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High Food Prices: A Silver Lining

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There seem to be but three Ways for a Nation to acquire Wealth. The first is by War as the Romans did in plundering their conquered Neighbours. This is Robbery. The second by Commerce which is generally Cheating. The third by Agriculture the only honest Way; wherein Man receives a real Increase of the Seed thrown into the Ground, in a kind of continual Miracle wrought by the Hand of God in his favour, as a Reward for his innocent Life, and virtuous Industry.

—Benjamin Franklin, *Positions to be Examined*, April 4, 1769

Food is the backbone of civilization, so the cost of food is of primary concern to all people. In the last eighteen months the news has been filled with inflationary woes. Although the price of oil has been in the forefront, the prices of grain commodities have increased dramatically, too. This is good news for farmers, who have been producing food below the cost of production for years, but it is bad news for those living at or near the poverty line. Could this be the opportunity to begin to alter agricultural subsidies?

Subsidies in the industrial world have allowed farmers to survive growing crops below the cost of production, but this scheme has also resulted in farmers in the developing world being unable to compete against cheaper subsidized crops (Ray, et al, 2003). The prices of commodities are increasing across the board, including fossil fuels upon which the industrial model of agriculture is dependent.

This situation provides an opportunity for farmers who are more ecological and not so dependent on fossil fuels to compete against those that are affected by oil inflation. Could this be the time to shift agriculture away from fossil fuels towards a more sustainable system of food production? The change will require a shift in government subsidies from the commodity producers to low-income consumers in order to offset price increases in commodities. This strategy would also help low-input farmers in developing countries compete against the subsidized industrial agricultural model, thereby helping the developing world rise out of poverty. The key is to provide farmers everywhere in the world with a living wage while protecting against wild price fluctuations.

How We Got Here

Agriculture subsidies go back a long way, in America to the Agricultural Adjustment Act of 1933, and in Europe to the Second World War. The depression and the war created emergency situations that made government intervention necessary. By subsidizing farmers, governments could ensure a plentiful food supply without cost fluctuations, which eventually led to a cheap agricultural commodity supply focused on maximizing production output. The U.S. is the largest overall food commodity producer in the world, so its agriculture policy impacts global prices. The generous subsidies of the U.S. Farm Bill have driven global prices below the cost of production for many other nations. The U.S. agricultural economic strategy has been to export into foreign markets either by trade or aid.

U.S. Food Aid programs in the 1950s were designed to meet four objectives: 1) secure the goodwill of newly emerging countries during the Cold War, 2) help poor countries with their

development, 3) find a new outlet for surplus production, and 4) build future export markets. Some of these objectives are now outdated and the mix has undermined their effectiveness; yet U.S. Food Aid programs have remained largely unchanged (Institute for Agriculture and Trade Policy, 2007).

It is now evident that supplying food-insecure regions with the over-supply within the U.S. agriculture sector can do more harm than good to developing nations. Food aid enters into these markets and depresses the local price of grain, depriving regional farmers of much needed income. This disrupts cash flows between regions, making it impossible for prices to rise when supply is short. Since it is the U.S. agricultural subsidies that make the over-supply possible, Oxfam has argued that for ethical reasons the U.S. should remove subsidies so that the price of food commodities in developing countries can achieve a normal market level.

In recent years we have gotten used to living with cheap commodities. Until recently, corn, soy and wheat indices stayed about the same for ten years, but by March 2008, the index for all commodities had risen 286 percent; the index for food commodities has risen 98 percent; and the index for crude oil has risen 547 percent (Trostle, 2008). Although higher prices of agricultural commodities has been welcome news to farmers world wide who have been selling crops below the cost of production for years, this is a double-edged sword. The increasing food prices have had dire consequences for the poor in much of the world. From the tortilla riots in Mexico to the export bans of rice in Vietnam, Cambodia and India, higher prices have often meant violent protests.

Even here in the United States, I witnessed a woman ahead of me in the supermarket checkout unable to afford a pickle due to the increase in the price of Wonder bread. I had been watching the increase in grain prices with glee, having lived through the struggles of unsubsidized farmers in Canada, including neighbors who had lost their farms. Here I was watching a woman with only enough money to buy the cheapest form of bread and a small block of cream cheese, unable even to afford a single pickle.

