

Severe food shortages, price spikes threaten world population

Naomi Spencer
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Worldwide food prices have risen sharply and supplies have dropped this year, according to the latest food outlook of the United Nations Food and Agriculture Organization. The agency warned December 17 that the changes represent an “unforeseen and unprecedented” shift in the global food system, threatening billions with hunger and decreased access to food.

The FAO’s food price index rose by 40 percent this year, on top of the already high 9 percent increase the year before, and the poorest countries spent 25 percent more this year on imported food. The prices for staple crops, including wheat, rice, corn and soybeans, all rose drastically in 2007, pushing up prices for grain-fed meat, eggs and dairy products and spurring inflation throughout the consumer food market.

Driving these increases are a complex range of developments, including rapid urbanization of populations and growing demand for food stuffs in key developing countries such as China and India, speculation in the commodities markets, increased diversion of feedstock crops into the production of biofuels, and extreme weather conditions and other natural disasters associated with climate change.

Because of the long-term and compounding nature of all of these factors, the problems of rising prices and decreasing supplies in the food system are not temporary or one-time occurrences, and cannot be understood as cyclical fluctuations in supply and demand.

The world reserves of cereals are dwindling. In the past year, wheat stores declined 11 percent. The FAO notes that this is the lowest level since the UN began keeping records in 1980, while the US Department of Agriculture (USDA) has reported that world wheat stocks may have fallen to 47-year lows. By FAO figures, the falloff in wheat stores equals about 12 weeks worth of global consumption.

The USDA has cautioned that wheat exporters in the US have already sold more than 90 percent of what the department had expected to be exported during the fiscal year ending June 2008. This has dire consequences for the world’s poor, whose diets consist largely of cereal grains imported from the United States and other major producers.

More than 850 million people around the world suffer from chronic hunger and other associated miseries of extreme poverty. According to the FAO, 37 countries—20 in Africa, 9 in Asia, 6 in Latin America, and 2 in Eastern Europe—currently face exceptional shortfalls in food production and supplies.

Those most affected live in countries dependent on imports. The poorest people, whose diets consist heavily of cereal grains, are most vulnerable. Already the poor spend the majority of their income on staple foods—up to 80 percent in some regions, according to the FAO. Ever-rising prices will lead to a distinct deterioration in the diets of

these sections of the population.

The food crisis is intensifying social discontent and raising the likelihood of social upheavals. The FAO notes that political unrest “directly linked to food markets” has developed in Morocco, Uzbekistan, Yemen, Guinea, Mauritania and Senegal. In the past year, cereal prices have triggered riots in several other countries, including Mexico, where tortilla prices were pushed up 60 percent. In Italy, the rising cost of pasta prompted nationwide protests. Unrest in China has also been linked to cooking oil shortages.

In addition to the cost of imports, war and civil strife, multiple years of drought and other disasters, and the impact of HIV/AIDS have crippled countries’ food supply mechanisms.

Iraq and Afghanistan both suffer severe shortfalls because of the US invasion and ongoing occupation. North African countries are hard hit by the soaring wheat prices because many staple foods require imported wheat.

Countries of the former Soviet Union are facing wheat shortages. People there spend upwards of 70 percent of their incomes on food; the price of bread in Kyrgyzstan has risen by 50 percent this year and the government released emergency reserves of wheat in the poorest areas to temporarily ease the crisis.

In Bangladesh, food prices have spiraled up 11 percent every month since July; rice prices have risen by nearly 50 percent in the past year.

Central American countries saw a 50 percent increase in the price of that region’s staple grain, corn. Several countries in South America have also been impacted by the high international wheat prices, compelling national governments to dispense with import taxes. The government in Bolivia, for example, has dispatched the military to operate industrial-scale bread bakeries.

All national governments are keenly aware of the possibility of civil unrest in the event of severe food shortages or famine, and many have taken minimal steps to ease the crisis in the short term, such as reducing import tariffs and erecting export restrictions. On December 20, China did away with food export rebates in an effort to stave off domestic shortfalls. Russia, Kazakhstan, and Argentina have also implemented export controls.

But such policies cannot adequately cope with the crisis in the food system because they do not address the causes, only the immediate symptoms. Behind the inflation are the complex inter-linkages of global markets and the fundamental incompatibility of the capitalist system with the needs of billions of poor and working people.

