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Food Crisis - Part 1

Historical Failure of the Capitalist Model

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If the government cannot lower the cost of living it simply has to leave. If the police and UN troops want to shoot at us, that's OK, because in the end, if we are not killed by bullets, we'll die of hunger." A demonstrator in Port-au-Prince, Haiti

[http://internationalviewpoint.org/IMG/jpg/mexico_food_protest.jpg] Mexico food price protest

In Haiti, where most people get 22% fewer calories than the minimum needed for good health, some are staving off their hunger pangs by eating "soemud biscuits" made by mixing clay and water with a bit of vegetable oil and salt. [1]

Meanwhile, in Canada, the federal government is currently paying \$225 for each pig killed in a mass cull of breeding swine, as part of a plan to reduce hog production. Hog farmers, squeezed by low hog prices and high feed costs, have responded so enthusiastically that the kill will likely use up all the allocated funds before the program ends in September.

Some of the slaughtered hogs may be given to local Food Banks, but most will be destroyed or made into pet food. None will go to Haiti.

This is the brutal world of capitalist agriculture " a world where some people destroy food because prices are too low, and others literally eat dirt because food prices are too high.

Record prices for staple foods

We are in the midst of an unprecedented worldwide food price inflation that has driven prices to their highest levels in decades. The increases affect most kinds of food, but in particular the most important staples " wheat, corn, and rice.

The UN Food and Agriculture Organization says that between March 2007 and March 2008 prices of cereals increased 88%, oils and fats 106%, and dairy 48%. The FAO food price index as a whole rose 57% in one year " and most of the increase occurred in the past few months.

Another source, the World Bank, says that that in the 36 months ending February 2008, global wheat prices rose 181% and overall global food prices increased by 83%. The Bank expects most food prices to remain well above 2004 levels until at least 2015.

The most popular grade of Thailand rice sold for \$198 a tonne five years ago and \$323 a tonne a year ago. On April 24, the price hit \$1,000.

Increases are even greater on local markets " in Haiti, the market price of a 50 kilo bag of rice doubled in one week at the end of March.

These increases are catastrophic for the 2.6 billion people around the world who live on less than US\$2 a day and spend 60% to 80% of their incomes on food. Hundreds of millions cannot afford to eat.

This month, the hungry fought back.

Taking to the streets

In Haiti, on April 3, demonstrators in the southern city of Les Cayes built barricades, stopped trucks carrying rice and distributed the food, and tried to burn a United Nations compound. The protests quickly spread to the capital, Port-au-Prince, where thousands marched on the presidential palace, chanting "We are hungry!" Many called for the withdrawal of UN troops and the return of Jean-Bertrand Aristide, the exiled president whose government was overthrown by foreign powers in 2004.

President René Prévail, who initially said nothing could be done, has announced a 16% cut in the wholesale price of rice. This is at best a stop-gap measure, since the reduction is for one month only, and retailers are not obligated to cut their prices.

The actions in Haiti paralleled similar protests by hungry people in more than twenty other countries.

- ▶ In Burkino Faso, a two-day general strike by unions and shopkeepers demanded "significant and effective" reductions in the price of rice and other staple foods.
- ▶ In Bangladesh, over 20,000 workers from textile factories in Fatullah went on strike to demand lower prices and higher wages. They hurled bricks and stones at police, who fired tear gas into the crowd.
- ▶ The Egyptian government sent thousands of troops into the Mahalla textile complex in the Nile Delta, to prevent a general strike demanding higher wages, an independent union, and lower prices. Two people were killed and over 600 have been jailed.
- ▶ In Abidjan, Côte d'Ivoire, police used tear gas against women who had set up barricades, burned tires and closed major roads. Thousands marched to the President's home, chanting "We are hungry," and "Life is too expensive, you are killing us."
- ▶ In Pakistan and Thailand, armed soldiers have been deployed to prevent the poor from seizing food from fields and warehouses.

Similar protests have taken place in Cambodia, Cameroon, Ethiopia, Honduras, Indonesia, Madagascar, Mauritania, Niger, Peru, Philippines, Senegal, Thailand, Uzbekistan, and Zambia. On April 2, the president of the World Bank told a meeting in Washington that there are 33 countries where price hikes could cause social unrest.

A Senior Editor of Time magazine warned:

"The idea of the starving masses driven by their desperation to take to the streets and overthrow the ancien régime has seemed impossibly quaint since capitalism triumphed so decisively in the Cold War! And yet, the headlines of the past month suggest that skyrocketing food prices are threatening the stability of a growing number of governments around the world. When circumstances render it impossible to feed their hungry children, normally passive citizens can very quickly become militants with nothing to lose." [\[2\]](#)

What's Driving Food Inflation?

