Update

Series 16

Whither "Food Crisis"?

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July 2008

Whither "Food Crisis"?

The "crisis"

Each year, the United Nations (UN) and the World Bank, the pillars of the global capitalist system, publish volumes of papers depicting the plight, hunger and poverty of the lower bottom of the people of the earth with graphic details. In one of these publications, the bosses of the UN informed us:

> **One-fifth** of humanity live in countries where many people think nothing of spending **$2 a day** on a cappuccino. **Another fifth** of humanity survive on less than **$1 a day** and live in countries where children die for want of a simple anti-mosquito bednet... The world's richest 500 individuals have a combined income greater than that of the poorest 416 million. Beyond these extremes, the **2.5 billion** people living on **less than $2 a day—40%** of the world's population—account for 5% of global income. The richest 10%, almost all of whom live in high-income countries, account for 54%. *(Human Development Report 2005, UNDP)*

In the same report the UNDP promised about the 'successful' completion of the "Millennium Development Goal (MDG)" (a joint collaboration among UN organisations and World Bank, IMF, DFID, etc) to mitigate the plight of such overwhelming number of people with the doses of globalization. But, within thirty-one months of the publication of the above report, "spectre of hunger, starvation, & food crisis" pervaded the globe making the high-sounding promises of the bosses of the world a laughing stock, once again. Apprehending larger portent, one of the partners of the UN, "Washington-based International Food Policy Research Institute (IFPRI) said **"[The crisis] will be worse and more long-lasting than [in] 1974".** *(17.03.08, Financial Times)* A Spokesperson of a 'Chambers of Commerce' echoed identical concern: **"It's an explosive situation and threatens political stability".** *(21.04.08, Financial Times)*

In fact, **"food riots", "social unrest", "political instability"** etc swept a number of countries of the globe since last year ringing alarm bells among the mandarins of the global "peacekeeping" agencies. "[S]oaring food prices... **triggered riots** around the world in places like Mexico, Indonesia, Yemen, the Philippines, Cambodia, Morocco, Senegal, Uzbekistan, Guinea, Mauritania, Egypt, Cameroon, Bangladesh, Burkina Faso, Ivory Coast, Peru, Bolivia and Haiti..." *(29.02.08,*

www.countercurrents.org) The situations became so "worse" & "explosive" that 'Time'—a neo-liberal mastermind—alerted by the 'miseries' of the scores of hungry people taking part in spontaneous riots & demonstrations—narrated some 'real-life' stories such as:

In Haiti, the majority of people live on less than $2 a day and over the last year food prices have risen by over 40 percent. Sixteen-year-old Charlene, who has a one-month-old son, relies on a traditional Haitian remedy for hunger pangs: **cookies made of dried yellow dirt mixed with salt and vegetable shortening. This mud cookie** sells for five cents on the street and some people can't even afford this non-food meal which causes severe malnutrition, intestinal distress and contains potentially deadly toxins and parasites...

As Josette Sheeran of the UN World Food Program put it last month, "We are seeing food on the shelves but people being unable to afford it." That's a situation in which **people start to question the very property relations** that stand between them and those sacks of rice and bags of beans piled up behind that storefront grill and the riot policemen in front of it... (*Time.com, April 9, 2008; quoted by Li Ornesto in www.countercurrents.org/onesto290408.htm)*

Time, wrote further:

> Rocketing food prices—some of which have more than doubled in two years—have sparked riots in numerous countries recently. Millions are reeling from sticker shock and governments are scrambling to staunch a fast-moving crisis before it spins out of control. From Mexico to Pakistan, protests have turned violent. Rioters tore through three cities in the West African nation of Burkina Faso last month, burning government buildings and looting stores. Days later in Cameroon, a taxi drivers' strike over fuel prices mutated into a massive protest about food prices, leaving around 20 people dead. Similar protests exploded in Senegal and Mauritania late last year. And Indian protesters burned hundreds of food-ration stores in West Bengal last October, accusing the owners of selling government-subsidized food on the lucrative black market. *(27.02.08, http://www.time.com/; accessed 23.04.08)*

This "food crisis" is further aggravated by the sky-rocketing price-hikes of **oil** in the world market. Since 1998, the prices of oil have jumped from just **$11 to $140 per barrel in June 2008**! The factors behind the astronomical oil price-rises have some delicate dynamics and must be studied separately. But the prices of oil cast a spiralling

effect on the prices of almost each essential commodities including the foodstuffs and other daily public utilities such as transportation. In many countries peoples' demonstrations against the oil-prices were transformed into food-riots.

Sensing the mood of the demonstrations and riots spreading across the globe, Lester Brown, president of a NGO *(Earth Policy Institute)* warned the global leaders that the **"civilization is now at risk"** *(21.04.08; www.csmonitor.com/2008/0421/p15s01-wmgn.html)*. Jacques Diouf, director-general of the United Nations Food and Agriculture Organization (FAO) demanded **"the Security Council" be "summoned... to discuss these issues."** *(15.04.08, Globe and Mail, www.countercurrents.org/reguly150408.htm)* Soon Mr. Diouf called a "High Level Conference" on 3-5 June, 2008 in Rome under the FAO auspices to find some prescriptions from the global capitalist/imperialist masters to overcome the impending catastrophe pregnant with "security concern". The summit conference ended with some sugarcoated ritual assurances of increased food-aids committed by the bosses of the rich countries coupled with some policy-measures **with larger implications**.

In fact, FAO and its partners like World Bank, IMF, several Foundations & NGOs, and numerous thinktanks serving the interests of the global capital analysed the present crisis; found several multi-faceted factors behind the "food crisis"; and presented some old and hated policy-measures in a new bottle. Though most of these analysis was made to dilute the real causes of the present "crisis", some of these could not hide many burning questions. Before going into the details of the "factors" behind present "food crisis" let us look into some revealing facts on "unprecedented" price-hikes of food-articles, global hunger, starvation, etc.

- ✓ UN's World Food Programme (WFP)... feeds 73 million people in 78 countries, less than a 10th of the total number of the world's undernourished. (26.02.08, The Guardian) [There are] 854 million malnourished people around the world. *(23.10.07; Financial Times)*
- ✓ According to 'Rising Food Prices: Policy Options and World Bank Response', increases in global wheat prices reached **181%** over the 36 months leading up to February 2008, and overall global food prices increased by **83%**. Food crop prices are expected to remain high in 2008 and 2009 and then begin to decline. But they are **likely to remain well above 2004 levels** through

2015 for most food crops. Since 2005, the prices of staples have jumped **80 percent**. Last month, the **real price** of rice hit a **19-year high**; the **real price** of wheat rose to a **28-year high** and almost **twice** the average price of the **last 25 years**. *(02.04.08, World Bank, http://web.worldbank.org)*

- ✓ During the first three months of 2008, international **nominal prices** of all major food commodities reached their **highest** levels in nearly **50 years** while prices in **real terms** were the **highest in nearly 30 years.** *(www.fao.org/foodclimate)*
- ✓ High energy prices result in higher production costs, especially costs of fertilizer, transportation to the market, etc. Fertliser prices explode; phosphates up from $390/tonne in 2006 to $1,727/tonne in April 2008. Freight rates up from $60/tonne to $110/tonne in one year along US-Japan route. (Overview *of soaring food prices and country policy responses, Nancy Morgan, FAO, Bangkok; www.fao.org)*
- ✓ When Bush invaded Iraq in 2003, the average price of oil that year was about $27 per barrel, or about $31 in inflation-adjusted 2007 dollars. The price rose another $10 in 2004 to an average annual price of $42 (in 2007 dollars), another $12 in 2005, $7 in 2006 and $4 in 2007 to $65. But in the last few months, the price has more than doubled to about $135... Until 2008, the record monthly oil price was $104 in December 1979 (measured in December 2007 dollars). As recently as 1998, **the real price of oil was lower than in 1946, when the nominal price of oil was $1.63 per barrel.** During the Bush regime, the price of oil in 2007 dollars has risen from $27 to approximately $135. *(12.06.08; www.countercurrents.org/roberts120608.htm)*
- ✓ [A]ccording to the FAO, with record grain harvests in 2007, **there is more than enough food in the world to feed everyone**—at least 1.5 times current demand. In fact, over the **last 20 years**, food production has risen steadily at over **2.0% a year**, while the rate of population growth has dropped to **1.14% a year. Population is not outstripping food supply.** *(16.05.08; http://www.foodfirst.org/en/node/2120)*

Above databases provide few glaring facts: i) Rate of growth of food production had outstripped rate of growth of population well before 20 years! ii) Still, there are 854 million malnourished (read: starved) people around the world! iii) Real prices [see ***Box 1*** for the terms 'Real Prices' & Nominal Prices'] of major food commodities have

risen to the level of 30-years high! iv) Energy (or oil) prices are increased by **400%** between 2003-08 and **100%** during last few months pushing up agricultural inputs and transportation costs massively! Fertiliser (phosphates) prices have risen by nearly **343%** in the international market over the last year! Even the FAO, a neo-liberal agent of finance capital concedes that there is definite correlation between the oil prices and hike in food prices!

Who made it?

"854 million people" remained starved ("undernourished") around the globe though there are enough food to feed everyone over the last twenty years! What does it indicate? Interestingly, very few of the experts mention this fact in their 'well-documented' articles on present "global food crisis". Many of them forget to observe that an overwhelming section of the global population have hardly any purchasing power to buy the food overflowing in the granaries of the world! They have shut it up that the billions of people in Africa, Asia & Latin America are languishing under severe hunger, starvation, semi-starvation, malnutrition, etc over the last two or three decades though there are "enough food to feed everyone"! This is happening because they have been denied to earn some pennies to buy their daily meals! Because most of these people have been denied either a piece of land for cultivation or a chance to sell their labour-power, these people are being forced to consume even non-eatables as happened in Haiti! Isn't it? What has happened in present-day India? Can we forget the sordid conditions of the people of Kalahandi, Bolangir, Koraput, Amlasol, etc forced to eat poisonous mango kernels and died? **In fact, it is a pre-existing "crisis" dated back to the colonial era in the countries like India.** Though global capitalism had announced scores of measures time and again (particulalry after the World War II, for variety of reasons) to "eradicate hunger, starvation, famine" from the earth, the food crisis had remained. In fact, the measures taken by the global agencies like FAO, UN, World Bank, etc had been proved to be nothing but cosmetic which had hardly eliminated the roots of hunger.

Under this context, we would not call the present "crisis" a newer one. In fact, it is an older one manifesting once again. Hence, we put the term "food crisis" within quotation mark.

What are the roots of this perenial “crisis”? It is true that the famine (or “food-crisis”) of Bengal in 1943 had been created in the war-time havocs and profiteerings. Still, it cannot be denied that the **very basis** of the above-mentioned famine of Bengal was **rooted** in the **extremely backward economy of feudal & colonial** India where the agrarian revolution was incomplete. Even after the so-called independence, struggle for land-reforms in a revolutionary way could not succeed. In other words, countries like India—overwhelmingly dependent upon subsistence agriculture and forest economy—reeling under remnants of feudalism interwoven with some slow, tardy, zigzag, limping processes of capitalist development—intricately bound with imperialist capital—cannot show anything other than **hunger amidst plenty.** Therefore, the unfinished agrarian revolutions in the backward countries are one of the **pivotal** ‘conditions’ behind the present “food crisis”.

Moreover, the unbridled march of finance capital and/or globalisation—forwarded with hectic speed by the imperialist agencies like World Bank, IMF, WTO, etc under the leadership of big imperialist powers, have **contributed** to exacerbating and aggravating the present “food crisis”. It is revealed by number of analysis made even by those neo-liberal agencies themselves!

FAO pointed out in its paper presented in the “high level conference in food security” held on 3-5 June, 2008 in Rome that:

> [M]any **factors** have contributed to these events, though it is difficult to quantify their contributions. Among the most important factors it is possible to list are the strengthening of linkages among different agricultural commodity markets (i.e. grains, oilseeds and livestock products) as a result of rapid economic and population growth in many emerging countries; the strengthening of linkages among agricultural commodity markets and others, such as those of fossil fuels; biofuels and financial instruments that influence not only the costs of production of agricultural commodities but also the demand for them; and the depreciation of the US dollar against many currencies... *(www.fao.org/foodclimate)*

Several analysts of World Bank, IMF, neoliberal thinktanks like *The Economist, Time,* etc have drawn identical conclusions about the causes behind “food crisis”. Moreover, they have chartered next course of action to overcome the “crisis”. The course prescribed by them, naturally, must have wider ramifications for the agricultural and/or food economy of the world. Besides these, many ‘independent’

analysts have also researched about the 'factors' behind the present "food crisis" and arrived at some conclusions.

According to their conclusions, the factors behind the "food crisis" are the followings: 1. Population growth coupled with decreasing food stocks; 2. Rising demands in "emerging "countries like China, India, etc; 3. Switching over to the cultivation of maize & other oil-producing crops in several countries, particularly in the USA, Europe, Brazil, etc to increase the quota of biofuel production; 4. Financial speculation, betting, future trading, market manipulation, etc; 5. Structural Adjustment Programmes (SAPs) in debt-trapped countries dictated by IMF, World Bank etc; 6. "Market Liberalisation", i.e, free trade", "open market" policies in the WTO era associated with agri-market monopolisation by big TNCs etc.

Interestingly, the questions of agricultural backwardness and underdevelopment, unfinished land reforms in most of the backward countries, preserving the remnants of old putrid feudal production relations, coercion, exploitation, etc are not considered among the 'factors' behind the present "food crisis" (noted earlier by ***Update***). These questions are very much important with respect to the present "food crisis" and deserve in-depth discussion in larger scope. In a short span of an issue of ***Update*** it is very much difficult to merit these questions raised by the "crisis". Moreover, certain questions are perhaps, beyond the reach of ***Update***. At the best, we can try to present a brief **"primer"** to approach the issues.

Moreover, it is quite unnecessary to discuss in details all the above questions/'factors' (1-6) raised by different critiques and agencies. We deem only a few 'factors' to be discussed with greater emphasis.

It is mentioned earlier that the imperialist agencies like World Bank, FAO (in association with Foundations, NGOs, agri-business conglomerates) prescribed some remedies to alleviate the present "crisis". Mr. Robert B. Zoellic, the president of World Bank emphasized on the "need" of a **"New Deal for Global Food Crisis"** which

> "should focus not only on hunger and malnutrition, access to food and its supply, but also the interconnections with energy, yields, climate change, investment, the marginalization of women and others, and economic resiliency and growth. Food policy needs to gain the **attention of the highest political levels,** because no one country or group can meet these **interconnected challenges**." *(02.04.08; http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/)*

A "New Deal"? Is the global capitalist economy heading towards a "Great Depression" like 1930s? Are the bosses of the global finance capital apprehending something like that? Who knows? Overall, the leaders prescribe: i) to introduce a **"Second Green Revolution"** in the countries like India, Philippines, Bangladesh, etc where the First Green Revolution delivered "miracles"; ii) to introduce a copy of green revolution **in Africa** who "missed" the "opportunities" of the first one; iii) to intensify the application of genetically modified **(GM)** technology; iv) to accelerate the processes of opening up of agri-markets particularly in the 'developing' countries; etc. In other words, according to the bosses of World Bank: "the global food crisis is an opportunity" to make "business"! We are trying here to merit these important questions in brief.

Box 1: Nominal and Real Price

"Let us say that in 1992-93 expenditure on a certain item is Rs 100 crore, and that in 1993-94, expenditure on the same item is Rs 110 crore. However, meanwhile, inflation has been 10 percent. In nominal and current rupee terms, expenditure has increased 10 percent, but in real terms it has reained the same. In order to look at statistical trends in real terms, we need to discount for inflation by expressing years' figures in terms of the rupees of a fixed (usually earlier) year. For example, in recent years real real expenditures are usually expressed in terms of 1980-81 prices. Rs 282 in 1992-93 prices would be only Rs 100 in 1980-81 prices.

[Courtsey to 'Aspects of India's Economy', vol 12, January-March 1994]

A Primer on "Food Crisis"

"Control the oil and you'll control the nations;
control the food and you'll control the people."
— Henry Kissinger (1970)

It is claimed by many neo-liberal agencies as well as experts of food-economy that one of the factors behind the present "food crisis" is the "growth rate of population". Interestingly the FAO, the apex body of "global food security" blames also the "population growth in many emerging countries" though its own calculations contradict the claim as we have noted earlier:

> "[O]ver the **last 20 years**, food production has risen steadily at over **2.0% a year**, while the rate of population growth has dropped to **1.14% a year.**" *(16.05.08; http://www.foodfirst.org/en/node/2120)*

Ian Angus, a commentator writes:

> Contrary to the 18th century warnings of Thomas Malthus and his modern followers, study after study shows that global food production has consistently outstripped population growth, and that there is more than enough food to feed everyone. According to the United Nations Food and Agriculture Organization, **enough food is produced in the world to provide over 2800 calories a day to everyone** — substantially more than the minimum required for good health, and about **18% more calories per person than in the 1960s, despite a significant increase in total population.** *(11.05.08; http://www.globalresearch.ca/index.php?context=va&aid=8949)*

Hence, growth rate of population has not created the present "food crisis".

It is also noted earlier that one of the main problems of the hungry people of the earth is **not 'lack for food', but 'lack of purchasing power'**. Anyone little acquainted with the agricultural economy of the country like India knows it that most of the peasants are subsistence-cultivators. They have no other alternatives but to eat all of the foodgrains they produce. Only a small section of the cultivators is able to sell their produce in the markets. In ***Update 12*** we have seen also the huge extent of landlessness among the rural people, particularly among the socially backward sections (i.e., SCs, STs, etc). There are scores of agri-labourers who buy their foods

from the markets. In the urbanised area, most of the people, naturally, buy foods—poor and rich people alike.

'The Economist' said:

> According to the World Bank, **3 billion** people live in rural areas in developing countries, of whom **2.5 billion** are involved in **farming**. That 3 billion includes **three-quarters of the world's poorest** people... [O]verall, enormous numbers of the poor—both urban and landless labourers—**are net buyers of food, not net sellers.** *(06.12.07; http://www.economist.com/research/articlesBySubject/displayStory.cfm?)*

Hence overall, number of the enormous poor "are net buyers of food, not net sellers" owing to their low purchasing power. But '*The Economist*' failed to note the real causes of this low purchasing power of the rural poor. Moreover, '*The Economist*' left aside most of the people of the "poor" countries ("least developed countries" or "LDCs": according to the World Bank-FAO terminology) engaged in traditional cultivation. In many countries of **Africa** (and in number of countries in **Asia** also) **more than 70%** of people are more-or-less engaged in agricultural practices (including fishing and collecting forest-products). As for example, in **Myanmar**—third largest exporter of rice—**70%** people are engaged in agriculture. In **Burkina Faso**—one of the 'laboratories' of the World Bank & Rockefeller-Bill Gates Foundation introducing genetically modified (GM) technology in African soil—**92%** of the populace are involved in agricultural practices. On the other hand, **only 2% & 3.2%** of the population are in agriculture in the **USA & France** respectively.

Some more revealing facts are provided in ***Tables 1, 2, & 3.*** Key findings from these **Tables** may help us to grasp the roots of "food crisis".

Key Findings:

1. It is observed in ***Table 1*** that the population of a country is more poor where more percentage of population are involved in agriculture.

For example: **India** and the **USA** are **2nd & 3rd largest wheat producing countries** respectively where **59.2%** & a mere **2%** are engaged in agricultural activities. **34.3%** of the population of India are living on **$1** or less whereas in the USA the respective figure is **nil**! [According to the World Bank, purchasing power parity of $1 means "poorest of the poor" and that of $2 means just "poor"!]

Table 1: Certain Indicators on Agricultural Activities (selected countries)

	Countries	% of people in agriculture (2004)	Per capita agricultural GDP*	Value added in agriculture as % of GDP#	Population below $1 a day (%)	Energy (Kcal/ person/day) (2001-03)
1.	Bangladesh	54.7	164	20	41.3 (2002)	2200
2.	China	66.0	241	12	9.9 (2004)	2940
3.	India	59.2	201	18	34.3 (2004-05)	2440
4.	Myanmar	69.9	na	na	na	2900
5.	Pakistan	46.6	242	20	17.0 (2002)	2340
6.	Philippines	38.9	466	14	14.8 (2003)	2450
7.	Thailand	55.7	413	10	<2 (2002)	2410
8.	Vietnam	66.9	159	21	na	2580
9.	Burkina Faso	92.2	88	na	27.2 (2003)	2460
10.	Burundi	90.2	52	35	54.6 (1998)	1640
11.	Ethiopia	82.0	56	48	23.0 (1999-00)	1860
12.	Egypt	32.6	710	15	3.1 (1999-000	3350
13.	Malawi	82.4	72	36	20.8 (2004-05)	2140
14.	Rwanda	90.2	117	41	60.3 (2000)	2070
15.	Argentina	9.5	4,189	9	6.6 (2004)	2980
16.	Brazil	16.1	1,589	5	7.5 (2004)	3060
17.	S. Korea[a]	na	6,973	3	<2 (2003)	3040
18.	Japan[a]	3.8	16,714	2	nil	2770
19.	Australia[a]	4.5	20,826	3	nil	3120
20.	France[a]	3.2	20,934	2	nil	3640
21.	USA[a]	2.0	27,651	1	nil	3770

* of the agricultural population; in 2004 (US $ constant 2000 prices); # 2006

[Source: The State of Food & Agriculture 2007, FAO; http://www. nationmaster.com; World development Report 2008, World Bank]

Moreover, per capita agricultural GDP of the USA is approximately **138 times** of that of India! Surprisingly, agriculture contributes **only 1%** to the GDP in the USA. On the other hand, it contributes **18%** to the GDP in India!

