

# Food as Security

The world tries to blunt the effects of food price rises

by per Concordiam Staff

**The World Bank announced in February 2011 that food prices could reach “dangerous levels,” and provoke unrest, a fear partly borne out by nearly simultaneous protests in North Africa and the Middle East. At that time, the Bank’s food price index sat just 3 percent below the 2008 peak that had sparked widespread riots in Africa, Latin America and parts of Asia as staples like wheat and corn were priced out of reach of many of the world’s poor.**

An estimated 44 million people in low- and middle-income countries have fallen into what the Bank describes as “extreme poverty” since food prices resumed their rise in June 2010. The task before the world is to restore a balance between supply and demand. Technology, international cooperation and efficient use of foodstuffs could all go a long way to avoid further human suffering and global insecurity. Maire Geoghegan-Quinn, the European Commissioner of Research, Innovation and Science, expressed a sense of urgency in a June 2010 press release, “Food security is a stark matter of life and death and without it there is no other kind of security.”

## What is to blame?

Prices of wheat, corn, sugar and edible oils have risen sharply from June 2010 to January 2011, most in the range of 75 percent.

International economists blame a weak dollar, high oil prices, growing demand from developing countries and bad harvests in key countries like Russia and Australia. Global meat price increases are partly due to the drop in supply combined with increased meat consumption. Consumers are eating more meat, largely owing to changing diets reflecting growing affluence. When consumers eat meat, they are eating more grain indirectly, as opposed to eating meal and bread.

The International Food Policy Institute estimates that from 2000 to 2030, per capita meat consumption could rise 49 percent in China, 79 percent in India and 22 percent in Brazil, boosting grain demand for animal feed. It takes about 8 pounds of feed for a cow to gain a pound, and 2 to 4 pounds of grain for a chicken to put on similar weight. In recent years, because of a drop in cattle prices, fewer farmers raised cows in major exporting nations like Argentina, Brazil and the



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United States, Mark Topliff, an economist with the English beef and sheep industry, told the *Guardian*. The removal of EU subsidies under the Common Agricultural Policy also reduced livestock in Europe.

The cost of oil also factors into the availability and price of food. It costs more to produce and ship grain and raises the price of petroleum-based pesticides, fertilizers and herbicides. “Unexpected oil price spikes could further exacerbate an already precarious situation in food markets,” said David Hallam of the Food and Agriculture Organization of the United Nations told Reuters in March 2011. In the spring of 2011, as traders worried about unrest in North Africa and the Middle East, oil prices hit 2 ½ year highs and approached 2008 records.

Flooding in Australia curtailed wheat and sugar cane production, inflating the prices of both. Russia experienced weather related obstacles as drought and wildfires in September 2010 severely damaged the country’s wheat supply.

Speculation could also have played a role in driving up food prices. Forty-eight world agriculture ministers that met in Berlin in January 2011 issued a joint statement that they were

Humanitarian workers unload bags of flour in Bishkek, Kyrgyzstan, to feed people displaced by rioting in the city of Osh in 2010.



Butchers package meat at a Sao Paulo, Brazil, supermarket in 2007. A growing appetite for meat in developing countries could boost food prices worldwide.

“concerned that excessive price volatility and speculation on international agricultural markets might constitute a threat to food security,” Bloomberg reported.

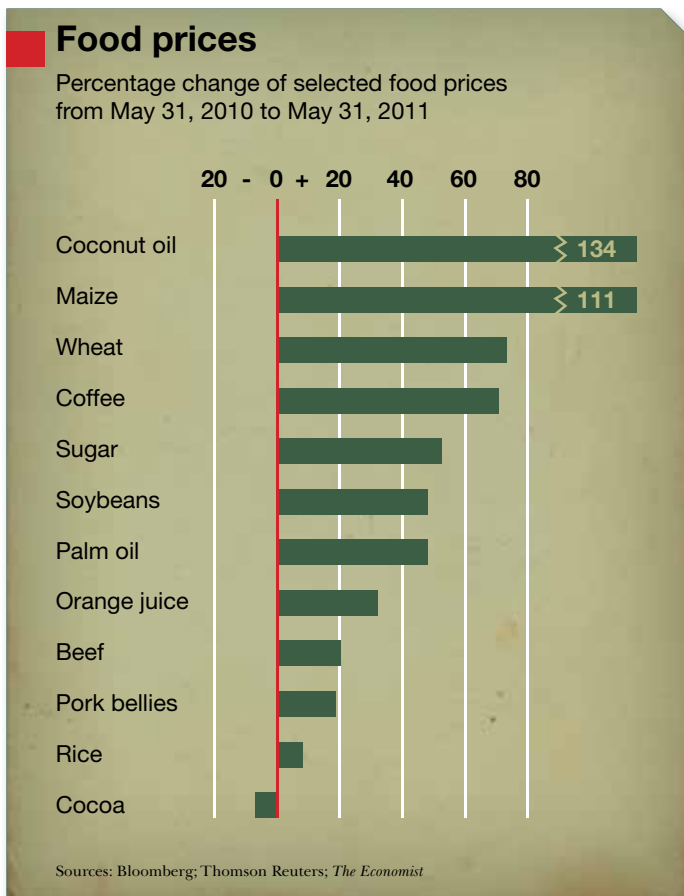
Banks and hedge funds have been accused of buying up vast stocks of food, forcing prices to rise. German Agriculture Minister Ilse Aigner announced that the stakes are too high to allow “gamblers” to play with food markets. “Food and agricultural commodities are not like anything else. Sometimes it’s about pure survival,” Aigner said in a Bloomberg report in January 2011.

