



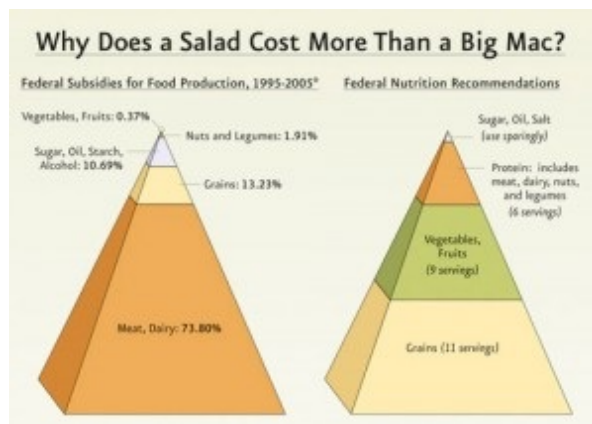
Welcome to the Permanent Recession – Food and Transportation Prices Rising

Posted by [Prof. Goose](#) on March 9, 2010 - 10:30am

This is a guest post by [Brian Gordon](#).

If employment is inversely proportional to oil prices (it is), and oil prices are only going to trend up...then employment by necessity is going down. Because oil is so fundamental to our economy, oil price increases ripple through the entire economy.

Take food as an example: current factory farming methods are entirely dependent upon oil from planting to processing to getting the food to market. Certain types of food are also heavily subsidised, especially meat and dairy. Note that these subsidies do not necessarily include oil subsidies, taxpayer-provided roads, subsidised water, and so on. As the price of oil increases, so goes the price of food; in fact this has already been happening in [Canada](#) and the [United States](#). Note especially the increase in transportation costs, and both sources cite rises in fuel as a primary driver of inflation, so-to-speak.



If we take subsidised, oil-based factory farming prices as our minimum, and locally-grown, unsubsidised, organic (requiring little or no oil) prices as our maximum, in an environment where oil prices are increasing then the prices of factory-grown foods will tend to approach – and ultimately exceed – those of locally-grown organic.

Now, anybody who has done any grocery shopping recently knows that organic produce, meat, and dairy costs considerably more than factory-grown food, sometimes double or more. As the price of oil increases, more shoppers will switch to organic. Why not? If the cost differential evaporates, why not buy organic?

There is a big problem with this.

Let's assume this does not drive up the price of organic, because factory farms switch to organic. This is easier said than done, and there are still plenty of oil-based costs (e.g.: for transportation)

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that will drive up the price of both organic and non-organic food. However, let's be generous and ignore that.

If all food approaches the price of organic food, everyone not currently buying organic will see their food budget increase proportionally. As food is a necessity, cutbacks will be made elsewhere. Entertainment, purchases of non-necessities, etc. will decline, reducing jobs in those sectors.

Voila, food price increases translate to lower overall employment, aka a recession.

On the plus side, organic agriculture requires more labour and less oil, so there will be jobs there. On the downside, those jobs are typically very hard work for very little pay, which is why we use migrant workers. As long as we continue to do that, there will be unemployed Canadians and Americans with no income to buy the now much more expensive organic produce and animal products.

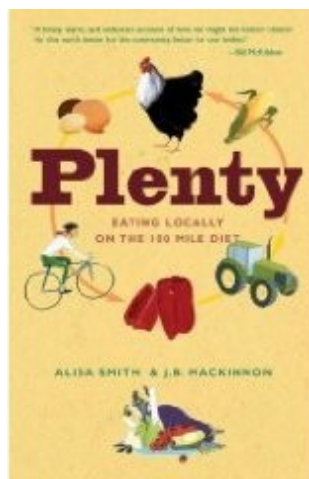
One way for people to compensate will be to eat less meat, as factory-grown meat is far more energy-intensive compared to vegetables, and therefore will be affected more by oil price increases. Compare the price of free range, organic beef to feedlot beef in your local grocery store, for example. Meat is also one of the most heavily subsidised foods, and no doubt there will be considerable pressure on governments to increase subsidies to keep meat prices down.

How long that can go on is uncertain. Because Canadian and U.S. governments are already heavily in debt and running deficits, any additional subsidies are added to the national debt and increase the deficit. That is clearly unsustainable, and eventually real food prices will have to be paid. The longer the subsidies remain in place, the greater the ultimate pain.

Suggested books if you want to learn more

The books below discuss in more detail some of the ideas mentioned in this post.

The first book (see Book 1) is [Plenty: Eating Locally on the 100-Mile Diet](#) – something the authors found a tremendous challenge. And they live in British Columbia, where far more can be grown than anywhere else in Canada. They found certain foods were simply no longer available. As oil prices rise, locally-grown foods will be favoured, so there are important lessons in this book.



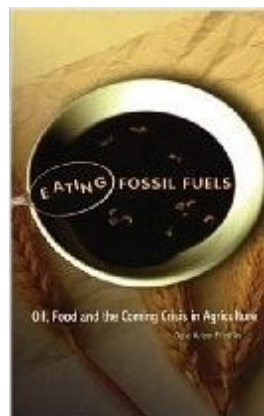
Book 1: [Plenty: Eating Locally on the 100-Mile Diet](#)

The second book (see Book 2) specifically discusses the link between fossil fuels and our food. Pay

The miracle of the Green Revolution was made possible by cheap fossil fuels to supply crops with artificial fertilizer, pesticides, and irrigation. Estimates of the net energy balance of agriculture in the United States show that ten calories of hydrocarbon energy are required to produce one calorie of food. Such an imbalance cannot continue in a world of diminishing hydrocarbon resources.

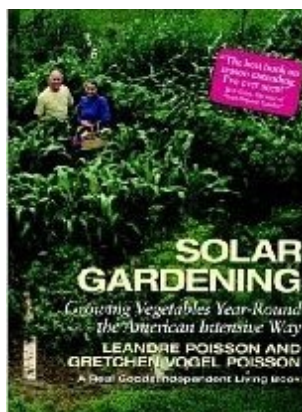
Eating Fossil Fuels examines the interlinked crises of energy and agriculture and highlights some startling findings:

- The worldwide expansion of agriculture has appropriated fully 40 percent of the photosynthetic capability of this planet.
- The Green Revolution provided abundant food sources for many, resulting in a population explosion well in excess of the planet's carrying capacity.
- Studies suggest that without fossil fuel-based agriculture, the United States could only sustain about two-thirds of its present population. For the planet as a whole, the sustainable number is estimated to be about two billion.



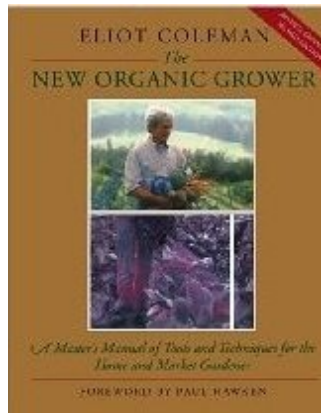
Book 2: [*Eating Fossil Fuels*](#)

The next two books (see Books 3 and 4) are about growing your own vegetables, something we might all want to look into.



Book 3: [*Solar Gardening*](#)

Victory Gardens provided much food to Britons and Americans during World War II, and Dmitri Orlov has said that home gardens saved a lot of Russians following the collapse of the Soviet Union. We should all be developing some self-sufficiency skills.



Book 4: [*The New Organic Grower*](#)



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