

Analyzing The 2008 Food Crisis

In the past few weeks, riots over food prices have been erupting in several countries around the world including Egypt, Bangladesh, Haiti, and Cameroon among others. The riots are in response to the sharp spike in the price of basic foods made from wheat, rice and corn. Prices of these commodities have almost doubled in the last 12 months, but most of the increase has been seen and felt since January 2008. This sharp increase in prices is making it dangerously difficult for people to buy the foods they need for basic survival.

People who are the poorest have been particularly hard hit, because the foods they normally purchase to secure their only meal for the day are now priced far beyond their reach. Those living in poverty spend a higher percentage of their income on food, and therefore suffer more when food prices go up. As a result, people in general, and the poor in particular, are in real danger of malnutrition and starvation because they cannot afford to buy food.

While social unrest and violence give way to political instability, the gravest danger remains the impact that hunger and malnutrition have on the human person.

This resource is designed to provide a clear overview of the current food crisis and the conflicting economic forces at work behind the scenes. The reality is that there is enough food to meet the needs of the people; but when food is commodified and turned into a profit making means, it is hoarded and stored in hopes of greater gain. This is one factor among others that will be analyzed here.

EXPLORING ROOT CAUSES

Food as a Commodity

In pure “market economics” food is considered a “commodity” equal to a widget, a ton of coal or barrel of oil etc. Commodities are bought and sold around the world on stock markets where investors want to maximize profits. “Supply and demand” usually determine what the market “values,” while shortages cause prices to rise and surpluses cause prices to fall. However, “free” markets can also determine “values” since the highest bidder owns the goods.



Basic food is become a rare commodity for many (File photo) (AFP: Mustafa Ozer)

In the current context, the causes for the recent food “shortages” include the following three major factors: first, recent drought or crop failures in a variety of countries has limited or restricted the supply; second, agricultural policies set by global institutions like the International Monetary Fund or the World Bank that limit planting or eliminate competing farmers by unfair pricing practices impact the amount of the commodities grown thereby driving the price up; and third, by stock brokers investing in food based “commodities” to make money. The global demand is manipulating the price in order to capture greater profit. These three factors together have significantly contributed to the crisis we now see erupting in riots and political instability. Crisis occurs when food is priced beyond what many people can pay for it.

The “Value” of the US Dollar

Since World War II, world trade has been conducted or denominated in U.S. Dollars. The dollar gained this eminent position as the most reliable currency among many, giving access to the world's largest economy with open capital and money markets. The U.S. currency has been the bellwether against which other prices of goods and services were determined. Goods bought and sold on the world market were exchanged in US Dollars (USD) when trading. The world monetary order rests on the U.S. dollar as the most prominent reserve currency.

The USD is accepted as currency in most countries, used almost universally by foreign banks and companies to hold their assets, and is held by central banks to back their own local currencies. The Dollar Standard in short has supported a global economy as nothing else in economic history.¹ But recently the dollar has been losing strength against other currencies and this continues to have ripple effects around the world. The declining strength of the dollar in a global trading system is also a factor in this recent food crisis. Simply put - the dollar doesn't go as far as it used to - and a fluctuating dollar has a significant impact on prices of other goods bought and sold on the global market- like the commodities discussed here.

Buying/Selling Food Commodities in US Dollars

World stock markets trade commodities like corn and oil based on their values in US dollars compared to the countries' own currencies as determined by the World Bank (WB). The WB's goal is to help producers of goods and services, exporters, and importers conduct their business for worldwide economic development.



With food prices soaring and frustration mounting, Haitians take to the street in protest. (Photo: CRS)



Devalued US Dollar & Commodity Price Rise

US trade imbalances let investors worldwide accumulate huge reserves of USD's (lowering their value) which were invested in part in profit making mortgages. However, the mortgage markets became overvalued and began to lose profits. Investors moved their USD's into commodities such as oil and food. With surpluses of USD's in the world to invest, the investors paid higher and higher prices for the oil and food commodities. So as the mortgage markets cooled off and the commodity markets heated up, it took increasing numbers of dollars to buy the same bushel of corn or barrel of oil.

1 For more details see <http://www.moneyweek.com/file/19907/why-the-us-is-heading-for-a-currency-crisis.html>



Oil, Food and The Commodity Market

Investors drove up the price of oil, which then increased the costs of producing food at every step in the food production line from planting, fertilizing and cooking the food at home. All of these costs made food more difficult or impossible to buy for many low income people

Food Used to Replace Oil as Biofuel

The US embarked on biofuel production, ethanol, from crops, primarily surplus corn, to lessen dependence on foreign oil imports. However, since the US supplies approximately 30% of the world's corn, the price of corn skyrocketed as did alternative grains and the foods produced from corn consumption such as beef, chicken and pork. The IMF estimates that biofuels are responsible for 50% of the consumption of major food crops in 2006-2007.

