

The world food crisis and the capitalist market

Part One

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This is the first part of a three-part series of articles on the world food crisis. Part 2 was posted June 9, and Part 3 was published June 10.

As the June 3-5 Conference on World Food Security of the United Nations' Food and Agriculture Organization (FAO) began in Rome, FAO Director Jacques Diouf said of the explosion of food prices: "It is touching every country in the world. We have not only seen riots and people dying, but also a government toppled [in Haiti], and we know that many countries...could tilt to one way or the other depending on the discontent or satisfaction of their population."

With these words, Diouf expressed the growing concern of governments and ruling elites internationally over the potentially revolutionary implications of the upward spiral of prices for basic food staples, which has already sparked a social and economic crisis of global dimensions. In recent months, strikes and demonstrations against rising food prices have occurred in many parts of the world. These initial struggles have exposed the contradiction between the elementary demand of the world's masses for affordable food and the workings of the capitalist market.

Diouf called for donations of US\$30 billion to be invested in world agriculture. Even were this sum to be allocated, it would not begin to address the sources of the current crisis, which lie in economic and political processes of privatization and price speculation that have unfolded over the past three decades and are bound up with the globalization of capitalist agriculture.

With consumers increasingly unable to pay world market prices for food, national governments are compelled to intervene to avert famine and revolt. These interventions, while offering at best partial resolutions to local problems, only increase difficulties elsewhere. Exporting states are limiting their external sales in an attempt to shield their own populations from the worst of the price rises, while extorting higher prices from importing nations by restricting supply.

The most devastating price increases are those for the basic food grains. These are relatively non-perishable and therefore widely traded, and make up a third or more of daily caloric intake, especially in poorer countries. They are also used extensively in other parts of the food chain—e.g., for livestock feed and sweeteners—thus affecting prices for meat, eggs, dairy products and various processed foods.

Wheat prices in the US—the largest exporter and one of the few not imposing export restrictions—remain at historically high levels after an extraordinary spike in February. On April 28, *Newsweek* wrote of the commonly used hard red spring wheat variety: "For 50 years it traded at around \$2 or \$3 a bushel on the Minneapolis futures exchange, which specializes in hard red spring wheat. In September, the price was \$7. In February, that price peaked for a day at \$24, as the market panicked over low supply. 'It wasn't clear whether there would be enough to finish out the year,' says Bill Lapp, an agricultural economist in Omaha. The

current price is down again, but only to \$11.24."

Other major exporters are also charging record prices or have ceased exports altogether. Prices at the main European wheat export port of Rouen, near Paris, were €280 per ton in April, up from €100 in 2006. Russia has imposed a 40 percent export tax on wheat, and a large December 2007 Russia wheat sale to Egypt fetched a price of roughly US\$11.80 per bushel. Argentina and Kazakhstan have both banned wheat exports. Kazakhstan cited the "need to assure the country's food security, and not permit negative consequences for the domestic market, in conditions of a significant rise in prices on the world grain market and a shortage of food grain in the world."

The world rice market has been even further destabilized. In part, this is because it is relatively small—only 7 percent of the global 2006-2007 crop of 420 megatons (Mt) was traded internationally, versus 19 percent of the 592-Mt 2006-2007 crop of wheat—and therefore more vulnerable to supply shocks.

Also, far more of the world's main rice exporters (Thailand, Vietnam, India, Pakistan, the US, China and Egypt) are poorer countries, where the state fixes low domestic prices for the crop. These countries have imposed export restrictions as well, as rising world prices give rice processors an incentive to export large quantities of rice to higher-priced international markets.

India, Vietnam, China and Egypt all announced rice export bans or restrictions in April. *Forbes* magazine quoted Vietnamese Industry Minister Nguyen Thanh Bien as saying the measure would "reduce the quantity but increase the value and export revenues, while ensuring food security and serving the state's interest." These bans leave Thailand as the largest exporter by far. Thai 100 percent B-grade white rice, the industry benchmark, passed US\$1,000 per ton on April 24, up from US\$383 per ton in January.

Thai exporters could further raise prices if Iran and Indonesia, traditional rice importers that have until now waited for prices to fall, begin purchasing rice. They told the *International Herald Tribune*, "If Iran buys rice from Thailand, Thai 100 percent B-grade white rice would hit \$1,300 a ton." These price increases have particularly hurt poorer countries in sub-Saharan Africa, the Middle East and the Americas, which represent about half of world import demand.

Corn prices have also exploded. Prices in the US—which has about 40 percent of world production of roughly 700 Mt, and 60 percent of the world export market—jumped to US\$6.61 per bushel on May 6, on supply fears due to rainy weather during the corn-planting season and rapid demand growth from ethanol biofuel plants. This is up from US\$1.90 per bushel in 2005.

China, another major producer and traditional exporter, faces high demand for animal feed as well as from ethanol and corn syrup plants. It

may end up importing some corn by the end of the year.

In a recent analysis of rising food prices, Joachim von Braun of the International Food Policy Research Institute (IFPRI), calculated average prices for grains since 2000, weighted by volume exported from different exporting ports. He found that the price of most grains remained roughly constant between January 2000 and January 2004, but in the ensuing period until January 2008, increased from roughly US\$150 to US\$400 per ton (for rice), US\$120 to US\$410 per ton (wheat), and US\$100 to US\$200 per ton (corn).

He noted: "In 2007, the international food price index rose by nearly 40 percent, compared with 9 percent the year before, and in the first three months of 2008 prices increased further, by about 50 percent."

