

INCREASES IN FOOD PRICES AND THE GLOBAL FOOD SYSTEM

Renato S. Maluf

The world has been shaken by a critical scenario at the centre of which can be found the principal determinant of the basic right to life that is access to food. Shaken is not a mere rhetorical expression, since in addition to the usual mobilization of governments and international organizations, there were people on the streets demanding this right. The most acute manifestation of the so-called food crisis is the increase in the international prices of foods that are consumed on a large scale, such as rice, corn, soybean, wheat and milk products, a phenomenon that has intensified since 2006. These price increases have restricted the access of people with lower incomes to food and has destabilized food supply almost everywhere in the world. In Brazil the impacts have been attenuated by a number of public policies. Nevertheless, even the DIEESE index has found a significant increase in the cost of the basic food basket in 16 state capitals: the total accumulation in 12 months (May 2007 – April 2008) amounted to 29.79% in Belo Horizonte, while in the first four months of 2008 it totalled 19.25% in Fortaleza. In São Paulo according to FIPE while annual inflation was 4.51% there was an annual increase of 12% in the price of food, including increases of 38.5% in powder milk, 26.9% in French bread, 27.1% in flour and 62.8% soya oil.

The increase in prices is caused by various factors that express much more than a simple imbalance between the worldwide supply and demand of food. Let us look at the four factors given greatest importance in international debates. First is the continued increase in demand

for the growth of income in the large emerging countries (China, India and Brazil, amongst others). A significant part of the increase in the purchasing power in the lower income sectors of these countries is spent on food consumption. To this is added the use of basic grains such as corn and soybean, as well as other food goods, for the use of agro-fuels. The United States alone uses approximately 10% of the world production of corn for the production of ethanol. Relations between agro-fuels and food security in Brazil are less direct and their impacts will only be discovered in the medium term. The second factor is the strong rise in the price of oil that has more than doubled in the last year alone, making the costs of agricultural production (fertilizers) and transport (freight) yet more expensive. The increase of the Brazilian real against the dollar and the stability in the price of diesel, until recently Petrobras kept the price from rising, has prevented a greater impact on Brazil. Third, this scenario has been made worse by the occurrence of problems with the harvest in countries such as China and Australia that significantly contribute to international supply, while there have also been losses in Latin America, the Caribbean and Asia. Some of these events are considered to be the effect of climate changes. Finally, an aggravating factor has been added recently due to the fact that food products such as soybean, corn and wheat, in their condition of commodities traded on the stock exchange, have been converted into attractive assets for international and national financial in its permanent quest for increased value. The combination of overheated world demand, a low

level of stock and governments without regulatory instruments offers excellent perspectives for speculative gains in the futures markets which is reflected in the physical market of these goods.

The effects of international tendencies in this country reflect the full integration of Brazil in the globalized food system. The country is a large and aggressive exporter always looking for new markets, a characteristic which has allowed it benefit from the current scenario, looked at from a strict mercantile point of view. The mechanized model of agriculture, large-scale and intensive in agro-chemicals, as well as large-scale agro-industry and the corresponding model of consumption have all expanded in the country. In this context, we are being led to think that the present scenario should be faced with 'more of the same': more large-scale production, more technology and more international trade. This is one possible response, some sectors will benefit from it. However, this solution does not deal with the increase in prices and even less with the crisis of the model underpinning it which touches on the principal components of the global food system. In question are both the possibility of continuing to expand the current model of production due to its socio-environmental impacts, and the concept of global food security based on the false premise of free trade.

This leads us to another component of the international integration of Brazil which is the decision of successive governments, constantly reaffirmed since the end of the 1980s, to promote the liberalization of trade and the deregulation of markets. Import tariffs have been reduced, the granting of agricultural credit in favourable conditions has almost been eliminated and, most importantly, the majority of the instruments required for a sovereign food supply policy (regulation of prices, maintenance of stocks and the administration of public equipment at both the retail and wholesale levels) have been dismantled. Gambling on international trade has repeatedly been shown, as at the present time, not to be free and to be a very unreliable source of food security.

The organization of worldwide production, flows of trade and the terms of international agreements have been dictated by the policies adopted in the European Union and the United

States, while on the other hand the private sector has made its influence felt through the enormous power of five or six multinational corporations acting in various segments of the chain (commercialization, raw materials, processing and distribution), associated in the Brazilian case with the interests of a reduced number of exporters. In the same way the still incomplete Doha Round of the World Trade Organization raises the risk of other policy instruments being garrotted, such as governmental purchases of agro-food products and the resort to safeguards mechanisms in the face of import peaks. All of this in exchange for a promise of advancing the liberalization of international trade, something which is not just improbable but is rather illusory. Thus, it can be concluded that confronting the current scenario requires the use of instruments with an immediate effect in a coordinated manner with the aim of revising medium and long term strategies.

