The world food crisis and the capitalist market

Part Three

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This is the third and concluding part of a series of articles on the world food crisis. Part one *was posted June 7.* Part two *appeared on June 9.*

The current food crisis reflects not only financial events of recent years, but longer-term policies of world imperialism. Instead of allowing for a planned improvement of infrastructure and farming techniques, globalization on a capitalist basis has resulted in a restriction in many parts of the world of farm production. This has been carried out in order to lessen competition and prevent market gluts from harming the profit interests of the major powers.

One major aspect of imperialist policy was to limit farm production in the so-called "First World" to prevent sudden falls in world prices. In the US, this policy took the form of the federal government's Conservation Reserve Program, first passed as part of the 1985 Food Security Act.

The program allows farmers to apply for payments of $50 per acre of land on which they do not plant crops. A nationwide limit of 180,000 square kilometers (about 10 percent of US arable land) was imposed on the program, later decreased to 130,000 square kilometers in 2007.

Though the bill was presented as a means of limiting soil erosion due to overplanting of ecologically vulnerable land, much of the fallow land registered under the project was not, in fact, vulnerable to erosion, but rather chosen by farmers on the basis of the price of the crops that could be grown on it. This was in line with the law's stated objectives, which were "acreage reduction" and the maintenance of "target prices and price-support loans."

Similar payments to farmers for farmland kept out of cultivation were adopted on a country-by-country basis, after the 1992 reform of Europe's Common Agricultural Policy.

Production collapsed in the former Soviet bloc after the 1991 dissolution of the USSR, as planned Soviet industries were shut down and sold off by the Stalinist rulers and their Western economic advisers. According to UN Food and Agriculture Organization (FAO) statistics, agricultural production in the former USSR fell 38 percent in the first four years after its dissolution and per capita food production fell 40 percent. Today, even after a partial economic recovery starting around 2000, largely fueled by oil and gas sales, total planted area in the former USSR is 12 percent less than in Soviet times.

The collapse of the Soviet agricultural machinery industry and the disappearance of Soviet subsidies tore into the farm sectors of Soviet-aligned states. According to US Department of Agriculture (USDA) figures, Cuban agricultural production fell 54 percent and food consumption fell 36 percent from 1989 to 1994, and North Korean grain production fell 40 percent from 1990 to 1999.

In developing countries, agriculture and infrastructure were devastated by export surges from wealthy countries and the programs of the International Monetary Fund (IMF), which largely dictated state policy in exchange for loans to help with the states' debt. As agriculture was converted away from regulated subsistence farming and toward free-market cash crops produced for export, developing countries were opened up as export destinations and had more export revenue siphoned off to service debts to "First World" banks.

Liberalization of "Third World" markets and their opening to imperialist power exports devastated local farmers, whose products were forced to compete with highly subsidized exports. The US spends approximately $20 billion and the EU €45 billion per year on export subsidies to keep their farm prices low in foreign markets. In Haiti, liberalization of agricultural markets from 1985 to 1999 resulted in a 40 percent fall in domestic rice production, from 163 kilotons to 100 kilotons, while US imports grew from 4 percent to 63 percent of the Haitian rice market.

IMF programs eliminated state regulation of the food supply and provision of subsidies for fertilizer, irrigation and vaccines, which the IMF declared an unacceptable drain on state funds. World production of cash crops such as coffee, tobacco and cocoa soared, but entire populations became more vulnerable to famine. In the 1980s, Africa's per capita grain production fell from 150 to 125 kilograms, while its grain imports went from 3.72 megatons (Mt) in 1974 to 8.47 Mt in 1993.

In Somalia, the IMF-mandated 1981 devaluation of the Somali shilling led to massive price hikes for imported fertilizer and livestock vaccines, and the government progressively slashed subsidies for farmers and nomadic herders. A 1991 collapse in livestock herds due to disease and a resulting fall in farm production were important factors leading to the 1992 famine, which was then used to justify a US invasion of the country.

In Kenya, long a major African food exporter, the IMF-mandated 1996 reform of the National Cereals and Produce Board (NCPB) devastated the economy and transformed Kenya into a net importer of food. Under pressure to function as a commercial, for-profit enterprise, the NCPB charged more for farm inputs and allowed middlemen to take over much of the storage and distribution of the harvest to cut distribution costs. By 2001, farmers were receiving 400 shillings from private traders for a 90-kg bag of rice costing 719 shillings to produce.

