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THE GLOBAL FOOD CRISIS:
URGENT NEED AND EMERGING SOLUTIONS

by Terence P. Stewart, Stephen J. Norton, Jumana G. Madanat, and Hanna E. Stewart*

INTRODUCTION

The global food crisis has affected hundreds of millions of people worldwide, causing a surge of sociopolitical unrest in many countries as families struggle to find ways to survive soaring food and fuel prices. In the United States, many families find it harder to feed their children on a daily basis and more families are turning to local food banks. In developing countries, the World Bank estimates that at least 100 million could fall back into poverty, swallowed by what Josette Sheeran, the director of the World Food Program (“WFP”), dubbed the “silent tsunami” of soaring food prices.

At the UN General Assembly meeting on September 23, 2008, UN Secretary-General Ban Ki-moon “told the UN’s 192 member states that in a single year, staple foods that feed half of the world more than doubled in price,” highlighting the severity of the global food crisis. A report by the United Nations Food and Agriculture Organization (“FAO”) produced in conjunction with a summit on the food crisis in Rome last June stated that the prices of all major commodities have reached their highest levels in nearly fifty years (prices in real terms were at a thirty-year high). The FAO price index rose, on average, eight percent in 2006 in comparison to 2005, but then twenty-four percent from 2006 to 2007.

Governments and multilateral bodies have met to discuss possible solutions, for both the short and long-term. They have debated issues such as the possible effects of climate change on food production and the problems caused by increasing biofuel production. Governments and international organizations must play the lead role in designing policy in this area and encourage multilateral solutions to this problem. Short-term monetary donations are needed for emergencies, but multilateral institutions will have to work together to achieve a sustainable solution that develops economies and promotes wise environmental stewardship around the world. Already, organizations such as FAO, WFP, the World Bank, the International Monetary Fund (“IMF”), and the UN Children’s Fund (“UNICEF”) have begun a multifaceted approach to addressing this problem, targeting “high risk” countries first. Of course, these efforts are just the first steps of an effort that could go on for years.

This paper will survey briefly some of the causes of the global food crisis, identified by economists and policy experts, and will discuss multilateral responses to date.

Factors of a "Perfect Storm"

Numerous factors have contributed to increasing food costs from 2005-2008 and created the “perfect storm” that led to the global food crisis. This “perfect storm” has been catastrophic to millions of people and has threatened the world’s political stability. Perhaps more disturbing, the confluence of factors from climate change to increased production of biofuels to changing consumer demand could mean a fundamental change is occurring in the dynamics of food production, distribution, and consumption. The FAO and the Organization for Economic Cooperation and Development ("OECD") warned in a May 2008 study that the changes occurring could take ten years to address and to reestablish market equilibrium needed to make food affordable to millions of people. Some of the factors that led to the crisis are discussed below.

Weather-Related Factors

Weather, either in single catastrophic events or subtle shifts possibly related to climate change, has impacted food production causing structural changes to the agricultural system. According to the FAO, cereal production among major exporting countries has been declining since 2005, and much of this decline can be attributed to droughts and other weather disasters in grain producing countries. For example, Burma’s cyclone destroyed its supply of rice, a commodity with prices that have risen by as much as 130% or more since 2007. As climate change is altering or threatening to disrupt growing patterns around the world in the coming decades, experts warn prices could continue to go up. For example, the Intergovernmental Panel on Climate Change, in a 2007 report, warned that melting glaciers in the Himalayas could have serious ramifications for farmers in China and India during the dry season in those countries. On the other hand, climate change could allow for the cultivation of crops in areas now inhospitable for agriculture. The challenge is how quickly the world’s growing population can adapt to these changes in areas for cultivation.

Increasing Fuel and Fertilizer Costs

The increasing price at the gas pump that has affected millions of drivers has also affected the farming industry and contributed to the increase in food prices. According to the FAO, these higher fuel prices have been coupled with increasing fertilizer costs and have driven up the cost of producing and transporting major agricultural products all over the world. Some farmers and ranchers who pay these high fuel and fertilizer costs are forced to pass on the increased costs to consumers. Furthermore, this year’s record oil prices are driving up food prices by increasing costs of production and transportation which also increases the prices consumers pay.