With cruel irony the sales of these, the cheapest of products, increase during a recession. In economic terms they are called "inferior products," because when people have enough money to make a choice, they don't buy them. When overall prices rise, it is these inferior products that people are forced to buy in order to stretch their money as far as possible. For this woman it meant giving up the pickle in order to purchase the bare necessities. The real face of hunger was no longer in a magazine picture of the slums of Calcutta, it was here in Vermont, not fifteen feet in front of me.

Quaker Eco-Bulletin (QEB) is published bi-monthly by Quaker Earthcare Witness (formerly FCUN) as an insert in *BeFriending Creation*.

The vision of **Quaker Earthcare Witness (QEW)** includes integrating into the beliefs and practices of the Society of Friends the Truths that God's Creation is to be held in reverence in its own right, and that human aspirations for peace and justice depend upon restoring the Earth's ecological integrity. As a member organization of Friends Committee on National Legislation, QEW seeks to strengthen Friends' support for FCNL's witness in Washington DC for peace, justice, and an Earth restored.

QEB's purpose is to advance Friends' witness on public and institutional policies that affect the Earth's capacity to support life. QEB articles aim to inform Friends about public and corporate policies that have an impact on society's relationship to Earth, and to provide analysis and critique of societal trends and institutions that threaten the health of the planet.

Friends are invited to contact us about writing an article for **QEB**. Submissions are subject to editing and should:

- Explain why the issue is a Friends' concern.
- Provide accurate, documented background information that reflects the complexity of the issue and is respectful toward other points of view.
- Relate the issue to legislation or corporate policy.
- List what Friends can do.
- Provide references and sources for additional information.

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In America, the Distribution of Wealth and Resources Index peaked in 1975 (Costanza, et al, 2002). This is an index that measures the quality of life relative to income, not just gross domestic product. Since then the Quality of Life Index has been in steady decline. The American worker has not been keeping up with the investment class, those who have been able to profit from the stock markets. The implications of this trend were masked as long as basic goods were cheap. While real wages have stayed the same, rice has tripled in price and other commodity prices have increased tremendously (Table 1).

Commodity	2000 price	Estimated 2008 price
Wheat	\$91/metric ton	\$300/metric ton
Corn	\$1.85/bushel	\$5.50/bushel
Soy	\$4.50/bushel	\$12.75/bushel

Source: US Department of Agriculture, 2008

These food commodities are the building blocks of the global food supply. In one way or another they are processed into human food or animal feed, including such basic ingredients as oil, corn syrup, protein and starch. Because all processed food requires these ingredients, an increase in their price sets off a chain reaction throughout the food industry.

Is Ethanol the Culprit to High Prices?

After thirty years of low and stable agricultural commodity prices, why this sudden increase in prices? The answer is not just ethanol. James Lane of *Biofuel Digest* puts it into perspective; "corn prices, while escalating rapidly, are rising slower than any of the three other food and fuel commodities. In fact, the intensity of price increases is in inverse proportion to the conversion rate into ethanol. Corn, which is used the most among the four commodities as a biofuel, has the lowest price increase. Rice and crude oil, which are not used to make ethanol, have experienced the fastest price increases."

Before the biofuels bonanza, other factors were having an impact on the global food supply. When President George W. Bush announced the biofuels program in his State of the Union address in 2004, grain production was already falling below the rate of utilization. This was compounded by a drought in Australia, one of the largest wheat exporters. The European Union and U.S. biofuels policies increased demand by roughly 17per cent. As the world's agricultural production contracted due to low commodity prices, drought and natural disasters, global demand increased for biofuels and for meat consumption. The consumption of meat requires considerably more grain than if the grain were consumed directly. Table 2 shows the number of kilograms of grain required to produce one kilogram of meat.

	Total Weight (kgs)	Protein (kgs)
Chicken	5	2.4
Pork	6	2.7
Beef	15	4

Source: Scott Kronberg, 2008

Last year more grain was diverted to China than toward biofuels, in large part due to China's increasing appetite for meat. In 1995 the average Chinese consumed 25 kg of meat compared with 53 kg in 2007. Even so, per capita Chinese meat consumption is still 45per cent less than that of an American.

