United Nations conference offers derisory level of aid for millions hit by food prices

By Paul Mitchell
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The summit on soaring food prices, convened by the United Nations Food and Agriculture Organisation (FAO) in Rome last week, was dominated by fears of social unrest brought about by the rising price of food staples and a dramatic increase in the price of fuel.

But the high-level meeting of government officials and agencies from around the world failed to offer more than token relief for millions of people who face hunger and even starvation as a result of the eruption of food and energy prices.

The price of grain has nearly doubled in the last year and the price of rice has tripled over the last five years, from approximately $600 a ton to more than $1,800 a ton. The price of oil, which has risen 75 percent in the past year, has driven up the cost of transport, farming and fertiliser production. For a third of the world's population, these huge price rises mean the difference between a sustainable diet and malnutrition.

According to the FAO, 37 countries—20 in Africa, 9 in Asia, 6 in Latin America and 2 in eastern Europe—currently face exceptional shortfalls in food production and supplies. Protests have erupted around the world. Political unrest linked to food markets has developed in Morocco, Uzbekistan, Yemen, Guinea, Mauritania and Senegal.

The government of Haiti was forced out in a no-confidence vote after several days of protests against rising food prices that left at least five people dead and saw crowds attempt to storm the presidential palace.

Riots broke out in Mexico after tortilla prices rose by 60 percent, and in Italy the rising cost of pasta prompted nationwide protests.

Unrest in China has been linked to cooking oil shortages.

In developed countries, food and fuel inflation are increasingly burdensome for working class families struggling in a deteriorating job market and faced with a housing crisis. In the US, the number of people using food stamps is due to reach 28 million by next year, equalling the record number reached in 1994.

All national governments are acutely aware of the threat of civil unrest in the event of severe food shortages or famine, and have been forced to take minimal steps to ease the crisis in the short term, such as reducing import tariffs and erecting export restrictions. These fears were a major factor in the attendance of an unprecedented number of world leaders at the Rome summit.

FAO Director-General Jacques Diouf called for "urgent and coordinated action to combat the negative impacts of soaring food prices on the world's most vulnerable countries and populations" in the form of immediate food aid and increasing agricultural investment. He noted that in 2006 the world spent $1,200 billion on arms.

"Against that backdrop, how can we explain to people of good sense and good faith that it was not possible to find $30 billion a year to enable 862 million hungry people to enjoy the most fundamental of human rights: the right to food and thus the right to life?" he asked.

His appeal met with a meagre response of less than $3 billion in promises of extra aid.

Diouf told the summit that the current food crisis was a "chronicle of disaster foretold." He said the first World Food Summit in 1996 had made a "solemn pledge" to halve world food hunger by 2015, and the second World Food Summit in 2002 had determined that just $24 billion a year would eradicate world hunger.

However, the financing of agricultural programmes in developing countries had decreased "significantly," Diouf said. He continued: "Today, the facts speak for themselves: from 1980 to 2005 aid to agriculture fell from $8 billion (2004 basis) in 1984 to $3.4 billion in 2004, representing a reduction in real terms of 58 percent."

He charged the world's richest countries with distorting world markets by spending $372 billion in 2006 alone to support their agriculture. He noted that he had issued warnings last September on the risks of social and political unrest due to hunger, and added that in December he had appealed for $1.7 billion to help farmers buy seeds, fertiliser and animal feed.

The appeal had "generally fallen on deaf ears," and "it was only when the destitute and those excluded from the abundant tables of the rich took to the streets to voice their discontent and despair that the first reactions in support of food aid began to emerge."

Diouf said he found it "incomprehensible" that the food crisis remained unsolved under conditions where a $64 billion carbon market was rapidly created in the developed countries and subsidies worth $12 billion were used to divert 100 million tonnes of cereals from human consumption to the production of bio-fuels.

In response, US Agriculture Secretary Ed Schafer talked up the benefits of bio-fuels and genetically modified crops, the trade in which is dominated by American corporations. He claimed that less than three percent of the global increase in food prices was attributable to competition from bio-fuels, although the Washington-based International Food Policy Research Institute puts the figure closer to 30 percent.

