

Rising food prices threaten 1 billion with chronic hunger

Naomi Spencer
21 February 2011

Food inflation has reached “dangerous levels,” the World Bank said last week, with prices rising by 15 percent globally between October and January. The warning came as governments around the world are shaken by protests driven in part by rapid increases in the prices of food and other basic goods.

Since June 2010, the soaring cost of staple foods has pushed 44 million more of the world’s poor into “extreme poverty,” surviving on less than \$1.25 per day, according to the World Bank’s February “Food Price Watch.” This figure reflects 68 million people who fell into extreme poverty, minus 24 million that the organization says were “able to escape” as “net food producers.”

The World Bank classifies 925 million people as undernourished, and projects that by year’s end the number will exceed 1 billion—one in every six people on Earth.

The World Bank’s food price index stands 29 percent higher than a year ago, and is only 3 percent below the levels that precipitated mass protests around the globe in 2008. The United Nation’s Food and Agriculture Organization’s (FAO) index recorded average January prices 3.4 percent higher than December and the highest level since it began in 1990, surpassing the 2008 record.

Because the poor often spend a majority of their income on basic foods, rising grain, oil and sugar prices threaten masses of people with malnutrition and starvation.

Between June and December of 2010, the global wheat prices soared by 75 percent. Over the past quarter, wheat prices have risen 20 percent; sugar climbed 20 percent, and fats and oils have risen 22 percent. Rising wheat and rice prices are affecting food-importing countries most sharply. In Kyrgyzstan,

Tajikistan, Mongolia, Azerbaijan, Pakistan and many other countries that import grain, wheat constitutes between one-third to more than one-half of the average daily caloric intake.

Double-digit inflation in these countries has had a devastating impact on the diets of the poor, with families trying to make do with fewer calories. The World Bank estimates that since last summer, extreme poverty in Tajikistan has increased 3.6 percent due to high wheat prices; Pakistan registered a 1.9 percentage point increase over the period. In Vietnam, Bangladesh and Indonesia, large increases in rice prices have had similar impact.

Rising grain prices are partly attributable to a confluence of weather disasters in exporting countries, followed by export restrictions and domestic stockpiling. Poor harvests, low reserves, rising demand for grain-intensive livestock in emerging economies and bio-fuel production all contribute to an upward spiral in prices.

Maize prices in January 2011 stood 73 percent higher than June 2010. The mechanisms behind this rise illustrate the financial anarchy reigning over the world’s food supply. Downward revisions of last fall’s crop forecasts—particularly for the corn harvest of the US, the world’s main corn producer—fueled speculative activity and exacerbated already low stocks.

Biofuels have been heavily promoted by the Obama administration and commodities traders, citing the rising price in oil. The US Department of Agriculture recently reported the share of ethanol for fuel increasing from one-third of the total US corn crop in 2008-09 to a projected 40 percent in the 2010-11 harvest.

This trend has pushed up the prices of corn and sugar, both used in ethanol production. In turn, ethanol-bound

corn further tightened food and animal feed supplies, and still more compounded inflation. As production costs increase with higher corn and sugar prices, demand for the cheaper sweetening ingredient high fructose corn syrup inflated corn prices further still.

Given the global integration of the food system, and the subordination of the most basic of all human needs to the predations of financial speculators, the working class in every country is subject to price shocks, shortfalls and crop failures.

Because corn and other grains are integral to livestock, dairy and poultry production, their price increases drive up the cost of meats, milk, eggs and many processed foods. This has a dramatic impact on the affordability of diversified diets, forcing poor populations to rely on less nutritional staples, with children and pregnant women acutely vulnerable to malnutrition and hunger as a result.

With corn-syrup-producing countries of Latin America hit with a La Niña drought, corn supplies available for the human and livestock food systems are tighter than ever. The UN's FAO reported last week that countries throughout Latin America and Africa were at high risk of food riots, pointing specifically to Burundi, where the price of rice has soared 41 percent and beans have risen 48 percent.

Also described as vulnerable to dangerous price spikes were the Democratic Republic of Congo, Uganda, Mali, Niger and Somalia in Africa. In the span of little more than a month, demonstrations over living conditions and other social grievances have erupted in more than half a dozen African and Middle Eastern countries, and toppled the regimes of Tunisia and Egypt.

Latin and South America have seen poor yields on sugar, soybean and corn crops. Since June 2010, sugar prices have risen 73 percent, primarily attributed to supply shortfalls from the world's largest exporter, Brazil, which was devastated by flooding.

Meanwhile, floods in Southeast Asia have affected palm oil production. Some 40 percent of China's agricultural land has been blighted by drought, affecting its winter wheat crop in the north.

Australia's wheat crop, also damaged by flooding last month, is being bought up mainly by China, the Philippines and other Asian states as fears of a deeper shortfall this year grow. China's consumer price index

has risen 4.9 percent over a year ago, with food prices rising 10.3 percent.

Speaking to Reuters February 16, Sajjid Haider Pasha, director of a Hong Kong-based grains trading and shipping company, noted, "There is stockpiling and hoarding going on from Bangladesh, right through Indonesia and the Philippines, as everyone is scared about food inflation... But we are not sure for how long people can maintain such strong momentum on imports."

The Mexican government announced last week that unusually cold weather had destroyed some 1.5 million acres, or between 16 and 20 percent, of its corn crop. President Felipe Calderon characterized the loss as "an emergency situation that demands a clear and forceful response from the authorities." The present crisis threatens a reprise of protests that erupted in 2007 in Mexico, after corn tortilla prices spiked by 400 percent.

In Bolivia on Friday, thousands took to the streets in major cities to protest rising food prices and non-response from the government of Evo Morales. Morales, elected president of South America's poorest country on promises of leftist reforms, has faced rising social discontent and demonstrations.

In January, protests erupted after the Morales government announced it would end fuel subsidies that had slowed the pace of rising food transport and cooking costs. The government backed away from the plan but protests have continued, with demonstrators calling for pay raises tied to inflation. Since June, the cost of wheat in the capital La Paz has gone up 10 percent.



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