

An Answer to the Global Food Crisis: Peasants and small farmers can feed the world!

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Prices on the world market for cereals are rising. Wheat prices increased by 130% in the period between March 2007-March 2008. Rice prices increased by almost 80% in the period up to 2008. Maize prices increased by 35% between March 2007 and March 2008 (1). In countries that depend heavily on food imports some prices have gone up dramatically. Poor families see their food bills go up and can no longer afford to buy the minimum needed. In many countries cereal prices have doubled or tripled over the last year. Governments in these countries are under high pressure to make food available at reasonable prices. In Haiti the government already fell because of this issue and strong protests have taken place in other countries such as Cameroun, Egypt, and the Philippines…

The current crisis: a result of agricultural liberalization

Some analyst have been exclusively blaming agrofuels, the increasing world demand and global warming for the current food crisis. But actually, this crisis is also the result of many years of destructive policies that have undermined domestic food production. Trade liberalization has waged a virtual war against small producers. Farmers have been forced to produce cash crops for transnational corporations (TNCs) and buy their food on the world market.

Over the last 20-30 years the World Bank and the International Monetary Fund (IMF) and more recently the WTO have forced countries to decrease investment in food production and to reduce support for peasant and small farmers. However, small farmers are the key food producers in the world.

Major international donors have also shown a lack of interest in food production. Development cooperation from industrialized countries to developing countries went up from 20 billion USD in 1980 to 100 billion USD in 2007. However, support for agriculture went down from 17 billion dollar to 3 billion USD during the same time. And most of these funds probably did not go to peasant-based food production.

Under neo-liberal policies, state managed food reserves have been considered too expensive and governments have been forced to reduce and privatize them under structural adjustment regimes. For example, Bulog, the Indonesian state company founded to regulate buffer stocks was privatized in 1998 under the policy package of the International Monetary Fund. Under pressure from the WTO, state marketing boards have been dismantled because they go against the principle of “free” trade. Under WTO agreements, countries have also been forced to “liberalize” their agricultural markets: reduce import duties (which is an important income loss for the importing governments!) and accept imports for at least 5% of their internal consumption even if they did not need it. At the same time TNCs have kept on dumping surpluses into their markets, using all forms of direct and indirect export subsidies.. At the same time, national governments have failed to stabilize their markets and protect farmers and consumers against sudden price fluctuations.

Neo-liberal policies have destroyed the capacities of countries to feed themselves.

After 14 years of NAFTA (North America Free Trade Agreements) Mexico went through a major crisis often dubbed as the “tortilla crisis”. From an exporting country Mexico has become dependent on US maize imports and current imports 30 percent of its maize. Nowadays, while increased amounts of US maize have suddenly been diverted to agro-fuels production, quantities available for the Mexican markets have dropped, provoking price surges.

In 1992, Indonesian farmers produced enough soya to supply the domestic market. Soya-based tofu and 'tempeh' are an important part of the daily diet throughout the archipelago. Following the neo-liberal doctrine, the country opened its borders to food imports, allowing cheap US soy to flood the market. This destroyed national production. Today, 60% of the soy consumed in Indonesia is imported. Record prices for US soy last January led to a national crisis when the price of 'tempeh' and tofu (the « meat of the poor ») doubled in a few weeks.

According to the FAO the food deficit in West Africa increased by 81% between 1995 and 2004. During the same period cereal imports increased by 102%, sugar imports by 83%, dairy products by 152% and poultry by 500%. However, according to IFAD (2007) the region has the potential to produce sufficient amounts of food.

All around the world, even though it is increasing nation’s vulnerability, liberalization goes on: the European Union is forcing the ACP countries into so-called Economic Partnership Agreements (EPAs) to liberalize the agricultural sector with foreseeable adverse effects on food production.

The agrofuel boom: a sudden shock on the world markets

The emergence of agrofuels is another cause of food price rises. Over the past few years, TNCs and world economic powers such as the US and the EU have rapidly developed agrofuel production. Massive subsidies and investments are flowing into this “booming” sector. As a result, land is rapidly being converted from food into fuel production and an important part of the US maize suddenly “disappeared” as it was bought up for ethanol production. This uncontrolled explosion of the agrofuel sector created a shock in the already unstable international agricultural markets. Egypt, one of the largest cereal importers, has called upon the US and the EU to stop encouraging the growth of maize and other crops for agrofuels. In Egypt food prices, including subsidized bread, went up by nearly

30% last year (2). In the Philippines, the government is now looking at some 1.2 million hectares for jatropha production in the southern island of Mindanao operated by the Philippine National Oil Co.-Alternative Fuels Corporation, It is also identifying more than 400,000 hectares of land for private sector investments. (Jatropha curcas is a drought-tolerant non-edible shrub. It produces fruits the size of golf balls which contain oil that can be converted into agrofuels. Impacts on local food security are expected (5).

Speculators: Betting on expected scarcity

Often eclipsed in the public debate, speculation is one of the main causes of the current food crisis. Production remains high, but speculators are betting on expected scarcity and artificially increasing prices.