Political developments indicate the bitter struggle for advantage occurring between different national bourgeoisies, under conditions where the global economy has been destabilized by rising oil prices and financial turmoil in the wake of the US mortgage crisis.

On May 8, the *Financial Times* reported that China, Saudi Arabia and Libya were in talks with agricultural countries in Africa, South America and eastern Europe to buy tracts of agricultural land on which they could grow food to guarantee their "food security."

On May 2, Thai Prime Minister Samak Sundaravej proposed that Thailand, Vietnam, Burma, Laos and Cambodia form a rice cartel, along the lines of the oil cartel OPEC, to charge higher prices for rice on world markets. Thai government spokesman Vichienchot Sukchokrat explained, "Though we are the food center of the world, we have little influence on the price. With the oil price rising so much, we import expensive oil but sell rice very cheaply, and that's unfair to us and hurts our trade balance." However, international criticism ultimately forced the Thai government to abandon the idea, despite support from the Laotian government.

Smuggling and hoarding are surging in producing countries, as owners of grain try to export it to take advantage of higher prices on international markets. *Forbes* published a May 1 piece entitled "A Black Market Grows in Rice," describing smuggling's lucrative investment potential.

It advised: "The biggest opportunities may be in China, the world's largest rice producer, where grain prices are among the lowest in the world.... Reports of rice smuggling have surfaced this week in areas all along China's sprawling borders, from Yunnan province next to Vietnam, to northwest Xinjiang, which borders the central Asian states of Kazakhstan and Kyrgyzstan, all the way to Guangdong, a prosperous southern Chinese province that sources 60 percent of its rice from elsewhere in the country."

Though not yet consciously unified, the response of the international working class has shown the world scale and objectively integral character of its struggles and demands. Strikes and protests have spanned the globe.

South Korean media reported a rare street protest in North Korea in March 2008 against a 60 percent reduction in state-distributed rations and the execution of three North Koreans who illegally crossed the border into China to search for food. In China, there have been reports of strikes against factory owners increasing food prices at company stores. Food inflation in the country has reached 21 percent so far in 2008, according to China's National Bureau of Statistics. Rice prices are reported to be fairly stable due to state subsidies, but prices for pork, cooking oil and vegetables rose 55, 34 and 30 percent, respectively, in 2007.

May Day saw large-scale anti-inflation demonstrations by workers across Southeast Asia. Thousands marched on the Malacanang presidential palace in Manila in the Philippines, the world's largest rice importer, where rice prices have doubled in recent months. Fifteen thousand workers marched in Jakarta, Indonesia, amid sharp increases in rice, oil and soy products. In Thailand, 2,000 workers demonstrated outside government buildings in Bangkok, with posters declaring: "Expensive rice prices, cheap labor wages—How can laborers live?"

In the Americas, women in Lima banged pots outside of Peru's

Congress on May Day to demand more government subsidies for eating halls for the poor. On March 13, protestors banged pots outside the Central Reserve Bank of El Salvador to protest rising prices, amid reports that a basic basket of food items now costs \$160, versus \$128 in 2004. The country's minimum wage is \$162.

Already in February 2007, Mexico City saw a 75,000-strong "tortilla protest" over the price of corn tortillas.

On April 12, the Haitian government fell after 10 days of massive protests against a 40 percent rise in food prices and the doubling of the cost of imported rice. These protests turned into violent confrontations with police forces and UN "peacekeepers" occupying the country, with at least five people killed and several UN troops injured.

In the Middle East, rising food prices have brought a number of long-simmering social and political conflicts into the open. Riots shook southern Yemen in early April, with the government deploying tanks against protestors demanding jobs and pay raises in al-Dalea. Wheat prices in the country had doubled over the last year, and rice and vegetable oil had increased by 20 percent.

Foreign workers in the oil and construction sectors of Saudi Arabia and the UAE launched unprecedented strikes in March 2008 for higher wages, amid rising rent and food costs. More than 600 such workers were arrested and deported from the UAE in early April.

The outbreak of fighting between sectarian factions in Lebanon in early May followed closely on the heels of a general strike called by trade unions over price inflation of food and other goods.

In Egypt, a major wheat importer, a textile workers' strike over food prices at Mahalla al-Kobra on April 6 turned into a confrontation with police, who forced workers to return to work. Police also arrested activists who had called for a general strike in Cairo, but according to international media, most schools and universities in Cairo were deserted. Workers complained of long lines to obtain state-subsidized bread, under conditions where non-subsidized bread often costs 10 to 12 times as much. Other staples such as rice and cooking oil were reported to have doubled in price.

In South Asia, a general strike against rising food prices hit the Indian metropolis of Calcutta on April 21. On April 12, 10,000 textile workers rioted against high food prices in Fatullah, near Dhaka in Bangladesh, a major rice importer. In Afghanistan, workers blocked the main Jalalabad-Kabul road to demand lower food prices on April 22.

In Europe, rising prices for staples such as pasta, bread and dairy products have fueled strikes this year, including in the Scandinavian healthcare sector and the French retail industry. A May 1 rally in the Russian city of Chelyabinsk attracted 14,000 workers, who chanted, "Salaries must rise higher than prices."

In sub-Saharan Africa, protests have hit Mozambique, Senegal and the Ivory Coast in recent months. Trade unions in South Africa and Nigeria struck in May against higher food and electricity prices. The most widely publicized protests this year were February's demonstrations in Cameroon and Burkina Faso, which left 40 and 5 dead, respectively, after confrontations with state security forces.

To be continued



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