The volatility of the financial markets, driven by speculation and trading in equity and debt, intersects with the futures and options markets that have a direct bearing on agricultural commodity markets. As the housing market in the United States collapsed, compounding

problems in the credit market and threatening recession, speculation shifted to the commodities markets, exacerbating inflation in basic goods and materials. The international food market is particularly prone to volatility because current prices are greatly influenced by speculation over future commodity prices. This speculation can then trigger more volatility, encouraging more speculation.

Future grain prices are a striking example of this disastrous cycle. On December 17, speculation on wheat and rice for delivery in March 2008 forced prices to historic highs on the Chicago Board of Trade. Wheat jumped to more than \$10 a bushel on projections of worsening shortages and inflation. This level is double the \$5-a-bushel price of wheat at the beginning of 2007.

Japan, the largest wheat importer in Asia, announced December 19 that it may raise wheat prices by 30 percent. The same day, Indian government officials warned of impending food security problems. These were due, according to Prime Minister Manmohan Singh, to “clouds on global financial markets following the sub-prime lending crisis.”

Soybean and corn prices have also been pushed up to 34-year and 11-year highs, respectively, on the projected shortages and demand for biofuel. These new trading levels become the agricultural benchmarks for subsequent trading, and, as the *Financial Times* put it December 17, have the consequence of “raising inflationary pressure and constraining the ability of central banks to mitigate economic slowdown.”

Higher fuel costs ultimately lead to higher food prices, via higher shipping charges, particularly for nations that import a large proportion of their staple foods. Shipping costs for bulk commodities have increased by more than 80 percent in the past year and 57 percent since June, according to the Baltic Exchange Dry Index.

The FAO report noted that the enormous increase in freight costs has had the effect of dis-integrating the world market in certain regions because many import-heavy countries have opted to purchase from closer suppliers, resulting in “prices at regional or localized levels falling out of line with world levels.”

The rising oil price not only affects the costs of transportation and importation. It also has a direct impact on the costs of farm operation in the working of agricultural and industrial processing machinery. Moreover, fertilizer, which takes its key component, nitrogen, from natural gas, is also spiking in price because of the impact of rising oil prices on the demand and costs of other fuels. By the same token, as oil prices rise, the demand for biofuel sources such as corn, sugarcane, and soybeans also rises, resulting in more and more feedstock crops being devoted to fuel and additives production.

In the US, the use of corn for ethanol production has doubled since 2003, and is projected by the FAO to increase from 55 million metric tons to 110 million metric tons by 2016. The US government is more ambitious. On December 19, President Bush signed a new energy bill into law which contains a mandate for expanding domestic biofuel production five-fold over the next 15 years, to more than 36 billion gallons a year. Already a third of the US corn harvest is devoted to ethanol production, surpassing the amount of corn bound for the world food markets.

As more US cropland is devoted to ethanol-bound corn, other major agricultural regions are struggling with weather disasters associated with climate change. Australia and the Ukraine, both significant exporters of wheat, have suffered extreme weather that damaged crops. A prolonged drought in southern Australia has curtailed farming to such a degree that many farmers have sold their land.

Current research suggests that as temperatures rise over the next fifty years by 1 to 2 degrees Celsius, poor countries may lose 135 million hectares (334 million acres) of arable land because of lost rainfall. In new studies published earlier this month in the *Proceedings of the National Academy of Sciences*, researchers have cautioned that this estimate may be conservative, and that the impact of climate change on food production has been over-simplified.

According to NASA/Goddard Institute of Space Studies researcher Francesco Tubiello, complications of climate change on the world food supply may be far worse than previously predicted: “The projections show a smooth curve, but a smooth curve has never happened in history. Things happen suddenly, and then you can’t respond to them.”

Tubiello’s research focuses on extreme weather events that have devastated entire crops when they coincided with germination and blossoming periods, as was the case with Italy’s corn crop in 2003. Tubiello noted that corn yield in the Po valley growing region fell to 36 percent following a heat wave that raised Italy’s temperatures 6 degrees over the long-term average.

In addition to the survival thresholds of plants, researchers have begun studying the effects of higher temperatures on the physiology and diseases of livestock, as well as the spread of pests, molds and viruses native to tropical zones. Goddard Institute research has suggested that bluetongue, a viral disease of cattle and sheep, will move outward from the tropics into regions including southern Australia. According to the Earth Institute at Columbia University, higher temperatures will lead to higher infertility in livestock and lower dairy yields.

The implications of these studies are that farming adaptations such as hardier crops and shifts in planting times may initially mitigate anticipated global warming. Yet over the coming decades, the stress of climate change on the food supply will also intensify in abrupt and catastrophic ways for which the capitalist system and its ruling elites are entirely unprepared and which they are unable to prevent.



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