Biofuels

Many policy experts believe that another factor contributing to higher food prices is the production of biofuels. The worldwide approaches to energy security and food security have been in conflict. The increasing production of alternatives to fossil fuels has depleted supplies in commodities such as corn and sugar, leading to unsustainable prices. Moreover, government support for the biofuels industry in the form of consumption mandates, tax credits, import barriers, investment subsidies, and other policies can be substantial in some cases. This support accelerates the shift in usage for some commodities from food and feed to fuel, thereby driving up prices for food. Ethanol production tripled from 2000-2007, with the United States and Brazil accounting for a major part of this increase in production. Europe has also been a significant contributor to increase in ethanol production as the European Commission has set a goal of having at least 5% of all road transport fuels come from renewable sources by 2015, with at least 1% of that share derived from second-generation biofuels, electricity, or hydrogen.
**Increasing Demand**

Increased economic development and international trade have led to the growth of the middle class worldwide, which in turn has increased demand for costly meat and dairy products by people who have changed their diets to match their incomes. While the FAO report \(^2\) cautions against overestimating the role changing diets are playing on food price spikes, Joachim von Braun, the Director General of the International Food Policy Research Institute (“IFPRI”), estimates that changing demand could account for half of the recent price hikes. \(^3\) China exemplifies this phenomenon as its per capita meat consumption grew by 140% between 1990 and 2006. \(^4\) This increased demand also puts a strain on grain supplies because it takes seven pounds of grain to produce one pound of meat, further burdening the commodities already experiencing production decreases due to weather-related disasters and other factors. \(^5\)

**Trade Policy**

Trade policy is also a key factor to consider as it can determine access to food. Proponents of trade argue that it is more urgent than ever to complete the World Trade Organization (“WTO”) Doha Development Agenda. \(^6\) They argue that market forces would better ensure the right level of production and distribution. However, even before the food crisis emerged, free market advocates argued that subsidies distort trade, reward farmers in developed countries, and punish those in developing countries. The food crisis has intensified calls for cutting subsidies. But, before subsidies are sharply reduced or eliminated, it is important to keep in mind that this could cause the cost of production to rise, and many importing countries would not be able to afford the food they need. Imports of subsidized products are often their chief source of food.

As the food crisis unfolded, some twenty-six countries began to prohibit the export of certain products in order to ensure that their own populations were able to eat. \(^7\) This drove up prices even more and prompted calls for the export controls to be lifted. Some countries, such as Ukraine, did lift their bans.

Of course, it is important to keep in mind that under global trading rules established in the General Agreement on Tariffs and Trade (“GATT”) after World War II, nations retain the right to restrict exports in certain situations. Specifically, GATT Article XI:2(a) permits “[e]xport prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting” country. When such rights are used simultaneously by many countries, as was done earlier this year, the implications for the trading system and for net food-importing countries are significant.

**Decline in Agricultural Research**

The steep and prolonged reduction in agricultural research in developing countries and major agricultural research institutions has also been cited as a contributing factor to the food crisis. Nicholas Minot of the IFPRI explained at a June 5, 2008 briefing before the U.S. House Hunger Caucus that national agricultural research institutes in developing countries have experienced declining budgets since around 1990, and international agricultural research centers have suffered budget cuts as well. \(^8\) This decline has hindered the ability of countries to respond quickly to short-term and long-term solutions to the food crisis. Without current research, countries have been unable to respond to new pests, climate change, and other impacts on agriculture in a timely fashion.

**Financial Markets**

According to the FAO report, investments of non-commercial interests, such as financial funds, in futures trading on commodity markets have also played a role in determining the decisions of farmers, traders, and processors of agricultural commodities. \(^9\) Essentially, the activities of major futures investors appear to have a causal relationship with spot or cash markets. \(^10\) As this trend increases, it may mean large institutional investors could control futures of wheat and other commodities causing new spikes in demand, and therefore even higher prices.

**Crisis Mitigation**

As noted earlier, the scope and likely duration of the food crisis has commanded the attention of elected officials, multilateral institutions, non-governmental organizations, and private sector companies around the world. In the months after the media began to focus on the crisis in the spring of 2008, there have been high-level meetings, an increase in monetary donations to relief operations, and steps by over thirty countries ranging from easing import restrictions to distributing seeds in an effort to mitigate the short- and medium-term effects of the crisis and to design long-term strategies for preventing a recurrence of this catastrophe.

In April 2008, the Chief Executives Board of the United Nations pulled together its major departments as well as representatives from other multilateral institutions to create a High-Level Task Force (“HLTF”), and began work on a framework for action to mitigate and eventually solve the food crisis. United
Nations participants included the FAO, the UN Conference on Trade and Development (“UNCTAD”), and the UN Development Program (“UNDP”). Other multilateral organizations represented in the task force included the WTO, the World Bank, and the IMF.31

At the FAO annual summit in Rome in June 2008, world leaders and experts from a wide array of fields considered possible reasons for the price spikes and how to address the ensuing hunger and political instability. Among the medium- and long-term solutions embraced by participants were policies to help restore the viability of subsistence farming in cases where the market-based trading system cannot deliver food to where it is needed. The summit’s formal declaration also called for more concerted action to respond to challenges presented by climate change, and a focus on maintaining biodiversity through wise stewardship of fisheries and forests. Participants also called for increased investment in science and technology for food production, as well as reductions in trade barriers and market-distorting policies.32