In Malawi, IMF-mandated deregulation of the state grain market led to an explosion in the number of private traders. When flooding hit the country's maize crop in 2001, the state, under pressure to raise funds as international donors such as the US and UK refused to give aid, sold off its strategic grain reserve to traders at one third of the world market price. Prices rose through the end of 2001 as traders hoarded the grain, and the country experienced a major famine in 2002.

The poor state of much of "Third World" agricultural infrastructure after decades of such treatment is common knowledge, though rarely discussed in the mass media. In a March 2004 address, FAO Director-

General Jacques Diouf noted: “Africa is the only region in the world in which average per-capita food production has been constantly falling for the past 40 years.... There are many causes for this. There is, for example, the insignificant use of modern inputs, with only 22 kg of fertilizer applied to each hectare of arable land, compared to 144 kg in Asia. The level is even lower in sub-Saharan Africa, which uses 10 kg per hectare.

“The selected seeds that spurred the success of the Green Revolution [the increase in crop productivity during the 1960s and 1970s] in Asia and in Latin America are barely used in Africa. There is also a profound shortage of rural roads and storage and processing facilities.

“Another factor strongly influencing [Africa’s] poor agricultural performance is water. It only uses 1.6 percent of its available water reserves for irrigation, as compared to 14 percent in Asia. Only 7 percent of Africa’s cropland is irrigated against 40 percent in Asia, and if we exclude the five most developed countries in this regard—Morocco, Egypt, Sudan, Madagascar and South Africa—the proportion for the remaining 48 countries drops to 3 percent. Yields from irrigated crops are three times higher than yields from rain-fed crops, but agricultural activity on 93 percent of Africa’s arable land is dependent on extremely erratic rainfall, and therefore seriously exposed to the risk of drought. Eighty percent of food emergencies are linked to water, especially water stress.”

Nor are infrastructure difficulties limited to Africa. In Asia, the International Rice Research Institute (IRRI) noted reduced research investment, the lack of new irrigation projects, and “inadequate maintenance” of existing irrigation infrastructure as major problems. It added that an “unexploited yield gap of 1-2 tons per hectare currently exists in most farmers’ fields in rice-growing areas of Asia,” citing lack of proper irrigation and fertilizer, pest and disease control, post-harvest storage and transport facilities.

According to the *India Times*, spring harvest yields for rice are 3.12 tons per hectare (t/ha) in India, as opposed to 4.17 t/ha on average in Asia and 6.26 t/ha in China. In wheat, India produces 2.6 t/ha, below China’s 4.1 t/ha and Europe’s 5.0 t/ha. The *Times* noted that rural development expenditure averaged 14.5 percent in 1986-1990, but after the 1991 liberalization and opening to international capital, this fell to 6 percent. Agricultural productivity growth fell from 2.62 percent to 0.5 percent.

While agriculture in China is more productive than in India, it faces its own challenges. Uncoordinated industrialization has decreased land available for farming from 127.6 to 121.7 million hectares, according to figures from the Ministry of Land and Resources. This is despite the passage of repeated measures by the central government to limit land sales by farmers to local officials aiming to set up factories or businesses on prime farmland. Land near factories, many of which are operated with little regard for environmental standards, is often severely polluted.

As the crisis of world agriculture pushes supply downward, population growth and rising demand for more complex foods in industrializing countries are pushing demand upward. This dichotomy between powerful objective developments in world capitalism gives the crisis a particularly intractable and explosive character.

The increased food demand caused by population growth does not in general pose a major problem. Population growth in this decade (roughly 1.2 percent per year) has been less than growth in the 1960s, which averaged 2 percent per year—a time when, thanks to crop productivity and infrastructure improvements, world grain production per capita rose from 275 to 300 kg.

As a result of lower agricultural and research investment, however, crop yield growth has fallen precipitously and is now barely keeping up with population growth. The Washington, D.C.-based International Food Policy Research Institute (IFPRI) comments: “The neglect of agriculture in public investment, research, and service policies over the past decades has undermined its key role for economic growth. As a result, agricultural productivity growth has declined and is too low to meet the present challenges.” From 1980 to 2004, it fell from a high of 4.5 percent to 2.0 percent for wheat, 3.3 percent to 1.0 percent for maize, and 3.2 percent to 1.5 percent for rice, according to UN figures.

To the social and industrial problems underlying slow growth of the food supply, one must add rising demand tied to substantial shifts in the global economy—notably the increase in oil revenues in oil-producing countries and industrialization in a number of developing countries, especially in Asia.