Hence, **less than a fifth** of India's GDP provides livelihoods to **three-fifth** of its population (in absolute terms: 66 crores, twice the population of the USA!).

2. The conditions of the African countries are utterly miserable. The status of the people of Burundi, Malawi, or Niger are hardly comparable with respect to the people of the OECD countries. Even the per capita agricultural GDP of **South Korea**—a late

entrant to the OECD group—is **134 times** that of **Burundi,** one of the poorest country in the earth.

3. The people of the countries with greater percentage of population in agriculture is not only the "poorest" (in terms of "percent population below $1 a day") but also can avail of smaller amount of food and calories.

According to the FAO, **20% & 17%** of the population (in absolute terms, **212 million & 2.1 million) in India & Burkina Faso** respectively are undernourished in comparison to **less than 2.5% in both the USA & France!** (See ***Table 1*** for more.)

Why do the countries overwhelmingly involved in agriculture remain poor? Why are the countries like **India,** boasting of "one of the fastest" GDP growth rate, agriculturally **underdeveloped** with respect to the countries like **Japan, South Korea,** and even to **Egypt?** Why are **212 million of people of India malnourished** (highly understated figure given by the FAO!), semi-starved and even perished due to hunger though its "granaries are full"? The question arises also in the connection to the "healthy" rate of capitalist development undergoing in India sailing along the waves of globalisation. The answer *mostly* lies in the backwardness of the agricultural economy of India, the bread-earning sector involving three-fifth of its population. Let us examine few more facts.

Several parameters like 'value added in agriculture', 'yield rate in agri-products', 'inputs used per hectare', 'value added per agricultural worker', etc can also help to determine the health of agricultural economy of a country. *Table 1, 2, & 3* provide some of these determinants.

4. Yield Rate: Yield Rate is a major indicator to measure the agricultural productivity of a country. Bourgeois economists count several limitations like "lack of credit", "inadequate irrigation facilities", "inadequate use of inputs", "slow pace of mechanisation", etc behind the low yield rate. It is observed from ***Table 3*** that the cereal yield rate (kg/hectare) of **India (2366.7)** is way behind that of **China (5105), South Korea (6282.8), Egypt (7516.3),** etc (let aside the USA, Japan...). In fact, the yield rate in China & Egypt—rated as agriculturally advanced than India—are twice & thrice of that of India! Moreover, the Indian yield rate is miserably poor in comparison to certain "poorest" countries like **Bangladesh (3551), Myanmar**

(3442.9), & Pakistan (2562.8)! Only the African countries are lagging behind India! In other words, the cereal yield rate in the African countries are pathetic.

India is the second largest producer of rice and rice is one of the staple food in India. But, the yield rate of rice in **India (3.12)** are way behind that of **Bangladesh (3.60), Vietnam (4.48), China (6.06).** Even a country like **Philippines (3.46)**—a "net importer of rice"—has **higher** yield rate than India! In other words, except China & Vietnam, yield rate of rice of **"developing" countries** are miserable in comparison to the advanced countries like **Japan, South Korea, USA,** etc.

India may save its face in the yield rate of **wheat** to a certain extent. But, **India (2.62)**—a show-piece of Green Revolution and the tenth largest producer of wheat—is behind the countries like **China (3.93) & Egypt (6.26).**

The position of India in this respect is illustrative to comprehend the picture of African countries.

5. Per capita production: In terms of **acreage** of cereal production India is **far ahead** of many advanced countries like the USA, Australia, and even Egypt & China. But due to its low yield rate it cannot match the capacity in production to these countries. Hence, per capita production of cereal in India is well behind many countries—rich and poor alike.

In per capita cereal output, **India (110 metric ton)** is lagging far behind than even the countries like **Ethiopia (1660), Bangladesh (770)!** In fact, per capita cereal output of India perfectly matches the level of the "poorest of the poor", hunger-stricken countries of the world!

In cases of **rice & wheat (81.72 & 60.26 metric ton)** also the respective figures of **India** are miserable with respect to the figures of other countries. Even a country like **Philippines (104.72)**—a "net importer of rice"—have a **larger** share than India in per capita rice output. It is obvious that the food exporting countries like the USA, Australia, France (see ***Table 3***) enjoy huge advantage in this respect.

6. Input-use: Uses like **fertiliser, irrigated water** (in production of drought-sensitive cereals), **tractors, etc** are some of the indicators of advancement in agricultural practices.

Keeping in consideration that the over-use of (chemical) fertiliser is detriment to enrichment of soil for cultivation, **fertiliser-use** is one of the important booster for growth in production of cereals. ***Table 2*** shows that **India (100.8 kg/hectare)** is far behind the countries like **South Korea (414.9), China (383), Japan (290.6)** etc in this respect. Even the countries like **Bangladesh (178), Pakistan (137.1), Philippines (126.8)** use **more** fertiliser than India. Only the African countries are lagging far behind India in this respect (prompting the World Bank backed TNCs to usher in a Green Revolution in Africa?).

Table 2: Indicators on Agricultural Development (selected countries)

Countries	Arable land as % of land area	Value-added* current US$ (per capita)	Irrigated land as % agri-area	Fertiliser consump-tion (2002)#	Tractor use per '000 hectare	Value-added per worker (US$)**
1. Bangladesh	61.11	82	56.12	1780	0.7	323.01
2. China	16.00	216	47.22	3830	6.2	401.73
3. India	53.70	123	32.94	1008	9.0	385.73
4. Pakistan	27.60	144	82.01	1371	14.6	697.25
5. Philippines	19.12	171	14.49	1268	1.1	1081.44
6. Thailand	27.66	273	28.19	1072`	12.2	605.04
7. Vietnam	21.29	132	33.73	2993	22.1	304.1
8. Ethiopia	11.06	68	2.46	151	0.3	154.17
9. Malawi	56.04	48	2.16	839	0.6	136.74
10. Burkina Faso	17.69	120	0.51	4	0.5	188.95
11. Argentina	10.19	412	5.36	265	10.3	9499.21
12. Brazil	6.97	321	4.38	1302	12.4	3454.07
13. Mexico	12.99	257	23.15	690	6.8	2876.71
14. Egypt	3.01	169	99.94	4322	26.1	2062.31
15. S. Korea	15.56	486	47.56	4149	na	11,488.47
16. Japan	11.96	612	54.73	2906	419.9	36,289.23
17. Australia	6.43	990	5.35	477	6.2	32,346.39
18. France	33.64	687	13.28	2151	64.5	47,407.75
19. USA	19.04	497	12.48	1097	26.3	39,125.76

* Includes forstry, hunting, and fishing, as well as cultivation of crops and livestocks production. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deduction for depreciations of fabricated assets or depletion and degradation of natural resources.

** At constant 2000 US$; # 100g/hectare of arable land

[Source: http://www.nationmaster.com/; accessed 25.06.08]

With respect to mechanisation **(tractor use per 1000 hectare),** India's position is not at the bottom of the ladder. Still the intensity of tractor-use in **India (9)** is far less than the agriculturally advanced countries like **Brazil (12.4), Egypt**

(26.1), the USA (26.3). Many of the African countries are lagging far behind. Even India uses **30 times** more tractors than Ethiopia!

Table 3: Certain Indicators on Agricultural Practices (selected countries)

Countries	Cereal Yield kg/hectare (2005)	Production metric ton per capita*	Rice Yield metric ton (2003-04)	Production metric ton/ha per capita**	Wheat Yield metric ton (2003-04)	Production metric ton/ha per capita**
1. Bangladesh	3551.0	0.77	3.60	181.20	2.21	8.66
3. China	5105.0	0.11	6.06	86.10	3.93	66.21
4. India	2366.7	0.11	3.12	81.72	2.62	60.26
6. Myanmar	3442.9	3.00	na	228.31	--	--
7. Pakistan	2562.8	0.75	2.96	29.86	2.37	118.15
8. Philippines	3023.4	1.38	3.46	104.72	--	--
9. Thailand	2722.6	1.78	na	280.59	--	--
10. Vietnam	4780.3	1.71	4.48	266.32	--	--
11. Burkina Faso	940.71	9.60	na	na	na	na
12. Burundi	1329.4	12.1	na	na	na	na
13. Ethiopia	1243.6	1.66	na	na	na	na
14. Egypt	7516.3	1.79	9.52	50.32	6.26	83.09
17. Malawi	1097.3	9.05	na	na	na	na
23. Argentina	4016.7	3.09	--	--	2.46	354.1
24. Brazil	2919.4	0.66	3.43	46.8	2.37	31.43
25. Mexico[a]	2835.7	1.12	--	--	4.53	22.6
26. S. Korea[a]	6282.8	2.53	6.05	91.49	--	--
27. Japan[a]	6027.7	0.75	5.85	55.64	--	--
28. Australia[a]	2032.4	5.97	8.22	18.91	2.01	1305.62
29. France[a]	6946.5	1.73	--	--	6.23	505.14
30. USA[a]	6453.8	0.40	7.48	21.71	2.97	215.77

* 1000 metric ton per 1000 population (1999-2001); ** 2003-04

[Source: http://www. nationmaster.com; accessed 25.06.08]

Egypt has made its arable land nearly **100% irrigated** thanks to the river Nile and its centuries-old improved irrigation system. Production of coarse cereals like corns (maize, joar, bajra, etc) need less water. Hence some countries like the USA, Brazil etc—frontrunner among the largest producers of coarse cereals) can use less water (thereby less irrigation system) than the fine-cereal producing countries. On the other hand, Green Revolution, though boosted cereal production in many "developing" countries using hybrid seeds requiring large amount of water. In other words, Green Revolution pre-supposses better irrigation system for the production of wheat & rice, particularly in the drought-prone areas/countries.

Under this context, **India** has only **32.94%** of land irrigated. It is well under the figures of the countries enjoying larger yield rate like **China (47.22%), South Korea**

(47.56%), Japan (57.43%). Even **Bangladesh (56.12%)** is well ahead of India! Understandably, the African countries are severely non-irrigated.

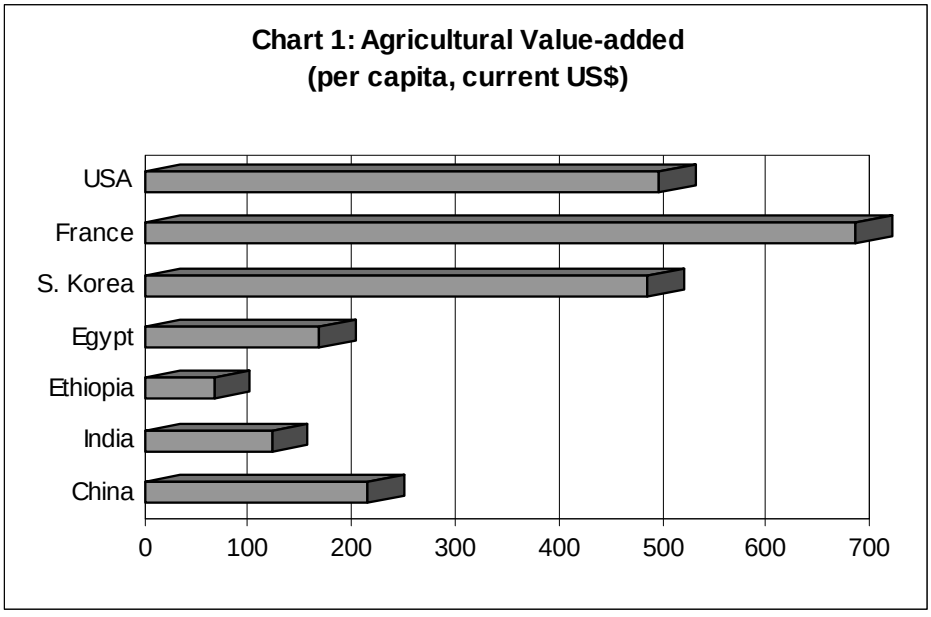
7. Value-addition: Overall, the value addition per worker is remarkably **smaller** in less agriculturally progressive countries like **India ($385 per worker), Bangladesh (323.01).** Even **China**—more advanced than India in every respect so far—has only **$401 per worker** (let aside the huge laggards like most of the African countries)! On the other hand, the advanced countries like **South Korea ($11,488), Japan ($36,289), France ($47,407)** are miles ahead. In fact, value added per worker in France is **12,213%** more than that of India!

Thus the countries with massive proportion of population engaged in agriculture are falling back either in amount or in the rate of cereal production due to low yield, less capability in using proper inputs and advanced techniques, etc. Hence most of the African countries and many countries in Asia & Latin America would have to depend on food-imports to feed their population properly. In these countries, because of extreme lack of purchasing power, the overwhelming majority of the population—the "poorest of the poor"—are compelled to depend either on state-supports (unlikely in most of the countries) or food-aids delivered by the FAO, UN, USA, EU, etc. In other words, these less-producing countries are **forced to depend** on the 'generosity' of the rich and advanced countries. In situations like global "food crisis" (as has happened now) these countries must have to bear the burnt of rising food prices.

Certainly the food-exporting countries (most of which are rich/advanced) and global agribusinesses are the real beneficiaries of these dependencies. In fact, **imperialism loves underdevelopment.** Longer the underdevelopment of the agricultural economy of these dependent countries, opportunities of agri- and food-businesses coupled with the food-politics of the imperialist countries flourish. The history of imperialism has shown this time and again. Without terminating the underdevelopment of these dependent countries, food security cannot be achieved.

How can food security of these dependent, poor, backward countries be achieved? How can food "availability" in these counties be achieved? Would these countries follow the model of agricultural development of the western capitalist countries? We can say a resounding 'NO' in this regard! In fact, the ruling classes of these countries (like India), dictated and guided by the imperialist policies have taken a path of slow capitalist reforms disturbing little of the old remnants of feudal relationship, coercion and exploitation. This bureaucratic path of capitalist development—painful, zigzag, tortuous in nature—cannot unleash the revolutionary initiative of the people. In other words, these reformist policies opposing the revolutionary 'peasants' path and acting against the people used to help to maintain old property relations. Hence the food availability, and/or the agricultural production & distribution in peoples' way would not be accomplished along this path.

Underdevelopment must be killed, but only along the people's path, i.e, revolutionary way. Any other 'path' discovered and prescribed by any intelligent person (other than the lackeys of the ruling classes) will only help to preserve global system of dependencies, food-insecurity, hunger, starvation. If the required path would not be taken by the toiling masses, the perpetual food crisis of the earth will remain; and occur again under some favourable conditions (as has happened now).



Who is Eating More?

Yet an estimated 1.6 billion adults, about a quarter of the world's 6.7 billion people, are overweight, some of them obese. As a result, chubby Americans are spending roughly $1 billion a year to lose a few pounds with special diets, treadmills, etc., while hundreds of millions in poor nations are scrambling to buy enough food to add a little weight. "You couldn't write any stranger fiction," says Joseph Chamie, former head of the United Nation's Population Division.

— by David R. Francis, 21.04.08, http://www.csmonitor.com/2008/0421/p15s01-wmgn.html

[According to the data released by FAO, the world stocks of cereal declined to **"the smallest in 25 years".** Moreover, a well-known analyst Devinder Sharma wrote in March 2008:

> [F]ood reserves are at their **lowest** for the past three decades. Wheat stocks, for instance, in 2007 stood at 107 million tonnes, down from 197 million tonnes in 2001. Similarly, rice stocks have tumbled to 71 million tonnes from a high of 136 million tonnes in the corresponding period... *(http://infochangeindia.org/)*

With rising prices and low stocks of cereals triggering a "new era of hunger" the head of the UN's World Food Programme (WFP) declared huge gaps in the "food-aid" budget aimed to "feed 73 million people of 78 countries" and appealed to the donors, the wealthiest countries for more funding. But the "crisis" was not developed overnight. In fact, the US Department of Agriculture (USDA), warned about the rising food prices and impending "crisis" in 2006. This "crisis" now, throws up several questions.

Why are the global food-stocks depleting? Is the global production of foodgrain declining? Are the global people eating more disturbing balances between demand and supply of foodgrains?

Surprisingly, '*The Economist*', one of the thinktanks of neoliberalism reported in December 2007 that

> "record prices are being achieved **at a time not of scarcity but of abundance.** According to the International Grains Council, a trade body based in London, this year's total cereals crop will be 1.66 billion tonnes, the **largest on record** and 89m

tonnes more than last year's harvest, another bumper crop." *(06.12.07; http://www.economist. com/research/)*

According to '*The Economist*', it is "a time not of scarcity but of abundance". What a **paradox** it is! Output of cereal, "the largest on record" in 2007, have surpassed "last year's harvest, another bumper crop"!! Even the adjacent graph ***(Figure 2)*** supports the fact that **during the period of 2001-07 global cereal productions have increased on an average.**

Hence, a simple conclusion can be drawn that the global consumption of cereals has outstripped the production. In the same report '*The Economist*' clarified the mismatch between demand and supply in the following way:

> Two things, in fact. **One is increasing wealth in China and India.** This is **stoking demand for meat** in those countries, in turn **boosting the demand for cereals to feed to animals.** The use of grains for bread, tortillas and chapattis is linked to the growth of the world's population. It has been flat for decades, reflecting the **slowing of population growth.** But demand for meat is tied to economic growth and global GDP is now in its fifth successive year of expansion at a rate of 4%-plus.
>
> **Higher incomes** in India and China have made **hundreds of millions of people rich enough** to afford meat and other foods. In 1985 the average Chinese consumer ate 20kg (44lb) of meat a year; now he eats more than 50kg. China's appetite for meat may be nearing satiation, but other countries are following behind: in developing countries as a whole, consumption of cereals has been flat since 1980, but **demand for meat has doubled.**
>
> Not surprisingly, farmers are switching, too: they now feed about 200m-250m more tonnes of grain to their animals than they did 20 years ago. That increase alone accounts for a significant share of the world's total cereals crop. Calorie for calorie, you need more grain if you eat it transformed into meat than if you eat it as bread: **it takes three kilograms of cereals to produce a kilo of pork, eight for a kilo of beef.** So a shift in diet is multiplied many times over in the grain markets. Since the late 1980s an inexorable annual increase of 1-2% in the **demand for feedgrains** has eructated up the overall demand for cereals and pushed up prices... *(ibid)*

Therefore, according to the analysis done by '*The Economist*', more grains are required as feedstocks to satisfy the changing appetite of the emerging rich of the

"developing" countries, particularly China & India. It is even calculated how much cereals are needed to produce a kilo of meat!

Few months later, the UN "sounded a fresh alarm" stating that the "growing demands for bio-fuels..., growing middle class in India and China with increasing purchasing power and erratic weather" are pushing up the food-prices. *(25.04.08; Times of India)* Just after this statement released, amidst global cries about the bio-fuel's role in "food-crisis", the US secretary of state Condoleezza Rice swung into action levelling the 'charges' like: "improvement in the diets of people in India and China... and then pressures to keep food inside the country" imposing bans on exports fuelled the price-rises. *(29.04.08; Times of India)* Within days, the US President Bush joined the chorus with some splendid explanations. Follow the next excerpt.]

Now, Bush blames India for rising food prices

(...) "Worldwide there is increasing demand. There turns out to be prosperity in developing world, which is good. It's going to be good for you because you'll be selling products in the countries, you know, big countries perhaps, and it's hard to sell products into countries that aren't prosperous. In other words, the more prosperous the world is, the more opportunity there is," the US President said.

"It also, however, increases demand. So, for example, just as an interesting thought for you, **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," he said. (...)

"No question that **ethanol** has had a part of it. But I simply do **not** subscribe to the notion that it is the **main cost driver** for your food going up," Bush said. Several international experts have in recent days held biofuels, until recently cast as a miracle alternative to polluting fossil fuels, for being responsible for usurping arable land and distorting world food prices. (...) "There is scarcity in the world, and I happen to believe when we find people who can't find food we ought to help them find it," he said adding, "America is by far the **most generous nation** when it comes to helping the hungry."

