

Food prices – between hope and hunger

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Food prices are sky-rocketing. We notice this when we buy milk, bread or pasta. Farmers and also brokers are following the exploding prices of agricultural products closely: while a bushel of wheat (around 27 kg) sold for less than three euro in 2000, the price rose to a moderate five euro by February 2007, then soared to the current price of 12 euro within a year. For farmers in industrial nations, these prices are a cause for hope: farming is becoming profitable again and they might be able at last to earn a reasonable income from their own crops. Farmers in the South can also benefit from these trends, especially if they produce sufficient quantities and have access to markets via favourable road and port links. On the other hand, we have the impoverished small-scale farmers, subsistence farmers and landless in developing countries. Those earning less than one dollar a day are barely able to afford staple foods. And this is true of 980 million people worldwide (UNDP 2007), twice the total population of the EU! These people are worst hit by the price increases: only those who have enough money can eat and live – those who are poor become ill and die.

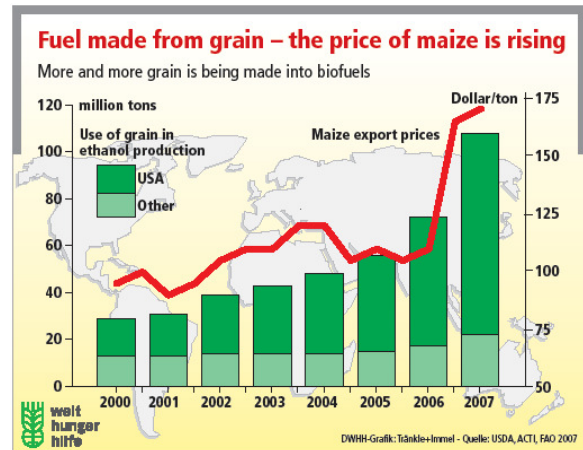
There are many reasons why food prices have increased so rapidly. The concurrence of various factors which compound each other was a major contributor to the price explosion last year.

One of the most significant causes of the surging price of food is the increasing demand for fossil oil: unrestrained consumption in newly industrialised countries and depleting reserves are leading to new **record prices for crude oil** every day. These have a direct impact on agricultural production because they drive up the price of fertiliser and the cost of operating machines. Increasing transport costs are also having a greater impact on the globalized food market with its long transport routes by ship or truck.

As an alternative to the dwindling crude oil reserves and to counteract soaring oil prices many industrial nations – first and foremost the USA and EU – have resolved to replace fossil fuels with **agrofuels or biofuels**, such as biodiesel and bioethanol. This political decision, which is also supposed to benefit the climate despite a questionable environmental audit, has had an immediate effect on the price of grain, especially maize. In the USA, maize is the most important raw material for the production of biofuel (bioethanol) and in 2007, it increased in price by a good 70%.

Global warming is already leading to crop loss: heat, drought, storms and flooding are

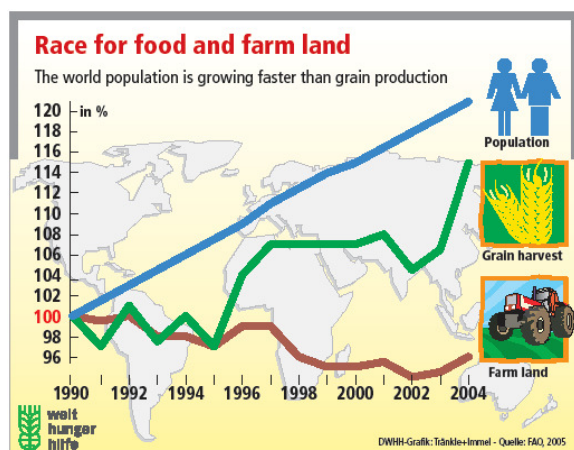
destroying crops more and more frequently and they therefore contribute towards rising



food prices. The climate change caused by the industrial nations is increasing the risk of drought and flooding, particularly in developing countries. Unless we protect the climate and adapt to changing climatic conditions, major changes in ecosystems will occur in many parts of the world: fertile regions will turn into arid environments or flood plains. In the last few years, for example, Kenya has been hit by both drought and flooding and has been forced to import increasing quantities of expensive grain. Simultaneously, Australia, one of the world's most important grain exporters, has

suffered severe crop losses as a result of repeated drought. The world's supply of grain is declining while demand is on the increase – and prices are soaring.

The world's population is growing steadily and with it man's demand for better food. Hence the increase in **meat consumption**, not just in industrial countries but more and more in threshold countries such as India and China. Meat can be an important part of a balanced diet, but excessive meat consumption also



leads to food shortages and increases in grain prices: for one kilo of pork, three kilo of fodder is required, and one kilo of beef requires no less than seven kilo of fodder. But agricultural production cannot be increased quickly enough to keep up with the **world population's** growing food requirements because the total area that is available for agricultural use is not increasing in size. Arable farm land gained in Russia or Latin America is lost in Asia or Europe for the development of roads, towns and industrial areas. Grain reserves reached an all-time low of 403 million tons in 2007 (according to FAO, 698 million tons were still available in 2000). This means food security faces a new challenge: crop failure and the further conversion of grain into fuel may mean for the first time that there is not enough food available for all people. For developing countries dependent on grain imports, this is a fatal development.

