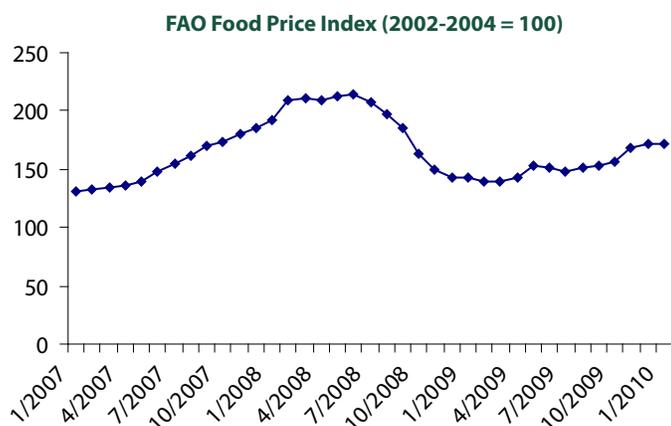


The 2007-2008 World Food Crisis: Focusing on the Structural Causes

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Is the Crisis Over?

The global financial crisis and economic recession have pushed concerns about high food prices out of the headlines. But contributors to the *Journal of Agrarian Change* January 2010 Symposium issue remind us that international food prices have been on the rise again since early 2009, keeping the cost of staple foods in many developing countries stubbornly high (see figure).



Source: FAO, <http://www.fao.org/worldfoodsituation/>

Hence, a deeper analysis of the world food crisis of 2007-2008 remains critically important. This Development Viewpoint summarises the contributions to such an analysis from the Symposium contributors: Ray Bush, Jayati Ghosh, Deborah Johnston, Tim Lang, co-authors Samuel Hauenstein Swan, Sierd Hadley and Bernardette Chichon, and Jan Douwe van der Ploeg. A major strength of these contributions is their focus on the underlying structural weaknesses of the world food system.

The World Food Crisis Reconsidered

The world food crisis is usually identified with the sharp increase in international food prices between 2007 and mid-2008. But Van der Ploeg and Lang consider these price increases to be an integral part of a broader agrarian and food-system crisis, in which food supply chains have become progressively more distorted by large food empires. And their drive for short-term profits has been at the expense of environmentally and socially sustainable agricultural sectors.

Both Ghosh and Hauenstein Swan et al. urge analysts to look beyond international price trends to understand the underlying dynamics of price movements at the national level. Ghosh uses FAO country data to show that the food crisis in developing countries is far from over. In July 2009, for example, about 80% of all developing countries had rice prices that were still higher than they were 12 months earlier.

Hauenstein Swan et al. stress that not all developing countries have

been affected in the same way by international food prices. They show that the cost of food at the national and local level is the outcome of a number of factors, only one of which is the global price level. For instance, while Ethiopia experienced a 141% increase in the cost of maize between November 2007 and November 2008, South Africa enjoyed a 38% decline.

Understanding the Causes

The conventionally understood causes of the 2007-08 crisis can be summarised as: i) the increase in oil prices that worsened the costs of farming; ii) the impact of diverting food production to the production of bio-fuels; iii) the rising demand for meat and feed grains from rapidly growing countries such as China; iv) poor weather in Australia; and, to a lesser extent, v) speculation.

In contrast to the above assessment, contributors to the Symposium highlight alternative, structural origins of the food crisis. For instance, Ghosh underscores the central destabilising role of financial speculation in both commodity and food markets. She argues that speculative activity—rather than enhancing market operations, as is commonly assumed—has allowed inherently wrong signalling devices to determine market behaviour and prices.

She links the timing of the food price crisis to a wider set of factors operating outside the international food system. For her, the general changes in regulatory regimes and financial practices in advanced capitalist economies that allowed increased speculative activity in food markets and fuelled the ensuing food crisis of 2007-2008 are also responsible for the subsequent global financial crisis.