Since the 1970s, food production has become increasingly globalized and concentrated. A handful of countries dominate the global trade in staple foods. 80% of wheat exports come from six exporters, as does 85% of rice. Three countries produce 70% of exported corn. This leaves the world's poorest countries, the ones that must import food to survive, at the mercy of economic trends and policies in those few exporting companies. When the global food trade system stops delivering, it's the poor who pay the price.

For several years, the global trade in staple foods has been heading towards a crisis. Four related trends have slowed production growth and pushed prices up.

The End of the Green Revolution: In the 1960s and 1970s, in an effort to counter peasant discontent in south and southeast Asia, the U.S. poured money and technical support into agricultural development in India and other countries. The "green revolution" new seeds, fertilizers, pesticides, agricultural techniques and infrastructure led to spectacular increases in food production, particularly rice. Yield per hectare continued expanding until the 1990s.

Today, it's not fashionable for governments to help poor people grow food for other poor people, because the market is supposed to take care of all problems. The Economist reports that spending on farming as a share of total public spending in developing countries fell by half between 1980 and 2004. [3] Subsidies and R&D money have dried up, and production growth has stalled.

As a result, in seven of the past eight years the world consumed more grain than it produced, which means that rice was being removed from the inventories that governments and dealers normally hold as insurance against bad harvests. World grain stocks are now at their lowest point ever, leaving very little cushion for bad times.

Climate Change: Scientists say that climate change could cut food production in parts of the world by 50% in the next 12 years. But that isn't just a matter for the future:

- ▶ Australia is normally the world's second-largest exporter of grain, but a savage multi-year drought has reduced the wheat crop by 60% and rice production has been completely wiped out.
- ▶ In Bangladesh in November, one of the strongest cyclones in decades wiped out a million tonnes of rice and severely damaged the wheat crop, making the huge country even more dependent on imported food.

Other examples abound. It's clear that the global climate crisis is already here, and it is affecting food.

Agrofuels: It is now official policy in the U.S., Canada and Europe to convert food into fuel. U.S. vehicles burn enough corn to cover the entire import needs of the poorest 82 countries. [4]

Ethanol and biodiesel are very heavily subsidized, which means, inevitably, that crops like corn (maize) are being diverted out of the food chain and into gas tanks, and that new agricultural investment worldwide is being directed towards palm, soy, canola and other oil-producing plants. This increases the prices of agrofuel crops directly, and indirectly boosts the price of other grains by encouraging growers to switch to agrofuel.

As Canadian hog producers have found, it also drives up the cost of producing meat, since corn is the main

ingredient in North American animal feed.

Oil Prices: The price of food is linked to the price of oil because food can be made into a substitute for oil. But rising oil prices also affect the cost of producing food. Fertilizer and pesticides are made from petroleum and natural gas. Gas and diesel fuel are used in planting, harvesting and shipping. [5]

It's been estimated that 80% of the costs of growing corn are fossil fuel costs so it is no accident that food prices rise when oil prices rise.

* * *

By the end of 2007, reduced investment in the third world, rising oil prices, and climate change meant that production growth was slowing and prices were rising. Good harvests and strong export growth might have staved off a crisis but that isn't what happened. The trigger was rice, the staple food of three billion people.

Early this year, India announced that it was suspending most rice exports in order to rebuild its reserves. A few weeks later, Vietnam, whose rice crop was hit by a major insect infestation during the harvest, announced a four-month suspension of exports to ensure that enough would be available for its domestic market.

India and Vietnam together normally account for 30% of all rice exports, so their announcements were enough to push the already tight global rice market over the edge. Rice buyers immediately started buying up available stocks, hoarding whatever rice they could get in the expectation of future price increases, and bidding up the price for future crops. Prices soared. By mid-April, news reports described a panic buying of rice futures on the Chicago Board of Trade, and there were rice shortages even on supermarket shelves in Canada and the U.S.

Why the rebellion?

There have been food price spikes before. Indeed, if we take inflation into account, global prices for staple foods were higher in the 1970s than they are today. So why has this inflationary explosion provoked mass protests around the world?

The answer is that since the 1970s the richest countries in the world, aided by the international agencies they control, have systematically undermined the poorest countries' ability to feed their populations and protect themselves in a crisis like this.