Available data does not suggest that major oil producers that are traditional importers of grain (e.g., Saudi Arabia, Nigeria) have contributed to price rises by importing more grain. The tonnage of their rice and wheat imports have, in fact, shrunk in the last few years, according to USDA figures—in part because grain importers refused to buy from high-priced world grain markets as the state fixed low bread prices.

However, these countries’ surging oil revenues—oil prices in US dollars have gone up by a factor of more than 6 from 2002 to 2008—have greatly increased market expectations that grain importers will be able to afford to pay large sums for rice, wheat and other foods.

Rising living standards and more meat- and dairy-intensive diets in certain developing countries have increased demand for grain—not only for food, but particularly for feed. According to the International Feed Industry Federation, world use of grain in compound animal feeds passed from 290 Mt in 1975 to 537 Mt in 1994 and 626 Mt in 2005. The FAO forecasts a 60 percent growth in grain use for feed from 1996 to 2030, compared to 45 percent growth in grain use for food.

Compared to 1990 per capita levels, China in 2005 consumed 2.4 times as much meat, 3.0 times as much milk and 2.3 times as much fish. India consumed 1.2 times as much per capita in all categories in 2005 as in 1990. Brazil consumed 1.7 times more meat, 1.2 times as much milk, and 0.9 times as much fish per capita in 2005 as in 1990.

These increases are important in absolute as well as comparative terms. For instance, meat consumption in China in 2007 was 50 kg per person, versus 20 kg in 1980. By comparison, US per capita consumption in 2004 was 98 kg.

The increasingly unstable balance of production and consumption is further threatened by global warming. In a February 2007 article, the Toronto-based *Globe and Mail* described a Consultative Group on International Agricultural Research (CGIAR) report painting a dire picture of its effect on grain yields.

It wrote: “A rough rule of thumb developed by crop scientists is that, for every 1-degree Celsius increase in temperatures above the mid-30s during key stages in the growing season, such as pollination, yields fall about 10 per cent.” It added that, “Average global temperatures will likely rise between 1.1 and 6.4 degrees over the next century, according to the authoritative Intergovernmental Panel on Climate Change, suggesting that, over most of the range of future temperatures, crops will suffer problematic declines.”

The CGIAR report described computer models analyzing crop yields in regions—the northern half of the Indian subcontinent, Southeast Asia, and the Sahel (the part of Africa just south of the Sahara desert)—where temperatures often reach 35 degrees Celsius or higher during crop-growing seasons.

The *Globe and Mail* concluded, “Cereals and corn production in Africa are at risk, as is the rice crop in much of India and Southeast Asia.... The best wheat-growing land in the wide arc of fertile farmland stretching from Pakistan through Northern India and Nepal to Bangladesh would be decimated. Much of the area would become too hot and dry for the crop, placing the food supply of 200 million people at risk.”

An advance look at global warming’s possible effects is provided in Australia by two straight years of droughts, which the Australian press has widely noted are exacerbated by global warming. Wheat yields have fallen from a normal level of 25 Mt to 10.6 Mt in 2007 and an anticipated yield of 13 Mt in 2008.

The scale of the challenges posed to world agriculture, and the dimensions of the inflationary crisis that has already been unleashed on the world's population despite the plentiful supply of food, underscore the irrationality of world capitalism.

Divided as they are between the competing profit interests of different corporations and states, capitalist policymakers are unable to rationally and coherently plan world economy and agriculture to face these challenges. Instead, they have overseen the destruction or degradation of immense productive resources.

These basic contradictions are now exacerbated and brought to a crisis point by the bursting of the US credit bubble and the rise in oil prices. Despite humanity's elementary need for affordable food, the response of the world bourgeoisie has been to use the price crisis as a source of profits through speculation, smuggling or organizing nationally based price cartels.

The wave of strikes and demonstrations with which the international working class has responded to the explosion of food prices testifies to its objective unity, in opposition to the forces of the world market.

To the perplexity and token measures of capitalist governments and imperialist-dominated agencies such as the UN, the working class must counterpose the revolutionary perspective of international socialism. The social force that is uniquely capable of resolving the crisis on a humane and progressive basis is the international working class, uniting behind it the peasantry and all other oppressed social layers.

The historic task posed to the working class is the reorganization of world economy on an international basis, overcoming the conflict between globalized production and the nation state system, and the replacement of the profit principle by scientifically planned production for the social good, on the basis of public ownership of the means of production under the democratic control of the working population.

Concluded