Van der Ploeg emphasises that the speed and extent of the food crisis, beyond merely the peaking of prices in 2007-08, have been conditioned by the emergence of a new world food regime. Its three most important and inter-related features are: i) the rise of large food empires with monopolistic powers over entire food chains; ii) the growing industrialisation of agriculture; and iii) the closer alignment of domestic markets and prices with international prices.

Because of such factors, relatively small disequilibria in one market often translate into huge fluctuations in prices and market behaviour elsewhere. These processes have led to intensified insecurity for farmers and a progressive squeeze on their farm-gate prices.

Complexities of Impact

While many analyses of the world food crisis have concentrated on the severity of its impact, they have rarely provided a deeper explanation of its distributional and developmental consequences. In contrast, Hauenstein Swan et al. concentrate on evaluating the differentiated impact of the food crisis on various social groups.

They note that in some rural areas, increases in incomes from higher commodity prices have compensated for increased food costs. For

example, the increase in world coffee prices helped offset higher local food prices for Ethiopian coffee producers.

But, at the same time, Ethiopian pastoralists and farm labourers suffered because their livestock prices and rural wages did not keep pace with food price increases. It is important to stress that many rural dwellers in developing countries are net food purchasers.

Hauenstein Swan et al. also raise concerns about problems of under-nutrition and malnutrition as a consequence of higher world food prices. As food prices increase, people tend to purchase less expensive foods, many of which have limited nutritional value. This increases the risk of micronutrient deficiency and serious long-term health consequences, especially for children. But such malnutrition does not capture the attention of policymakers as easily as under-nutrition.

In his Symposium article, Bush challenges the common focus on the relationship between food price increases and food riots in Africa and the Middle East. In many parts of the developing world, he argues, the increased cost of food acted as a catalyst for voicing more *general* dissatisfaction, particularly by the urban poor.

Food riots often combined resistance against food price inflation with general frustration and despair over the lack of *access* to food. And the problem of access is attributable to the monopoly power of current global food empires. Moreover, the problem is often exacerbated by the misguided food and agricultural policies of governments.

So, the Symposium contributors attribute the world food crisis to long-standing failures in the current global food regime, which are associated with deep structural relations of inequality that are exacerbated by the rise of neoliberal capitalism.

Some Policy Directions

Neoliberal policy responses to the world food crisis of 2007-08 have centred on increasing productivity, promoting greater agricultural liberalisation and targeting interventions to assist the very poorest. However, the Symposium authors doubt that such measures can deliver real change. Instead, they provide a number of alternative policy recommendations for reform of the international food system.

Hauenstein Swan et al. advocate greater public funding for nutritional interventions, which had already been experiencing financing shortfalls before the food and financial crises. They argue that food-for-work and cash-for-work programmes can be very effective, especially when they respond to seasonal changes in work. When food prices are high, for example, such programmes could be used to maintain household purchasing power.

Ghosh calls for re-regulation of the financial sector and its involvement in food markets and underlines the need for greater policy space in developing countries. For example, governments should be allowed, she maintains, to increase public spending in order to respond to the immediate social consequences of the food crisis instead of being hamstrung by budget conditionalities. Stressing the importance of food access, she advocates the re-establishment of strategic grain reserves,

commodity boards and other similar stabilising measures.

Two of the Symposium authors, Lang and van der Ploeg, suggest explicitly that fundamental reforms in the international food system will be necessary. They both focus on issues of the sustainability and security of food supplies. Van der Ploeg calls for the restructuring of global food chains to allow for higher prices for developing-country farmers—and lower profits for large international food corporations.

Lang warns that it is no longer possible to focus policy interventions exclusively on agriculture in order to remedy the food crisis. Broader sets of policies must be employed, he believes, to address the inter-related problems of food production, access, nutrition and environmental stress that were highlighted by the food crisis. The success of food policies should be judged, he maintains, on the basis not only of prices but also of nutrient consumption and the impact on carbon, water and soil use.

In sum, the reforms that the Symposium authors are advocating would necessitate sweeping changes in the power relations of the international food system. The current dominance of international agro-industrial food companies would have to be confronted. And greater democratisation of local and international food institutions would have to be achieved.

For more information on the Symposium articles click [here](#).

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