

FOOD PRICES

ARE WE HEADING STRAIGHT FOR THE NEXT HUNGER CRISIS?

No. 17 / February 2011
revised and updated version of No. 1/2008

Overview

In February 2008, exactly three years ago, fierce hunger riots broke out in numerous developing countries. They were triggered by high food prices. Today, these prices are even higher than in 2008. The effects of the food aid that was provided and the seeds that were distributed in 2008 have come to nothing. They have not, as was feared, resulted in long-term development strategies. Since the food price crisis of 2008, many promises have been made regarding the long-term elimination of hunger. But far too little has actually been achieved in the developing countries themselves in the last three years. The causes and prevailing conditions have remained very much the same.

The poorer the consumers are, the more they have to spend from their total household budget on food. They have limited means of adapting to increasing prices. They eat less, eat less healthily, or avoid spending money on anything that is not essential, including education and healthcare. Violent protests or even hunger riots against the rising price of staple foods can therefore be expected again in threshold and developing countries. As in 2008, millions of people are in imminent danger of sliding from impoverishment to starvation. And this is the case even though we have known for a long time of ways out of the hunger crisis.

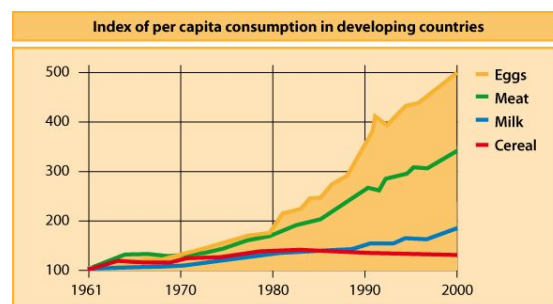
The causes of rising prices are manifold

There are many reasons for the surge in food prices. The concurrence of various factors which compound each other has been a major contributor to continual **price increases** in the last few years. At the same time, abrupt **price fluctuations** (volatility) have also become more frequent.

The **demand for food** will continue to increase steadily. By mid-2011, the **world population** will exceed the seven billion mark. The FAO predicts that by 2050, 9.1 billion people will require an adequate and healthy supply of food. Increasing prosperity and changing habits mean that people in threshold nations such as China or India – but also in developing countries – want **more and better-quality food**. Eggs, dairy products and meat, in particular, are in demand.

Globally, per capita consumption of meat has increased from 30 to 40 kilograms in 25 years. Meat can be an important part of a balanced diet, but excessive meat consumption leads to food shortages and therefore to increases in grain prices. To produce one kilo of pork, three

kilos of fodder are required, one kilo of beef requires no less than seven kilos of fodder.

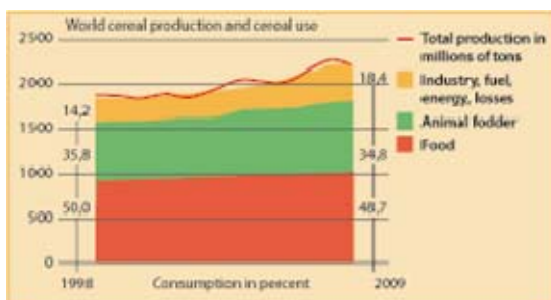


But agricultural production cannot be increased quickly enough to keep up with the world population's growing food requirements because the amount of **land that is available for agricultural purposes** is not expanding. Arable farmland gained in Russia or Latin America is lost in Asia or Europe due to the increasing development of roads, towns and industrial areas. Moreover, expanding arable land often means damaging intact natural forests, which in turn accelerates climate change. In 1960, 0.44 hectare of arable land was available per capita. In 2000, this had dropped to barely 0.22 hectare. By 2050, the FAO estimates that there

will probably only be 0.15 hectare available per person. And not only arable land is scarce but also water reserves. In view of these **shortages of resources**, global food security can only be achieved if both agricultural land and crops are used more efficiently. In many developing countries, 50% of food is wasted as a result of **post-harvest lost**. Investment in the storage, transportation and further processing of agricultural produce in rural regions could therefore make an important contribution towards eliminating poverty and hunger.

Another major cause of rising food costs is the steadily growing demand for **fossil oil** and related price increases. This has a direct impact on agricultural production because, among other things, it makes fertilizers more expensive and increases the costs of operating machines. Another problem is the high cost of transportation which is playing an increasingly important role in the globalised food market where long distances have to be covered by ship, truck and plane.

At the same time, many industrial countries – first and foremost the USA and EU – have resolved to replace fossil fuels with **agrofuels**, such as biodiesel and bioethanol, or to increase blending quotas in conventional fuels. These political decisions, which are supposed to benefit the climate despite their questionable environmental balance, on the one hand have a direct impact on the use of agricultural areas: more and more fuel crops are being cultivated on land that is urgently needed to boost food crop production. On the other hand, agrofuel policies have led to fuel crops and consequently basic foodstuffs being "coupled" with the price of oil. Corn and sugar prices reflect this connection - these agricultural commodities are the basis of bioethanol production.



Global warming is already causing crop loss today: heat, drought, storms and floods are damaging crops more and more frequently and therefore contribute towards rising food costs. The climate change, which has been brought about by the industrial nations, is increasing the risk of drought and flooding in developing countries. But important grain producers such as Australia, Russia and the Ukraine are also

affected. Global grain supplies can no longer keep up with increasing demand – prices are soaring.

