

FOOD CRISIS IN THE CONTEXT OF THE GLOBAL FINANCIAL CRISIS AND THE NEED FOR ALTERNATIVE PARADIGM

How the food crisis is affecting the poorest countries

- ❖ Dramatic hikes in global food prices are a source of concern for developing countries. Increasing numbers of people are suffering from poverty, malnutrition and hunger. This situation has triggered riots in dozens of countries, threatening political and social stability.
- ❖ Short-term measures to address the immediate effects of food price escalation on vulnerable populations in turn have a direct budgetary impact. They also compromise the fulfillment of social and developmental policies, and put in serious doubt the attainment of Millennium Development Goals (MDGs).
- ❖ LDCs have 70% of population in Agriculture and yet they import food. How do you explain this?
Example of Uganda. Most Ugandans cannot afford health services, 66% unable to access food; 71% unable to access clothing; 65% of 1122 respondents said Aids higher than 5 yrs ago. Recent (2008) Survey by US-based Kaiser Foundation

Root of the problem lies in the global system of production and Exchange

- ❖ To understand the food crisis and food import dependence that has hit the world's poor for example in Africa, it is necessary to understand how food is produced and distributed, and how the global system of production and exchange has been financed. The fundamental cause of the food price escalation lies in the speculative character of global trade in grains and commodities, and the concentration of food production and distribution in the hands of large multinational corporations.
- ❖ What we need to understand is that in the present phase of the evolution of Capitalism, finance is the king. Everything is "financialised" that enters the market. The commonplace understanding of the market is a place where people come to buy or sell. The capitalist market, however, is much more complex, and works at many different levels.
- ❖ Example of the housing market in the US. What explains the "housing bubble" that burst in September 2007, leading to what is known as the "sub-prime" crisis?
- ❖ The reality is that under the present phase of "financialised capitalism" -- capitalism not run by the priority of production over finance, but of finance over production -- the global economy is heading for the rocks. This is the real reason for the collapse of the US economy whose repercussions are now globally felt.
- ❖ The story does not stop with the housing bubble. Greed drove investment banks from houses to oil, metals, cereals and other commodities. Neoclassical theory says that prices

are determined in the market by “supply and demand”. May be so in the long run. But in the short run, the prices of commodities, including food, are set by the futures market in places like the Chicago Mercantile Exchange where they trade in futures and forward contracts based on pure speculation. Food that is not even seeded in the ground, let alone harvested, is “financialised” through the creation of tradable bonds in the “futures market”. Much as what has happened to the housing market in the US has happened to the food prices in the global market. Some neoliberal theorists now put the blame on the rising demand of food from countries like China and India. These are diversionary tactics to avert the attention of the public and the media away from where the problem really lies.

- ❖ Concentration of food production and distribution at the global level(see Thomas Line, *Making Poverty a History*, Zed Books, 2008)
 - On production side
“The firms that supply rich countries with tropical fruit, such as bananas and pineapples, usually own plantations and shipping lines as well as trading the fruit and supplying wholesalers and retailers. Most farmers also have to rely on small numbers of corporate suppliers for their inputs such as seeds and fertilizers, as well as seeds buyers’ markets for their sales. They are therefore valuable to price and other pressure on both sides of their business and can easily find they are squeezed between them”.
 - On distribution side
“Supermarkets have come to dominate food retailing; the supermarkets have acquired great power over the chain, while earlier stages have become less profitable for farmers and producers. This has led to the decline and in some places the complete loss of other marketing channels for farmers’ produce”.
 - Peasants at worst end of value chain
“While African producers have incurred income losses, traders and firms in the higher steps of the value chain have been reaping enormous benefits”. (UNCTAD (2003 p.24). The basic issue is one of power over the supply chain.
- ❖ At the global level, three other factors have contributed to the food crisis.
 - Trade liberalisation through the World Trade Organisation (WTO) has forced countries to open their markets to food-exporting countries such as the US, Australia and Brazil. Even today, the negotiations on exclusion of “Special Products” from trade liberalisation (which food stressed countries want as a means of protecting their food security) is blocked by countries like the US and the EU.
 - The increased use of food commodities for biofuels production has also been a contributory factor in adding to the food crisis.
 - Global warming is affecting agricultural yields. Need to revisit development paradigm
- ❖ At the national and regional levels the decreased production capacity in developing countries is the most important factor in explaining food shortages. This is a result of primarily two factors:
 - Dependence on aid and Foreign Direct Investments (FDIs). To attract aid and FDIs, countries in the South have been forced to adopt World Bank and IMF-induced policies under the so-called structural adjustment programmes (SAPs).