Results of "Free Market" Trade on Farming

The rules of free market trade all but abolish tariffs among participating countries. The rules generally reduce the prices of goods in both countries and open markets for more goods. However, in the food industry cheaper imports often eliminate smaller farms, make the country more dependent on imported food and lead in the end to a crisis when imports fail or become too expensive.

Developing Countries Demand More Oil and Food

China, India and other developing countries are rapidly raising their standards of living, demanding in particular more oil, meat and poultry products which consume large amounts of grain. Commodity markets respond to these "demands" by increasing prices.

Basic vs Profitable Food on Commodity Markets

In the 2008 food crisis rice prices soared and main rice exporting countries banned its export. Analysts noted that Australia, which had produced 2 million tons of rice a year, no longer produced it. A ten year Australian drought attributed to global warming made it difficult to grow rice but not wine grapes. Rice earned approximately \$240 per acre whereas wine grapes earn \$1,680

"[T]he primary goals of agricultural policies should be providing food for all people and reducing poverty among farmers and farmworkers in this country and abroad."

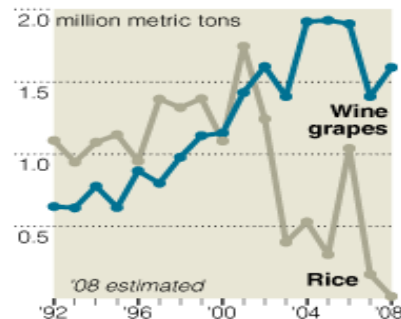
(U.S. Catholic Bishops, For I Was Hungry and You Gave Me Food: Catholic Reflections on Food, Farmers and Farmworkers, 2003.)



Courtesy, BBC, Bloomberg

per acre. So farmers switched over to growing grapes and Australia closed its main rice factory in 2007. This development, however, resembles a trend in international farming that favors exportable "cash" crops such as coffee, cocoa, cotton and flowers over food staples.

Australian production of: Rice and Wine Grapes



THE NEW YORK TIMES

Intersecting Forces in the World Food Crisis



Analysis of Food System's Social Justice Values

The chart to the left focuses on the social justice values and competing economic values. The major players in the world food industry including governments must resolve these conflicts in order for a just food system to exist. From your analysis, can you name specific principles of Catholic social teaching (CST) that challenge the food industry institutions to be more just? Connect the CST principle to a specific part of the system. Some CST principles to consider are: 1. Stewardship: (Care for God's Creation); 2. Life & Dignity of the Human Person; 3. Fully Human in Community; 4. Dignity of Work and Rights of Workers; 5. Option for the Poor and Vulnerable; 6. Economic Justice & International Development; 7. Rights and Responsibilities; 8. Government & Subsidiarity; 9. Promoting Peace and Non-violence; 10. Global Solidarity & the Common Good.

THE VISION OF CATHOLIC SOCIAL TEACHING

Food a Basic Human Right in Modern World

"...[T]here is a growing awareness of the exalted dignity proper to the human person, since... his or her rights and duties are universal and inviolable. Therefore, there must be made available to all everything necessary for leading a life truly human, such as food, clothing, and shelter...In view of the increasingly close ties of mutual dependence today between all the inhabitants and peoples of the earth...the... common good now require of the community of nations that it organize itself in a manner suited to its present responsibilities, especially toward the many parts of the world which are still suffering from unbearable want...[O]rganizations of the international community, for their part, must make provision for different needs ... in the fields of social life-such as food supplies, health, education, labor..."(Pastoral Constitution, On The Church in the Modern World, Gaudium et Spes, 1965, para.26, 84)

Profiteering on Food Condemned by Church

"Although the quest for equitable profit is acceptable in economic and financial activity, recourse to usury is to be morally condemned: "Those whose usurious and avaricious dealings lead to the hunger and death of their brothers and sisters in the human family indirectly commit

"Agriculture is not just another economic sector. It is about food and hunger, the way we treat those who grow and harvest our food and fiber, and what kind of nation and world we are shaping. Agriculture and rural life, farmers and farmworkers have been longstanding concerns for our Conference, but the forces of increasing concentration in agriculture and increasing globalization in our world are raising new questions that have significant human dimensions and ethical implications."

