for delivery later this year and next. There will be less of it around they think. This is what is known as a "price signal". Those people who might feed cheap corn to a bacon buttie on the hoof, cheap wheat to the vital ingredient of a future Big Mac, won't feed them the expensive stuff. So, less bacon (*sob, sob*) and less Mickey D's (*honestly, who cares?*) and as a by product there's more corn and wheat around to feed to people. Because we're using less of our now limited supply to feed animals.

All of this is achieved by (mostly) men playing around in offices with money. Not that they intend these results of course: they're driven purely by the greed, the lust, for filthy lucre. Yet as a result fewer people will starve than would in their absence.

And to think that there are people out there who would stop speculation in food. Presumably they're too stupid to see what we get from the system. The alternative, that they would prefer people die for ideological reasons, is just too 20th century to consider these days.

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