These have led to deregulation of agricultural markets, removal of agricultural subsidies, trade liberalisation and destruction of the infrastructure of production (such as cooperatives and credit banks), eroding production capacity.

- Increasing import dependence and increasing the incidence of import surges and dumping in many developing countries. For example, the US and European food aid to Africa and other countries is a form of dumping excess food grains, and has been a contributing factor to undermining food self-reliance in many countries (The case of Uganda - Aileen Kwa study)

What needs to be done

- ❖ Need for fundamental rethinking of global economic, political and strategic issues relating to development, sovereignty and security. Need to rethink concepts such as self-reliance, self-sufficiency and food sovereignty and to reflect on aspects of the global environment which have led countries to prioritize the production of food over export crops.
 - Reject neoliberal ideological paradigm
 - End aid dependence (See Tandon, *Ending Aid Dependence*, South Centre and Fahamu, 2008)
 - Control over foreign direct investments (FDIs) – where they go and what they do.
 - Global warming is affecting agricultural yields. Need to revisit production and consumption paradigm
- ❖ At the national level, increasing the purchasing power of the rural poor. Encouraging people to produce and buy products locally.
 - Empowerment of the poor is essential. Rural areas is where vast majority of poor live and that means agriculture. Small farmers should also be empowered along the production chain. This is important today given the tendency towards market concentration. Some instruments to this end include national anti-trust policies; supply management - matching supply to demand so that farmers are given fair prices; the use of price supports; marketing boards and cooperatives.
 - Adequate levels of import controls if small farmers are to be guaranteed access to their domestic or regional markets -- import controls in the form of tariff hikes, quotas, bans, licensing requirements, non-tariff barriers, innovative procurement rules as what is in place in Honduras in rice, as well as price bands.
 - Placing national food security objectives above exports; avoiding the concentration of export benefits in the hands of a few large operations; ensuring that the export sector does not utilize the country's natural resources at the expense of the food sector etc. Deliberate creation of comparative advantages for small farmers.
- ❖ Central role of women in food production and food security
Need for participatory approach involving women and food security in order to effectively face the global aspects of the biopolitics of water. Too many policy or aid decisions that impact women are made in a non-participatory, top-down, one-directional way. There is a high risk that with the new attention to climate change, policy and aid

will once again go the way it always has and women will once again be left with the responsibility of managing local change but without the required resources.

- ❖ Need for a strengthened role of the state in promoting production, long-term sustainability of agricultural production and protection of the most vulnerable producers and consumers. This strengthened role of the state could translate into a more proactive stance with respect to:
 - Investments to promote small farmers' production and sustainable agriculture
 - Using tariffs and trade policies to protect small farmers and domestic producers from imports and to strengthen domestic and regional productive capacities
 - Increasing stocks at the national level, and engaging in South-South cooperation strategies in relation to management of stocks
 - Putting in place national and regional policies (subsidies, state trading enterprises, cooperatives) to ensure food security and stabilise prices.

- ❖ A new multilateral framework for agricultural trade
 - End to trade liberalisation of food and essential agricultural products
 - Multilateral regulation to end dumping
 - Regulating corporations and multilateral competition policy
 - Commodity agreements for tropical products
 - Biodiversity before intellectual property
 - Social and environmental requirements for trade - Qualified Market Access (QMA)
 - Trade liberalisation should not be applied to SPs. SSMs should be available to all LDCs & DCs as long as world trading system remains abnormal.

Conclusion:

Human rights and the principle of equity demands the provision of safe drinking water, food security, basic sanitation, energy, universal education, health care, housing and social protection for the poor everywhere, and for the poor nations.

This requires a new agricultural and food production system that is based on building the capacity of small farmers at the national and regional levels to produce food for the nation and the region, and that is “decoupled” from the global system of financialised capitalism and domination of banks, speculators, and global food chains.

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