

## Organic Commodity Futures Trading Is a Step Backwards

By: Oren Holle, OFARM President

I have recently been involved in discussions that could lead to organic commodity futures trading. The more I think about it, the more I think this would be a step backwards for organic farmers. There are better ways to achieve the goals of fair and stable organic prices at the farm level.

The organic food system thrives as an alternative to, not a junior version of, the conventional industrial model. Farmers, not speculators, are where pricing of organic products must begin. Only in this way will prices reflect every aspect of the food system beginning with the seed being planted in the soil.

The alternative is a futures market where pricing begins not with farmers at the local level, but with the actions of global conglomerates betting on world economies and global events. We cannot expect that jumping into that game will make prices more stable, especially when we consider how "thin" most organic markets are. In fact, our recent experience with corn and oil tells us that prices may become even more volatile if we invite traders from around the world to get involved in pricing our products.

We also have to be concerned about the integrity of global futures markets. History tells us that regulation of price discovery mechanisms such as the CBOT and the CME are only as good as the political will of the people in charge.

We must also not forget how easily futures markets can turn to derivatives and the horror stories they have brought for producers. Any farmer-oriented market mechanism should require the buyer to take physical delivery of the product and the seller to actually sell it. But this is exactly the reasonable behavior that futures markets put in jeopardy.

In raising concerns about futures markets for organics, I do not say we can't do more to provide fair and stable prices for organic farmers. We can, and we should.

For the past decade, Organic Farmers Agency for Relationship Marketing (OFARM) has worked through its system of member cooperatives to jointly determine farm-level target prices. In determining those target prices, we recognize that we must include a reasonable return for labor, management and financial investment. We further recognize that this value must reflect the costs inherent in maintaining the social and environmental infrastructures of our total food production system for succeeding generations.

At OFARM, we also recognize that inventory discipline on the part of both producers and the industry will be a key to both lessening price fluctuations and guaranteeing long term, reliable sources of product for every sector in the commerce equation.

Yes, there is more that we must do if we are to have the right model for pricing organic farm products. The road to that important goal is one of farmers resolving to unite and stand together for economic justice in the market place, not one of turning our future over to the whims of global speculators.

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