"We're an unbelievably compassionate nation," he said. **"I think we ought to change our food policy in Africa and other developing countries**...buying food directly from farmers as opposed to giving people food." (...) *[Source: 03.05.08; http://timesofindia.indiatimes.com/India/Now_Bush_blames_India_for_high_food_prices/articleshow/3006775.cms; accessed 04.05.08]*

[Frankly speaking, Mr. Bush has made some significant comments over the "food crisis". *Firstly,* Bush is 'happy' for growing appetite of the 350 million-strong Indian middle class ("bigger than America") as it is increasing the US "opportunity" to 'business' "more"! *Secondly,* he conceded that "ethanol" production is a factor behind the present "crisis", but not the main. *Thirdly,* he calls for a **"change"** in the USA's **"food policy** in Africa and other developing countries". In fact, his first and third comments bear wider significance and will be discussed in the later part.

Interestingly, some of the representatives of the "growing middle class" of India—those are toeing the footsteps of their masters in implementing the liberalisation policies in India—became disappointed and published some interesting data about the "appetite" of the rich classes of the globe. Follow the excerpt.]

US eats 5 times more than India per capita

Even as the world spins into a global food crisis, a popular theory—voiced by the likes of US President George W Bush and secretary of state Condoleezza Rice—is that the Chinese and Indians are responsible. The 'logic': due to zooming incomes, they are eating more, causing worldwide shortages. But is that true?

Due to their huge populations, countries like India and China may appear to consume gigantic amounts of food. But the real elephant in the room that nobody is willing to talk about is how much each person gets to eat. And the answer will shock many.

Total foodgrain 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**. In per capita terms, US grain consumption is **twice** that of the

European Union and **thrice** that of China. Grain consumption includes flour and by conversion to alcohol.

In fact, per capita grain consumption has increased in the US—so actually the Americans are **eating more**. In 2003, US per capita grain consumption was 946 kg per year which increased to 1046 kg last year. By way of comparison, **India's per capita grain consumption** has remained **static** over the same period. It's not just grains. **Milk** consumption, in fluid form, is **78 kg** per year for each person in the US, compared to **36 kg** in India and **11 kg** in China.

Vegetable oils consumption per person is **41 kg** per year in US, while Indians are making do with just **11 kg** per year. These are figures for liquid milk, not for cheese, butter, yogurt and milk powders which are consumed in huge proportion in the more advanced countries.

A significant proportion of India's population is vegetarian, and so, this is all the food that they get, apart from vegetables and pulses. But the source of carbohydrates and fats is mainly derived from food grains and oils.

As far as **meat** consumption is concerned, the US leads the world in per capita consumption by a wide margin. Beef consumption, for example, is 42.6 kg per person per year, compared to a mere 1.6 kg in India and 5.9 kg in China. In case you are thinking that perhaps Indians might be going in for **chicken,** think again. In the US, **45.4 kg** poultry meat is consumed every year by each person, compared to just **1.9 kg** in India.

Pork consumption is negligible in India, while it is a major item elsewhere. In the European Union, 42.6 kg pork is consumed per person every year, while in the US, 29.7 kgs are consumed. Pork is a staple for Chinese, and so over 35 kg are consumed per person per year. And, we are not talking about various other types of meat, like turkey. All these comparisons are for powerful economies, whether of the west or the east.

But the story would not be complete without mentioning the plight of **Africa**, where foodgrain consumption in 2007 was a mere **162 kg** per year for each person, or about **445 grams per day**. Don't forget they are not getting any meat or milk products out there.

Perhaps, it is time to include the lifestyle choices of the West in the whole feverish debate on how to tackle the global food crisis. These figures are collated by the US Department of Agriculture. (...) *[Source: by Subodh Verma, 04.05.08, Times of India]*

[The journalist of *Times of India* has done a nice job presenting facts on wide disparities among the people of rich and poor countries. But surprisingly, the same journalist has failed to make cognisance about a simple truth that in India also all the people are not equal! There is no methodology in India to quantify and qualify the food-baskets of the 'emerging' rich classes in India who made fortunes since the advent of new economic policies & liberalisation. Different indicators of the *National Sample Survey Organisation (NSSO) of India* show that there is a definite shift in the consumption pattern, particularly in urban India. But the NSSO never published the data on the "prosperous" Indians who are making their tiffin on the pizzas of McDonalds, Dominos, etc.

But the maximum folly of the journalist is to table false data on Indian consumption. According to the *61st Round of NSSO*:

> Average quantity of cereals consumed per person per month was **12.1 kg in rural areas and 9.9 kg in urban areas.** *(Press Note, Level and Pattern of Consumer Expenditure, 2004-05; 27th December, 2006, NSSO, Government of India)*

According to this data, **yearly** cereal consumption in rural & urban India are **145.2 kg & 118.8 kg** respectively—but not 178 kg as reported by the journalist of *Times of India*. Utsa Patnaik, a noted economist, observed as the following.]

Increasing hunger amongst relative plenty

In the course of the last five years (1998 to 2003), the population of the Republic of India has been sliding down towards sharply lowered levels of per capita foodgrain absorption, levels so low in particular years that they have not been seen for the **last half-century.** Between the early-1990s when economic reforms began, and at present, taking three-year averages, the annual absorption of foodgrain per head has **come down from 177 kg. to 155 kg.** Such low absorption levels were **last seen in the initial years of World War II**—from where they had fallen further still.

Over four-fifths of the total fall has taken place in the last five years alone, from 174 kg. in the three years ending in 1998 to 155 kg, taking the average of

the two pre-drought years. This steep and unprecedented fall in foodgrain absorption in these five years has entailed a sharp increase in the numbers of people in hunger, particularly in rural areas, and for very many it has meant starvation. The average downward movement in turn is the outcome of **divergent trends**—foodgrain **absorption** is **rising fast** for the **(mainly urban) well-to-do,** and is either the **same** or **falling faster** than the average for the **bulk of the (mainly rural) population.**

We have not yet reached in India the nadir of average foodgrain absorption seen in **Sub-Saharan Africa** under economic reforms and trade liberalisation, where from **158 kg** per head in 1980 there has been a decline to **below 136 kg** by the mid-1990s, and the masses are perpetually on the verge of being pushed into famine whenever there is drought. The six most populous countries of Sub-Saharan Africa, accounting for 60% of the entire region's population, have seen declining calorie intake per diem, because declining food aid is not compensating for lowered domestic food production.

A large segment of the rural masses in India with a much lower foodgrain absorption than the average, has already been **reduced** to the **nutritional status of Sub-Saharan Africa** (SSA). On the basis of NSS data on calorie intake for 1999-2000, I estimate that about **40%** of the **rural** population was **at the low absorption level of the SSA average.** It is not for any lack of effort by the Indian government that the situation is not worse. If the present incorrect policies of official denial of the widening ambit of hunger, failure to undertake expansionary development policies, and the official promotion of export-oriented corporate agriculture continue to be followed, it may well be only a matter of another five years before we see the descent of the whole of rural India to the present average SSA nutritional status.

It is hardly possible to imagine a more drastic reversal of the goal of food security than has been seen in the five years of 1998-2003. The 50 years of a dying colonial rule before Independence had seen a decline of annual foodgrain availability per head by a quarter, from 199 kg to 148.5 kg, considering five-year averages and leaving aside the individual post-War year which was even lower. The War years included the terrible Bengal famine with a mortality of at least 3 million. Although the proximate cause of the famine was the inflationary burden of financing the war which was unjustly placed on India, the actual toll in the Bengal famine would not have been so large without the

preceding three decades of declining nutrition in Bengal which had seen a much larger than average drop in per capita foodgrains availability, by nearly 40% between 1911 and 1947.

Many who had seen the Bengal famine before their eyes, and in particular P. Mahalanobis, had an important role in formulating post-Independence policy: the goal of attaining food security, at least in the limited sense of foodgrain self-sufficiency, was given priority, and we saw a rise, **albeit a painfully slow one,** in foodgrain availability per head **from 152 kg during 1950-55 to 177 kg by 1989-91.** While the new agricultural strategy and Green Revolution no doubt had many drawbacks as regards equity of distribution, the average rise in per head output and availability was a major achievement which should not be under-rated.

But 40 years of effort have been **lost in the last decade of neo-liberal economic reforms,** with over four-fifths of the loss taking place in 1998-2003 alone. There has been a slide-back to the low level of 151 kg per head food absorption in rural areas by 2001, **a level not seen for 50 years.**

Reports of starvation, farmer suicides and deepening hunger should cause little surprise when we consider recent trends in the official data on foodgrain output and availability. If we exclude the abnormal drought year 2002-03 and consider the average output of the preceding two years, we find that **net foodgrain output per capita has fallen by about 5.5 kg compared to the early-'90s,** owing to a slowing of output growth. This fall in per head output had been anticipated by this author: as agriculture was opened up to the pull of global demand, **8 million hectares of foodgrain-growing land was diverted to exportable crops between 1991 and 2001,** and **yield** has **not risen enough** to compensate. This has led to a sharp decline of annual output growth which has fallen below population growth (even though the latter itself has been falling): hence we see the fall in per head output.

Even more striking than output decline, however, has been the **decline in foodgrain availability,** or absorption per capita over the same period. **Availability** (which is defined as net output plus net imports and minus net additions to public stocks) has **fallen by four times as much as output,** or **by 22 kg.** A large gap between per capita output and availability was last seen during the food crisis of the mid-1960s, but in the opposite direction—at that time, since output fell, 19 million

tonnes of foodgrain were **imported** over two years to ensure enough domestic availability, apart from existing stocks being drawn down for the same purpose. By contrast in recent years even though output per head has fallen, both very large additions to stocks as well as massive food exports have taken place, resulting in a large availability decline.

Availability is the same as the actual *absorption* of foodgrains, and the two terms will be used interchangeably. There was a slow decline in the absorption of foodgrains per head of the country's population between 1991-92 and 1997-98, after which it has **fallen very sharply,** from an average annual level of 174.3 kg in the three-year period ending in 1997-98, to **only 151 kg** by the individual pre-drought year 2000-01, an abysmally low level last seen during the early years of the Second World War, which included the years of the terrible Bengal famine.

Thus, in 2000-01 the average Indian family of four members was absorbing 93 kg less of foodgrains compared to a mere four years earlier—a massive and unprecedented drop, entailing a fall in average daily intake by 64 gm per head, or a fall in calorie intake by at least 225 calories from foodgrains, which account for 65-70% of the food budget of the poor. Adequate energy intake from cereals normally ensures adequate protein intake and the converse is also true, as NNMB Reports point out. Since the richest one-sixth to one-fifth of the population, mainly urban, has been improving and diversifying diets, the nutritional decline for the poorer three-fifths of the population, mainly rural, has been much greater than the average fall indicates. (...) *[Source: October 2006; http://infochangeindia.org/200610015680/Agenda/Hunger-Has-Fallen-Off-The-Map/Increasing-hunger-amongst-relative-plenty.html; accessed 10.05.08]*

[We can't reproduce the whole of the article here due to its volume. Interested readers can have an access to the article in the website. Abhijit Sen, an economist attached to the Government of India (GoI) made some statements recently corroborating the assessment of Utsa Patnaik. Note the excerpt below.]

India headed for food shortages?

(...) "Yes, we have a problem," admits Abhijit Sen, economist and Planning Commission member, "and it can be starkly put in the following way: **roughly**

around 2004-05, our per capita foodgrain production was back to the 1970s level."

The figures tell a stark story. In 1979, at the height of the Green Revolution euphoria, per capita availability of cereals and pulses had gone up to 476.5 grams per day. The corresponding figure in 2006 was 444.5 grams per day, according to provisional government statistics.

In 2005, it was still lower at 422 grams. In the case of **pulses,** per capita net availability today is **almost half** of what it was five decades ago—32.5 grams per day in 2006 compared with 60.7 grams per day in 1951.

The reason for this **fall in the availability** of food is that our **farm output is just not growing.** Since the mid-1990s, the output has hovered around 415 million tonne. "In the eight years between 1996 and 2004, when agriculture was growing at a low 2%, there was, in fact, **zero growth in foodgrains,"** says Sen. (...) *[Source: by Amit Bhattacharya, 31.03.08; http://timesofindia.indiatimes.com/India/File_India_headed_for_food_shortages/articleshow/2912360.cms; accessed on 04.06.08]*

[The factors behind the rises in food-prices and the "food crisis" are more or less same for India barring few exceptions. This other factors are provided in the **Annexe**. Now we are going into the next discussion on the **'Role of Biofuel'** in aggravating the present "food crisis".]

Box 2: Puzzle of Purchasing Power

World Development Report, 2008: According to the World Bank data, 34.4% of the Indian population are living on $1 a day. Therefore, nearly 37.84 crore Indians are the "poorest of the poor" living on Rs 43 approximately (in current exchange rate). But according to the "international poverty line" (persons living below $2 or Rs 86 a day are classified as "poor"), number of "poor" Indians constitutes 80.2% of the population. That means nearly 88.22 crore people of India are classified as "poor"!!

NSSO: Data on the "monthly per capita household expenditure (MPCE) in India presented by the 61st Round of the NSSO provided data on the lowest rung of the "poorest"!!

Rural: 4.5% of the population or nearly 3.2 crore of people are living on less than Rs 9 only (nearly a fifth of a dollar)!! And, 18.2% of the rural population in Orissa, 14.3% in Chhattisgarh, 10.2% in Bihar, 8.7% in MP and 6.4% in Jharkhand are the lowest among the poorest!! Moreover, 18.7% of population are living on less than Rs 12 only (In Orissa & Chhattishgarh the share is more than 44%)!!

Urban: 6.3% of the population (i.e., nearly 6.93 crore of Indians are living on less than Rs 13 a day (i.e., nearly at 30.2% of the value of a dollar)!! 21% of Bihar, 11.2% of Orissa and 12% of UP are the lowest among the poorest!! Moreover, 21.8% are living on less than Rs 19 only (In Bihar more than 56% enjoyed that share)!!

Surprise! Wait a little. A hardcore neoliberal Indian economist wrote in Economic Times, (21.05.08): "Recently, the Arjun Sengupta Committee on unorganised labour calculated that, while 27% of the people were below the poverty line [?!], another 50% were only just above that line, so that 77% of the Indians lived on Rs 20 a day or less.

Fuelling Price-rise: Biofuel

The grain required to fill the tank of a sports utility vehicle with ethanol (240 kilograms of maize for 100 liters of ethanol)
could feed one person for a year

— World Development Report, 2008; World Bank

[Global surges in bio-fuel production—burning corns, wheats, sorghum, sugarcanes, etc are gaining momentum in the new century. The leading countries in this respect are invariably the USA, EU—burning fuels at ever increasing rate. "Currently, around **30%** of gasoline in the United States **contains some ethanol,** and U.S. initiatives indicate the possibility for much larger concentrations in coming years", said an analyst *(19.06.07, http://www.zmag.org/content/showarticle.cfm?SectionID=56&ItemID=13111)*.

A thinktank on 'global oil trends' reports in 2007:

> While fossil fuels still account for more than **95 percent** of the global transportation fuel market, **biofuel production** is growing roughly **15 percent per year,** a rate over **ten times** that of oil. Under mounting pressure to improve domestic energy security and combat global climate change, countries are now turning to ethanol and biodiesel to meet rising transportation fuel demands. In 2005, the U.S. pledged to nearly **double** ethanol production by 2012, and the European Community recently announced that biofuels will meet **10 percent** of their transportation fuel needs by 2020....
>
> **Ethanol** production more than **doubled between 2000 and 2005** to nine billion gallons, or **1.2 percent** of global fuel use. **Biodiesel** production, which started from a smaller base, **quadrupled**. While corn-based U.S. ethanol and sugarcane-based Brazilian ethanol account for **nearly 90 percent** of global production, other countries are rapidly expanding output using a variety of sugar and grain crops. Europe is currently the leading producer of biodiesel, which is processed from vegetable oils that are derived from soy beans, oil palm, and rapeseed, among other crops.... *(by Crystal Davis, 06.04.07; http://earthtrends.wri.org/updates/node/180)*

The thinktank, a professional one, while providing arguments on the "benefits of oil" predicted larger portents about declining outputs of foodgrains. They wrote further:

> The potential appetite of the world's **800 million car owners** is vast—**it took 13 percent of the U.S. corn harvest in 2005** to displace **less than three percent** of fuel needs. As the fuel market increasingly competes with food and livestock feed markets over the same crops, the prices of food commodities—from bread to poultry to cooking oil—are expected to rise, which could have serious consequences for the over 800 million people worldwide facing persistent hunger... *(Ibid)*

Sensing troubles in the stocks and the sluggish growth rate of foodgrain production, came few polite criticisms of some agencies like UN, FAO, World Bank, IMF etc. FAO recorded its criticism in a report prepared in 2007, under the joint collaboration with the OECD countries as: "The energy security, environmental and economic benefits of biofuels production based on agricultural commodity feed stocks are at best modest, and sometimes **even negative**". *(quoted in New York Times, 30.05.08)*

Amidst the food-riots, demonstrations, and "security concerns", these agencies are now talking 'harder'. The FAO director general, Mr Jacques Diouf 'lambasted' the huge subsidies on biofuels given by the rich countries at the Food Summit called in 3-5 June as: ""Nobody understands [why] **$11-12bn of subsidies in 2006** and protective tariff policies [should be used to] **divert 100m tonnes of cereals** from human consumption, **mostly to satisfy a thirst for fuel for vehicles"**. *(03.06.08, www.guardian.co.uk)* According to the World Bank, the prices of maize (in the USA, 'maize' is called 'corn') "**rose by over 60 percent** from 2005 to 2007, largely because of the **US ethanol program** combined with reduced stocks in major exporting countries". *(World Development Report, 2008)*

'Quite unmoved' by these criticisms, most of which are sheer hypocritic, the representatives of the US government unequivocally reaffirmed their goal of biofuel production. In fact, the data provided by different analysts are more than just 'alarming'. Keeping in mind the problems of multitude of 'data' flooding the internets, we are publishing here some of the revealing facts/data in ***Fact Sheet 1*** along with an excerpt.]

The Looming Food Crisis

(...) The era of "agrofuels" has arrived, and the scale of the changes it is already forcing on farming and markets around the world is immense. In Nebraska alone, an extra million acres of maize have been planted this year, and the state boasts it will produce 1bn gallons of ethanol. **Across the US, 20% of the whole maize crop went to ethanol last year. How much is that? Just 2% of US automobile use.**

(...) As the US, Europe, China, Japan and other countries commit themselves to using **10% or more** alternative automobile fuels, farmers everywhere are rushing to grow maize, sugar cane, palm oil and oil seed rape, all of which can be turned into ethanol or other biofuels for automobiles. But that means **getting out of other crops.**

The scale of the change is boggling. The **Indian government** says it wants to plant **35m acres** (140,000 sq km) of biofuel crops, **Brazil** as much as **300m acres** (1.2m sq km). **Southern Africa** is being touted as the **future Middle East of biofuels,** with as much as **1bn acres** (4m sq km) of land ready to be converted to crops such as Jatropha curcas (physic nut), a tough shrub that can be grown on poor land. **Indonesia** has said it intends to overtake **Malaysia** and increase its palm oil production **from 16m acres** (64,000 sq km) now **to 65m acres** (260,000 sq km) in **2025.**

While this may be marginally better for carbon emissions and energy security, it is proving horrendous for food prices and anyone who stands in the way of a rampant new industry. A year or two ago, almost all the land where maize is now being grown to make ethanol in the US was being farmed for human or animal food. **And because America exports most of the world's maize, its price has doubled in 10 months, and wheat has risen about 50%.** (...)

