

NIA Projects Future U.S. Food Prices

The National Inflation Association today announced projections for future U.S. food prices based after this week's announced \$600 billion in quantitative easing by the Federal Reserve. The Federal Reserve announced this week that it will be expanding its balance sheet by \$75 billion per month until the end of June 2011, for total quantitative easing of \$600 billion. Quantitative easing is nothing more than inflation and when the Federal Reserve creates inflation, it steals from the purchasing power of the incomes and savings of all Americans.

Inflation does not create jobs. Inflation merely causes prices of goods and services to rise and makes it more expensive for American families to support themselves. While years ago it was possible for a father to support an entire family of four or five on one income; today, both parents need to work and they also need to get deeply into debt just to make ends meet. With all of our society's technological advances of recent years, Americans' cost of living should be declining, but it has instead been spiraling out of control due to the Federal Reserve's destructive monetary policies.

Politicians love inflation because it allows them to monetize their deficit spending. Politicians can also take credit for an "economic recovery" when stock prices rise. However, nominal stock market gains mean nothing to middle class Americans if prices of food and other agricultural products are rising at a much faster rate.

Inflation does not cause the prices of all assets, goods, and services to rise equally. Real Estate, for example, will likely rise the least this decade, because the U.S. government never allowed the Real Estate bubble to fully deflate and there is still an excess glut of vacant homes on the market. NIA expects both Real Estate and stock market prices to decline in terms of real money, gold and silver.

The best way to value stocks and Real Estate is not in fiat U.S. dollars, but in terms of real money, gold and silver. The Dow Jones is currently worth 8.2 ounces of gold. After the

inflationary crisis of the 1970s, the Dow Jones declined to just 1 ounce of gold. We believe the Dow Jones (currently 11,434) is guaranteed to meet in price with gold (currently \$1,390) at some point this decade.

The median U.S. home is currently worth \$171,700 or 6,550 ounces of silver. After the inflationary crisis of the 1970s, the median U.S. home declined to below 1,000 ounces of silver. NIA believes that because this decade's Real Estate bubble was so large, Real Estate prices will likely overcorrect to the downside and the median U.S. home will be worth only 500 ounces of silver at some point this decade. Therefore, if you buy just \$13,000 worth of physical silver today, NIA believes you will be able to pay cash (without any mortgage) for an average American home within the next 5 to 10 years.

NIA believes the only asset class that has the potential to rise in value by more than gold and silver this decade is agricultural commodities. Inflation gravitates most towards goods that Americans need to live and survive. There is nothing that Americans need more to live and survive than food.

Americans can cut back on entertainment (the New York Mets just announced a 14% decrease in ticket prices for next season). They can cut back on college education (NIA considers college to be a scam). Americans can sell their McMansion that they thought was an investment and can no longer afford and move in with family members or friends. They can sell their car, use mass transportation, and consume less fuel. However, Americans can never stop spending money on food.

For many decades, most American students went to college to get a job on Wall Street. (When the financial system collapses due to hyperinflation, most of these Wall Street jobs will be gone forever.) With all the fantasy wealth being created on Wall Street, no Americans had any desire to become a farmer. Large portions of the country that were once farmland, have now been turned into housing develop-

ments. There is a lack of young farmers in America and this will soon lead to major food shortages. The fundamentals are there for agricultural commodity prices to go through the roof like nothing any American has ever experienced before.

During the months of September and October alone, just in anticipation of the Federal Reserve's quantitative easing announcement, cotton prices rose by 54%, corn prices rose by 29%, soybean prices rose by 22%, orange juice prices rose by 17%, and sugar prices rose by 51%. Wheat prices are also up 36% since the beginning of July. Despite these huge increases in commodity prices, according to the U.S. Bureau of Labor and Statistics (BLS)'s consumer price index (CPI), food prices only rose 0.3% in September. (The BLS's October CPI report will be released on November 17th.)

