

Why a World Food Crisis?

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Article 25 of the Universal Declaration of Human Rights stipulates that “*everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services*”. The sharp increase in the cost of staple food, particularly noticeable in the first semester of 2008, is an immediate threat to the sheer survival of hundreds of millions of people. The right to food, which has already been severely impaired over the past decades of neoliberal policies, is now even more seriously jeopardised.

After a significant fall in the prices of staple commodities, including food, over two decades, the trend was inverted in the second half of 2001. First geared to energy and metal, the rise in prices next affected food stuff. The rise was a very steep one. In just one year between 2007 and 2008 the prices of rice and wheat have doubled, while the price of corn has risen by a third. In one session on 27 March 2008, the price of rice, which is the staple food for half the world population, suffered a 31% increase. In 2008 the price of cereals is expected to increase by 56%, after a 37% increase in 2007. The barrel of oil reached US\$ 146 in July 2008, the gold ounce US\$ 1,000 in March 2008, the bushel of maize US\$ 7.5 in June 2008 – all these records reflecting a trend that is affecting almost all commodities. As a consequence of the converging policies of agrobusiness TNCs, neoliberal governments, and the WB/IMF, cereal supplies are currently at their lowest in 25 years. In 2008, in response to the possibility of running out of stock, some producing countries have limited or cut their exports, for instance Russia for cereals or Thailand for rice, to keep production on the home market. The cost of a meal has risen sharply. In over thirty countries, from the Philippines to Egypt and Burkina Faso, from Haiti to Yemen, from Mexico to Senegal, people have been down in the streets voicing their anger, and general strikes have grown more and more frequent.

The explanations offered are often presented as uncontroversial facts: climate changes have reduced cereal production in Australia and Ukraine, the constant rise in oil prices has affected transport and commodities, the demand from China and India is on the increase (which accounts for the fact that commodities which these two countries are not interested in, such as cocoa, have not experienced a similar price increase). Many of those questioned refused to examine the economic context in which such price increases occur. For instance, Louis Michel, European Commissioner for Development and Humanitarian Aid, was primarily concerned about an *economic and humanitarian tsunami* in Africa, using a misleading word since a tsunami is a natural disaster, which relieves those responsible from blame. However, we should look at three other explanations that are too often underestimated in this respect.

First, faced with historically low prices for cereals up to 2005, US and EU governments granted agrobusiness corporations subsidies to develop the biofuel industry. These corporations wanted to increase their profits in two ways: sell their cereals at higher prices

and make biofuel production profitable. They won on both counts.

How did they do this? They started from the following assumption: what will no longer be possible with oil in a few decades (because of shrinking available reserves) can be done with soy, beetroot (converted into biofuel), cereals or sugar cane (in the form of ethanol). So they asked the public authorities to grant subsidies so that the very costly production of biofuel would become profitable. Washington, the European Commission in Brussels and other European capitals agreed, claiming they were securing energy independence for their countries or regions.[\[1\]](#)

This support policy siphoned off significant amounts of essential food products towards the biofuel industry. For instance in 2007, 100 million tons of cereals were taken away from the food sector. With dwindling supplies, prices soared. Similarly land that was formerly used to produce food was converted for biofuel production. This also limits the supply of food products and contributes to rising prices. In short, to meet the interests of a few private corporations intent on developing biofuel production, it was decided to hijack part of a food production that is acutely needed.

Even international institutions were alarmed. A WB report estimated that climate change and the increased Asian demand had only a minor impact. On the other hand, it claimed that the development of the biofuel industry led to a 75 % rise in food prices from 2002 to February 2008 (75% out of the 140% total rise, while the rise in fuel and fertiliser prices only accounts for 15%).

This estimate is much higher than the 3% the US administration announced. According to the WB, these soaring prices have already cost consumers in poor countries US\$ 324 billion and could drag an additional 105 million people below the poverty line.[\[2\]](#) The report declares that *“production of biofuels has distorted food markets in three main ways. First, it has diverted grain away from food for fuel, with over a third of US corn now used to produce ethanol and about half of vegetable oils in the EU going towards the production of biodiesel. Second, farmers have been encouraged to set land aside for biofuel production. Third, it has sparked financial speculation in grains, driving prices up higher”*. To avoid embarrassing President Bush, the WB had not published this report. We only know about it through a leak in a British newspaper.[\[3\]](#)

It is a crime against humanity to divert arable land to the production of crops which are then burned for fuel.

