

UN agency predicts global food crisis as prices soar

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A United Nations Food and Agriculture Organisation (FAO) report published this month warns that food price increases are “dangerously close” to crisis level. The bill for global imports of food may exceed \$1 trillion this year. This level of food costs was last reached in 2008 when prices peaked mainly as a result of speculation and led to riots in different parts of the world.

The FAO’s measure of food prices, the broad global index, is now at 197 points, very close to the peak of just over 200, increasing by 5 percent in the last month alone.

Stocks of some staple crops are set to fall—stocks of barley will shrink by 35 percent, maize by 12 percent and wheat by 10 percent, according to FAO estimates. The US Federal Reserve Board’s deliberate policy of devaluing the dollar is also boosting prices, as most commodities, including food, are priced in dollars.

The recently announced round of quantitative easing (QE) by the US will only exacerbate this. A *Guardian* article November 6, “US under fire for fuelling surge in food prices”, explained “the \$600bn of QE announced by the Federal Reserve would hurt consumers by pushing up prices of soy, wheat and other staple foods ... Commodities are considered a safe haven when the dollar is falling. There is also an incentive for producers to seek higher prices to offset the falling value of the dollar.”

Last year, the number of people in the world without sufficient food reached one billion (one in six of the world population). Whilst this year the figure has now fallen somewhat to 925 million, the Millennium Development Goal target to halve the number of the world’s hungry by 2015 is clearly not going to be achieved.

In some areas of the world, the figures are much

bleaker. According to Oxfam, in sub-Saharan Africa in 2009 a third of the population suffered hunger with five countries experiencing staggering levels of hunger of 45 percent and higher. FAO figures show that a child dies of hunger every six seconds. On top of those officially going hungry, the FAO assert that around two billion people—a third of the world’s population—live on diets lacking essential vitamins and minerals. This stunts mental and physical growth, putting them at long-term risk.

The FAO report notes that, as a result of lower harvests in key producing countries, reserve stocks will have to be used and this will lead to a further restriction in supplies next year. Whilst this may lead to more planting by farmers to take advantage of good prices for their produce, the FAO caution: “Cereals, however may not be the only crops farmers will be trying to produce more of, as rising prices have also made other commodities attractive to grow, from soybeans to sugar and cotton ... consumers may have little choice but to pay higher prices for their food ... the international community must remain vigilant against further supply shocks in 2011 and be prepared.”

The FAO continue: “Sharp increases in international quotations for grains, sugars and products in the oilseed complex in recent months are already a cause for concern ... many of these commodities constitute major feedstock ingredients for the livestock or biofuel sectors ... global competition for securing foodstuffs is set to intensify.”

Another pressure on food prices is climate change. The FAO notes that “adverse weather effects are undoubtedly a primary driver of wheat production shortfalls and with climate change, may increasingly be so.” Current food crises in the Sahel region of West Africa and in the Horn of Africa are in part produced

by erratic changes in weather patterns thought by experts to be related to climate change.

Another factor affecting food production, and hence prices, is the return of some plant diseases once thought to have been conquered, such as a fungal disease that affects wheat, known as wheat stem rust. Scientists in the 1950s and 1960s were able through plant-breeding experiments to produce wheat varieties resistant to the disease. However, a new strain of the rust called UG99 was discovered in wheat in Uganda in 1999.

UG99 has now spread to Kenya, Ethiopia, Sudan, Yemen and Iran, and there is a danger of its spreading to the huge wheat-growing areas of south Asia. Quoted in a recent *Financial Times* report on global food supplies, Ronnie Coffman, director of the Durable Rust Resistance in Wheat project at the University of Cornell, explained the threat it poses: “It can be absolutely devastating if environmental conditions are right. You can count the number of people who could die from this in millions.”

The FAO note, “Most global commercial cultivars are susceptible to UG99 ... in addition, new, highly aggressive races of stripe rust are devastating wheat crops in several regions.”

Speculation in food by big financial operators has also had a significant impact on food prices. “There is no doubt that speculative activities have brought into the market a great deal of volatility,” the FAO state, but downplay the affects of speculators in pushing food prices to the recent record levels.

However, a recent report by the World Development Movement (WDM), “Betting on Hunger”, indicts food speculators for recent food price spikes. “In 2007-8, there was a huge rise in food prices fuelled by financial speculation ... the price of wheat shot up dramatically by 80 percent and maize by 90 percent.”

The WDM report notes, “Following the Wall Street crash in the 1930s, regulations were introduced by the US government to limit speculation on food. But these regulations were weakened in the 1990s and early 2000s through aggressive lobbying by bankers to permit rampant betting on the price of staple foods. Additionally, new complicated contracts were created to allow more ways to make money from betting on food.”

The FAO predicts that in the next decade food prices will be higher and more volatile than in the decade

leading up to 2008.



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