The BLS today calculates the CPI differently than they did decades ago. Being that retired Americans are supposed to receive social security payment increases when the CPI rises, the BLS purposely manipulates the CPI as low as possible using geometric weighting and hedonics. Geometric weighting gives a lower weighting to goods that are rising in price and a higher weighting to goods that are dropping in price. The BLS justifies this by saying that if the price of steak is rising but hamburgers are falling, Americans will switch to eating hamburgers. Hedonics accounts for the increased pleasure that a product provides. Meaning, if the price of a computer goes up 10% but it is now twice as fast, the BLS can say the price declined 45%.

NIA believes real price inflation in the U.S. is already 5% and the recent spike in agricultural commodity prices along with Bernanke's just announced \$600 billion in quantitative easing will send the real inflation rate back up to above 10% in early 2011. Once Americans wake up and realize just how rapidly the U.S. dollar is being debased, NIA believes we will see a rush out of the U.S. dollar that could eventually trigger an outburst of hyperinflation.

Despite the recent rise in agricultural commodities, food manufacturers, wholesalers, and retailers have been reluctant to pass commodity price increases along to the consumer because they know that Americans have been struggling to make their mortgage payments. However, agricultural commodity price increases have gotten so far out of control that if corporations don't start passing them along to consumers immediately, they will simply go out of business.

Almost all agricultural commodities are down substantially from their all time inflation adjusted highs from the 1970s. This shouldn't be, because our national debt is now 15 times larger than it was in 1980 and our GDP has only

grown by 1 and 1/2 times since then. The only way our nation can pay back its national debt is by the Federal Reserve monetizing it. NIA is confident that the upcoming monetization of our debt will send nearly all agricultural commodities soaring to new all time inflation adjusted highs.

Corn futures are currently trading for \$5.90 per bushel and the average grocery store sells corn for \$1.25 per ear.

In September of 1974, corn reached a high of \$3.83 per



bushel, which based on the CPI is \$16.55 per bushel in today's dollars. Based on the way NIA calculates real price inflation, by eliminating geometric

weighting and hedonics, corn's real inflation adjusted high in September of 1974 was \$53.97 per bushel. NIA expects corn to reach new inflation adjusted highs this decade and if so, the average price of a ear of corn in your grocery store will likely rise to around \$11.43.

Wheat futures are currently trading for \$7.14 per bushel and the average grocery store sells a 24 oz loaf of the cheapest store brand of wheat bread for \$1.69.



In February of 1974, wheat reached a high of \$6.45 per bushel, which based on the CPI is \$29.85 per bushel in today's dollars. Based on the way NIA calculates real price inflation, by eliminating geometric weighting and hedonics, wheat's real inflation adjusted high in February of 1974 was \$97.37 per bushel. NIA expects wheat to reach new inflation adjusted highs this decade and if so, the average price for a 24 oz loaf of the cheapest store brand of wheat bread in your grocery store will likely rise to around \$23.05.

Sugar futures are currently trading for \$0.3166 per pound and the average grocery store sells a 32 oz package of Domino Granulated Sugar for \$2.19.

In November of 1974, sugar reached a high of \$0.65 per pound, which based on the CPI is \$2.757 per pound in today's dollars. Based on the way NIA calculates real price inflation, by eliminating geometric weighting and hedonics, sugar's real inflation adjusted high in November of 1974 was \$8.99 per pound. NIA expects sugar to reach new inflation adjusted highs this decade and if so, the average price for a 32 oz package of Domino Granulated Sugar in your grocery store will likely rise to around \$62.21.

Soybeans futures are currently trading for \$12.75 per bushel and the average grocery store sells their cheapest store brand 32 fl oz container of soy milk for \$1.49.

In June of 1973, soybeans reached a high of \$12.90 per bushel, which based on the CPI is \$63.75 per bushel in today's dollars. Based on the way NIA calculates real price inflation, by eliminating geometric weighting and hedonics, soybean's real inflation adjusted high in June of 1973 was \$207.97 per bushel. NIA expects soybeans to reach new

inflation adjusted highs this decade and if so, the average price for the cheapest store brand 32 fl oz container of soy milk in your grocery store will likely rise to around \$24.31.