Haiti is a powerful and appalling example.

Rice has been grown in Haiti for centuries, and until twenty years ago Haitian farmers produced about 170,000 tonnes of rice a year, enough to cover 95% of domestic consumption. Rice farmers received no government subsidies, but, as in every other rice-producing country at the time, their access to local markets was protected by import tariffs.

In 1995, as a condition of providing a desperately needed loan, the International Monetary Fund required Haiti to cut its tariff on imported rice from 35% to 3%, the lowest in the Caribbean. The result was a massive influx of U.S. rice that sold for half the price of Haitian-grown rice. Thousands of rice farmers lost their lands and livelihoods, and today

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three-quarters of the rice eaten in Haiti comes from the U.S. [6]

U.S. rice didn't take over the Haitian market because it tastes better, or because U.S. rice growers are more efficient. It won out because rice exports are heavily subsidized by the U.S. government. In 2003, U.S. rice growers received \$1.7 billion in government subsidies, an average of \$232 per hectare of rice grown. [7] That money, most of which went to a handful of very large landowners and agribusiness corporations, allowed U.S. exporters to sell rice at 30% to 50% below their real production costs.

In short, Haiti was forced to abandon government protection of domestic agriculture " and the U.S. then used its government protection schemes to take over the market.

There have been many variations on this theme, with rich countries of the north imposing "soel liberalization" policies on poor and debt-ridden southern countries and then taking advantage of that liberalization to capture the market. Government subsidies account for 30% of farm revenue in the world's 30 richest countries, a total of US\$280 billion a year, [8] an unbeatable advantage in a "free" market where the rich write the rules.

The global food trade game is rigged, and the poor have been left with reduced crops and no protections.

In addition, for several decades the World Bank and International Monetary Fund have refused to advance loans to poor countries unless they agree to "Structural Adjustment Programs" (SAP) that require the loan recipients to devalue their currencies, cut taxes, privatize utilities, and reduce or eliminate support programs for farmers.

All this was done with the promise that the market would produce economic growth and prosperity " instead, poverty increased and support for agriculture was eliminated.

"The investment in improved agricultural input packages and extension support tapered and eventually disappeared in most rural areas of Africa under SAP. Concern for boosting smallholders' productivity was abandoned. Not only were governments rolled back, foreign aid to agriculture dwindled. World Bank funding for agriculture itself declined markedly from 32% of total lending in 1976-8 to 11.7% in 1997-9." [9]

During previous waves of food price inflation, the poor often had at least some access to food they grew themselves, or to food that was grown locally and available at locally set prices. Today, in many countries in Africa, Asia and Latin America, that's just not possible. Global markets now determine local prices " and often the only food available must be imported from far away.

* * *

Food is not just another commodity " it is absolutely essential for human survival. The very least that humanity should expect from any government or social system is that it try to prevent starvation " and above all that it not promote policies that deny food to hungry people.

That's why Venezuelan president Hugo Chavez was absolutely correct on April 24, to describe the food crisis as "the greatest demonstration of the historical failure of the capitalist model."

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What needs to be done to end this crisis, and to ensure that doesn't happen again? Part Two of this article will examine those questions.

[1] Kevin Pina. "Mud Cookie Economics in Haiti." Haiti Action Network, Feb. 10, 2008.

http://www.haitiaction.net/News/HIP/2_10_8/2_10_8.html

[2] Tony Karon. "How Hunger Could Topple Regimes." Time, April 11, 2008.

<http://www.time.com/time/world/article/0,8599,1730107,00.html>

[3] "The New Face of Hunger." The Economist, April 19, 2008.

[4] Mark Lynas. "How the Rich Starved the World." New Statesman, April 17, 2008. <http://www.newstatesman.com/200804170025>

[5] Dale Allen Pfeiffer. Eating Fossil Fuels. New Society Publishers, Gabriola Island BC, 2006. p. 1

[6] Oxfam International Briefing Paper, April 2005. "Kicking Down the Door." http://www.oxfam.org/en/files/bp72_rice.pdf

[7] Ibid.

[8] OECD Background Note: Agricultural Policy and Trade Reform. <http://www.oecd.org/dataoecd/52/23/36896656.pdf>

[9] Kjell Havnevik, Deborah Bryceson, Lars-Erik Birgegard, Prosper Matondi & Atakilte Beyene. "African Agriculture and the World Bank: Development or Impoverishment?" Links International Journal of Socialist Renewal, <http://www.links.org.au/node/328>