Another problem is that usually only **few producing countries** supply the global market with important staples. If crops fail in these countries as a result of environmental conditions or disasters, this causes a surge in global market prices. Moreover, when faced with food shortages, governments often impose **export restrictions**. These are intended not only to guarantee food security but also to prevent prices from increasing in these countries. The export restrictions imposed by Thailand (rice, 2008) and Russia (wheat 2010) as a result of rising food costs and large-scale fires led to a sharp increase in world market prices – and it is the poor importing countries that suffer. Governments should therefore only implement the instrument of export restrictions to avert food shortages in their own countries.

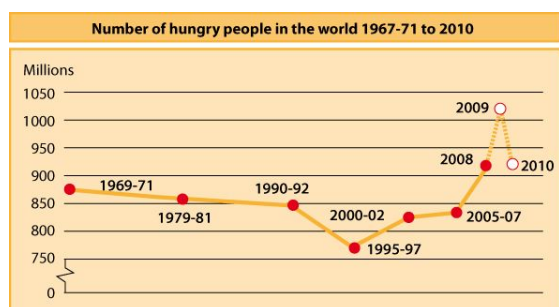
Another cause of price increases that should not be underestimated is **speculation** on the stock exchange. Because of the ongoing credit crisis and the relaxed monetary policies of the central banks, internationally active investors have more money at their disposal which they are investing in a more diversified way than in the past. For some years now, more money is being invested in **renewable resources**, including grain, which serves to drive up prices even higher. More money is also being invested in **agricultural land** in order to minimise investment risks. Rising prices and leases for arable land are also pushing up food prices.

Hope for farmers

For many years now, farmers in both the South and the North have been calling for fair prices for agricultural products. While farmers in most industrial nations are supported by subsidies, their counterparts in developing nations have to make their living from market prices. This has meant that farmers in developing countries have only been able to compete on the global market by employing cheap labour or 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 appropriate incomes. This is particularly true of farmers who have enough land and good transport connections and who are in a position to meet the high quality standards.

From poverty to hunger

Despite a few glimmers of hope 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. The necessary land reforms have rarely been introduced and cooperatives seldom created so that yields are not enough to enable workers to become self-sufficient or to secure a livelihood. As soon as their own crop yields are depleted, small-scale farmers and the landless are forced to purchase food at market prices – which are becoming increasingly unaffordable. But in towns, too, more and more low-income earners are affected by rising prices: the money they earn is no longer enough to buy food. A vicious circle of spiralling prices, poverty and hunger triggers conflict. Back in 2007, Mexicans protested vehemently against unacceptable tortilla prices, in February 2008 Burkina Faso was the scene of riots because the price of food and clothing had risen so dramatically, and in March 2008, the food crisis precipitated a fully-fledged global hunger conflict, extending from Bolivia, Haiti and Egypt, to Niger, Ethiopia and the Philippines. Today, just three years later, the first protests against massive price increases for food staples are occurring again, as the most recent examples in Algeria, Jordan and Mozambique showed in September 2010.



Lack of political coherence

There are 925 million starving people in the world. This is a dramatic increase since 2007 (854 million). In 2009, the 1 billion mark was even exceeded. Development policy alone cannot eliminate hunger and poverty. This is illustrated, for example, in the biofuel debate where environmental and business interests are thwarting development strategies. Only through greater political coherence between all relevant areas of politics (industry, trade, finances, agriculture, energy, climate, etc.) can development and hunger elimination be shaped and sustained.

Global food security requires not only a **coherent national strategy** but also the conclusion of a just **international treaty** – drawn up, for example, within the framework of the World Trade Organisation or with regard to climate protection. Global food security needs viable and just conditions which are accepted and respected by all nations.

Investing today in the crops of tomorrow

Since the food price crisis of 2008, numerous promises have been made regarding the long-term elimination of hunger. But little has actually been achieved in the last few years. Three United Nations summit meetings – Rome 2008, Rome 2009 and New York 2010 – have produced some wordy resolutions, but the UN has yet to come up with **concrete plans of action**. The reform of the World Food Committee is also still far from completion.

One positive outcome of the 2008 crisis was that the significance of **small-scale farmers** for food security has become the focus of attention once again. They were mentioned at the G8, UN Summit and at the 2011 World Economic Forum in Davos. Nevertheless, these farmers are often still neglected in development strategies. Many of these strategies are aimed at business cooperation and export production. But the key question is not whether we are producing enough for the world market, but whether all people are getting enough to eat. This is not only a moral obligation. The right to food is a human right.

What is important now is to exploit the **local self-sufficiency potential** of individual states and regions more effectively and thus to produce not only more food for a growing world population but also to reduce dependency on the volatile grain prices on the global markets. These challenges have to be faced first and foremost by the affected countries themselves. However, as the primary causes of global warming and soaring food prices, it is the task of industrial countries to promote measures to achieve food security far more actively than they have in the past, to build on previous experience and cooperate more effectively when supporting other partners.

In L'Aquila in July 2009, the G8 countries promised to spend 22 billion dollars for three years on agriculture and rural development in order to achieve food security worldwide.

Little of this money has actually been made available, or existing pledges and projects have simply been reassigned. The OECD countries pledged a total of around 110 billion dollars in development aid in 2009. Only four million of this – 3.6 percent – has been invested in agriculture. In 1980, 18 percent of development aid was spent on agriculture.

According to the FAO, 44 billion dollars need to be invested annually in food crop production and rural development. Developing countries have to boost production so that they are in a better position to provide for themselves. Drawing on the experience we have gained from our own projects, we know just how effective and sustainable investment in seed, know-how, technology transfer, irrigation, infrastructure and access to credits is. These measures are about a long-term improvement of food security according to the principle "**helping people help themselves**".

Developing countries, too, must invest significantly more in this, and they need to do so as quickly as possible. We must invest today and together in the crops of tomorrow.

Literature

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