"The competition for grain between the world's 800 million motorists, who want to maintain their mobility, and its two billion poorest people, who are simply trying to survive, is emerging as an epic issue," says Lester Brown, president of the Washington-based Worldwatch Institute thinktank *(...). [Source: By John Vidal, The Guardian UK, 29.08.07; retrieved from http://www.truthout.org/issues_06/082907EA.shtml on 04.05.2008]*

Fact Sheet 1: Biofuel

1. US biofuel target & "food crisis":

The **US Energy Acts of 2005 and 2007** mandated the consumption of 4 billion, 7.5 billion, and then **36 billion gallons a year** of agrofuels. Between 2001 and 2007, the amount of corn used in US ethanol distilleries exploded from **18 million tons to 81 million tons.** In 2007, the jump in ethanol production **more than doubled** the average annual growth in demand for the world's grains that took place between 1990 and 2005. At this rate, **half** of the US corn harvest will be **diverted** to ethanol production by the end of 2008. As more corn is planted, it **displaces wheat and soybeans, increasing their market price.** Since **U.S. corn** accounts for some **40%** of global production, U.S. agrofuel expansion **impacts** global markets for all food grains, and exacerbates food-price inflation worldwide. *(16.05.08, http://www.foodfirst.org/en/node/2120; accessed 24.05.08)*

2. "US national interest":

"And the truth of the matter is, it's in our national interest that our farmers grow energy, as opposed to us purchasing energy from parts of the world that are unstable or may not like us," Bush said. *(http://ap.google.com/article/)*

3. Food prices:

Just how big biofuel's effect is on food prices depends on who is talking. President Bush said it's responsible for about **15 percent** of the rise in costs. U.S. Department of Agriculture spokesman Keith Williams put it closer to **20 percent.** A soon to be released International Food Policy Research Institute analysis blames **30 percent** of the overall food price rise from 2000-2007 on biofuels. An industry-funded study put the food cost rise from biofuels at **4 percent.** *(Ibid)* Interestingly, World Bank said, food prices "**rose by over 60 percent** from 2005 to 2007, largely because of the **US ethanol program**. *(World Development Report, 2008)*

Table 4: Top Five Biofuel Producers in 2005 (mn gallons)

	Ethanol			Bio-diesel	
Country	**Quantity**	**Feedstocks**	**Country**	**Quantity**	**Feedstocks**
Brazil	4,356	sugarcanes	Germany	507	rapeseed
US	4,284	corn	France	135	soybean
China	528	corn, wheat	US	77	rapeseed
EC	251	suarbeet, wheat	Italy	60	rapeseed
India	79	sugarcane	Austria	22	rapeseed

[Source: http://earthtrends.wri.org/updates/node/180]

4. Switching over oil-making crops:

But the effect is not limited to maize. Price rises in one commodity inevitably spill over **to other crops.** Farmers switch from producing wheat and other grains as the price of corn rises, **reducing** the **supply** of other cereals. Similarly, increasingly expensive corn encourages food manufacturers **to switch to other grains,** and livestock producers to feed their animals with other foods. Soybeans, for example, are used for cattle feed when the price of corn goes up. The **IMF** thinks that **40% of the inflation** in soybean costs is directly down to the expansion in biofuels around the world. *(30.05.08, http://www.guardian.co.uk)*

5. US Biofuel plants & subsidies:

According to the Council on Foreign Relations, as of 2006, **110** ethanol refineries have been built in the U.S., with **73 more** under construction... The tumultuous ethanol industry receives Midas-like support as a result of direct government subversions which equaled about **$8.9 billion in 2005.** These include tax cuts, grants, and government loans in order to encourage production and remain economically competitive with conventional gasoline. The federal government for example already has established a tax credit of 51 cents for every gallon the industry produces. *(12.06.07, http://www.zmag.org/)*

[B]y **2006** government support for biofuels had reached **11 billion dollars a year** for Organisation of Economic Development and Co-operation (OECD) countries. **More than 90 percent** of those subsidies came from the European Union and the U.S. *(20.10.07; http://www.commondreams. org/archive/)*

6. Rising oil prices & profitable ethanol:

With oil at $135 a barrel, it is **very profitable** to turn the starch in maize into motor fuel. Simply put, **food is worth more as petrol than it is on the table,** even if the subsidies are removed. *(Ibid)*

7. Swallowing farmlands:

A research study published by the OECD shows that **more than 70 per cent** of **Europe's farmland** would be **required for biofuel crops** to account for **even 10 per cent** of road transport fuel! Other figures suggest that even if high yield bio-energy crops were grown **on all the arable land on earth,** the biofuel produced would **cater to only 20 per cent of current demand.** *(By Suman Sahai, www.grain.org/)*

8. Biofuel imperialism:

Industrialized countries unleashed an "agro-fuels boom" by mandating ambitious renewable fuel targets.... These targets far exceed the agricultural capacities of the industrial

North. Europe would need to plant **70%** of its farmland to fuel. The **U.S.'s entire corn and soy harvest** would need to be processed as ethanol and bio-diesel. Converting the bulk of their arable land to fuel crops would wreak havoc with the North's food systems. Therefore, OECD countries are looking to the Global South to meet their fuel demands. Southern governments appear eager to oblige. **Indonesia** and **Malaysia** are rapidly expanding oil-palm plantations in an effort **to supply up to 20 percent of the EU bio-diesel market.** In **Brazil**—where fuel crop acreage already **occupies a land area the size of Netherlands, Belgium, Luxembourg and Great Britain combined**—the government is planning a **five-fold increase** in sugar cane acreage. Their goal is to **replace 10 percent** of the world's gasoline by 2025.

The rapid capitalization and concentration of power within the agro-fuels industry is breathtaking. Over the last three years venture capital investment in agro-fuels has increased **eightfold.** Private investment is swamping public research institutions, as evidenced by BP's recent award of half a billion dollars to the University of California. Behind the scenes—and under the noses of most national anti-trust laws—giant oil, grain, auto and genetic engineering corporations are forming powerful partnerships: **ADM and Monsanto, Chevron and Volkswagen; BP, DuPont, and Toyota.** These corporations are consolidating the research, production, processing, and distribution chains of our food and fuel systems under one colossal, industrial roof...

The pillars of the agri-foods industry are the great grain corporations, e.g., ADM, Cargill and Bunge. They are surrounded by an equally formidable phalanx of food processors, distributors, and supermarket chains on one hand, and agro-chemical, seed, and machinery companies on the other. Together, these industries consume **four of every five food dollars.** For some time, the production side of the agri-foods complex has suffered from agricultural "involution" in which increasing rates of investment (chemical inputs, genetic engineering, and machinery) have not increased the rates of agricultural productivity—the agri-foods complex is paying more and reaping less.

Agro-fuels are the **perfect answer** to involution because they're **subsidized,** grow as oil shrinks, and facilitate the concentration of market power in the hands of the most powerful players in the food and fuel industries. Like the original Agrarian Transition, the present Agro-fuels Transition will "enclose the commons" by industrializing the **remaining forests and prairies** of the world... *(30.06.07, http://www.globalresearch. ca/index.php?)*

Box: Bio-fuel in India: less-energy producing... expensive...

The plan is to start with a blending proportion of 5 per cent (5 per cent biofuel with 95 per cent petroleum) by 2012, 10 per cent by 2017 and over 10 per cent after 2017... The research focus is to improve oil content of oil seeds, increase crop yields, and reduce the environmental impact of biofuels' use. The first is significant because the Jatropha species being used in India, Jatropha curcas, is low yielding, giving one tonne of seeds per hectare under optimal conditions. With a seed price of Rs 5 per kg, the farmer would make only Rs 5,000 per hectare per year. This makes it a loss making venture. In any case, the overall desirability and economics of biofuel has been questioned by Mark Anslow in a recent issue of the Ecologist. Pimentel and Patzek of Berkley have done research that shows that biofuels give out less energy when burnt than was used in their manufacture. According to them, 6,597 kilocalories of non-renewable energy are required to produce a litre of ethanol from corn, which contains only 5,130 kilocalories of energy, which is a 22 per cent deficit. On top of this, biofuels are more expensive that petrol. In the US, a litre of petrol costs roughly 33 cents to produce; a litre of ethanol can cost up to $1.88. (By Suman Sahai, www.genecampaign.org/Publication/Article/AG-Food-Security/Biofuel%20vs%20food%20security.pdf)

Box 3: The western appetite for Biofuels is causing starvation in the poor world

It doesn't get madder than this. Swaziland is in the grip of a famine and receiving emergency food aid. Forty per cent of its people are facing acute food shortages. So what has the government decided to export? Biofuel made from one of its staple crops, cassava. The government has allocated several thousand hectares of farmland to ethanol production in the district of Lavumisa, which happens to be the place worst hit by drought. It would surely be quicker and more humane to refine the Swazi people and put them in our tanks. Doubtless a team of development consultants is already doing the sums. (Source: By George Monbiot, 07.11.07, http://www.countercurrents.org/monbiot071107.htm; accessed 07.11.07)

Speculation on Food

The latest grain and oilseed trading report from the Chicago Mercantile Exchange cited first quarter of 2008 trading volume up 32 percent over the last quarter of 2007. That's extra money coming in from speculators, not corn or wheat farmers hedging their crop prices in case of bad weather.
— by Nomi Prins, 20.06.08, http://www.commondreams.org/

[One of the main culprits behind the escalating prices of food (and oil) is the financial capital speculating unrestrictedly in the complex network of the present-day financial market. The operations in the **financial market** have taken gigantic shape since the end of the last century. This **"financialization"** or the **"development of global capitalism in recent decades"** *(Monthly Review, April 2008)* reigning over the furthest corner of the globe with "growing political and economic power... along with the **explosion of financial trading"** have reached an unbelievable height in modern history of capitalism. Earlier, it had speculated on internet, stocks, housing... etc. Now it is **speculating** on commodities—more precisely **on foodgrains**—with satanic violence. So naked are its activities that a reporter of *Reuters* exclaimed by the confession of a speculator:

> "Unfortunately, I think when people are trading commodities, I don't think they are even caring about social impact," said Gary Kaltbaum, who runs a hedge fund, Kaltbaum and Associates of Orlando, Florida, that is invested in grains. "What these people do is invest and **their job is to make money. If they think something's going to go higher, they are going to trade on it. They're not going to be worried about repercussions somewhere else,"** Kaltbaum said of investors like himself. *(01.04.08, http://www.reuters.com; accessed on 05.04.08)*

'Grain', an expert on food-security, wrote about the gigantism of the speculative capital involved in **future trading** on food-commodities:

> According to a leading commodities broker the amount of speculative money **in commodities futures** has risen from **US$5 billion in 2000 to US$175 billion in 2007. Half the wheat** now traded on the Chicago commodities exchange is **controlled** by investment funds. At the Agricultural Futures Exchange of Thailand, speculation on **rice** has, **within one year, tripled** the average number of contracts traded daily on the exchange, with hedge funds and other speculators now representing up to **half of the daily contracts** being traded. All of this speculative

activity **from pension funds, hedge funds and the like, plus the shifting of commodity trade from formal exchange markets to direct over-the-counter deals,** is sending prices soaring. *(http://www.grain.org/nfg/?id=577; accessed on 31.05.08)*

Moreover, an oil-expert calculated that **"as much as 60% of the today oil price is pure speculation"** *(by F. William Engdahl, 02.05.08, http://www.globalresearch.ca/)*. (**"Commodities"** are meant here as agricultural products including **foodgrains, oil & metals**). Recently, under criticisms from several quarters, the US Congress formed a committee to enquire about: "Are Institutional Investors contributing to food and energy price inflation?" Michael W. Masters, Portfolio Manager of 'Masters Capital Management, LLC' presented a testimony before the Senate committee stating that:

> Index Speculators are pouring billions of dollars into the commodities futures markets, speculating that **commodity prices** will increase... Assets allocated to commodity index trading strategies have risen f**rom $13 billion at the end of 2003 to $260 billion as of March 2008,** and the prices of the 25 commodities that compose these indices have **risen by an average of 183% in those five years!** *(20.05.08, http://hsgac.senate.gov/public/_files/052008Masters.pdf).*

But the countries like the USA, overwhelmingly dependent on and dominated by the profligacy of financial speculation have almost nothing to do in this respect. The above mentioned oil-expert wrote in a well-documented article:

> Since the advent of oil futures trading and the two major London and New York oil futures contracts, control of oil prices has left OPEC and gone to Wall Street. It is a classic case of the "tail that wags the dog."
>
> A June 2006 US Senate Permanent Subcommittee on Investigations report on "The Role of Market Speculation in rising oil and gas prices," noted, "...there is **substantial evidence** supporting the conclusion that the large amount of speculation in the current market has significantly increased prices."
>
> What the Senate committee staff documented in the report was a gaping loophole in US Government regulation of oil derivatives trading so huge a herd of elephants could walk through it. That seems precisely what they have been doing in ramping oil prices through the roof in recent months. *('Perhaps 60% of today's oil price is pure speculation', by F. William Engdahl, 02.05.08; www.globalresearch.ca/index.php?context=va&aid=8878; accessed on 09.06.08)*

Pointing to an “unregulated” and big holes within the international legal system of regulations on the (financial) market of commodities, he lambasted speculation by big investors:

> **Goldman Sachs** and **Morgan Stanley** today are the two leading energy trading firms in the United States. **Citigroup** and **JP Morgan Chase** are major players and fund numerous hedge funds as well who speculate. *(Ibid)*

The testimony presented in the US Senate and above excerpts amply clarify the role of massive speculating money playing in the financial markets of commodities (foodgrains, oil, etc) in jacking up prices to an astronomical level. In fact, many analysts concluded that the “speculation” is the primary lever behind the present rises in food-prices (including oil). Some of the facts & excerpts may help us to grip the complex world of financial and speculative markets.

Since the real world of operations and functioning in the financial market is not easily understandable to many readers (and even to ***Update***), we are providing some explanations on the terms like ‘future trading’, hedge funds, etc in the ***Box 4***.]

Box 4: Terms Explained

Speculation: Financial speculation involves the buying, holding, selling, and short-selling of stocks, bonds, commodities, currencies, real estate, derivatives, or any valuable financial instrument to profit from fluctuations in its price as opposed to buying it for use or for income via methods such as dividends or interest. *(Wikipedia)*

Futures & Future Trading: Futures are contractual agreements made between two parties through a regulated futures exchange. The parties agree to buy or sell an asset—livestock, a foreign currency, or some other item—at a certain time in the future at a mutually agreed upon price. Each futures contract specifies the quantity and quality of the item, expiration month, the time of delivery and virtually all the details of the transaction except price, which the two parties negotiate based on current market conditions...

In broadest terms, futures are about anticipated future prices of basic commodities and financial instruments, based on current information. Futures are concerned with such questions as what will the price of cattle be next December? What will interest rates be in six months? How much will a euro be worth in May? (www.cme.com/edu/res/intro/trading/index.html)

[T]here are also speculators who wheel and deal in future supplies of food—in "commodity futures" markets. This involves buying contracts for the delivery and sale of food that has not yet been produced. Speculators buy at a low price, betting the price will go up—betting that when the agreed upon delivery date arrives, they will make a profit. *(By Li Onesto, 29.04.08, www. countercurrents.org/onesto290408.htm)*

Hedging & Hedge Fund: Hedging is a process through which the risk of loss due to adverse price movements is transferred. Hedging one's bets means attempting to protect oneself from the ravages of the unexpected. *(From 'Taming Global Financial Flows', Kavaljit Singh, Madhyam Books)*A hedge fund is a private, largely unregulated pool of capital whose managers can buy or sell any assets, bet on falling as well as rising assets and participate substantially in profits from money invested.... While there is no legal definition for "hedge fund" under U.S. securities laws and regulations, typically they include any investment fund that, because of an exemption from the types of regulation that otherwise apply to mutual funds, brokerage firms or investment advisors, can invest in more complex and riskier investments than a public fund might. Hedge funds managed from other countries have similar relationships with their national regulators.... As the name implies, hedge funds often seek to offset potential losses in the principal markets they invest in by hedging their investments using a variety of methods, most notably short selling. *(Wikipedia)*

Market Madness: How speculators are manipulating & profiting from the global food crisis

(...) As dramatic as the consumer price increases are, the frenzy on commodity exchanges, where traders negotiate "futures" prices (and related financial products known as "options") is even more pronounced. The Commodity Futures Trading Commission (CFTC), in an unprecedented public webcast, held hearings on April 22 examining why agricultural commodity prices are skyrocketing. It noted, "In the **last three months,** the agricultural staples of wheat, corn, soybeans, rice and oats have **hit all-time highs."**

Over the last year, wheat prices are up 95 percent, soybeans are up 88 percent, corn is up 66 percent, and Thai B grade rice, the world's trading benchmark, ended 2007 at about $360 a metric ton. It hit $760 at the end of March and continued its dizzying climb to $1,080 less than a month later. On top of that, crude oil futures have more than doubled since January 2007, coming within a hair of $120 a barrel this April.

One striking aspect of the rising commodity prices is that when charted, they look similar to the **Internet stock mania** a decade ago or the charts of **soaring (and plunging) home prices** of late. This is no mere coincidence. One of the main factors in accelerating commodity and food costs is **financial speculation**. The same Wall Street banks and hedge funds that gave us the stock bubble and the housing bubble are reportedly throwing billions of dollars at the commodity markets, betting they can make a fast buck. One analyst interviewed by the *Wall Street Journal* estimates that "investors have poured roughly **$175 billion to $200 billion** into commodity-linked index funds since 2001." The *Journal* explained, "As with energy markets a few years ago, pension funds and hedge funds have flocked to grain investments as the supply of farm acreage and crop output shrinks relative to the growing global population and new demands for crops for biofuels and food. Many such investors make predominantly bullish bets," that is, **expecting the price to rise.**

The daily fluctuations on commodity exchanges are at times greater than used to occur in an entire year. On February 25 alone, at the Minneapolis Grain Exchange, one type of wheat **jumped 29 percent.** On a single day in March, "the price of cotton **jumped 15 percent** despite reports showing cotton supplies were at near record highs," according to the *Toronto Globe and Mail*. During the CFTC hearings,

commodity producers laid the blame for soaring prices at the speculators' door. A representative of the National Grain and Feed Association testified, "**Sixty percent** of the **current [wheat] market** is **owned by an index fund**. Clearly that's having an impact on the market," while a cotton producer stated, "The market is broken, it's out of whack."

If there is a main culprit, it is the market. There is a lot of talk about growing consumption and falling supplies for both food and energy, but most of the data contradicts these claims. For example, despite a drought in Australia, ice and snow storms throughout China, and a cold, wet winter in the American breadbasket, the UN Food and Agricultural Organization projects global cereal production for 2007-2008 to increase by 92 million tons to 2.102 billion tons. But almost all this increase is from **a record U.S. corn harvest, which is feeding the market for biofuels.**

In essence, large speculators ranging from Wall Street banks and hedge funds to oil companies and agribusiness giants are making a killing from trading commodities. Analysts say some players may be manipulating the markets, but this is extremely difficult to prove because regulatory oversight of these markets has been deliberately rolled back. Still, many sectors appear to be engaging in blatant profiteering. This includes speculators, but also extends to food retailers, food producers, and fertilizer manufacturers. One of the ironies of the current situation is that even as the revenue of farmers is increasing furiously, especially in the United States, they are losing out on profits because of the wild gyrations in the commodities markets. (...) *[Source: By A.K. Gupta, 02.06.08, http://www.zmag.org/zmag/viewArticle/ 17820; accessed 04.06.08)*

[Some revealing facts are provided by the "**Testimony** of Michael W. Masters, before the Committee on Homeland Security and Governmental Affairs, United States Senate, May 20, 2008". This "Testimony" though toeing the policies of the US administration in many respects has busted some of the "popular" beliefs propagated by the media and the US administration itself about the "factors" behind escalating food-prices.]

From the "Testimony of Michael W. Masters"

(...) Commodities prices have increased more in the aggregate over the last five years **than at any other time in U.S. history.** We have seen commodity price spikes occur in the past as a result of supply crises, such as during the 1973 Arab Oil Embargo. But today, unlike previous episodes, **supply is ample:** there are no lines at the gas pump and there is **plenty of food on the shelves.**

If supply is adequate—as has been shown by others who have testified before this committee—and prices are still rising, then demand must be increasing. **But how do you explain a continuing increase in demand when commodity prices have doubled or tripled in the last 5 years?**

What we are experiencing is a demand shock coming from a **new** category of participant in the **commodities futures markets: Institutional Investors.** Specifically, these are Corporate and Government Pension Funds, Sovereign Wealth Funds, University Endowments and other Institutional Investors. Collectively, these investors now account on average for a larger share of outstanding commodities futures contracts than any other market participant.

These parties, who I call *Index Speculators,* allocate a portion of their portfolios to "investments" in the commodities futures market, and behave very differently from the traditional speculators that have always existed in this marketplace. I refer to them as "Index" Speculators because of their investing strategy: they distribute their allocation of dollars across the 25 key commodities futures according to the popular indices—the Standard & Poors-Goldman Sachs Commodity Index and the Dow Jones-AIG Commodity Index. (...)

In the early part of this decade, some institutional investors who suffered as a result of the severe equity bear market of 2000-2002, began to look to the commodity futures market as a potential new "asset class" suitable for institutional investment. (...)

Today, Index Speculators are **pouring billions of dollars** into the commodities futures markets, **speculating that commodity prices will increase.** (...) Assets allocated to commodity index trading strategies have risen from **$13 billion** at the end of 2003 to **$260 billion** as of March 2008, and the prices of the 25 commodities that compose these indices have risen by an average of **183%** in those five years!