Coffee futures are currently trading for \$2.06 per pound and the average grocery store sells a 11.30 oz container of Folgers Ground Classic Roast Coffee for \$3.99.

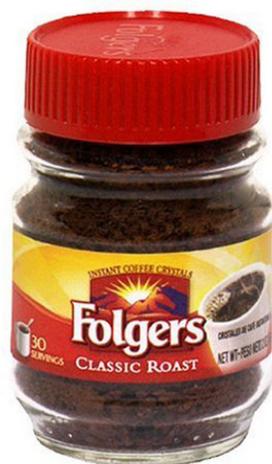
In April of 1977, coffee reached a high of \$3.38 per

pound, which based on the CPI is \$12.29 per pound in today's dollars. Based on the way NIA calculates real price inflation, by eliminating geometric weighting and hedonics, coffee's real inflation adjusted high in April of 1977 was \$40.08 per pound. NIA expects coffee to reach new inflation adjusted highs this decade and if so, the average price for a 11.30 oz container of Folgers Ground Classic Roast Coffee in your grocery store will likely rise to around \$77.71.

Orange juice futures are currently trading for \$1.66 per pound and the average grocery store sells a 64 fl oz container of Minute Maid 100% Pure Squeezed Orange Juice for \$2.99.

In November of 1977, orange juice reached a high of \$2.20 per pound, which based on the CPI is \$7.76 per pound in today's dollars. Based on the way NIA calculates real price inflation, by eliminating geometric weighting and hedonics, orange juice's real inflation adjusted high in November of 1977 was \$25.33 per pound. NIA expects orange juice to reach new inflation adjusted highs this decade and if so, the average price for a 64 fl oz container of Minute Maid 100% Pure Squeezed Orange Juice in your grocery store will likely rise to around \$45.71.

Cocoa futures are currently trading for \$2,798 per metric ton and the average grocery store sells a Hershey's Milk Chocolate 1.55 oz candy bar for \$0.69.



In July of 1977, cocoa reached a high of \$5,379.20 per metric ton, which based on the CPI is \$19,262.74 per metric ton in today's dollars. Based on the way NIA calculates real price inflation, by eliminating geometric weighting and hedonics, cocoa's real inflation adjusted high in July of 1977 was \$62,837.17 per metric ton. NIA expects cocoa to reach new inflation adjusted highs this decade and if so, the average price for a Hershey's Milk Chocolate 1.55 oz candy bar in your grocery store will likely rise to around \$15.50.

Cotton futures are currently trading for \$1.40 per pound

and Wal-Mart currently sells a plain white men's cotton t-shirt for \$5.



In September of 1973, cotton reached a high of \$0.99 per pound, which based on the CPI is \$4.78 per pound in today's dollars. Based on the way NIA calculates real price inflation, by eliminating geometric weighting and hedonics, cotton's real inflation adjusted high in September of 1973 was \$15.61 per pound. NIA expects cotton to reach new inflation adjusted highs this decade and if so, the average price for a plain white men's cotton t-shirt at Wal-Mart will likely rise to around \$55.57.

The average American family currently spends only 13% of their total annual expenditures on food and they spend 34% of their total annual expenditures on housing. NIA projects that by the year 2015, Americans will be spending as much as 40% of their annual expenditures on food, and as little as 10% of their annual expenditures on housing. NIA expects the government to implement legislation that will prevent landlords from increasing rents in a way that even remotely keeps up with price inflation. We pray that the U.S. government doesn't implement similar price controls in the food sector, as it will only lead to empty store shelves like what was seen during recent years in Zimbabwe.

If you are an NIA member and have a question about the U.S. economy or inflation, please browse through our 'NIAAnswers' database and if your question hasn't already been answered there, you can either submit it on 'NIAAnswers' or email it to us at: editor@inflation.us

If you are a member of the media and would like to schedule an interview with NIA's President Gerard Adams about inflation, please send an email to media@inflation.us or if it is urgent you can call us directly at 1-888-99-NIA US (1-888-996-4287).