On the issue of biofuels, the Rome declaration acknowledged the competing international goals and urged in-depth studies on ways to ensure that production and use of biofuels is sustainable. These recommendations tracked closely with a ten-point proposal World Bank President Robert Zoellick put forward on the eve of the Rome summit. Specifically, he called for lifting of export bans and cutting tariffs on ethanol imported into U.S. and European Union markets to encourage the output of more efficient sugarcane biofuels, which do not compete directly with food production and expand opportunities for poorer countries.33

Meanwhile, WTO Director General Pascal Lamy also urged a successful conclusion to the WTO Doha Round and stressed the importance of improving the trade capacity of developing countries. He noted that of twenty-two countries listed as most vulnerable to food insecurity, many were also among the least integrated economies in terms of their assimilation into global agriculture markets. These countries lack the adequate roads, ports, and administrative infrastructure needed to import and export goods; countries often import food from a country on another continent instead of a country next door.34

Later on in the summer, the members of the G8 major economic powers met in their annual meeting and spent a significant portion of time discussing the dire effects of the global food crisis worldwide. They emerged with pledges for cash assistance and commitments to work to find long-term solutions to the crisis.35

Sustained attention at the highest levels of government and international organizations will be needed as the food crisis continues, and there have been encouraging steps in recent months to suggest that international leaders are taking the matter seriously.

For example, the World Bank has moved forward on its $1.2 billion rapid financing program—the Global Food Resource Program (“GFRP”). As of October, the GFRP had dispersed $193 million in twenty-at-risk countries. One project worth $7 million was awaiting approval and an additional $651 million had been earmarked for projects in eleven countries. The money is to be used for feeding the most vulnerable groups (such as children and pregnant women), obtaining food imports, and purchasing seeds for the upcoming planting season.36

In July 2008, the FAO approved a series of projects in forty-eight countries with a total value of $21 million to help farmers and needy people in those countries. The chief goal of these efforts is to ensure the success of the next planting season. Over the longer term, the expectation is to demonstrate how better access to seeds and fertilizers can increase food production where it is needed most.37

In addition to these actions by multinational institutions, in May 2008 thirty-three countries, in every part of the world, unilaterally adopted policies to try to feed their populations for the short-term and develop approaches for food security needs for the future. For example, Guyana began distributing seeds for free while Ghana eliminated all export duties on rice, wheat, yellow corn, and vegetable oil.38 India removed an export ban on non-basmati rice and other products for shipment to Bhutan, while China made diesel fuel more readily available for farm vehicles during the cereal harvest season.39 In addition, Ukraine lifted export quotas on grains and cancelled restrictions on grain imports it had put in place when the crisis first manifested itself.40 These examples show that individual countries are beginning to shift their policies in response to the global food crisis. Governments realized that restricting or banning exports of key food staples to ensure domestic supplies and reduced prices would only bring short-term relief. However, these practices would eventually cause long-term harm by creating disincentives for domestic production and constraining global supply, which would raise costs to consumers around the world. These changes in agricultural and trade policies manifested by numerous countries this year show that individual governments are not solely relying on the work of multinational institutions to temporarily solve the food crisis—they are also taking the initiative to protect their future food security.

The focus by governments and international organizations has also served to underscore the need for creative and diligent work by the private sector, whether corporations or charitable organizations. There are complex political, economic, and social
relationships at stake for policy makers to consider. At a development conference in September 2008, Zoellick renewed calls to lift export bans and restrictions on humanitarian food aid as these “harm the most vulnerable.” He acknowledged that it is not always easy for countries that are concerned about having enough to feed their population and suggested possible solutions including, “sharing the management of physical reserves, creating regional information systems for early detection of supply shocks, and establishing networks of virtual grain reserves.”

The food crisis has also created new challenges and opportunities for the public and private sector to address broader goals for sustainable development. For example, the UN HLTF issued a paper urging public/private actions that would engage and aide smallholder farmers in rural areas of developing nations. It promotes ensuring farmers’ access to seeds and fertilizers, opportunities to reduce post harvest losses, and rehabilitation of infrastructure.

The meeting of the UN General Assembly in September 2008 provided a forum for showcasing some of the private sector initiatives and highlighting the need for even more action. For example, the Bill & Melinda Gates Foundation, the Howard G. Buffett Foundation, and the government of Belgium unveiled a $76 million initiative called Purchase for Progress (“P4P”), which is designed to help hundreds of thousands of small farmers access reliable markets so that they can sell their surplus crops at competitive prices. P4P will bolster fragile local economies, particularly in Sub-Saharan Africa and Central America.