The summit declaration ended up with a fuzzy formulation calling on governments to “foster a coherent, effective and results-oriented international dialogue on bio-fuels in the context of food security and sustainable development needs.”

Behind the inability of the summit to provide a solution to the food crisis lies the impossibility of such a body examining the incompatibility of the capitalist system with the needs of billions of poor and working people. There was virtually no mention, for example, of the speculation and trading in equity and debt that have a direct bearing on agricultural commodity markets and have been a major factor in the recent increase in food and fuel prices.

As a recent article in the *New Statesman* magazine stated, “The reason for food ‘shortages’ is speculation in commodity futures following the collapse of the financial derivatives markets. Desperate for quick returns, dealers are taking trillions of dollars out of equities and mortgage bonds and ploughing them into food and raw materials. It’s called the ‘commodities super-cycle’ on Wall Street, and it is likely to cause starvation on an epic scale.”

The article concludes: “Just like the boom in house prices, commodity price inflation feeds on itself. The more prices rise, and big profits are made, the more others invest, hoping for big returns. Look at the financial web sites: everyone and their mother is piling into commodities... The trouble is that if you are one of the 2.8 billion people, almost half the world’s population, who live on less than $2 a day, you may pay for these profits with your life.”

As the US housing market collapsed, compounding problems in the credit market and threatening recession, capital flooded into the speculative trade in index funds, futures and options on major commodity markets in London, New York and Chicago, stoking up inflation in basic goods and materials. A speculative bubble is being created like the subprime and dot.com markets before it.

Agricultural producers sell so-called “futures contracts” on crops several months before harvest, thereby guaranteeing certain prices. Grain distributors and processors buy these futures contracts, guaranteeing they will not pay more upon harvest. However, this arrangement has been hit by a massive influx of speculative capital—up from $13 billion in 2003 to $260 billion this year.

The situation has been exacerbated by the deregulatory programme the US Commodity Futures Trading Commission (CFTC) introduced in 1991, which relaxed rules designed to limit the amount of trading speculators can do in specific commodities. Earlier this year, the CFTC launched an investigation into allegations of price manipulation surrounding crude oil production and trading and another one into cotton prices. On one day in March, cotton futures jumped from 85 cents a pound to $1.09, despite reports of an oversupply of cotton in the US.

As inflation and shortages have exposed billions to hunger worldwide, there have been enormous profit increases for the few mega-companies that increasingly dominate agricultural production. The US’s largest grain producer, Archer Daniels Midland, revealed a 42 percent leap in quarterly profits, with its chief executive, Patricia Woertz, boasting that “Volatility in commodity markets presented unprecedented opportunities.”

In the end, the crisis is a product of the capitalist market itself. It is not a matter of too many mouths to feed or too little food to supply human needs. According to the FAO, food is being produced in record quantities, but the market has driven prices beyond the reach of the majority of humanity in the most oppressed countries, and at the same is effectively slashing the living standards of workers in the more advanced capitalist world.

Country after country has been left vulnerable to the global commodity price surge by “free market” policies implemented at the demands of Washington and the international financial agencies such as the International Monetary Fund and World Bank over the last three decades. The integration of the economies of the oppressed countries into the world market has seen them concentrating their efforts on specialised export crops, whilst the demolition of tariff barriers has opened the way to subsidised agricultural staples from the more advanced countries capturing local markets.

As Walter Poveda Ricaurte, agriculture minister of Ecuador, told the FAO summit, when food prices were low in recent decades, Ecuador stopped producing its own wheat, corn and soy beans and imported cheaper foodstuffs instead. “Now that prices of these commodities have doubled in the past year, the country can no longer afford them,” he said.

The summit concluded by calling for a renewed commitment “to the rapid and successful conclusion of the Doha development agenda” on trade liberalisation, presaging even greater domination of world food production by giant agribusinesses and a deeper impoverishment of the world’s peoples.