

A Cruel Joke: Rising Food Prices

At an interactive session on the economy in Missouri, the President of the United States argued that prosperity in countries like India has triggered increased demand for better nutrition, which in turn leads to higher food prices. “There are 350 million people in India who are classified as middle class. That’s bigger than America. Their middle class is larger than our entire population. And when you start getting wealth, you start demanding better nutrition and better food, and so demand is high, and that causes the price to go up,” Bush said. A few days before that, the U.S. secretary of state Condoleezza Rice blamed the “growing Indian and Chinese appetite in contributing to the global food crisis.”

For many in India this statement seemed a cruel joke. What about the 650 million people in India whose daily intake of food and nutrients are declining day by day? Total food grain consumption — wheat, rice, and all coarse grains like rye, barley etc — by each person in the US is over five times that of an Indian, according to figures released by the US Department of Agriculture for 2007. Each Indian gets to eat about 178 kg of grain in a year, while a US citizen consumes 1,046 kg. There is an acknowledgement in this statement and a perspective that if the rest of the world catches up to the present level of consumption of the Western world, the world would face a crisis of a cataclysmic proportion. The US does not want that to happen. That raises fundamental questions about the way we conceive and work toward development. Are we prepared to squarely face this issue?

Four major aspects affecting supply conditions have been crucial in understanding the global inflation for food crops. First, there is the impact of high oil prices, which affect agricultural costs directly because of the significance of energy as an input in the cultivation process itself (through fertilizer and irrigation costs) and in transporting food.

Second, there is the impact of both oil prices and government policies in the U.S., Europe, Brazil and elsewhere that have promoted bio-fuels as an alternative to petroleum. This has led to significant shifts in acreage as well as use of certain grains.

Third, the impact of policy neglect of agriculture over the past two decades is finally being felt. The prolonged agrarian crisis in many parts of the developing world; the shifts in acreage from food crops to cash crops relying on purchased inputs; the excessive use of groundwater and the inadequate attention paid to preserving or regenerating land and soil quality; the lack of attention to relevant agricultural research and extension; the overuse of chemical inputs that have long-run implications for both safety and productivity; the ecological implications of both pollution and climate change, including desertification and loss of cultivable land: all these are issues that have been highlighted by analysts but largely ignored by policymakers in most countries. This is an area where Chethana is trying to make substantial impact by promoting sustainable agricultural initiatives and sound water and soil management practices.

Fourth, there is the impact of changes in market structure, which allow for greater international speculation in commodities. It is often assumed that rising food prices automatically benefit farmers but this is far from the case, especially as the global food trade has become more concentrated in the hands of a few multinationals. A small number of agribusiness companies worldwide increasingly control all aspects of cultivation and distribution, from supplying inputs to farmers to buying crops and, even in some cases, to retailing food distribution. Chethana also should strive to evolve mechanisms to deal with this kind of market interventions and evolve alternative markets.

Looking particularly at the India reality, the roots of the present inflation do not lie in the global inflation alone. In its fervor to please the IMF and the WB and implement the neo-liberal economic policies, it had dismantled the public distribution system, targeted food supply to those who are below the poverty line, which again was defined in terms of abysmally low food intake and private players were allowed into the procurement of grains and other food crops. Not only were subsidies not given to farmers but low support prices were announced for food crops while food grains were bought from external markets for prices much higher than the support price provided to its own farmers. This is the context in which Chethana is to define its role in the coming days and months.