In immediate terms what is most important is the monitoring of commercial flows (limiting exports if necessary) coordinated with the gradual re-composition (in order to avoid aggravating price rises) of guarantee stocks, accompanied by support for food supply actions based on the use of public equipment under the responsibility of state and municipal administrations.

On the supply side, this involves strengthening the instruments of support for family farming. The recent expansion of this sector has helped to soften the effects of the crisis, as is evident in the case of milk and dairy products. Part of the increase in food price is due to the recovery in agricultural prices after a long period in decline; therefore, there is a cyclical component in the re-composition of the current rise. Even if this re-composition does not recede, there is nothing to ensure that it will benefit the approximately four million family farmers among whom - and not by chance - can be found the highest levels of poverty in Brazil. Until the present, as well as the speculative profits, the most obvious consequence of the increase in prices has been the rise in the cost of living, especially amongst the poorest parts of society, with the probably increase in the profit margins of agro-industrial and commercial chains. Among farmers the profits obtained from the rise in prices in some products has been, at least partially, offset by the increase in prices paid for raw materials and services.

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One of the most serious aspects of the current food scenario is the lack of political-institutional preparation of the large majority of countries to deal with it. Although it is not very probable, it would be important if this scenario stimulates the revision of the type of multilateralism and the regulation of trade sponsored by the WTO, accompanied by forms of cooperation and technical support that go beyond the donation of foodstuffs. We shall see the reconstruction of a pattern of national regulation in the food area among the countries with the capacity for this, even if not in the same terms that were used in the past. From this perspective it is probable that there will be a movement for the re-contextualization of the negotiations underway as part of the Doha Round. Nor is it difficult to imagine that a good number of countries will remain outside this arrangement.

It is worth highlighting that one of the developments of the scenario described is related to the inevitability of the adoption of national supply policies. In Brazil in a document submitted to the federal government last May the National Council on Food and Nutrition Security (CONSEA) ratified the proposal for a supply policy marked by a focus on food and nutritional sovereignty and security and the promotion of the human right to food. Based on an inter-sectorial concept its objective is the expansion of access to quality foodstuffs, promoting adequate and healthy eating and the diversity of eating habits and, at the same time, valorizing family farming based on agro-ecological agriculture and small urban ventures. The document in question contained other proposals for various public policy areas, the fruit of a diagnostic that is concerned with the risk of

setbacks in relation to recent advances achieved in the social area, due to the centrality of food in determining the living conditions of lower income sectors.

As has already been stated, there are various possible responses to the current crisis, except the ignoring of its gravity and seriousness, which can be seen in the worsening of the conflicts provoked by the crisis. In relation to this, the paltry results of the recent high level conference held by the FAO in Rome at the beginning of June is significant, a conference attended by a large number of heads of state and thousands of delegates. The attempt to bring together the three principal parts of the current context, namely food, agro-energy and climate change, did not manage to go beyond obtaining the conventional commitments of governments to increase food aid to the poorest countries, as well as requests for new studies on the risks and possibilities of the current context. The internal and international responsibilities of Brazil, with its well known competence in this area, requires something more than the behaviour of a merchant interested in the commercial profits offered by the economic scenario, to which can now be added sugarcane ethanol.

* Professor in CPDA/UFRRJ, where he coordinates the Food and Nutrition Security Reference Centre (Centro de Referência em Segurança Alimentar e Nutricional – CERESAN) and is a member of the research team of the Public Policy Observatory for Agriculture (Observatório de Políticas Públicas para a Agricultura – OPAA). He also presides the National Council on Food and Nutrition Security (Conselho Nacional de Segurança Alimentar e Nutricional – CONSEA).

Coordinator
Sergio Leite

Researchers

Georges Flexor, Jorge Romano, Leonilde Medeiros, Nelson Delgado, Philippe Bonnal, Renato S. Maluf, Lauro Mattei e Ademir A. Cazella

Research Assistants

Karina Kato e Silvia Zimmermann

Secretary

Diva de Faria



cpda Programa de Pós-Graduação de Ciências Sociais em Desenvolvimento, Agricultura e Sociedade
UFRRJ - Universidade Federal Rural do Rio de Janeiro

Address: Av. Presidente Vargas, 417 / 8º andar
Centro Rio de Janeiro - RJ CEP 20071-003

Telephone: 21 2224 8577 – r. 214

Fax: 21 2224 8577 – r. 217

E-mail: oppa@ufrj.br

Website: www.ufrj.br/cpda/oppa

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