World grain production in 2007/2008 is estimated at 2108 million tones (an increase by 4,7% compared to 2006/2007). This is well over the average growth in the last decade of 2%. Average consumption of cereals for food increased around 1% per year and will reach 1009 million tones in 2007/2008. The use for feed purposes increased by 2% to 756 million tones. And the use for other purposes will be around 364 million tones. An important part of it is maize (95 million tones), much of which is going into agrofuels. The USA is expected to use 81 million tons of maize for ethanol, 37% more than in 2006/2007.

The world cereal stocks are estimated to decrease by 21 million (5%) tons to 405 million tons at the end of the season in 2008. Stocks have been going down for several years, they are now at the lowest levels in 25 years.

Although it is true that over the last years demand has increased slightly more compared to production, a balanced international and national policy regarding domestic food production could easily address the situation and would secure stable prices for farmers and consumers.

TNCs and mainstream analysts expect that land will be increasingly used for agrofuels (maize but also palm oil, rape seed, sugarcane…). They predict that the growing Asian middle class will start buying meat which will increase cereal demand and they expect negative climate effects on food production such as severe droughts and floods. Meanwhile, TNCs aggressively obtain large areas of agricultural land around cities for speculative purposes, expelling small food producers. In India more than 700 so called “New Economic Zones” are being established, kicking farmers out of their land.

Based on those predictions, TNCs have been manipulating the markets. Traders have kept stocks away from the market in order to stimulate price increases and generate huge profits afterwards. In Indonesia, in the midst of the soya price hike in January 2008, the company PT Cargill Indonesia was still keeping 13,000 tons of soybeans in its warehouse in Surabaya, waiting for prices to reach record highs.

In many countries large supermarkets have gained a near monopoly power and they are increasing prices far more than is justified by the price increase of the agricultural product. For example in France the price of certain yoghurts increased by 40% although the cost of the milk accounts for only a third of the total price. A substantial increase of the milk price for farmers could never cause such a price increase. (3) In Germany, farmers have seen the farm-gate price of milk dropping by 20-30%, pushing them into bankruptcy because supermarkets use cheap dairy products as a marketing tool to attract consumers.

International financial speculation is playing a major role in food price increases since the summer of 2007. Due to the financial crisis in the USA, speculators started to move from financial products to raw materials, including agricultural products. This directly affects prices in the domestic markets as many countries are increasingly dependent on food imports.

This is happening while there is still enough food in the world to feed the global population. According to the FAO the world could even feed up to 12 billion people in the future.

Lessons learned from the crisis: the market will not solve the problem

Instability on the international food markets is one of the characteristics of agricultural markets: as production is seasonal and variable, and an increase of production cannot be realized very quickly as crops need time to grow. At the same time consumption does not increase very much if more food is available. So small differences in supply and demand, uncertainties regarding future harvests and speculation on international markets can create huge price effects. The volatility in the food markets is mainly due to deregulation, the lack of control on the big players and the lack of necessary state intervention at the international and the national level to stabilize markets. De-regulated markets are key part of the problem!

Peasants and small farmers do not benefit from higher prices

While speculators and large traders do benefit from the current crises, most peasants and farmers do not benefit from the higher prices. They grow food, but the benefits of the harvest often get out of their hands : it is already sold out to the money lender, to the agricultural inputs company, or directly to the trader or the processing unit. Although prices for farmers have gone up for some cereals, this is modest compared with increases on the world market and increases imposed upon consumers. If food on the market comes from domestic producers, usually benefits of higher prices are reaped by companies and other intermediaries that buy the products from the farmers and sell them at an high price. If

the products come from the international market, this is even clearer: transnational companies control that market. They define at what prices products are bought in the original country and at what prices they are sold in the importing country. Although in certain cases prices did go up for producers, the biggest part of the increase is cashed in by others. In the dairy and meat sector, because of the increased production costs, farmers even see their prices going down while consumers prices are shooting up.

Despite some moderate price increases at the farm level, stock breeders are in a crisis due to the rise in feed prices and cereal producers are facing sharp rises in oil based fertilizer prices. Farmers sell their produce at an extremely low price compared to what consumers pay. In Europe the Spanish Coordination of Farmer Unions (COAG) calculated that consumers in Spain pay up to 600% more than what the food producer gets for his/her production. Similar figures also exist for other countries where the consumer price is mainly defined by costs for processing, transport and retailing.

Among the victims: Agricultural workers, landless farmers and cash crop producers

Agricultural workers as well as many people in the rural areas also have to buy food as they do not have access to land to produce. Therefore, they are severely hit by the current crisis. Some peasants and small farmers may have land but they are forced to produce cash crops instead of food. The increase of the price of edible oil in Indonesia since 2007 has not benefited the Indonesian palm oil farmers at all. They received only a minor price increase from the large buyers and they do not understand why ordinary people and consumers have to suffer such high prices for edible oil. Many of them are working under contract farming with big agribusiness companies which process, refine and sell the product. A small number of big agribusiness companies increased domestic prices, following the international price hike. The contract farming model creates a situation in which farmers cannot produce food for their families as they have to produce cash crops as monocultures such as sugar cane, palm oil, coffee, tea and cacao. This means that even if the farmer receives a minor increase for his cash crop, she has to buy much more expensive food on the market. Therefore increasing food prices also cause more poverty in their families.