(...) In the popular press the explanation given most often for rising oil prices is the increased demand for oil from China. According to the DOE, annual Chinese demand for petroleum has increased over the last five years from 1.88 billion barrels to 2.8 billion barrels, an increase of 920 million barrels. Over the same five-year period, Index Speculators demand for petroleum futures has increased by 848 million barrels. The increase in demand from Index Speculators is almost **equal** to the increase in demand from China!

In fact, Index Speculators have now **stockpiled,** via the futures market, the **equivalent of 1.1 billion barrels of petroleum,** effectively adding **eight times** as much oil to their own stockpile as the United States has added to the Strategic Petroleum Reserve over the last five years.

Let's turn our attention to food prices, which have skyrocketed in the last six months. When asked to explain this dramatic increase, economists' replies typically focus on the diversion of a significant portion of the U.S. corn crop to ethanol production. What they overlook is the fact that **Institutional Investors** have **purchased over 2 billion bushels of corn futures in the last five years.** Right now, Index Speculators have **stockpiled** enough corn futures to potentially fuel the entire United States ethanol industry at full capacity for a year. That's equivalent to producing **5.3 billion gallons of ethanol,** which would make America the world's largest ethanol producer.

Turning to Wheat, in 2007 Americans consumed 2.22 bushels of Wheat per capita. At 1.3 billion bushels, the current Wheat futures stockpile of Index Speculators is enough to supply every American citizen with all the bread, pasta and baked goods they can eat for the next two years!

Demand for futures contracts can only come from two sources: Physical Commodity Consumers and Speculators. Speculators include the Traditional Speculators who have always existed in the market, as well as Index Speculators. Five years ago, Index Speculators were a tiny fraction of the commodities futures markets. Today, in many commodities futures markets, they are the single largest force. The huge growth in their demand has gone virtually undetected by classically-trained economists *who* almost never analyze demand in futures markets.

Index Speculator demand is distinctly different from Traditional Speculator demand; it arises purely from portfolio allocation decisions. When an Institutional Investor decides to allocate 2% to commodities futures, for example, they come to the market with a set amount of money. They are not concerned with the price per unit; they will buy as many futures contracts as they need, at whatever price is necessary, until all of their money has been "put to work." Their insensitivity to price multiplies their impact on commodity markets.

Furthermore, commodities futures markets are much smaller than the capital markets, so multi-billion-dollar allocations to commodities markets will have a **far greater impact on prices.** In 2004, the total value of futures contracts outstanding for all 25 index commodities amounted to only about $180 billion. Compare that with worldwide equity markets which totaled $44 trillion, or over 240 times bigger. That year, Index Speculators poured $25 billion into these markets, an amount equivalent to 14% of the total market. (...)

One particularly troubling aspect of Index Speculator demand is that *it actually increases the more prices increase*. This explains the accelerating rate at which commodity futures prices (and **actual commodity prices**) are **increasing.** Rising prices attract more Index Speculators, whose tendency is to increase their allocation as prices rise. So their profit-motivated demand for futures is the inverse of what you would expect from price-sensitive consumer behavior.

(...) We calculate that Index Speculators flooded the markets with $55 billion in just the first 52 trading days of this year. That's an increase in the dollar value of outstanding futures contracts of **more than $1 billion per trading day.** Doesn't it seem likely that an increase in demand of this magnitude in the commodities futures markets could go a long way in explaining the extraordinary commodities price increases in the beginning of 2008? (...)

When Congress passed the Commodity Exchange Act in 1936, they did so with the understanding that speculators should not be allowed to dominate the commodities futures markets. Unfortunately, the CFTC has taken deliberate steps to **allow certain speculators virtually unlimited access to the commodities futures markets.** (...)

There are hundreds of billions of investment dollars poised to enter the commodities futures markets at this very moment. If immediate action is not taken, food and energy prices will rise higher still. This could have catastrophic economic effects on millions of already stressed U.S. consumers. It literally could mean starvation for millions of the world's poor. (...) *[Source: 20.05.08, http://hsgac.senate.gov/public/_files/052008Masters. pdf; accessed on 21.06.08]*

Table: Commodity Futures Price Increases
(March 2003-March 2008)

Agricultural	
Cocoa	+34%
Coffee	+167%
Corn	+134%
Cotton	+40%
Soybean Oil	+199%
Soybeans	+143%
Sugar	+69%
Wheat	+314%
Wheat KC	+276%
Energy	
Brent Crude Oil	+213%
WTI Crude Oil	+191%
Gasoil	+192%
Heating Oil	+192%
Gasoline	+145%
Natural Gas	+71%

[Another factor operating behind the surge in speculation on food articles are the **"weakening of the US dollar"** and this factor is intricately connected with the present state of "financialization". Since the establishment of dominance of the US dollar as **"global currency"**, any "weakening" of it may make the global markets topsy-turvy. An analyst wrote:

> "Predictions about the imminent collapse of the dollar are hardly new. The dollar has survived two decades of growing US deficits and debts (and two cycles of appreciation and depreciation)... The **dollar today** enters on one side of **86 percent** of all foreign exchange transactions, while its closest competitor, the **euro,** enters on one side of **37 percent** of foreign exchange transactions. About **66 percent of foreign**

exchange reserves are held in **dollars,** while the **euro** share of foreign exchange reserves is about **25 percent.** Dollars holders are tied into their positions **since dollar sales would lead to a plummeting of the dollar and an erosion of the value of their dollar holdings.** *(Finance, Imperialism, and the Hegemony of the Dollar, R. Vasudevan, Monthly Review, April 2008)*

Sensing another "financial meltdown" the **IMF** alerted the global leaders **to "confront... the worst financial crisis since the Great Depression of the 1930s"!** *(15.04.08, http://infochangeindia.org)*. In fact, the "weakening" of dollar creates concern among the investors who are holding large amount of dollars. After the "housing debacle" in the USA (better known as **"mortgage crisis" or "subprime crisis"**) the investors rushed to the commodity markets to make easy & quick bucks. **There are too many dollars, indeed!** Billions of dollars are flown into the market pushing up the prices of grains & oil.

Moreover, the depreciation of dollar vis-a-vis euro made the value of dollar less. In other words: if the dollar is worth less tomorrow than today, then the dollar value of a kg of wheat will be higher tomorrow. "Against a basket of currencies, the **dollar has fallen by 25 percent since 2003, and considerably more since its peak in 2001".** *(31.05.08, http://www.zmag.org/znet/viewArticle/17780)]*

An American expert laments in the following excerpt.]

Rice, death and the dollar

The global food crisis is a monetary phenomenon, an unintended consequence of America's attempt to inflate its way out of a market failure. There are long-term reasons for food prices to rise, but the unprecedented spike in grain prices during the past year stems from the weakness of the American dollar. Washington's economic misery now threatens to become a geopolitical catastrophe. (...)

[T]he ascent of the cost of rice to $24 from $10 per hundredweight over the past year tracks the **declining value of the American dollar.** The link between the declining parity of the US unit and the rising price of commodities, including oil as well as rice and other wares, is indisputable... For developing countries whose currencies track the American dollar and whose purchasing power declines along with the American unit, this is a catastrophe. (...)

Global rice production will hit a record of 423 million tons in the 2007-2008 crop year, enough to satisfy global demand. The trouble is that only 7% of the world's rice supply is exported, because local demand is met by local production. **Any significant increase in rice stockpiles** cuts deeply into available supply for export, **leading to a spike in prices.** Because such a small proportion of the global rice supply trades, the monetary shock from the weak dollar was sufficient to more than double its price. It is not only rice, of course, that the cash-rich countries of the world are buying as a store of value; the price of wheat, soy and other grains has risen almost as fast. (...) *[Source: By Spengler, 22.04.08, http://www.atimes.com/atimes/Global_ Economy/JD22Dj01.html]*

[Or, in other words, **"stockpiling" rice is valuable than "worth-less" dollars,** today! What an irony for the US leaders!]

Liberalisation & "Food Crisis"

"The idea that developing countries should feed themselves is an anachronism from a bygone era. They could better ensure their food security by relying on US agricultural products, which are available in most cases at lower cost."

— John Block, US Agricultural Secretary, 1986

[The present "food crisis" is rooted in the processes of **Structural Adjustment Programme (SAP) and liberalisation** dictated by the imperialist agencies like IMF, World Bank, etc. The "crisis" have been further aggravated by the so-called free trade policies of the **WTO,** designed to expand the imperialist hold on the global markets, particularly strangulating the economy of the poor & 'developing" countries. Agriculture is one of the victims of this neoliberal onslaught—expropriated, and finally devastated in many countries. Such are draconian the policies of these neoliberal agencies that even an official of the UN Conference on Trade and Development (UNCTD) exclaimed in the following manner:]

UNCTAD Official Blames Food Crisis On Structural Adjustment Programme

The Structural Adjustment Programme, SAP, embarked upon by most African countries in the 1980s, including Nigeria, has been **blamed** by an official of the United Nations Conference on Trade and Development, Mr. Rolf Traeger, **as one of the major reasons** for the current food crisis plaguing some countries in sub-Saharan Africa.

The projected national demand for rice in Nigeria is put at 4.64 million metric tons annually while current rate of consumption is put at 2.3 metric tons. Current local production of the commodity is a meagre 525,000 metric tons per annum. It follows straightaway that the country will have to import the shortfall which is projected at the cost of $267 million.

Under the guidance of institutions such as the World Bank and the International Monetary Fund, IMF, Traeger (...) said, most countries in sub-Saharan Africa embraced hook, line and sinker the Structural Adjustment Programme that was prescribed by the Bretton Wood institutions as the panacea for their economic woes.

This he said affected the production systems of these countries, the **consequences** of which is the **current food crisis** many of them are now experiencing. "The **production system** of many developing countries **underwent serious changes** because on one side domestic support for production, that is **subsidies** to farmers, were **generally cut.**

At the same time there was a very **deep trade liberalization** that was put in place by the developing countries as part of the SAP. "This means that **it was much cheaper and easier to import those products.**

This happens in a context in which international commodity prices were depressed or even falling. So in that context, developing countries were capable of importing food at reasonably low prices.

"It means that by importing food at low prices there was **much more competition for domestic producers.** So on the one side domestic producers **lost subsidies** and on the other side, they **face competition from imported food** as a result, they changed what they were cultivating or change the type of activities that they were undertaking.

This also means that the food security of these countries was jeopardised because the **domestic capacity to produce food was significantly reduced.**

The international prices of food and commodities started rising sometime as high as 20 or 30 per cent. It means that these countries have to **pay much more** for the food that they import. For the poorer countries for which buying food represents the major part for the little income that they have it became a big problem," Traeger said. (...) *[Source: 23.04.08, http://allafrica.com/stories/200804230375.html; accessed on 28.04.08]*

[The Bretton Wood Institutions like the IMF and World Bank, imposed severe 'debt-crisis' on the poor & "developing" countries; made them swallow bitter pills of liberalisation-privatisation; paved the ruining of their economy (including the agriculture) along the dictated path aggravating the dependence of these countries on the imperialist network. A commentator, summarised the policies in the following way:

> "In the early 1980s, the US, IMF, and the World Bank (WB) used the debt stranglehold that they had over Third World countries to force them **to adopt neo-**

liberal economic policies through Structural Adjustment Programmes (SAP). This period saw most Third World governments being **forced to sell off their public assets** to multinational companies; **allow foreign companies** to move money in and out of their borders, **end food subsidies; create export-processing zones; smash workers' rights; dismantle environmental laws; and implement wage freezes.** Under SAPs, almost all governments in Asia, Africa, and Latin America were also **forced to reduce their import tariffs on agricultural goods,** thereby **creating new export markets** for **multinational** companies. Linked to this, Third World states were required to dramatically reduce the subsidies that they offered to small-scale farmers, who are producing for domestic needs. Of course, the US and European countries **continued** to subsidize their own farmers, mostly agribusiness corporations, and also **maintained** high tariffs on selected on agricultural products—those that their farmers were producing. The result was that **by mid-1980s** small-scale farmers in the South were being **forced to compete** with subsidized agricultural products **flooding into their countries** from the US and Europe... *(Liberalizing food trade to death, by Shawn Hattingh, 05.05.08, www.monthlyreview.org/mrzine/hattingh060508.htm)*

A commentator analyses some of the devastating effects of these policies dictated by the Bretton Wood Institutions with a brief reference to the African countries.]

Global Famine

(...) A **"free market" in grain**—imposed by the IMF and the World Bank—destroys the peasant economy and undermines "food security". Malawi and Zimbabwe were **once** prosperous **grain surplus** countries, Rwanda was **virtually self-sufficient** in food until 1990 when the IMF ordered the dumping of EU and US grain surpluses on the domestic market precipitating small farmers into bankruptcy. In 1991-92, famine had hit Kenya, East Africa's most successful bread-basket economy. The Nairobi government had been previously placed on a black list for not having obeyed IMF prescriptions. The **deregulation of the grain market** had been demanded as one of the conditions for the rescheduling of Nairobi's external debt with the Paris Club of official creditors.

Throughout Africa, as well as in Southeast Asia and Latin America, the pattern of "sectoral adjustment" in agriculture under the custody of the Bretton Woods institutions has been unequivocally towards the **destruction** of food security.

Dependency vis-à-vis the world market has been reinforced **leading to a boost in commercial grain imports** as well as an increase in the **influx of "food aid".**

Agricultural producers were **encouraged to abandon food farming** and **switch into "high value" export crops.** often to the detriment of food self-sufficiency. The high value products as well as the cash crops for export were supported by World Bank loans.

Famines in the age of globalization are the result of policy. Famine is not the consequence of a scarcity of food but in fact quite the opposite: **global food surpluses are used to destabilize agricultural production in developing countries.**

Tightly regulated and controlled by international agro-business, this oversupply is ultimately conducive to the stagnation of both production and consumption of essential food staples and the impoverishment of farmers throughout the world. Moreover, in the era of globalization, the IMF-World Bank structural adjustment program bears a direct relationship to the process of famine formation because it systematically undermines all categories of economic activity, whether urban or rural, which do not directly serve the interests of the global market system.

The earnings of farmers in rich and poor countries alike are squeezed by a handful of global **agro-industrial enterprises** which **simultaneously control the markets for grain, farm inputs, seeds and processed foods.** One giant firm **Cargill Inc.** with more than 140 affiliates and subsidiaries around the World controls a large share of the international trade in grain. Since the 1950s, **Cargill became the main contractor of US "food aid"** funded under Public Law 480 (1954). (...) *[Source: by Michel Chossudovsky, 02.05.08, http://www.globalresearch.ca/index.php?context=va&aid=8877; accessed 02.06.08]*

[Shawn Hattingh, in the excerpt cited earlier pointed out the role of WTO in accelerating further devastations of the agriculture in underdeveloped countries through the "Agreement on Agriculture":

> ...In order to become the members of the WTO, countries were required to become of full signatories to the WTO's **Agreement on Agriculture (AoA).** The AoA was written by an ex-employee of one of the largest agricultural multinationals in the

> world, the **Cargill,** and is highly beneficial to the US and EU and their corporations. Specifically, the AoA stipulates that **WTO members cannot impose quotas** on agricultural imports, states that agricultural imports can only controlled by tariffs, and requires all member states to **reduce their import tariffs** on agricultural goods. Through the AoA, all member countries were required to reduce their import tariffs on agricultural goods by 24% by 2005....

The majority of countries of the South have been forced to drastically **cut the subsidies** they offer to their small-scale farmers due to the SAPs. The AoA, however, allows countries—in the light of SAPs, **only the US and EU—to continue subsidies** as long as they directly distort trade. In effect, this has **allowed multinationals such as Cargill and Monsanto, to continue to receive massive subsidies from the US and the EU**.... *(Ibid)*

Even the UN—one of the levers in executing the neo-liberal policies—conceded that overall policies of WTO, barring AOA, cast telling effects on the countries of Asia-Pacific regions. Some of their observations are included in the following excerpt.]

Box 5: Politics of Food Aid

Since the creation of the World Bank, the U.S. government has used basically the same system to send food to needy peoples worldwide. There is no doubt that issues of food security are complicated. The food security crisis in Africa comes from colonization and its aftermath that created economies for extraction, not internal benefit. It has been exacerbated by Cold War politics, resource wars and debt, just to name a few factors.

What is not widely discussed is that many organizations resell the food purchased in these desperate developing nations. For example, subsidized soy and grain are purchased from U.S. agribusiness and then resold in developing countries as "aid." The U.S. government is virtually the only country that uses this practice and calls it "aid."

This process over decades has had the opposite effect of the stated purpose of aid. The selling of food aid has had an effect similar to the dumping of products by multinational corporations in countries with developing economies.

Many people in the U.S. think hunger is caused by the absence of food due to the absence of local producers. This is not the case. Local farmers struggling to make ends meet cannot compete with additional food being sold on the market because it undercuts what little profit they make. The result is that local farmers cannot afford to farm. The most impoverished still cannot afford to purchase food. Once the cameras go dim and the reporters leave the cooling hot zone, the people are left with a weaker agriculture sector and less food on the table.

The winner in all of this is U.S. agribusiness. While the benefits of promoting genetically modified foods for developing countries remain to be seen, the benefits for agribusiness profit are evident. It is these corporations that fight to keep food aid as it is, not development experts and certainly not countries desperate for the aid. Time after time, our system of international assistance supports corporations and wealthy elites at home and abroad far more than those they claim to assist. [Source: By Nicole C. Lee, 03.06.08, http://www.finalcall.com/artman/publish/article_4791.shtml; accessed 04.06.08]

UN report urges Asian nations to re-focus on agriculture

(...) An important point brought out in the report is that, in the face of trade barriers, subsidies, price distortions and official neglect, agriculture has stagnated and the Asia-Pacific region has **become a net agricultural importer,** threatening food security and deepening rural poverty. Food security needs to be the focus of countries in Asia, concludes the report, considering the fact that **"cheap imports as a result of the opening up of agricultural trade have led to a sharp decline in domestic production of food staples in the region, which has been a food exporter for many years".**

Analysing the position of different countries in the Asia-Pacific region, with regard to the import and export of food, the report finds that the **poorest** countries in Asia have become the **most dependent on agricultural imports for their basic food supply.** In countries such as Afghanistan, Bangladesh and Nepal, **food imports were more than double of exports,** by the end of the 1990s. And this trend is growing, says the report, which visualises food imports by developing countries **growing two to three times over,** from US$18 bn in 2004 to around US$50 bn by 2030. The report warns: "Considering the fact that farming supports half of Asia's workforce, **growing reliance on cheap food imports could wipe out rural livelihoods**."

While examining the impact of global trade on development in the region, the report observes that **developing countries have opened up their agriculture trade markets far more than have developed countries.** While the Asia-Pacific region is at the forefront of globalisation, the world's fastest rates of growth in international trade specifically is noticed in East Asia and now also in South Asia. (...)

Other important observations in the report are: (...)

- Richer farmers and agri businesses are **moving out of food production** and into the cultivation of more **profitable commercial crops.** This has profound implications for over half of the billion people living in the region.

- Most of the Asia-Pacific region's population depends on agriculture, but **public expenditure** on this sector has **declined markedly** in all sub-regions.

Taking note of some of these adverse effects, the report predicts the future impact when it says: "Global trade expansion can damage poor farmers' interests by bringing down prices, increasing input costs such as fertilisers, and the withdrawal of state services for irrigation."

Although it was commonly believed that free trade facilitated the exchange of advanced farm technology to developing countries, the report points out that the **transfer of advanced farm technology** and **research** has **become difficult** because of the **patent regime.**

Whilst highlighting the positive development effects of trade, the report notes that liberalisation of agricultural markets, as a consequence of the WTO regime, has **reduced food prices**—particularly food produced **with the backing of subsidies in the US and the EU.** Although this benefits consumers, the report says: "These positive effects of trade have **not necessarily** led to any constant improvement in food security." The report **urges developing countries** to promote agricultural development through **price supports, affordable loans and other assistance,** as well as by **strengthening land reform.** (...)

While studying the effects of trade, specifically on India, the report observes that **India,** like other Asian nations, **is on the verge of a net food deficit.** Until recently, it was in a food surplus position.

Besides covering the problems related to trade expansion, the report also offers a **prescription:** "Selective and sequenced **opening** to trade is crucial to successfully managing globalisation." It advocates that developing countries in Asia and the Pacific need bold new domestic policies in order to benefit from **free trade.** (...) *[Source: July 2006, http://infochangeindia.org/200607035912/Agriculture/Books-Reports/UN-report-urges-Asian-nations-to-re-focus-on-agriculture. html; accessed 10.05.08]*

[Bravo! Though the policies of "free trade" made the once food-exporting and self-sufficient countries "net food importers", the UN, nevertheless, lectures the developing countries to foster "free trade"! Readers may obtain this marvellous piece of document "Asia-Pacific Human Development Report 2006" at <http://www.undprcc.lk/rdhr2006/rdhr2006new.asp>.