-U.S. Conference of Catholic Bishops, "For I Was Hungry and You Gave Me Food: Catholic Reflections on Food, Farmers and Farmworkers," 2003.



which is imputable to them.” This condemnation extends also to international economic relations, especially with regard to the situation in less advanced countries, which must never be made to suffer “abusive if not usurious financial systems.” More recently, the Magisterium used strong and clear words against this practice, which is still tragically widespread, describing usury as “a scourge that is also a reality in our time and that has a stranglehold on many peoples’ lives.” (*Compendium of Social Doctrine of the Church, 2004. p. 148, para. 341*)

A Catholic Response

Facts and figures, words and exhortations about persons suffering from hunger usually do not move hearts, minds and bodies into concrete actions that solve in some way the underlying causes of world problems. The myth that “I am nothing in face of these horrible world problems” paralyzes the overwhelming majority of society. Jesus, however, contradicts this myth with, “Amen, I say to you, whatever you did for one of these least brothers and sisters of mine, you did for me.” (Mt. 25:40)

Steps to Act in Solidarity with those who are Hungry

1. Accept the reality that “I can be part of the solution to systems that harm human beings today.”
2. As the quotation from Matthew above suggests, acting compassionately is first an encounter with God, a prayer in action. Enter into your own prayerful space and listen to a starving person asking you to help. Try meditating on Jesus’ words above or these from the “Our Father: “Give us this day our daily bread.”
3. Act locally and think globally: Some suggested actions are:
 - Resolve to learn more about world food distribution, agricultural policies, global trade and what is happening to farmers in your country.
 - Find others in your local community who are interested in just food policies and join their efforts.
 - Call a local soup kitchen and find out about hunger in your own area.
 - Talk to your parish or house of worship to find out what efforts are made for those who are struggling to put food on the table.

Resources to Learn More from Education for Justice

Food Policy from a Faith Perspective

<http://www.educationforjustice.org/node/1519>

Women, Agriculture and Food Security

<http://www.educationforjustice.org/node/668>

Food Security Unit

<http://www.educationforjustice.org/node/666>

Food Security and Land

<http://www.educationforjustice.org/node/671>

Connections: Food, Faith, and Farming: U.S. Farm Bill-Part I

<http://www.educationforjustice.org/node/2909>

From the Farm to Your Fork: U.S. Farm Bill - Part II (Subsidies)

<http://www.educationforjustice.org/node/2862>

Other Web Sites to Consult:

Catholic Relief Services

<http://www.crs.org>

USCCB - U.S. Bishops Document, “For I was Hungry and You Gave me Food”

<http://www.usccb.org/bishops/agricultural.shtml>

To Learn More About the World Food Crisis:

Book:

“World Food Security: A Catholic View of Food Policy in the New Millennium, by Martin M. McLaughlin, Center of Concern, 2002.

News:

Special In-Depth Coverage: Global Food Crisis from the Washington Post

<http://www.washingtonpost.com/wp-srv/world/globalfoodcrisis/>

UN Food and Agriculture Organization

<http://www.fao.org/>

BBC Global News

<http://news.bbc.co.uk/>

New York Times

<http://www.nytimes.com>



Courtesy, New York Times, 4-17-08

Scripture Meditation

The Feeding of the Multitudes
Mark 6:33-44

The people saw them going, and many recognized them and ran there together on foot from all the cities and got there ahead of them. When Jesus went ashore, He saw a large crowd, and He felt compassion for them because they were like sheep without a shepherd; and He began to teach them many things. When it was already quite late, His disciples came to Him and said, "This place is desolate and it is already quite late; send them away so that they may go into the surrounding countryside and villages and buy themselves something to eat." But He answered them, "You give them something to eat!" And they said to Him, "Shall we go and spend two hundred denarii on bread and give them something to eat?" And He said to them, "How many loaves do you have? Go look!" And when they found out, they said, "Five, and two fish." And He commanded them all to sit down by groups on the green grass. They sat down in groups of hundreds and of fifties. And He took the five loaves and the two fish, and looking up toward heaven, He blessed the food and broke the loaves and He kept giving them to the disciples to set before them; and He divided up the two fish among them all. They all ate and were satisfied, and they picked up twelve full baskets of the broken pieces, and also of the fish. There were five thousand men who ate the loaves not counting the women and children.

Reflection Questions:

- In light of the recent food crisis, what are you hearing in a new way in this scripture passage?
- How can you be bread for others? What actions can you take to respond with a gospel vision to those who are hungry in our communities here and around the world?