

Food First NEWS & VIEWS

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Food riot in Haiti



Wall Street

“Twin Tsunamis?”

The World Food Program described the global food crisis as a “silent tsunami” surging over an unaware populace, helpless in the face of massive destruction. The financial crisis—rapidly going global—now threatens to increase everyone’s vulnerability to hunger. The compound effect of the twin crises seems overwhelming.

But though hunger and financial shock may come in waves, not everyone will “drown” in famine or financial ruin. In fact, both crises are making a handful of investors and multinational corporations very rich—even as they devastate the poor and put the rest of the planet at severe environmental and economic risk. Thus far there has been little leadership on the food crisis, and the sketchy \$700 billion U.S. bailout for a few giant financial houses is a desperate attempt to keep credit flowing through a stumbling economy. There are, unfortunately, no guarantees. Already, when we need them the most, farmers are running into problems finding production credit.

Though massive and destructive, the food and financial crises are anything but silent, or natural, and—as long as we are aware of their true causes—we are not helpless.

The food crisis ushered in the financial crisis. Now the financial crisis is exacerbating the food crisis. No one knows how deeply, broadly, or for how long the financial crisis will affect economies around the world. All we know is that the storm is coming, and we will need to lay up reserves and reach out to our family, friends and neighbors to ride it out. How do we do that?

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The Institute for Food and Development Policy—known as Food First—is a member-supported, nonprofit “peoples’” think tank and education-for-action center. Our work highlights the root causes and value-based solutions to hunger and poverty around the world, with a commitment to establishing food as a fundamental human right.

We need to build our economic resilience by building food system resilience. As long as our food is tied to a volatile, speculative financial system dominated by a handful of largely-unregulated monopolies and wealthy day traders (gamblers), we will be vulnerable to the wild fluctuations in the global markets that dominate our economies. We'll be hard pressed to recover from the financial shocks reverberating around globe. *Now is the time to protect our local economies by transforming our food systems into engines for local economic development.* Does economic development in time of crisis sound crazy? Maybe, just enough. Let's just take a couple of simple examples: With the crisis, farmers can't find production credit. Farm-gate prices that were soaring in July, are now crashing as farmers struggle to pay the input costs that jumped 125%. There was never a better time for community-supported agriculture. Food banks, squeezed between longer lines of hungry people, and fewer corporate and government food sources, are turning to local farmers and urban gardens for food. There has never been a better time to finally get agriculture out of the World Trade Organization, establish national grain reserves, renegotiate “free” trade agreements, and re-regulate the industries and markets that have brought our food and finances to ruin.

Do you know what the other good news is? We've never been better prepared than we are now to take back our food systems. Recently 700 people representing community groups, food banks, farmer's organizations, small businesses and many other food justice activists met in Philadelphia for the Community Food Security Coalition's annual conference. The talent, capability, good will, knowledge and plain, unwavering commitment to a better food system is stronger than ever. And thousands of activists and practitioners met in Guatemala City for the Latin American Social Forum to discuss land reform, sustainable agriculture, fair trade, regional economies, territorial food systems management and other strategies that will help people weather the coming economic shocks. And in Maputo, Mozambique, hundreds of delegates from farm, fisher and pastoralist organizations from around the world attended the Via Campesina gathering to plan their next forceful steps in their global campaign for food sovereignty—the democratization of our food systems. On World Food Day, October 16th, in New York City a broad coalition of farmers, food activists and unions kicked off a nationwide campaign to put the food crisis squarely on the presidential agenda.

We can ride out the twin tsunamis, and we can transform our food system in the process. We have the tools to build equitable, sustainable and democratic food systems. Now is the time!

Eric Holt-Giménez, Ph.D.
Executive Director, Food First

The Financial Crisis and the Food Crisis: Two Sides of the Same Coin

BY ANNIE SHATTUCK

Between the sub-prime housing mess, volatile oil prices, food price inflation, and a massive trade deficit, the American economy is in the worst shape we've seen since the Great Depression.¹ While the U.S. government's \$700 billion dollar bail-out to Wall Street—equivalent to \$1500 from every person in America—may be necessary, we need interventions that address the root causes of all these crises; from food to housing to speculation. Both the food crisis and the financial crisis are rooted in similar policies that have fed on each other for years. Both crises find their origins in the failings of free market fundamentalism.