### Breeding instability

In a U.N. General Assembly speech in February 2011, France’s Agriculture Minister Bruno Le Maire warned of a resumption of food riots if the world did not find “concrete, rapid and efficient solutions.” Riots had broken out in Tunisia, Algeria, Jordan, Morocco and Mozambique in reaction to high food prices. In Algeria, three people were killed and 300 injured in riots over food and housing costs, CNN reported in January 2011. Protests started a week earlier over spiraling costs of milk, oil and sugar, and the government responded by slashing duties for sugar and oil by 41 percent, Algeria Press Service said. Similar protests in Tunisia in January 2011 toppled President Zine El Abidine Ben Ali from power after 23 years.

In January 2011, governments in North Africa, the Middle East and Asia bought staple crops, such as wheat and rice, in bulk on the market to build a cushion of supplies against future price rises. The U.N. warned that hoarding, essentially attempting to influence the market, had only made the food crisis worse in 2008, an article in *The Telegraph* reported. “They often provoke more uncertainty and disruption on world markets and drive prices up further globally, while depressing prices domestically and hence curtailing incentives to produce more food,” U.N. food official Richard China said in the article.

High and unstable food prices present a particularly difficult challenge to developing countries in which people spend more than half of their income on food. According to the February 2011 World Bank report, Kyrgyzstan, Bangladesh and Tajikistan were harmed the most by high wheat prices. The EU is taking measures to protect Kyrgyzstan. In November 2010, the European Commission signed a 2 million euro financing agreement with Kyrgyzstan to ensure their country’s food security. “The project will support the government in improving the collection, analysis and dissemination of food security data across the food supply and demand chains and the establishment of a government early warning system and a commodity outlook that facilitates the management of food security policies,” European Union News reported in November 2010.



### Further impacts

Rice has weathered the price storm better than other grains. Global rice prices have been relatively stable and should continue to be so. The World Bank’s Food Price Watch reported that the export price for Thai rice increased only 18 percent between June 2010 and January 2011 and that prices remained 70 percent below 2008 peaks. The announcement that Bangladesh and Indonesia, two large rice importers, will increase domestic stocks has helped rice prices remain stable. Rice prices have helped keep the grain price index low, despite a rise in prices for other grains.

Inflation is making more than food prices soar. Clothing was the main driver in inflation in March 2011. Increasing global demand and shrinking supply drove cotton prices to an all-time high in February 2011. Cotton prices doubled between early 2010 and early 2011 and threaten to drive up costs for retailers, inevitably leading to more expensive clothing for consumers. Demand for cotton has exceeded supply for the last five years. Production constraints have driven cotton supplies to their lowest level since 1993, as growers in Australia, Pakistan, China and India produce less for the world market.

Wildfires destroy a field of grain south of Moscow after weeks of devastating drought in July 2010.



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### Search for solutions

Food crises will require the attention of governments and private enterprise. The U.N. warned in a March 2011 Bloomberg article that “food output will have to climb by 70 percent between 2010 and 2050 as the world population swells to 9 billion and rising incomes boost meat and dairy consumption.”

Using corn for food instead of energy would help. Some say growing corn for ethanol production is a mistake and contributes to high food prices. A large percentage of the U.S. corn crop is used to make ethanol, a blending additive used to create a cleaner burning auto fuel. Ethanol advocates argue that environmental benefits outweigh that diversion of corn from the food supply.

But analysts suggest it is a mistake to use food for fuel. “One-quarter of all maize and other grain crops grown in the U.S. now goes to produce fuel for cars and not to feed people,” the *Guardian* said. The Organisation for Economic Co-operation and Development (OECD) suggests using instead “alternative feedstocks, such as cellulosic materials, which produce energy more efficiently, and at the same time to allow more open trade in biofuels and feedstocks.” Food inflation may weaken opposition to genetically modified foods. Europe currently bans most use of genetically altered seeds, what detractors pejoratively call “Frankenstein foods.” Despite this resistance, food prices and shortages may open minds to increasing production through genetics. “Policy makers and food companies are pressing the genetic modification topic

in a bid to temper aversion to biotech crops,” *The New York Times* reported after the 2008 food crisis.

Genetically altering foods to boost crop yields isn’t new. Thanks to the work of people like Norman Borlaug, father of the post-World War II “Green Revolution,” food-scarce Mexico doubled wheat yields in 1956 and became self-sufficient. India, Pakistan and Sudan followed suit with comparable success.

Borlaug “developed genetically unique strains of “semidwarf” wheat, and later rice, that raised food yields as much as sixfold,” according to *The Wall Street Journal* in September 2009. His modifications produced high-yielding crop varieties that helped avert mass famines predicted in the 1960s. *The Economist* also reported in September 2009 that Borlaug dismissed criticism of genetically engineered food as “rubbish, unproven by science” and touted the potential benefits as “endless.”

Experts contend that the world must also remove political obstacles to food procurement. “Today’s economic and agricultural situation is perilous. It faces much greater volatility than all of the other economic sectors in the world without exception,” La Maire said in a U.N. speech in February 2011. OECD Secretary-General Angel Gurría called for greater transparency in food production and a removal of import and export restrictions that impede the proper functioning of markets. “Agriculture markets have always been volatile,” Gurría said, “But if governments act together then extreme price swings can be mitigated and vulnerable consumers and producers further protected.” □