The General Assembly also saw the convening of chief executives representing leading corporations from all continents for the first UN Private Sector Forum on Food Sustainability and the Millennium Development Goals (“MDGs”). At the opening meeting UN Secretary General Ban Ki-moon told business leaders, “We need to bring knowledge, resources and innovation together in a way that links sustainability with opportunities for growth.”

To be sure, there are many private sector initiatives directed toward the eradication of hunger. For example, during the General Assembly meeting, the WFP welcomed a private sector commitment under the auspices of the Clinton Global Initiative (“CGI”) to support improved food and nutrition for millions of schoolchildren in the world’s least developed countries. The leading corporate supporter of this initiative, YUM! Brands, offered an $80 million cash pledge to WFP and other hunger-related organizations. Earlier in the year, Kemin Industries announced it will help the WFP improve the quality and nutritional impact of the food it distributes to the hungry poor throughout the world by providing its technical expertise in the field of food quality maintenance and quality assurance systems. This example shows how a company can connect its unique capabilities to specific needs—it is an example that should be duplicated.

**Conclusion**

The causes of the food crisis are numerous, complicated, and interconnected, so designing mechanisms for addressing the current emergency and preventing a future catastrophe will take time, resources, and political will.

While the price of some commodities has come down slightly, the factors that have contributed to this crisis remain. According to the FAO, by 2030 world agricultural production will have to increase by fifty percent to feed an additional 1.6 billion people and world food production will need to double to feed 9 billion people by 2050. Concerted public and private investment is crucial for boosting agricultural production and spurring sustainable development.

Nations and multilateral institutions have begun to sort out how issues from trade to biofuels to investment in agricultural research can be part of a long-term solution. Of course, it is a daunting challenge to create solutions that suit political, economic, social, and environmental considerations all at once.

Creative philanthropy by the private sector will also be integral to sustainable and environmentally sound development. Businesses, large and small, with a wide variety of tools, know how, and financial resources might be in the best position to tackle discrete challenges in isolated corners of the world.

For individuals and companies, there are many ways to contribute to the alleviation of hunger and starvation in the short run and prevent future catastrophes. This will require people to remain aware of the issue. Every day a myriad of tragedies, crises, and important “normal” events compete for our attention—the plight of disabled veterans and homeless people, global financial panics, elections, wars, and weather-related calamities, such as tsunamis. Many of these issues explode onto the front page. But others, like the silent tsunami of the food crisis, wreak havoc every day in places where people are voiceless and powerless.

In a world ever more interconnected, we must remain vigilant in our attention to the silent tsunami because it affects all of us. Nothing is so fundamental to human existence as a sustainable supply of affordable food.

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**Endnotes: The Global Food Crisis**

1. See U.N. World Food Programme, WFP Crisis Page: High Food Prices, http://wfp.org/english/?ModuleID=137&Key=2853 [hereinafter WFP Crisis Page] (last visited Oct. 31, 2008) (explaining that high food prices have put up to 130 million people deeper into poverty and have caused social unrest in countries around the world).


52 Id.


55 TIESE et al., supra note 8.

56 Cathy A. Roheim, Early Indications of Market Impacts from the Marine Stewardship Council’s Ecolabelling of Seafood, 18 MARINE RESOURCE ECON. 95 (2003).

57 Id.

58 Id.

59 Seafood Watch, supra note 3; MSC Database, supra note 6; Alaska Seafood Marketing Institute, supra note 11; and NOAA Fish Watch Program, supra note 13.

60 Marine Stewardship Council, supra note 30.

61 Seafood Watch, supra note 3; NOAA Fish Watch Program, supra note 13.

62 Seafood Watch, supra note 3.


ENDNOTES: THE GLOBAL FOOD CRISIS continued from page 35

3 WFP Crisis Page, supra note 1.


9 Editorial, When food is dear: For their own security, wealthy nations must act quickly and in concert to avoid a global food crisis, HUFF. CIRCON., Apr. 14, 2008, at B6.


11 See Wei Xi et al., Indifference pricing of weather derivatives, 90 AM. J. AGRIC. ECON. 979, 979 (2008).


14 See Ag. Outlook, supra note 10, at 58.


20 Editorial, When food is dear: For their own security, wealthy nations must act quickly and in concert to avoid a global food crisis, HUFF. CIRCON., Apr. 14, 2008, at B6.


22 See High-Level Conference on World Food Security, supra note 5.

23 Evans, supra note 15, at 2.


25 Id.


29 See Ag. Outlook, supra note 10, at 28.


38 FAO, Policy measures taken by governments to reduce the impact of soaring prices, http://www.fao.org/gIEWS/english/policy/1.htm#GHA (last visited Nov. 11, 2008).

ENDNOTES: ADDING BIOFUEL TO THE FIRE continued from page 40


2 Id.

3 Id.

4 Id.

5 Id.


19 Id.

