

# International food crisis due to agribusinesses and speculation

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The international development charity Oxfam issued a report this month highlighting the growing global food crisis.

The report, “Growing a Better Future: Food justice in a resource constrained world,” warns in direct terms, “We have entered an age of crisis: of food price spikes and oil price hikes; of scrambles for land and water; of creeping, insidious climate change”.

The report (available [here](#)) outlines a bleak future for billions of the world’s poor. Among the most important conclusions in the report is the warning that food prices will likely double in the next 20 years.

The 2008 food price spike pushed around 100 million extra people into poverty, while the current spike has pushed 44 million more into poverty so far this year. In 2009 the number of hungry people in the world reached a record one billion, a sixth of the world’s population. The recent spike means it is again above one billion.

The United Nations Food and Agricultural Organisation (FAO) also published a report last month, “The Food Price Rollercoaster”. It charts world food prices over the last four years.

Following the global financial crisis of 2008, food prices rose sharply and, whilst dropping back somewhat in 2009, are on the increase again. According to the FAO, the food price index reached its highest-ever figure earlier this year. It has since dropped back slightly, but remains near that record high figure. While rising food prices are affecting most people throughout the world, they have a disproportionate effect on those in the undeveloped countries. The FAO chart shows that while in the United States, spending on food accounts for around seven percent of family budget, in Kenya it is 45 percent and in Azerbaijan 49 percent.

Oxfam highlights the Western African nation of Niger as being at the “epicentre of hunger”, noting that

more than two-thirds of its population live on less than \$1.25 a day. Nearly half of all children are malnourished, with one in six dying before five years of age.

The situation in Niger is indicative of the region, which has been dealt a series of shocks from droughts and global food price rises in the past decade. Many other countries around the world confront the same disaster. “The global food system is broken; Niger is simply on the front line of an impending collapse”, the report states.

The current system is “constructed by and on behalf of a tiny minority—its primary purpose to deliver profit for them.... Powerful investors who play commodities markets like casinos, for whom food is just another financial asset.... Enormous agribusiness companies hidden from public view that function as global oligopolies...[where] a new wave of land-grabbing [has] kicked off in the developing world, as private and state investors sought to cash in or to secure supply”.

The second global food crisis in three years leaves the system in the same “hands of a self-interested few”. New research “paints a grim picture of what a future of worsening climate change and increasing resource scarcity holds for hunger...[predicting] international price rises of key staples in the region of 120 to 180 percent by 2030...[proving] disastrous for food importing countries...and [raising] the prospect of wholesale reversal in human development”.

Launching the report, Barbara Stocking, Oxfam chief executive said, “We are sleepwalking towards an age of avoidable crisis. One in seven people on the planet go hungry every day despite the fact that the world is capable of feeding everyone. The system must be overhauled”.

The not for profit agricultural research umbrella body

the Consultative Group on International Agricultural Research (CGIAR) also put out a report this month, explaining how future climate change will impact negatively on food production. Using a variety of climate models, it produced maps of changes in food production.

“When you put these maps together, they reveal places around the world where the arrival of stressful growing conditions would be especially disastrous”, Polly Ericksen, a CGIAR senior scientist and the report’s lead author explained. “These are areas highly exposed to climate shifts, where survival is strongly linked to the fate of regional crop and livestock yields, and where chronic food problems indicate that farmers are already struggling and...lack the capacity to adapt to new weather patterns”.

A major factor in the current surge in food prices is the activity of financial speculators. A recent World Development Movement (WDM) report, “Betting on Hunger”, explained how futures contracts came about to give farmers some certainty about the price they would get from crops yet to be sold, but that these contracts themselves were then traded by bankers and traders becoming in effect bets on food prices.

“Following the Wall Street crash in the 1930s, regulations were introduced by the US government to limit speculation on food”, the WDM explains. “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 and complicated contracts were created to allow more ways to make money from betting on food. Banks such as Goldman Sachs created special index funds so that financial companies and pension funds could speculate on the price of food”.

The market in food speculation has grown over the last few years. A *Guardian* article of January 23 noted that Hilda Ochoa-Brillembourg, president of the New York Strategic Investment Group, estimates that “speculative demand for commodity futures has increased since 2008 by 40-80 percent in agricultural futures”.

A *Guardian* article of June 2, “Global food crisis: the speculators playing with our daily bread”, quoted Mike Masters, one of two hedge fund managers who gave testimony to a US Senate hearing on speculation on food prices in 2008. “When billions of dollars of capital

is put to work in small markets like agricultural commodities”, he said, “it inevitably increases volatility and amplifies prices of food stuffs...it’s not like real estate and stocks. When food prices double, people starve”.

Olivier de Schutter, a UN food *rapporteur*, speaking at the end of last year stated, “Prices of wheat, maize and rice have increased very significantly, but this is not linked to low stock levels or harvests, but rather to traders reacting to information and speculating on the markets”.

International efforts such as the conference on climate change invariably result in failure and disarray. As the financial crisis deepens, it is clear that no agreements will be made. The development of rational food and trade policies can only come about as the result of a global reorganisation of the economy, with scientific planning and based on social need.



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