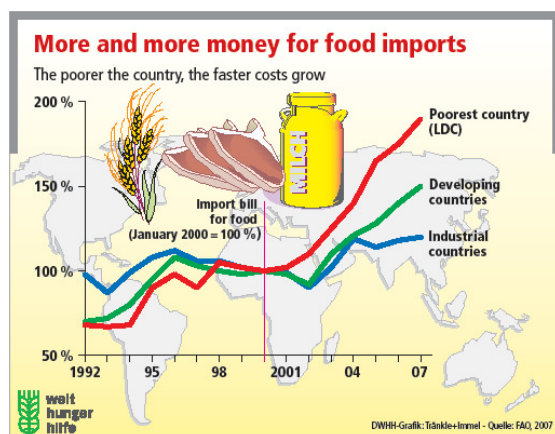
Another cause of price increases that should not be underestimated are **speculations on the stock exchange**. Because of the ongoing credit crisis and the relaxed monetary policies of the central banks, internationally active investors have more money at their disposal and they are investing this in a more diversified way than in the past. In recent years, more money has been invested in renewable raw materials, including grain, and this is driving prices up even higher.

Hope for farmers

Farmers in both the North and the South have been calling for fair prices for agricultural products for many years. While farmers in the majority of industrial countries are subsidised, their counterparts in developing countries have to make their living from market prices. In the past, this has meant they have only been able to compete on the world market with cheap labour or by exploiting geographical advantages (e.g. favourable climate for coffee, cocoa, tea). The price increases are now giving them reason to hope that agriculture in the South will become more profitable again and enable them to earn reasonable incomes. This is particularly true of farmers who have enough land, favourable transport connections and who can fulfil the high quality standards. Impoverished cotton farmers in developing countries could also benefit from the new trends: USA will reduce its highly subsidized cotton farming in favour of maize cultivation for biofuels. This could boost market opportunities and profits for cotton from developing countries again, especially Africa.

From poverty to hunger

In spite of hopes for agriculture in the South, clearly those worst hit by current price trends are small-scale farmers, subsistence farmers and the landless in the rural regions of developing countries. Their farmland is too small for them to produce sufficient quantities of food and achieve profits. Land reforms have rarely been introduced and cooperatives seldom created so that labourers are neither self-sufficient nor able to secure a livelihood. As soon as their own crop yields are used up, small-scale farmers and the landless are forced to buy food at unaffordable market prices. But in towns too, more and more low-income earners are affected by price increases: the money they earn is not enough to pay for food.



A vicious circle of price increases, poverty and hunger is already triggering unrest: not only people in Mexico have protested against unacceptable tortilla prices, Burkina Faso was also the scene of riots in February 2008 because the price of food and clothing had risen so drastically.

It is also becoming increasingly difficult to provide people afflicted by famine with sufficient supplies of food. Budgets for food aid have not yet been adapted to the increasing price of food and transport. The consequence is that the needs of people suffering from acute starvation can no longer be satisfied: in an emergency, too little food and funding are available. The international Food Aid Convention (FAC) must be urgently revised.

Lack of political coherence

There are 854 million starving people in the world and this number is growing: the FAO anticipates an increase to over 861 million (FAOSTAT). The global hunger crisis will intensify further because energy security is taking precedence over food security: the political decision to use agro fuels, such as biodiesel and biopetrol, on a large scale has been taken without regard to development policies. Industrial nations rashly decided to impose biofuel blend quotas for fossil fuels to protect the climate but these quotas can only be achieved if fuel plants are imported from developing countries. Responsible politics, however, involves assessing possible effects correctly and if necessary revising decisions: the resolved biofuel quotas are increasing hunger and violating the human right to food.

Climate protection does not have to occur to the detriment of food security. Ambitious political targets to save energy and increase efficiency would be more effective than biofuel quotas: they would strengthen the innovative potential of industrial nations and actually slow down global warming – and not least of all,

they would protect agriculture against long-term losses caused by climate change. To achieve this, there has to be greater coherence between development, agricultural, energy and environmental policies.

In view of the precarious global food situation, investments in food production are essential. In the last few decades, there has been very little investment in rural infrastructure and the modernisation of agriculture, especially in Africa. The potential of individual states and regions to be self-sufficient has to be promoted more actively. Although these challenges have to be faced by the affected countries themselves, it is the responsibility of the industrial nations, the originators of global warming and rising food prices, to support measures to secure food supplies far more actively than in the past, to build on previous experience and to cooperate more effectively with other partners.

Rafaël Schneider

(rafael.schneider@welthungerhilfe.de)