A commentator narrated how the “food crisis” was created *Mexico* and *The Philippines* under the dictat of IMF, World Bank, WTO.]

Manufacturing a Food Crisis

(...) The **Mexican food crisis** cannot be fully understood without taking into account the fact that in the years preceding the tortilla crisis, the homeland of corn had been converted to a corn-importing economy by “free market” policies promoted by the International Monetary Fund (IMF), the World Bank and Washington. The process began with the early 1980s **debt crisis.** One of the two largest developing-country debtors, Mexico was forced to beg for money from the Bank and IMF to service its debt to international commercial banks. The quid pro quo for a multibillion-dollar bailout was what a member of the World Bank executive board described as “unprecedented thoroughgoing interventionism” **designed to eliminate high tariffs, state regulations and government support institutions,** which neoliberal doctrine identified as barriers to economic efficiency.

Interest payments rose from 19 percent of total government expenditures in 1982 to 57 percent in 1988, while capital expenditures dropped from an already low 19.3 percent to 4.4 percent. The contraction of government spending translated into the dismantling of state credit, government-subsidized agricultural inputs, price supports, state marketing boards and extension services. Unilateral liberalization of agricultural trade pushed by the IMF and World Bank also contributed to the destabilization of peasant producers.

This blow to peasant agriculture was followed by an even larger one in 1994, when the North American Free Trade Agreement went into effect. Although NAFTA had a fifteen-year phaseout of tariff protection for agricultural products, including corn, **highly subsidized US corn quickly flooded in, reducing prices by half** and plunging the corn sector into chronic crisis. Largely as a result of this agreement, Mexico’s status as a **net food importer** has now been firmly established.

With the **shutting down of the state marketing agency for corn,** distribution of US corn imports and Mexican grain has come to be **monopolized** by a few transnational traders, like US-owned **Cargill** and partly US-owned **Maseca,** operating on both sides of the border. This has given them tremendous power to **speculate** on trade trends, so that movements in biofuel demand can be manipulated

and magnified many times over. At the same time, monopoly control of domestic trade has ensured that a rise in international corn prices does not translate into significantly higher prices paid to small producers.

It has become increasingly difficult for Mexican corn farmers to avoid the fate of many of their fellow corn cultivators and other smallholders in sectors such as rice, beef, poultry and pork, who have gone under because of the advantages conferred by NAFTA on subsidized US producers. According to a 2003 Carnegie Endowment report, imports of US agricultural products **threw at least 1.3 million farmers out of work**—many of whom have since found their way to the United States. (...)

Creating a Rice Crisis in the Philippines

That the global food crisis stems mainly from free-market restructuring of agriculture is clearer in the case of **rice**. Unlike corn, **less than 10 percent** of world **rice** production is **traded.** Moreover, there has been no diversion of rice from food consumption to biofuels. Yet this year alone, prices nearly **tripled,** from $380 a ton in January to more than $1,000 in April. Undoubtedly the inflation stems partly from speculation by wholesaler cartels at a time of tightening supplies. However, as with Mexico and corn, the big puzzle is **why a number of formerly self-sufficient rice-consuming countries have become severely dependent on imports.**

The Philippines provides a grim example of how neoliberal economic restructuring transforms a country **from a net food exporter to a net food importer. The Philippines** is the world's **largest importer of rice.** Manila's desperate effort to secure supplies at any price has become front-page news, and pictures of **soldiers providing security for rice distribution in poor communities** have become emblematic of the global crisis. (...)

As in Mexico the World Bank and IMF, working on behalf of international creditors, pressured the Corazon Aquino administration to make repayment of the $26 billion foreign debt a priority. Aquino acquiesced, though she was warned by the country's top economists that the "search for a recovery program that is consistent with a debt repayment schedule determined by our creditors is a futile one." Between 1986 and 1993 8 percent to 10 percent of GDP left the Philippines yearly in debt-service payments—roughly the same proportion as in Mexico. Interest payments as a percentage of expenditures rose from 7 percent in 1980 to 28 percent in 1994; capital

expenditures plunged from 26 percent to 16 percent. In short, **debt servicing** became the national budgetary priority.

Spending on agriculture fell by more than half. The World Bank and its local acolytes were not worried, however, since one purpose of the belt-tightening was to get the private sector to energize the countryside. But agricultural capacity quickly eroded. Irrigation stagnated, and by the end of the 1990s only 17 percent of the Philippines' road network was paved, compared with 82 percent in Thailand and 75 percent in Malaysia. **Crop yields** were generally **anemic,** with the average rice yield way below those in China, Vietnam and Thailand, where governments actively promoted rural production. The post-Marcos agrarian reform program shriveled, **deprived of funding** for support services, which had been the key to successful reforms in Taiwan and South Korea. As in Mexico Filipino peasants were confronted with full-scale retreat of the state as provider of comprehensive support—a role they had come to depend on.

And the cutback in agricultural programs was followed by trade liberalization, with the Philippines' 1995 entry into the World Trade Organization having the same effect as Mexico's joining NAFTA. WTO membership required the Philippines **to eliminate quotas on all agricultural imports except rice** and allow a certain amount of each commodity to enter **at low tariff rates.** While the country was allowed to maintain a quota on rice imports, it nevertheless had to admit the equivalent of 1 to 4 percent of domestic consumption over the next ten years. In fact, because of gravely weakened production resulting from lack of state support, the government imported much more than that to make up for shortfalls. The **massive imports depressed the price of rice,** discouraging farmers and keeping growth in production at a rate far below that of the country's two top suppliers, Thailand and Vietnam.

The consequences of the Philippines' joining the WTO barreled through the rest of its agriculture like a super-typhoon. **Swamped by cheap corn imports—much of it subsidized US grain**—farmers reduced land devoted to corn from 3.1 million hectares in 1993 to 2.5 million in 2000. Massive importation of chicken parts nearly killed that industry, while surges in imports destabilized the poultry, hog and vegetable industries.

During the 1994 campaign to ratify WTO membership, government economists, coached by their World Bank handlers, promised that losses in corn and other traditional crops would be more than compensated for by the **new export industry of "high-value-added" crops** like cut flowers, asparagus and broccoli. Little of this materialized. Nor did many of the 500,000 agricultural jobs that were supposed to be created yearly by the magic of the market; instead, **agricultural employment dropped from 11.2 million in 1994 to 10.8 million in 2001.**

The one-two punch of IMF-imposed adjustment and WTO-imposed trade liberalization swiftly transformed a largely self-sufficient agricultural economy **into an import-dependent** one as it steadily marginalized farmers. It was a wrenching process, the pain of which was captured by a Filipino government negotiator during a WTO session in Geneva. "Our small producers," he said, "are being slaughtered by the gross unfairness of the international trading environment." *(...) [Source: By Walden Bello, 16.05.08, http://www.commondreams.org/archive/2008/05/16/9004/; accessed 21.05.08]*

[This excerpt has narrated the impacts of neo-liberal policies of the imperialist agencies elaborately. In fact, a number of countries "guided" by these policies are victimised severely. Some of the experiences of these countries are given in the **Fact Sheet 2**.]

Fact Sheet 2: Countries under the Hammer of Liberalisation

Indonesia:

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.... 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... *(18.05.08, http://www.landaction.org/spip/spip.php?article317; accessed on 04.06.08)*

Egypt:

Egypt, the largest country in the Arab world and the second-largest recipient of US foreign aid after Israel, is experiencing a serious economic and political crisis that threatens the Mubarak regime. Despite achieving rates of annual economic growth of 7% in the last few years, the government's neoliberal economic policies of privatisation have left up to 40% of the country's population of 75 million living under the poverty line.

Recently, **severe shortages in bread,** the main staple for Egyptians, left millions to stand in lines for hours at a time, only to go home empty-handed. In March alone, **10 people were killed in fights** that broke out in bread lines. In addition to bread shortages, ordinary people are struggling to keep up with **unprecedented rates of inflation.** Prices for most basic foods, such as rice and cooking oil, rose by **50%** in the first three months of 2008. Meanwhile, wealthy Egyptians and their multinational partners continue to amass huge wealth. These multinationals enjoy a skilled work force in Egypt, yet **pay starvation wages.** Egyptian workers earn $100 per month on average.

This situation is a result of a major transformation that the Egyptian economy has undergone in the past 30 years. During the 1950s and '60s, the state nationalised most large industries, guaranteed full employment, free education and health care, and subsidised basic foods. It also launched an ambitious industrialisation campaign, enlisting the help of the former USSR. However, while attempting to ensure a safety net for workers and the poor, the state **repressed all aspects of independent political or union activities.** After its crushing defeat suffered at the hands of Israel in the June 1967 war and under pressure from US-led neoliberal economic policies, the government changed course. Beginning in the 1970s, the government embarked on an **open-door investment policy** that began to reintegrate Egypt into the world economy under US tutelage. The first act was **to lift subsidies on bread and basic foods,** as instructed by the International Monetary Fund.

That move was met by a **mass uprising,** but the government succeeded in crushing the rebellion.... *(By Mostafa Omar, 03.05.08, http://www.greenleft.org.au/2008/749/38723; accessed on 04.05.08)*

Haiti:

The *New York Times* lectured Haiti on April 18 that "Haiti, its agriculture industry in shambles, needs to better feed itself." Unfortunately, the article did not talk at all about one of the main causes of the shortages—the fact that the U.S. and other international financial bodies destroyed Haitian rice farmers to create a major market for the heavily subsidized rice from U.S. farmers. This is not the only cause of hunger in Haiti and other poor countries, but it is a major force.

Thirty years ago, Haiti raised nearly all the rice it needed. What happened? In 1986, after the expulsion of Haitian dictator Jean Claude "Baby Doc" Duvalier the International Monetary Fund (IMF) loaned Haiti $24.6 million in desperately needed funds. But, in order to get the IMF loan, Haiti was required to **reduce tariff protections** for their Haitian rice and other agricultural products and some industries **to open up** the **country's markets** to competition from outside countries. The U.S. has by far the largest voice in decisions of the IMF.

Doctor Paul Farmer was in Haiti then and saw what happened. "Within less than two years, it became impossible for Haitian farmers to compete with what they called 'Miami rice.' **The whole local rice market in Haiti fell apart as cheap, U.S. subsidized rice, some of it in the form of 'food aid,'** flooded the market. There was violence, **'rice wars,'** and lives were lost."

"American rice invaded the country," recalled Charles Suffrard, a leading rice grower in Haiti in an interview with the *Washington Post* in 2000. By 1987 and 1988, there was so much rice coming into the country that many stopped working the land.

Fr. Gerard Jean-Juste, a Haitian priest who has been the pastor at St. Claire and an outspoken human rights advocate, agrees. "In the 1980s, imported rice poured into Haiti, below the cost of what our farmers could produce it. Farmers lost their businesses. People from the countryside started losing their jobs and moving to the cities. After a few years of cheap imported rice, local production went way down."

Still the international business community was not satisfied. In 1994, as a condition for U.S. assistance in returning to Haiti to resume his elected Presidency, Jean-Bertrand Aristide was forced by the U.S., the IMF, and the World Bank **to open up the markets in Haiti even more.**

But, Haiti is the poorest country in the Western Hemisphere, what reason could the U.S. have in destroying the rice market of this tiny country? Haiti is definitely poor. The U.S. Agency for International Development reports the annual per capita income is less than $400. The United Nations reports life expectancy in Haiti is 59, while in the US it is 78. **Over 78% of Haitians live on less than $2 a day, more than half live on less than $1 a day.** Yet Haiti has become one of the **very top importers of rice from the U.S.** The U.S. Department of Agriculture 2008 numbers show **Haiti is the third largest importer of US rice**—at over 240,000 metric tons of rice. (One metric ton is 2200 pounds)... *(By Bill Quigley, 23.04.08, www.zcommunications.org/znet/viewArticle/17233; accessed on 28.04.08)*

Malawi:

It was a tragedy preceded by success. In 1998 and 1999, the government [of Malawi] initiated a program to give each smallholder family a "starter pack" of free fertilizers and seeds. This followed several years of successful experimentation in which the packs were provided only to the poorest families. The result was a national surplus of corn. What came after, however, is a story that will be enshrined as a classic case study in a future book on the 10 greatest blunders of neoliberal economics.

The World Bank and other aid donors forced the drastic scaling down and eventual **scrapping of the program,** arguing that the **subsidy distorted trade.** Without the free packs, **food output plummeted.** In the meantime, the IMF insisted that the government **sell off a large portion of its strategic grain reserves** to enable the food reserve agency **to settle its commercial debts.** The government complied. When the crisis in food production turned into a famine in 2001-2002, there were hardly any reserves left to rush to the countryside. About 1,500 people perished. The IMF, however, was unrepentant; in fact, it suspended its disbursements on an adjustment program with the government on the grounds that "the parastatal sector will continue to pose risks to the successful implementation of the 2002/03 budget. Government interventions in the food and other agricultural markets...crowd out more productive spending."

When an even worse food crisis developed in 2005, the government finally had enough of the Bank and IMF's institutionalized stupidity. A new president reintroduced the fertilizer subsidy program, enabling two million households to buy fertilizer at a third of the retail price and seeds at a discount. The results: bumper harvests for two years in a row, a surplus of one million tons of maize, and the country transformed into a supplier of corn to other countries in Southern Africa.

But the World Bank, like its sister agency, still stubbornly clung to the discredited doctrine. As the Bank's country director told the *Toronto Globe and Mail*, "All those farmers who begged, borrowed, and stole to buy extra fertilizer last year are now looking at that decision and rethinking it. The lower the maize price, the better for food security but worse for market development." *(by Walden Bello, 04.06.08, http://www.commondreams. org/archive/2008/06/04/9408/; accessed on 05.06.08)*

[In the face of this 'unprecedented' "food crisis" designed and crafted by the IMF, WB, WTO & imperialist countries, neoliberal bosses of the earth prescribe some measures for the affected countries. These measures are nothing but to rob, plunder and expropriate further the poor underdeveloped countries.

At the Food Summit called by the FAO in 3-5 June, the director-general called the rich countries to donate $30 billion as "food-aid". (In the preceding BOX 5 we have seen the real politics behind the "food-aid".) But the proposal of FAO boss at this Summit raises intriguing remarks from the President of Senegal: **"We can't continue to be helped like beggars, ...I have been disappointed ... Don't keep imposing institutions (and) experts on us. Africa is not what it was 20 years ago. Stop this farce."** *(03.06.08, www. africasia.com/services/news/newsitem.php?)*

And, the IMF—one of the mastermind behind "food-genocide" in the poor countries—have extended "emergency loans" stinged with conditionalities!! A news portal reports as following:]

IMF "Cure" for Food Crisis Also a Cause

IMF says it is responding to the global food crisis by doling out **new emergency loans to 15 of the world's poorest nations,** mostly in Africa. But the new loans

carry the **same controversial conditions,** such as tariff and subsidies cuts, that many analysts now agree are partly to blame for the soaring inflation and inability of developing country governments to cope. (...)

The IMF official said that in addition to the emergency programme, developing countries suffering high food prices could also receive advance loans from the more traditional Poverty Reduction and Growth Facility (PRGF), the loan framework under which poor countries typically **have to agree to revamp their economies in return for IMF cash.** Countries resorting to the Fund's emergency loans for the first time will have to accede to the terms of the controversial PRGF, if they do not have one in place already.

But analysts say that both loan programmes could in fact **make a bad situation worse.** The conditions that these two programmes share include **trade liberalisation, cutting social spending, trimming subsidies** to local producers and **limiting bailouts** to troubled national sectors. (...) *[Source: by Emad Mekay, http://www.ipsnews.net/news.asp?idnews=42431; accessed on 26.05.08]*

Box 6: Did you know?

- Agriculture contributes about **2%** to the Gross Domestic Product of the 30 OECD countries. Farmers in these 30 countries receive **support** in various ways equivalent to **1.1% of their GDP.**
- Support to farmers in OECD countries totals 280 billion USD annually. By contrast, official development assistance from OECD countries to developing countries amounted to 80 billion USD in 2004. Bilateral development assistance from OECD countries to farmers in developing countries amounted to 3 billion USD in 2001.
- OECD countries dominate world trade in agriculture—with **over 70% of exports and 75% of imports;** least developed countries account for only about **1%** of world agricultural imports and exports.
- Food prices measured at the farm gate in OECD countries are **30% higher** than in international trade.
- **More than 70%** of farm support in OECD countries is provided in the form of trade distorting market price support and payments linked to production, all of which are inefficient in terms of bolstering farm incomes: **Of every $1 in price support, only $0.25 ends up in the farmer's pocket as extra income.** The **rest** is absorbed by higher land prices, fertiliser and feed costs and other factors.
- In most OECD countries, farm households have higher-than-average incomes.
- The **biggest and richest 25% of farmers** receive **90%** of all support provided in the U.S. and **70%** in the EU. Tens of thousands of small farm households benefit **little** from current farm policies.
- Nearly all OECD countries apply tariffs on certain agricultural imports that exceed the value of the product.
- Brazil provides less support to its farmers than any OECD country except New Zealand. China gives only slightly more, exceeding only New Zealand and Australia among OECD countries.
- About **75%** of the **world's poor live in rural areas,** and many are dependent on agriculture.
- Cutting all agricultural tariffs and subsidies by 50% would set off a chain reaction in realignments of production and consumption patterns across economies that OECD analysts estimate would add an extra 26 billion USD to annual world income, equivalent to just over four dollars a year for every person on the globe.

(Source: http://www.oecd.org/document/45/0,2340,en_2649_201185_35738477_1_1_1_1,00.html; accessed on 29.05.08)

[Moreover, the "Agricultural Outlook" of FAO-OECD prescribed old doses of "free trade" to overcome the "crisis":

> "The way to address rising food prices is not through protectionism **but to open up agricultural markets** and **to free up** the productive capacity of farmers, who have proven repeatedly that they will respond to market incentives," said OECD Secretary-General Angel Gurría at the Outlook's launch in Paris. *(29.05.08, http://www.fao.org/newsroom/en/news/2008/1000849/index.html)*

Interestingly, few days before the Food Summit called by the FAO (3-5 June), a **"Business Call to Action"** summit was organised in United Kingdom (UK)—co-sponsored by the office of Gordon Brown, the PM of UK and UNDP—attended by the CEOs of big TNCs aiming to **"make the crisis into a business opportunity"!!** Follow the next excerpt.]

Global Poverty: More Big Business...

(...) More than **80 CEOs** of **large companies** gathered with Brown and other luminaries to discuss how they could help meet the Millennium Development Goals, which aspire to reduce global poverty by half by 2015. Roughly **two dozen** of these CEOs—from **Anglo American, Bechtel, Citigroup, Coca-Cola, De Beers, Diageo, FedEx, Goldman Sachs, GE, Merck, Microsoft, SAB Miller, Wal-Mart and others**—have signed the Business Call to Action, which states, "as leaders from the private sector, **we declare our commitment to meet this development emergency."**

The premise of the event, as Gordon Brown said, was to advance "a new approach—moving beyond minimum standards, beyond philanthropy and **beyond traditional corporate social responsibility**—important though they are—**to develop long-term business initiatives** that mobilize the resources and talents that are the central strengths of global business."

The mantra of the event was for corporations to "explore new business opportunities that use their core business expertise" and that also help spur development.

Taken at its face value, this was, um, not exactly inspiring. Says Peter Hardstaff of the UK-based World Development Movement, **the CEOs "have all agreed—to do**

more business." (...) *[Source: by Robert Weissman, 09.05.08, http://www.commondreams.org/archive/2008/05/09/8831/; accessed on 10.05.08]*

[It is not surprising at all that the agri-TNCs will have to make **huge bucks** utilising the **"opportunity"** of the **"food crisis".** Also the USA is slated to **"do business"** from the "food crisis". According to the USDA: "Rising farm and non-farm exports will be growth areas in 2008. Agricultural trade is most importantly, a generator of output, employment, and income in the US economy". *(06.05.08, Times of India)*

In fact, the TNCs are making extraordinary super-profits taking the "opportunities" of "business" related with "global food crisis"! Follow the next.]