Jean Ziegler, then UN rapporteur on the right to food, October 2007

A few days later the OECD published a report[\[4\]](#) that advocates a moratorium on biofuels and a complete reshuffling of related policies, since it points out that the use of biofuels *“contributes little to reduced greenhouse-gas emissions and other policy objectives, while it adds to a range of factors that raise international prices for food commodities”*. The OECD stresses the fact that new political initiatives only increase existing problems[\[5\]](#) since food prices go up and there are therefore more risks of starvation for the poorer populations in developing countries. Yet forecasts announce twice as much biofuel production in the next decade.

The development and expansion of the biofuel industry will contribute to a rise in food commodities in the middle term and to more food insecurity for the more deprived categories in developing countries.

OECD

*Second, **speculation on farm products** was very high in 2007-2008, reinforcing a trend that started in the early 2000s after the Internet bubble had burst. After the *subprime* crisis that shook the US in summer 2007, institutional investors^[6] gradually moved out of the debt market that had been built on the US housing industry and identified agricultural commodities and biofuels as likely to bring high returns. They buy future crops on the Chicago, Minneapolis and Kansas City stockmarkets, which are the major world markets for speculation on cereals. Similarly they buy future oil and gas production on other markets, banking on increased prices. The same people whose greed triggered a housing crisis in the US using the gullibility of low-income families that nevertheless wished to buy a house (the *subprime* market) played an active part in the steep rise in hydrocarbons and food commodities^[7]. Hence the crucial importance of questioning the overwhelming power of financial markets.*

*Third, developing countries are particularly helpless to face the food crisis since the policies enforced by the WB and the IMF since the debt crisis have deprived them of all necessary protection: reduction of land used for crop cultivation and enforced specialisation in one or two export products, an end to price stabilising systems and to cereal self-sufficiency, reduction of cereal reserves and thus a weakening of local economies by making them dependent on world market developments, drastic cuts in social spending, suppression of subsidies for staple commodities, the opening up of markets and unfair competition between small farmers and TNCs ... Masters in fact-avoidance techniques as they are, the concerned institutions merely acknowledge a few mistakes in order to keep their central position in the international game. Yet a half-hearted *mea culpa* in a half-confidential report is not enough, for they are guilty of the crime of imposing an economic model that deliberately deprives poor populations of much needed protection and sacrifices them to the greed of the most ferocious of economic players. Far from feeling concern about a rampant poverty it helps to spread, the WB seems primarily worried about social unrest that could be a threat to neoliberal globalisation, itself a structural source of poverty, inequality, corruption, and an obstacle to any kind of food sovereignty.*

*"The direction that has been proposed for years by Via Campesina, the international organisation of farmers' movements, provides an answer to the current crisis: *To insure independence and food sovereignty to all peoples in the world, it is essential that food be produced within systems of diversified and preferably organic production, in small units. Food sovereignty is the right every people has to define its own farming policies and to protect and regulate national food production and the home market in order to reach sustainable goals, to decide to what extent they aim at self-sufficiency without dumping their overflow onto other countries. [...] International trade must not prevail over social, environmental, cultural or developmental standards.*"^[8] Via Campesina*

Translated from French by Christine Pagnouille in collaboration with Judith Harris

^[1] Note once again the disparity of standards: in order to ensure their energy sovereignty governments of the North do not hesitate to subsidise private industry while they use the

WB, the IMF and the WTO to deny governments of the South the right to subsidise local producers, whether in farming or manufacturing.

[2] See <http://www.cadtm.org/spip.php?article3519>

[3] "Secret report: biofuel caused food crisis", *The Guardian*, 4 July 2008, www.guardian.co.uk/environment/2008/jul/03/biofuels.renewableenergy

[4] OECD, Biofuel Support policies : An Economic Assessment, 16 July 2008, http://www.oecd.org/document/30/0,3343,en_2649_33785_41211998_1_1_1_1,00.html
www.oecd.org/dataoecd/20/14/41008804.pdf

[5] « L'OCDE, très critique sur les biocarburants, est favorable à un moratoire », AFP press release, 16 July 2008.

[6] The main institutional investors are pension funds, insurance and mortgage companies, and banks; they can mobilise some US\$ 60,000 billion which they invest where return is highest. Not forgetting hedge funds, *which* can mobilise US\$ 1,500 billion.

[7] Sept. 22 (Bloomberg) : "Oil, gold, corn and other commodities climbed as the dollar dropped on concern that a U.S. proposal to buy \$700 billion of troubled assets from financial firms will deepen the budget deficit." <http://www.bloomberg.com/>

[8] Via Campesina, in Rafael Diaz-Salazar, *Justicia Global. Las alternativas de los movimientos del Foro de Porto Alegre*, Icaria editorial & Intermón Oxfam, 2002, p.87 & 90

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