In the late 1970's, Washington and the international finance institutions under its tutelage, began a sharp departure from the interventionist policies that had brought the U.S. out of the Great Depression. Free market reforms worldwide, championed by the U.S. and enforced under loan conditions of the International Monetary Fund (IMF), eroded support for local agriculture through the elimination of government grain reserves, government price supports on commodities, extension and credit services. Tariffs on agricultural imports were loosened throughout the 1980's and 1990's, resulting in massive consolidation of the agriculture industry. In 1988 the top ten seed companies controlled 30% of the global market.² Now that same share is controlled by just the top three.³ The top three agricultural exporters in the world—Cargill,

Bunge and ADM—now control 90% of the world's grain supply.⁴

In the same period, deregulation in the financial services industry allowed banks to cross over their investments; small banks that traditionally held mortgages were allowed to invest in other areas of the economy (Think the Savings and Loan crisis of the 80's). Large banks quickly swallowed up small banks. Between 1980 and 1998 alone there were over 8,000 bank mergers in the US, accounting for over \$2.4 trillion in assets.⁵ As banking became more centralized, loans to small businesses, including farms, became harder to get,⁶ which, in combination with falling prices and expensive chemical and seed packages, left many farmers to get big or get out. Commodities traders increasingly invested in other financial services, large traders crossed over into futures markets, and some banks began to trade in financial instruments, including commodities.⁷ Some financial services companies, like Goldman Sachs, even became importers of physical goods,⁸ while traditional agribusinesses, like Cargill, now have investment banking arms that deal in everything from real estate, to corporate securities and IT technology.⁹

Deregulation and consolidation both make markets extremely vulnerable to shock. When the sub-prime mortgage crisis hit in 2007, investors began to scramble for safe places to put their investments. At least some of the rampant food price inflation that began at the beginning of this year was caused by exactly that scramble—a combination of investing in agricultural

commodities and oil, which drove up the price of food and farm inputs.¹⁰ Looking for safer investments, traders that may or may not be in businesses related to food at all, put their money into commodities futures. This kind of speculative trading, which is exacerbating the food crisis, was not possible on this scale until financial services deregulation in the 1980s.¹¹

This system of deregulation has caught our economy and our food system in a negative feedback loop. Less regulation breeds more consolidation and subsequently, less stability in both agricultural and financial markets. The irony is that now because markets and investments are so intertwined, we stand to face a breakdown in the world's food and financial systems at the same time.

Food riots, foreclosures, lost pensions, destabilized governments, the threat of "financial Armageddon" and an increasingly hungry planet are all evidence of the same failed policies. Even the massive \$700 billion dollar Wall Street bail did not stabilize markets in the short run, nor did it do anything to address the root causes of the current crisis. Real solutions must include measures to stabilize both food and financial markets. We need strong oversight on large traders and financial services, and increased support to local economies, small farmers, small, local banks, and small borrowers. Most of all, we need a dramatic departure from the free-market fundamentalism that brought us here in the first place.

NOTES

- ¹ Reuters. "Obama, McCain Battle Over U.S. Financial Crisis" September 23, 2008.
- ² RAFI Rural Advancement Foundation International. 1998. "Seed Industry Consolidation: Who Owns Whom?" *Communique*. July/August 1998.
- ³ ETC Group 2007. "The World's Top Ten Seed Companies 2006" October 2007.
- ⁴ O'Driscoll, Peter. "Part of the Problem: Trade, Transnational Corporations and Hunger." *Center Focus*. Center of Concern, Washington D.C. Issue #166, March 2005. http://www.etcgroup.org/en/materials/publications.html?pub_id=615 [October 8, 2008].
- ⁵ Rhoades, Stephen A. "Bank Mergers and Banking Structure in the United States, 1980-98." Staff Study 174. Board of Governors of the Federal Reserve System. August 2000.
- ⁶ De Windt, Claudia S., Isis Marquez, Rodrigo Martinez, Oscar Ceville, and Xiaohang Liu. "Liberalization of Financial Services Under NAFTA and its Effect on the Environmental Performance of the Agricultural Sector in Mexico." presentation Fourth North American Symposium on Trade and the Environment. Organization of American States. Phoenix, Arizona, USA. April 2008.
- ⁷ Talbot, John M. "Grounds for Agreement: The Political Economy of the Coffee Commodity Chain." Roman and Littlefield. Lanham, Maryland. 2004.
- ⁸ Ibid.
- ⁹ Cargill Corporation website http://www.cargill.com/products/risk/ps_investment.htm [October 8, 2008].
- ¹⁰ Gordon, Gretchen. 2008. *Food Crisis in the Age of Unregulated Global Markets*. Institute for Food and Development Policy. Oakland, CA. April 18 2008.
- ¹¹ Moberg, David. "Let Them Eat Free Markets: How deregulation fuels the global food crisis" *In These Times*. July 23, 2008. <http://www.inthesetimes.com/article/3801/> [October 8, 2008].

The Season of Giving—One might be tempted to say Bah Humbug this year

But on second thought, perhaps it's not such a bad idea to get back to the basics. We've all been downsized in one way or another. Maybe this is a good season to make jam or banana bread for friends and family—or perhaps bring back those hand-made tokens so many of us crafted as children that read "good for one dishwashing" or "one free carwash." Your friendly farmers market may spark other ideas to bring a smile to the faces of your loved ones. It's a good season to reflect on the fact that money is just money and the most important things in life are the people we spend our time with.

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Check out all of these possibilities at www.foodfirst.org. While you are there, don't forget to make a tax-deductible donation to support Food First's work at a time of increasing food insecurity both here at home and throughout the world. Here at Food First, we give thanks to you for your generous support. We certainly couldn't do all that we do without you.

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