Making a killing from hunger

(...) The truth about who profits and who loses from our global food system has never been more obvious. Take the **most basic element** of food production: **soil.** The industrial food system is a chemical-fertiliser junkie. It needs more and more of the stuff just to keep alive, eroding soils and their potential to support crop yields in the process. In the current context of tight food supplies, the **small clique of corporations** that **control** the **world's fertiliser market** can charge what they want—and that's exactly what they are doing. **Profits at Cargill's Mosaic Corporation,** which **controls** much of the **world's potash and phosphate supply, more than doubled** last year. The world's **largest** potash producer, **Canada's Potash Corp,** made more than **US$1 billion in profit,** up **more than 70%** from 2006. Panicking now about future supplies, governments are becoming desperate to boost their harvests, giving these corporations additional leverage. In April 2008, the joint offshore trading arm for Mosaic and Potash **hiked the price of its potash** by **40%** for buyers from Southeast Asia and by **85%** for those from Latin American. **India had to pay 130% more than last year, and China 227% more.**

While big money is being made from fertilisers, it is just a sideline for **Cargill.** Its **biggest profits** come from **global trading in agricultural commodities,** which, together with a few other big traders, it pretty much monopolises. On 14 April 2008, Cargill announced that its **profits** from commodity trading for the first quarter of 2008 were **86% higher** than the same period in 2007. *"Demand for food in*

developing economies and for energy worldwide is boosting demand for agricultural goods, at the same time that investment monies have streamed into commodity markets," said Greg Page, Cargill's chairman and chief executive officer. "*Prices are setting new highs and markets are extraordinarily volatile. In this environment,* ***Cargill's team has done an exceptional job measuring and assessing price risk, and managing the large volume of grains, oilseeds and other commodities*** *moving through our supply chains for customers globally.*"

Managing and assessing are not so difficult for a company like Cargill, with its **near monopoly position** and a global team of analysts the size of a UN agency. Indeed, all of the **big grain traders** are making **record profits. Bunge,** another big food trader, saw its profits of the last fiscal quarter of 2007 increase by **US$245 million, or 77%,** compared with the same period of the previous year. The 2007 profits registered by **ADM,** the **second largest grain trader** in the world, rose by **65%** to a **record US$2.2 billion.** Thailand's Charoen Pokphand Foods, a major player in Asia, is forecasting revenue growth of **237%** this year.

The world's big food processors, some of which are commodity traders themselves, are also cashing in. **Nestlé's** global **sales** grew **7%** last year. "*We saw this coming, so we hedged by forward-buying raw materials*", says François-Xavier Perroud, Nestlé's spokesman. Margins are up at **Unilever**, too. "*Commodity pressures have increased sharply, but we have successfully offset these through timely pricing action and continued delivery from our savings programmes*", says Patrick Cescau, Group CEO of Unilever. ***"We will not sacrifice our margins and market share."*** The food corporations don't seem to be making these profits from of the retailers. **UK supermarket Tesco** reports **profits up 12.3%** from last year, a record rise. Other major retailers, such as **France's Carrefour** and the **US's Wal-Mart,** say that **food sales are the main factor sustaining their profit increases.** Wal-Mart's Mexican division, **Wal-Mex,** which handles a third of overall food sales in Mexico, reported an **11%** increase in profits for the first quarter of 2008. (At the same time Mexicans are demonstrating in the streets because they can no longer afford to make tortillas.)

It seems that nearly every corporate player in the global food chain is making a killing from the food crisis. The seed and agrochemical companies are doing well too. Monsanto, the world's largest seed company, reported a 44% increase in overall profits

in 2007. DuPont, the second-largest, said that its 2007 profits from seeds increased by 19%, while Syngenta, the top pesticide manufacturer and third-largest company for seeds, saw profits rise 28% in the first quarter of 2008.

Such record profits have nothing to do with any new value that these corporations are producing and they are not one-off windfalls from a sudden shift in supply and demand. Instead, **they are a reflection of the extreme power that these middlemen have accrued through the globalisation of the food system.** Intimately involved with the shaping of the trade rules that govern today's food system and tightly in control of markets and the ever more complex financial systems through which global trade operates, these companies are in perfect position to turn food scarcity into immense profits. People have to eat, whatever the cost. (...) *[Source: April 2008, Grain, http://www.grain.org/articles/?id=39; accessed on 28.04.08]*

[During the FAO Summit in June, *Time News Network* published two reports predicting larger "opportunities of doing business".]

As food crisis worsens, firms push GM seeds

As the world grapples with the worst food crisis in recent years, Firms like, Cargill, Archer Daniels Midlands, Hong Kong-based Noble Group, trading in grains are reaping profits. (...)

Syngenta is declaring net profits of over **$1.1 billion** in 2007, up by 75% over the previous year. Both companies, US-based **Monsanto and Syngenta** are vigorously pushing their genetically modified **(GM) seeds** hoping that they will become acceptable now.

(...) Global fertilizer companies are also on the fast track, as they promise higher yields in times of dwindling stocks. Two of the **biggest fertilizer companies—Potash Corp** of Canada and **Yara of Norway**—have made profits of over $1 billion each last year.

Potash was running at a loss of over $123 million in 2003. Others in the big league are Mosaic and Agrium of the US and ICL of Israel, all with about **half a billion dollars profit** each in 2007. Cargill created Mosaic in 2004. (...) *[Source: by Subodh Verma, 04.06.08, http://timesofindia.indiatimes.com]*

Box 7: How to make business from food

[A] few **big private investors** are starting to make bolder and longer-term bets that the world's need for food will greatly increase—**by buying farmland, fertilizer, grain elevators and shipping equipment.**

One has bought several ethanol plants, Canadian farmland and enough storage space in the Midwest to hold millions of bushels of grain. Another is buying more than five dozen grain elevators, nearly that many fertilizer distribution outlets and a fleet of barges and ships. And three institutional investors, including the giant BlackRock fund group in New York, are separately planning to invest hundreds of millions of dollars in agriculture, chiefly farmland, from sub-Saharan Africa to the English countryside.

It's going on big time," said Brad Cole, president of Cole Partners Asset Management in Chicago, which **runs a fund of hedge funds focused on natural resources.** "There is considerable interest in what we call 'owning structure'—like **United States farmland, Argentine farmland, English farmland**—wherever the profit picture is improving."

These new bets by big investors could bolster food production at a time when the world needs more of it. The investors plan to **consolidate small plots of land into more productive large ones,** to introduce new technology and to provide capital to modernize and maintain grain elevators and fertilizer supply depots....

Grain elevators, especially, could give these investors new ways to make money, because they can buy or sell the actual bushels of corn or soybeans, rather than buying and selling financial derivatives that are linked to those commodities.

When crop prices are climbing, holding inventory for future sale can yield higher profits than selling to meet current demand, for example. Or if prices diverge in different parts of the world, inventory can be shipped to the more profitable market. "It's a huge disadvantage to not be able to trade the physical commodity," said Andrew Redleaf, founder of Whitebox Advisors, a hedge fund management firm in Minneapolis. Redleaf bought several large grain elevator complexes from ConAgra and Cargill last year for a long-term stake in what he sees as a high-growth business. The elevators can store 36 million bushels of grain....

"The world is asking for more food, more energy. You see a huge demand," said Axel Hinsch, chief executive of Calyx Agro, a division of the giant Louis Dreyfus Commodities, which is buying **tens of thousands of acres of cropland in Brazil** with the backing of big institutional investors, including AIG Investments....

(Source: By Diana B. Henriques, 05.06.08, http://www.iht.com/articles/2008/06/05/business/05farm.php?)

[In fact, the present "food crisis" cannot be understood in totality without discussing the role of the big agri-TNCs monopolising and thereby controlling nearly everything related to agricultural practices. Most of global peasants cannot cultivate their patches of land without the **grains, fertilisers, pesticides, herbicides, machineries, technologies, research materials,** etc supplied by the vast network of these TNCs. The power and control of these TNCs may be clarified more from the data presented below:

- The companies... are the monopoly or near-monopoly buyers and sellers of agricultural products around the world. Six companies control 85% of the world trade in grain; three control 83% of cocoa; three control 80% of the banana trade. ADM, Cargill and Bunge effectively control the world's corn, which means that they alone decide how much of each year's crop goes to make ethanol, sweeteners, animal feed or human food. *(from 'Capitalism, Agribusiness and the Food Sovereignty Alternative', by Ian Angus, 11.05.08, www.globalresearch.ca/index.php?context= va&aid=8949)*

- One of the reasons for the growing consolidation of land holdings and forcing out of subsistence farmers is the penetration of multinational agricultural corporations into the countries of the periphery. From selling seeds, fertilizers, and pesticides to processing raw agricultural products to exporting or selling them through new, large supermarkets, agribusiness multinationals are having a devastating effect on small farmers. With the collapse of extension systems for helping farmers save seeds and with the disbanding of government seed companies the way was paved for multinational seed companies to make major inroads.

The giant transnational corporations such as Cargill and Monsanto now reach into most of the third world—selling seeds, fertilizers, pesticides, and feeds while buying and processing raw agricultural products. In the process they assist larger farms to become "more efficient"—**to grow over larger land areas.** The main advantage of genetically modified organism **(GMO) seeds** is that they help to simplify the process of farming and **allow large acreages to be under the management of a single entity—a large farmer or corporation—squeezing out small farmers**... *('The World Food Crisis', Fred Magdoff, Monthly Review, May 2008)*

- The **agricultural/food business** is now the **second most profitable** industry in the world, lagging only behind pharmaceuticals... The World Bank's World Development Report 2008 heaped approval on the role of agribusiness, commenting,

"The private agri-business sector has become more vibrant. New, powerful actors have entered agricultural value chains and have an **economic interest** in a dynamic and prosperous agricultural sector and **a voice in political affairs**." *(15.04.08, www.countercurrents.org/smith150408.htm)*

"Food Crisis": A Prelude to "Genetically-engineered" Green Revolution?

Thanks in part to the Green Revolution of the 20th century, the number of people in danger of malnutrition worldwide has decreased significantly in the past 30 years. However, an estimated 800 million people still lack adequate access to food. The world now sits at the cusp of a second agricultural revolution, the "Gene Revolution," in which modern biotechnology could enable the production of genetically modified (GM) crops that could be tailored to meet the needs of the regions that still face food shortages.

— RAND, a US thinktank,
www.rand.org/publications/randreview/issues/fall2004/revolution.html

[Earlier we have noted that George Bush, the US president while complaining about the rising food consumption by the Indians, remarked: "We're an unbelievably compassionate nation, ...I think **we ought to change our food policy in Africa and other developing countries**..." *(03.05.08; http://timesofindia.indiatimes.com/)* In fact, Mr Bush unequivocally expressed the real agenda of the US imperialism while granting increased "food-aids" for African and other affected countries. '*Financial Times*' reports:

> "These **(genetically modified) crops** are safe," he said, "and they hold the promise of **producing more food** for more people." The remarks came as Mr Bush proposed a fresh $770m (€498m, £390m) in food aid, in addition to the $200m in emergency aid announced two weeks ago... He said **GM crops** would **allow poor countries to produce larger, more resilient harvests**... *(02.05.08, http://www.ft.com/cms/)*

In fact, the US administration firmly attached **'conditionalities' (of introducing GMs)** with the aid-package. Note the excerpt below.]

US Using Food Crisis To Boost Bio-Engineered Crops

The Bush administration has slipped a controversial ingredient into the $770 million aid package it recently proposed to ease the world food crisis, **adding language that would promote the use of genetically modified crops in food-deprived countries.** (...)

"We certainly think that it is established fact that a number of bio-engineered crops have shown themselves **to increase yields** through their drought resistance and pest resistance," said Dan Price, a food aid expert on the White House's National Security Council. (...)

President George W. Bush proposed the food package two weeks ago as aid groups and the UN World Food Program pressed Western governments to provide additional funds to bridge the gap caused by rising food prices. The aid must win congressional approval.

It would direct the U.S. Agency for International Development to spend $150 million of the total aid package on development farming, which would include the use of GMO crops. (...)

In April, Secretary of State Condoleezza Rice suggested at a Peace Corps conference that "we need to look again at some of the issues concerning technology and food production. **I know that GMOs are not popular around the world, but there are places that drought-resistant crops should be a part of the answer."** (...) *[Source: by Stephen J. Hedges, 14.05.08, The Chicago Tribune; retrieved from www.commondreams.org/archive/2008/05/14/8941/ on 16.05.08]*

[Two months before this message sent, Alexander Mueller, assistant director-general at the FAO, echoed the same game-plan of **promoting GMs in Africa and elsewhere**: "Agriculture is back into the political agenda, ...there is a growing realisation that we need to use science in agriculture (even if GM crops still face opposition)" The report further added:

> Economists and food industry executives also believe governments will have to temper some of their suspicion of GM crops if they want to keep food prices low. Using GM crops to make food has traditionally been viewed with suspicion by consumers in most western European and some Asian countries, including Japan and South Korea.
>
> Hardi Vieira, a development economist at the Amsterdam-based Common Fund for Commodities, a branch of the United Nations, says **GM crops could be a solution** to the shortages of agricultural raw materials created by rising global demand for food. "Governments have to respond [to rising food prices] **by allowing the import and production of GM crops."**

> Last year, **23 countries** planted biotechnology crops, including **12 developing countries,** while global plantings rose **12 per cent** from the 2006 level to hit **114.3m hectares.** That is a **10-fold increase** in the past decade. The US has been planting GM varieties of corn and soyabeans for the past decade, and these have raised crop yields by 15 per cent... *(By Javier Blas & Jenny Wiggins, 17.03.08, www.ft. com/cms/s/0/f733766a-f449-11dc-aaad-0000779fd2ac,dwp_uuid= a955630e-3603-11dc-ad42-0000779fd2ac.html)*

But the designs of these imperialist agencies have something more than the above. There are concerted attempts to promote **a new green revolution** on the virgin soil of **Africa** who has 'missed the first bus' of Green Revolution (No. 1). **Rockefeller Foundations,** (in)famous for the Ist Green Revolution, along with **Bill Gates Foundations**—richest man of the modern times—already initiated the **second edition of Green Revolution** titled as **"Alliance for a Green Revolution in Africa (AGRA)"** under the direct patronage of FAO! We may refer here the **"New Deal for Food Policy"** of World Bank (cited earlier) advocating the same:

> "We can help **create** a **"Green Revolution"** for **sub-Saharan Africa** by assisting countries to boost productivity throughout the agricultural value chain and help small-holder farmers to break the cycle of poverty. We will almost **double our own lending** for agriculture in **Africa,** from $450 million to $800 million, and can help countries and farmers manage systemic risks, including through financial innovations to counter weather variability, such as drought. **We can offer access to technology and science to boost yields.** *(By Robert Zoellick, President of World Bank, 02.04.08, http://web. worldbank.org/)*

Number of agencies promoting Green Revolution 1 are now gearing to introduce the 2nd edition to reap the "opportunities" of the "food crisis". Two authors wrote as the following.]

The New Green Revolution & World Food Prices

It was just a matter of time... and not long at that. The world food crisis and the explosion of "food riots" across the globe has been **turned into an opportunity. By whom? By the same institutions that created the conditions for the crisis in the first place: proponents of the new Green Revolution.**

In their April 10 editorial entitled *The World Food Crisis,* the New York Times warns that increases of 25-50% in the price of food and basic grains have sparked

unrest "from Haiti to Egypt." The *Times* rightly lays part of the blame on the doorstep of northern countries' thirst for ethanol, pointing out that the substitution of fuel crops for food crops, "[Accounts] for at least half of the rise in world corn demand in each of the past three years." A rise in demand means a rise in price. This puts food out of reach of poor consumers.

But then confusing economic demand with actual availability, the *Times* jumps to a dubious solution. Quoting World Bank president Robert Zoellick, the paper **calls for** "[A] **'green revolution'** to increase farm productivity and raise crop yields in Africa." This was of course, a likely response from the World Bank, the institution that, along with the International Monetary Fund, forcibly applied the Structural Adjustment Programs (SAPs) responsible for destroying the capacity of African nations to develop or protect their own domestic agricultural systems from the dumping of subsidized grain from the U.S. and Europe. Over the same 25 years in which SAPs were being implemented, the Consultative Group for International Agricultural Research **(CGIAR) invested over 40% if its $350 million/year budget in Africa's "Green Revolution."** The result? A big zero. **Actually, it was worse,** because as African marketing boards, agricultural ministries, national research programs and basic infrastructure fell under the scythe of the mighty SAPs, Africa's agricultural systems steadily eroded. Now their entire food systems are **hopelessly vulnerable to economic and environmental shock**—hence the severity of the current food price inflation crisis.

How do CGIAR and other Green Revolution champions explain this debacle? The Green Revolution, they claim, **"bypassed"** Africa. If that is the case, then where on earth did CGIAR spend all that money? If not, and the Green Revolution was simply a failure, then how will more of the same solve the present food crisis?

Of course, the Green Revolution is not just one institution, and it is not static. **The new genetically-engineered Green Revolution** is a conglomeration of public and private research institutions, supported by both tax dollars and conditional investments **from a handful of powerful seed/chemical and fertilizer monopolies.** The Green Revolution is an industrial modernization paradigm, as well as a campaign for penetrating agricultural markets in the Global South. **But above all, the Green Revolution is a political strategy designed to gain and keep control over the Global South's food systems firmly in the hands of**

northern corporations and institutions. It is precisely this political dimension of the current food crisis that is so tacitly avoided by the *New York Times*, the World Bank, and other Green Revolution promoters. (...) *[Source: by Raj Patel and Eric Holt-Giménez, 11.04.08, http://www. foodfirst.org/en/node/2083; accessed on 04.05.08]*

[This **"genetically-engineered green revolution"**—2nd edition of the Ist green revolution—is now projected as the panacea of "food crisis". So naked are the proponents that even Monsanto—notoriously extorting fees & royalties from the cultivators across the world—"pledges to lift supply" by introducing GMs!]

Monsanto pledges to lift food supply

Monsanto, the leader in agricultural biotechnology, pledged Wednesday t**o develop seeds** that would double the yields of corn, soybeans and cotton by 2030 and would require 30 percent less water, land and energy to grow. (...)

"In short, the world needs to produce more while conserving more," the company's chief executive, Hugh Grant, said.

How much genetic engineering, which involves adding bacterial or other foreign genes to the DNA of plants, could contribute to improving output is a matter of debate.

A recent review of agricultural technology, sponsored by the United Nations and the World Bank, saw a very limited role. But in Rome on Tuesday, the U.S. secretary of agriculture, Edward Schafer, said biotechnology would be essential if the world was to increase **food supply** by 2030 to meet rising demand.

Soybeans, corn and cotton genetically engineered to provide herbicide tolerance, insect resistance or both, are widely grown in the United States and several other countries. But they are largely shunned in Europe and some other areas because of concerns about potential environmental and health effects.

Perhaps seeking to avoid controversy, Monsanto's announcement **did not mention the term "genetic engineering."** It referred instead to **"other technologies"** beyond breeding. (...)

As part of its announcement Wednesday, Monsanto said it would work to **improve the lives of farmers,** including poor ones **by sharing its technology.**

It recently announced a project with some other organizations to develop **drought-tolerant corn** for Africa, with Monsanto forgoing the collection of **royalties** for use of its technology. Monsanto also said it would **donate $10 million** over five years to public-sector programs aimed at improving yields of wheat and rice, which are not a primary focus of the company's efforts. Much of the breeding of those two food staples is performed by governments and universities. *[Source: By Andrew Pollack, 04.06.08, http://www.iht.com/articles/2008/06/04/business/crop.php; accessed on 05.06.08]*

[What a mockery! Monsanto, the number one seed company of the world, who made fortunes worth billions of dollars fleecing & robbing the cultivators across the world has been transformed into a saint!! Now, it is the big agri-business only who can 'save' the mankind from the looming hunger!! Isn't it? It is not for the great "benevolence" (said Mr. Bush by patting on his own back) of the "hunger-traders" that billions of hungry may escape impending doom!! Now these traders are making **"second generation" GMs** to tighten the noose on the neck of the peasants'!]

Climate Genes and Hunger Traders

Faced with the growing food crisis and disasters caused by climate change, the big biotechnology and agri-business corporations have returned to the attack with new enthusiasm, as if they were not the very ones **who have caused the crisis.** Their most recent proposal to deal with climate change and hunger is via **"climate resistant" crops.**

(...) These **hunger traders** present themselves now as climate saviours. Suggesting concern about biofuels competing with food production, they propose a **second generation of crops based on genetically modified plants and trees, more dangerous than any previous GM plants** with a potential for **much greater contamination.** As the cherry on the cake they argue the absolute necessity of **using Terminator technology (which creates second generation suicide seeds)** to control the contamination they create. The one sure thing is that in this way **they would force farmers to buy new seed every planting season.**

As a complementary strategy, the **GM giants Monsanto, Syngenta, DuPont-Pioneer, Basf, Dow, Bayer, who totally control the world's GM seed market** and most of the world market for all commercial seeds, now argue the need

to use seeds able to resist the vicissitudes of climate change. According to them that can only be done by means of genetic modification.