Urban consumers hit hard

The international policies of the last decades have expelled hundreds of millions of people to the urban areas where most of them landed in slums, having a very precarious life, forced to work for very low wages and buy food and other goods at a high price. They are the first victims of the current crisis as they have no way to produce their own food. Their number has increased dramatically and they spend a big part of their income on food. According to the FAO, food represents up to 60-80 percent of consumer's spending in developing countries (including landless farmers and agricultural workers). Companies ruthlessly exploit the current situation, accepting that increasing numbers of people go hungry as they do not have the money to buy the available food. Governments are forced to import expensive food to meet consumer demand and do not have the means to support the poorest consumers.

More free trade will not solve the crisis

Institutions such as the World Bank and the IMF as well as some governments are now advocating more investment in agriculture, increased food aid for the low income food importing countries and further liberalization of markets so that countries can improve their income through export. Many argue that we need more intensive production patterns, which means for them more industrial high input agriculture. This includes the introduction of GMOs and the use of more fossil energy!

At the same time they promote a second TNC-led 'green' revolution in Africa, they keep on pushing for more market access for their TNCs in the Doha round and tie up the extra financial support to political criteria to increase the dependency of these countries. Nothing is said about the need for increased market regulation and stabilization or whether the support that is called for will go to peasant-based food production. Such investments will go to the importing countries by offering their financial 'help', bring more investment in corporate-led food production and continue to impose the same recipe of deregulation and privatization.

In the WTO negotiations high prices are used to make governments accept further tariff cuts and more de-regulation of the agricultural markets. This will create the next crisis when price fluctuations go in the other direction.

A way out of the crisis: Rebuilding national food economies

To address the current crisis, La Via Campesina believes that countries should give priority in their budget to support the poorest consumers so that they have access to sufficient food. Meanwhile, they should give priority to their domestic food production in order to become less dependent on the world market. This means increased investment in peasant and farmer-based food production for the domestic market.

We do need more intensive food production, but intensive in the use of labor and in the sustainable use of natural resources. Diverse production systems have to be developed, systems that are not exclusively focusing on the main crops such as corn, soya, rice and wheat but that integrate local foods that have been neglected since the onset of the 'green' revolution.. Small-scale family farms can produce a large diversity of food that guarantees a balanced diet and some surpluses for the markets. Small-scale family farming is a protection against hunger!

Internal market prices have to be stabilized at a reasonable level for farmers and consumers: for farmers so that they can receive prices that cover the cost of production and secure a decent income and for consumers so that they are

protected against high food prices. Direct sales from peasants and small farmers to consumers has to be encouraged. Mr. Jacques Diouf, secretary General of FAO has stated that developing countries should be enabled to achieve food self sufficiency(6).

In every country an intervention system has to be put in place that can stabilize market prices. In order to achieve this, import controls with taxes and quotas are needed to regulate imports and avoid dumping or low price imports that undermine domestic production. National buffer stocks managed by the state have to be built up in order to stabilize domestic markets: in times of surplus, cereals can be taken from the market to build up the stock and in case of shortage, cereals can be released.

Therefore land should be distributed equally to the landless and peasant family through genuine agrarian reform and land reform. This should include the control over and access to water, seed, credits and appropriate technology. People should be enabled again to produce their own food and feed their own communities. Any land grabbing, land evictions and expansion of land allocation for the expansion of agribusiness-led agriculture has to be stopped. Immediate measures are needed to support small farmers and peasants to increase agro-ecological food production.

National governments should not repeat the mistake of promoting agribusiness corporations to invest in large food production units. According to the FAO, ex-Soviet countries plan to open their land to agribusiness companies to produce food on land that is currently not cultivated. This could turn out to be another mistake if this is presented as a solution for the food crisis.

Regulating international markets and implementing basic rights

At the international level stabilization measures have to be implemented. International buffer stocks have to be built up as well as an intervention mechanism to stabilize prices on the international markets at a reasonable level. Exporting countries have to accept international rules that control the quantities they can bring to the market.

Countries should have the freedom to control imports in order to protect domestic food production.

Production of cereals for agrofuels is unacceptable and has to be stopped as this competes with food production. As a first step we ask for an immediate moratorium on agrofuels as proposed by Jean Ziegler former UN rapporteur on the Right to Food.

The influence of transnational corporations has to be limited and the international trade in staple foods has to be brought to a necessary minimum level. As much as possible domestic production should fulfill internal demand. This is the only way to protect farmers and consumers against sudden price fluctuations from the international market.

A possible agreement in the Doha Round will mean another blow for peasant-based food production; therefore any agreement has to be rejected.

Peasants and small farmers are the main food producers

La Via Campesina is convinced that peasants and small farmers can feed the world. They therefore have to be considered as the key part of the solution. With sufficient political will and the implementation of adequate policies more peasants and small farmers will easily produce sufficient food to feed everyone at a reasonable price. The current situation shows that changes are needed!

The time for food sovereignty has come!

Jakarta, 24th of April 2008

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