A new ETC Group report "Appropriating the climate agenda" shows these multinationals are not really worried by climate change or its consequences **but about how to profit from the disaster.** In the United States, Europe, Argentina, Mexico, Brazil, China, South Africa and other countries, **532 current patent applications exist,** either approved or in process, relating to genetic characteristics of plants able to resist climate related environmental stresses like drought, heat, cold, flooding, salinity and other things. In some cases, the reach of the patent application is so extensive any plant with the same genetic sequence would fall under company control. The **king** of these **"climate genes" is Monsanto** which in association with **BASF** and some smaller biotechnology companies controls **two-thirds** of climate resistant germo- plasma.

A tragic aspect is that highly technological agricultural approaches, such as so-called "precision agriculture", have actually made worse the very problems they were said to solve. For example, controlled irrigation so as to "save" water so it only reaches the surface of the plants' roots has caused worse soil salination, destroying or drastically reducing the chances of sowing any other plants. "Climate resistant" plants promise to apply the same logic, for which reason, apart from the new problems they will cause being GM plants, they will negatively affect soils and any chance of reaching a genuine solution to the problem. (...)

While the seed industry argues that since the 1960s it has created **70,000** new plant varieties (mainly flowers) it is reckoned that the world's **small farmers create at least a million new varieties every year,** adapted to thousands of different conditions throughout the world. What is least needed right now are new monopolies to stop those farmers from continuing to do so. *[Source: By Silvia Ribeiro, 29.05.06, http://www.zcommunications.org/znet/viewArticle/17762; accessed on 06.06.08]*

Box 8: Gene revolution, profits... and a dirty little secret

[Monsanto] has had three straight years of revenue and profit growth, and on February 12th it raised its profit forecast for the fiscal year for the second time in two months. Monsanto made a profit of $993m in the year to August, on revenues of $8.6 billion. The global commodity-price boom helps, but Brett Begemann, a senior executive at Monsanto, **insists that it is the firm's advances in GMO technology that are fetching premium prices and will help it to double profits by 2012.**

The firm's fortunes have been boosted by the **success of GMOs outside Europe.** A new report from the International Service for the Acquisition of Agri-biotech Applications (ISAAA), a non-profit outfit that tracks industry trends, charts the dramatic growth in the 12 years that GMOs have been commercially available. The area under cultivation increased by **12%** last year, to **114m hectares globally. America topped the list,** but there is rapid growth in **Argentina, Brazil, India and China**. Thomas West of Pioneer Hi-Bred, a division of DuPont, says Europe should get on board, as "the train is leaving the station."....

According to Cropnosis, an industry consultancy, the market for agricultural biotechnology grew from about $3 billion in 2001 to over $6 billion in 2006, and is expected to reach $8.4 billion by 2011. Hans Kast, chief executive of Germany's BASF Plant Science, thinks the figure could reach $50 billion by 2025, as a second generation of GMO technology, now in the pipeline, reaches the market.

Proponents of GMOs are optimistic because a confluence of social, commercial and technological forces is boosting the case for the technology. As India and China grow richer, the world is likely to need much more food, just as arable land, water and energy become scarcer and more expensive. If they fulfil their promise, GMOs offer a way out of this bind, providing higher yields even as they require less water, energy and fertiliser....

The dirty little secret of the software industry, however, was that companies **quietly tolerated some piracy** on the basis that **once customers went legal,** they would probably **stick with** the products they were already using. The same may be happening with GMOs. Ask Syngenta's boss if he is worried about piracy, and he answers "yes and no". As countries grow richer or embrace WTO rules, he says, t**heir farmers will start paying.** Argentina has already headed in that direction, he reckons, and last year his firm set up a joint venture with a Chinese biotechnology centre.

(Source: 21.02.08, http://www.economist.com/business/displaystory.cfm?story_id=10727808; accessed on 04.06.08)

[Can India remain as a laggard in introducing the marvelous 'boons' of **"genetically-engineered green revolution"?** Of course, not. As the "Food Crisis" looms over India also, the father of Indian edition of Green Revolution, Mr MS Swaminathan reiterated his vision of **"second Green Revolution"** (better known as **"Evergreen Revolution"**). In his speech, Mr Swaminathan also warned about **"social turmoil"** if the political leaders of New Delhi could not be able to introduce it showing Indira Gandhi-type authority!! Follow the next for his very interesting comments.]

India needs second 'green revolution', top farm scientist says

India needs to produce a second "Green Revolution" to boost food supplies or the nation's 1.1 billion people will face huge social turmoil, the country's top farm scientist warned.

The government has identified agriculture as a key area for economic reform and called for changes to boost output of such staples as wheat, rice, lentils and vegetables and bring down soaring food prices.

But so far there has been "no sign of major steps to make that happen," said Monkombu Sambasivan Swaminathan, architect of the "Green Revolution" of the 1960s, which quadrupled food production and made India self-sufficient.

"What we need is political action—we need politicians to 'walk the talk'," Swaminathan, 82, told AFP. "If we don't succeed, **we will face tremendous social problems,"** he said. (...)

Swaminathan said **India faced a much tougher challenge in producing a second "Green Revolution" than it did in the 1960s,** when too many hungry bellies forced it to live a "ship-to-mouth" existence, depending on US foodgrain imports to stave off famine.

"**Politics** are much more **complicated** these days," he said, referring to the **unruly national coalition governments** that are often at odds with state administrations.

"The prime minister, who was then **Indira Gandhi, had authority** over the entire country" to make sure decisions were implemented, he said. **Gandhi gave**

Swaminathan free rein to implement a new agricultural programme, believing it vital for India to be able to feed itself.

"I've been trying for a **pan-political approach** to produce a second Green Revolution—after all we all have to eat first," he said, adding he was optimistic India could achieve the goal.

"We've got all the main ingredients—a vast agricultural research network of colleges and universities," he said.

"Crisis is a mother of invention. We faced a crisis in the 1960s and we succeeded. We need a symphony of farmers, scientists and policymakers to make it happen again this time." *[Source: 29.04.08, http://afp.google.com/article/ALeqM5joTGkkPn1UF1ElRNhxzPxwss1jMQ; accessed on 04.06.08]*

[In fact, the Government of India had taken the programme of **second green revolution** at the behest of the US administration in 2006 opening the speedy intrusion of **GMs** and thereby multiplying huge business opportunities for the largest TNCs of the world. This subject had been covered in ***Update 15***.]

The imperialist forces and their agencies (including the "hunger-traders") have broader interests behind promoting green revolution-2. In fact, these agencies aided by some "philanthropic foundations" had initiated the green revolution-1 not to salvage the hungry people of the globe, but to subjugate, control and dictate them. The studies on the green revolution-1 may amply clarify the hidden motives, deeper interests, and intricate politics of the imperialism (particularly the US) behind such efforts. Though the green revolution-1 had increased productivity, growth rate and volume of production of foodgrain to an considerable extent, the pitfalls of it are larger than that. Several studies on numerous experiences of the countries like India, Bangladesh, Philippines, etc have shown disastrous effects of it. We hope that in one of the coming series of ***Update*** this subject along with the impacts of introducing GMs may be discussed.]

Annexe: Food Insecurity in India

[The price-rises of food commodities in India also have reached new heights battering all past records. But concerted attempts are going on to downplay these price rises claiming that the rises are much below the global level; hence the Indian consumers are insulated from the shocks of global crisis; not the food-articles, but the other manufacturing commodities are held responsible for the current inflation; moreover, there are plenty of food on the shelves of Food Corporation of India (FCI); so don't worry; poor Indians will not starve, etc. But the designs cannot hide the burning questions of inflation, particularly the prices of food-articles from the *aam-admi* who are in fact bearing the burnt.

It has been revealed time and again by several analysts that the official procedure of measuring inflation by the indices like "wholesale price index (WPI)" & "consumer price index (CPI)" is **highly unreliable.** Few months earlier, when the rate of inflation is nearly half of the present level, a mainstream business paper revealed some figures.]

Food prices rise much more than WPI

(...) The **price rise** in individual key food commodities over the last one year is **significantly higher** than what is conveyed by the **wholesale price index.** While the latest government data show inflation at 6.68 per cent for the week ended March 15, the price change in most food items is in double digits.

The biggest rise is in mustard oil and vanaspati, of 43.63 per cent and 41.07 per cent, respectively. In the same period, rice and tur became dearer by 20 per cent, gram prices moved up by 18.75 per cent and milk became costlier by 11.11 per cent. Only wheat showed a single-digit rise of 8.33 per cent. (...)

But these are not reflected in the inflation data because of the small weight of these commodities in the index. Milk carries a weight of 4.37 per cent in the WPI while sugar of 3.52 per cent (...), rice (2.45 per cent), edible oil (2.76 per cent), wheat (1.38 per cent) and pulses (0.60 per cent).

"The primary articles group (which includes food items) has a weight of just 22.02 per cent so a slow rise in prices under the manufactured articles group (with 63.75 per cent weight) ensures that the overall WPI remains low," said an economist.

It is often argued that **WPI does not truly reflect inflation** as it takes into account only wholesale prices. But even the consumer price index (CPI) data for the period between February 2007 and February 2008 (the last available data) **do not show the true picture.**

The All-India CPI (urban non-manual employees) for February 2008 is 523, 5.2 per cent up over February last year. *[Source: 02.04.08, www.business-standard.com/; accessed on 12.04.08]*

[But it is not the food prices alone, the *aam-admi* of India are languishing also under severe loss and/or lack of "purchasing power". In the earlier discussions, we have observed that according the criteria of World Bank, **nearly 80%** of the people in India are **"poor" living on less than $2!** Most of these "poor" are deprived to work to earn some pennies to buy foods from the markets. This **lack of purchasing power** is prevalent in the rural India where nearly **65%** of the populations are involved in agricultural practices.

Either the present crisis of price-rises of essential food-items or the chronic non-purchasibility of foods are nothing but the effects of the **new economic policies and policies of liberalisation** initiated in the early nineties. These policies in fact, paved the way for further impoverishment, destitudeness of the Indian people already reeling under the pre-existing remnants of feudalism interwoven with some oppressive, tortuous courses of capitalist development. How the policies of liberalisation have helped to aggravate the crisis are summarised in **Fact Sheet 3** below:]

Fact Sheet 3: Indian experiences

1. Diversification:

- "Farmers were literally lured into shifting from growing millets to cotton or expanding coffee or pepper by temporarily high global prices. Effectively, by 2001, the protection to our farmers was also removed. The quantitative restrictions went and tariffs were put at very low levels. The moment the world prices started crashing, these farmers became insolvent, within two years or so, and the suicides started...." *(Interview of Utsa Patnaik, Frontline, April 12-25, 2008)*

2. ....associated with declining productivity:

- Farm land under commercial crops in the country is growing at a much faster clip than under food grain, supporting the thesis that higher cultivation of such crops is leading to a worldwide food shortage. The growth in the acreage of wheat was 8.97 per cent between 2000-01 and 2006-07, while rice acreage showed a decline of 2.43 per cent. Against this, the acreage of mustard grew 47.32 per cent, while soybean increased 29.75 per cent, and sugarcane went up 12.5 per cent during the period. What has worsened the food scenario in the country is the declining productivity of some food grain crops coupled with the shrinkage in their acreage.

  Between 2000-01 and 2006-07, the per hectare yield of wheat declined from 27.08 quintal to 26.71 quintal (3.85 per cent lower than the record yield of 27.78 quintal in 1999-2000). During this period, the yield of pulses grew from 5.44 quintal to 6.16 quintal. However, per-hectare output in 2006-07was nearly 4 per cent lower than the record yield of 6.35 in 2003-04. However, the yield of rice grew from 19.01 quintal to a record 21.27 quintal over the same period.

  As a result, there has been a shortfall in the achievement of target of food grain, pulses, and oilseeds during 2000-01 to 2006-07. The actual production of food grain on an average was 93 per cent of the target. In pulses, it was 87.7 per cent of the target, while it was 85.3 per cent in oilseeds. Production of sugarcane and cotton, however, was way beyond their respective targets in 2005-06 and 2006-07, the latest Economic Survey points out.... *(07.04.08, www.business-standard.com/)*

3. Deregulation of grain markets:

- **Removal of 12 items from essential commodities list:** The Cabinet... decided to remove the requirement of licensing of dealers as also restrictions on storage and movement of wheat, paddy and rice, coarse grains, sugar, edible oilseeds and edible oil.

  A central order would be issued under Section 3 of the Essential Commodities Act (ECA), 1955 removing the requirement of licensing and restrictions on storage and movement of these commodities, an official spokesperson told reporters.

  In view of the relatively more comfortable food situation, it was felt that restrictions like licensing of dealers, limits on stock and control on movement are no longer needed, she said. The government felt restrictions only hampered the growth of the agricultural sector and promotion of food processing industries in rapidly changing economic scenario and liberalisation. Facilitating free trade and movement of foodgrains would enable farmers to get best prices for their produce, achieve price stability and ensure

availability of foodgrains in deficit areas, the spokesperson said... *(05.02.02, www.rediff.com/money/2002/feb/05eca.htm)*

- But these developments are not necessarily driven by a concern for India's farmers. They are also a consequence of the government's decision **to allow private players, including large international firms, a major role in domestic markets.** Even though production of wheat during 2006-07 is estimated at close to 75 million tonnes as compared with 69 million tonnes in the previous year, **procurement fell short of expectations** because the procurement price of Rs.8.5 a kg ruled **well below** market prices that ranged between Rs.10 and Rs.12 a kg. Though procurement in 2006-07 was at 11.1 million tonnes, higher than the 9.2 million tonnes recorded in 2005-06, it was **way below** the levels of 16.8 and 14.8 million tonnes recorded in 2003-04 and 2004-05... *(by C.P. Chandrasekhar, April 12-25, 2008, Frontline)*
- **Kellogg, Reliance Retail:** While Reliance Retail has already starting a price war in **direct sourcing of wheat** from farmers in Madhya Pradesh, it is expected to start the process in two or three more states later this month. Haryana and UP are reported to be on its radar.

  Though the price offered by the company could not be confirmed, sources said, to counter **Reliance's** deep pockets. **Kellogg** has **doubled** the offer to farmers to an incredible Rs 2,700 per quintal in Madhya Pradesh. This is **more than three times the official minimum support price** of Rs 850 per quintal. Reliance Retail recently started direct procurement of wheat from Madhya Pradesh Kellogg was the only significant player in the state till now. *(Economic Times, 06.08.07)*

4. Liberalisation of Export:

- "At the same time, it [the government] is encouraging exports by supplying grains to exporters **at heavily discounted rates.** The magnitude of the loss incurred in the process can be gauged from the fact that 15 million tonnes of grains, costing the exchequer around Rs 15,000 crore (taking average mean economic cost of wheat and rice at roughly Rs 1,000 a tonne) have been exported for a mere Rs 6,656 crore...." *(Editorial, Business Standard, 20.09.02)*

  Analysing this nugget of information in detail, alarm bells ring loudly. The loss incurred on 15 million tonnes of foodgrains sold is Rs 15,000 crore minus Rs 6,656 crore—that is, Rs 8,344 crore. If the balance 60 million tonnes were also to be sold, the additional loss would amount to Rs 8,344 crore times four that is Rs 33,376 crore.

Adding the two, we have a total loss of Rs 41,720 crore or, say, Rs 42,000 crore. The securities scam of 1992 by the late Harshad Mehta involved a mere Rs 640 crore. Yes, we have say a Rs 42,000 crore food scam on our hands...

More numbers. Let us take Rs 42,000 (for the sake of simplicity) per year as the above-poverty-level income in a village. Rs 42,000 crore divided by Rs 42,000 gives us 10 million. Had this money been given to 10 million farmers (even if they sat at home and did nothing) it would have lifted them out of poverty. That is half the population of Australia. If we assume Rs 26,000 as the amount required every year to stay above poverty level in a village, the numbers return 20 million or one Australia equivalent lifted out of poverty... *(08.10.02, Business Standard)*

5. ...and Import:

- **US lobbies to export wheat to India:** The ground for the global wheat sale battle is threatening to shift to Indian terrain, in consonance with the country recently concluding a five lakh tonne wheat supply deal with the AWB of Australia. Recent US department of agriculture (USDA) reports projected at least another one million tonne of wheat imports by India this year and the Americans are keen to bag that business. **So, pressure has been mounting from the US** to position its own wheat as a prime contender.... *(Economic Times, 13.03.06)*
- The Centre came out with an explanation for wheat import at high prices, indicating that its **decision was guided** by the downgrading of the global wheat output **by the US Department of Agriculture (USDA),** which had led to sharp rise in wheat prices across the world....

  The official statement was in response to criticism of the government for rejecting the wheat import tenders in May, which had attracted bids at **$263 a tonne,** and ordering import of 511,000 tonnes of wheat through July tenders **at above $317 a tonne.**

  The statement, however, did not clarify why it had been **guided by the USDA assessment of global wheat output alone** and not by that of other world organisations, including the UN Food and Agriculture Organisation (FAO) and the International Grain Council (IGC), which had projected a larger wheat harvest for the current year....

  The statement concedes that the ministry's **finance division had also cautioned against buying wheat from abroad at prices higher than the domestic prices.** Such a move would lead to discontentment amongst the domestic farmers in view of higher prices for purchasing imported wheat, the finance division had said....

However, the statement does not allude to bullish trend witnessed in the domestic market as a consequence of the decision to import wheat at higher prices....

The statement also **does not explain** why it opted to buy only 5,11,000 tonnes of wheat and not the entire offered quantity of nearly 9,00,000 tonnes if it was convinced that the international prices are bound to rise further in the months to come. *(14.07.07, www.business-standard.com)*

- **A massive purchase of nearly 800,000 tonnes of wheat by India at record prices** earlier this week has added to what agricultural experts are calling the **great wheat panic of 2007.** Wheat prices had already **reached record levels** ahead of the Indian move, thanks to falling or stagnating production in many countries... Now, prices are going through the roof. In fact, India's transaction was almost stratospheric.

  New Delhi is reported to have **paid $10.64 per bushel**—inclusive of transportation costs—in the latest transaction, **compared to the current market price of below $9**....

  As a result, major wheat exporters such as US (around 60 million metric tonne annually), Canada and Australia (25 million metric tonne each) have come into play. *(08.09.07, www1.timesofindia.indiatimes.com/)*

6. Dismantling the public distribution system (PDS):

- If one looks at the question of foodgrains, the working of the PDS was made possible, between 1965 and 1990, by the phenomenal expansion of foodgrain production in the country. The moment our entire economic strategy began to be **guided by the neoliberal paradigm,** one of the major decisions was to **cut subsidies.** In the early 1990s, there was already an attempt to cut subsidies as the **issue price** of foodgrains from the PDS was **almost doubled**...

  Targeting was introduced in 1997, driven by the propaganda of focussing the subsidy for the poor. We got into the **disastrous system of targeting;** the distinctions of **Below Poverty Line, Above Poverty Line,** and so on. If one looks at the history of targeting in other countries, it becomes clear that it has always been **a prelude to winding up of state intervention in procurement.** That has been the ultimate aim of the International Monetary Fund, the World Bank and the World Trade Organisation. They specifically say that the state should not intervene to buy and sell at prices other than global prices... *(Utsa Patnaik, ibid)*

- **Diversion of PDS foodgrains to open market: Rs 31,685.98 crore worth of wheat and rice meant for poorest of the poor** have been siphoned off the **PDS** in

the last three years. Last year alone, Rs 11,336.98 crore worth of foodgrain—which the government is supposed to distribute to the needy at subsidised prices—found its way into the market illegally.

Every year, India's poor are cheated out of **53.3% of wheat and 39% of rice** meant for them. With the exception of 11 states and Union Territories, there is large-scale diversion of PDS grain across India.... In terms of loss to the exchequer, **UP fares the worst, followed by Left-ruled West Bengal and MP**....

The **biggest diversion** takes place in the case of **wheat**—the grain that the UPA government has controversially spent thousands of crores purchasing at steep prices from the international market in bid to maintain buffer stocks. And it disappears from states where the staple diet is rice. "With the **middle class increasing its consumption** of wheat flour-based food products and the demand in the non-poor segment for wheat increasing, one can guess where this subsidised wheat is really going," said a senior official. *(Times of India, 17.09.07)*

- In some states, the diversion of wheat and rice from the PDS meant for **BPL** and **Antyodaya Yojana** category (the below poverty line and the poorest among the BPL) is an abysmal **100%**....

  Even in the country's capital, **44%** of the rice distributed to BPL families in the name of poor disappears. In **Gujarat, 41% of rice** meant for the poorest among even the BPL (AAY) category people was diverted... The diversion of wheat is as bad. In **Haryana, 80%** of the total **wheat** distributed to the poor was diverted to either the non-deserving or the black market.... *(Times of India, 22.12.07)*

- [In **West Bengal**], **34.9% of rice** and **86.6% of wheat** meant for PDS got diverted. Worse, **83% of wheat for BPL people and 60% of rice** (the essential diet of the poorest of the BPL families) also get stolen... *(Times of India, 21.12.07)*