Before the increase in grain prices, Chinese pork prices rose by 85per cent in 2006, in part due to swine epidemics. It is estimated that each year 25 million pigs in China die of disease (Barboza, 2007.) This is an incredible waste since sick hogs can not be used for human consumption due to the risk of transmitting shared diseases.

Biofuels have played a role in the increase of grain prices, but probably more from the media attention to a policy change that awakened investors to an increase

in demand for commodities. Overnight capital investment flowed back into agricultural communities, which had previously been slipping into decay. Sadly there is not much return on capital to be had in producing grain for the starving, but filling up the SUV is another story. However, in early October 2008 as we finalize this article, we have seen commodity markets fall sharply with the banking crisis, indicating that speculation in commodity markets were more of a factor than supply and demand changes.

Tim Searchinger, author of the most in-depth report on biofuels, is right in arguing that biofuels divert land that would have been used for food into land used to produce fuel. If we halt the biofuels policy, will we return to an agricultural depression of low commodity prices?

Rural versus Urban Policy

High prices may have an immediate and painful impact on populations already at the margin, but this pain could be relieved by government subsidies directed to low-income food purchasers. People in urban areas can influence government policy with greater effect than disenfranchised, isolated minorities in rural areas. High agriculture prices could be the way to wean farmers in industrial countries off commodity subsidies, thus giving developing nations the opportunity to compete in the global market. Agricultural subsidies were vitally needed in the 1930s. When people didn't have enough money to pay for food, it made sense to make food as cheap as possible. However, now the problem is reversed and many farmers can not afford to grow food without subsidies.

High agricultural prices mean that farmers in developing countries and in other nations without agricultural subsidies can get prices for their crops that provide a living wage. If a living wage can be earned back on the farm, perhaps people who now seek work in the large urban slums of Lima, Mexico City and Nairobi, will have the hope of surviving with a higher quality of life in a rural setting.

Sometime in 2008 there will be as many people worldwide living in cities as in rural areas (UN Populations Division, 2007). Never before in history have we had so many living in such concentrated urban areas. When food prices are high it makes

sense for an urban dweller to return to the country where money can be made producing food to sell to people living in cities. In America tremendously productive farmers constitute less than 2 per cent of the population. Rural America and Canada were largely depopulated by industrialization that occurred due to World War II. That migration has proved to have an untenable ecological footprint.

Intermediate Technology

The high cost of fuel is beginning to force us to think about the size and scale of just about everything we do, especially in heavily industrialized large-scale agriculture. Farmers are looking for ways to minimize their use of oil-related inputs.

E.F. Schumacher argued in his seminal book *Small is Beautiful*, for "intermediate technology" that is moderately productive and engages as many people as possible. Intermediate technologies are low-input technologies that can be utilized in places where electricity might not be available. The equipment is easily repaired and the work tends to create employment rather than reduce it. This is necessary for the developing world where unemployment is a major hurdle to development. Production of goods should use local materials and must be affordable to the local population. Schumacher envisioned a world of two million villages. The foundation of such a vision is a local food supply.

Making the Shift

High food prices may be an opportunity for fundamental change in agricultural policy. Now that farmers are able to earn a living wage, legislators could start to shift subsidies away from the producer to the consumer. In the U.S. the Food Stamp Program could receive the money from agriculture subsidies on a sliding scale, so that the price of commodities and the price of food always remain relatively balanced. As the price of food increases, money could be diverted to the low-income consumer. Then, if agricultural commodities fall in price and farmers begin to suffer, the money could be diverted back. Such mechanisms already exist in current Farm Bills relating to milk production. However, they are currently linked to the price received and not cost of production.

On an Ontario Farm

When I was working on my parents' farm in Ontario, Canada, we had a silo filled with 90 tons of barley that was infected with mycotoxin, a spore which makes the barley unfit for human consumption. By the 2005 planting season we still had this silo full of last year's barley we couldn't sell. The average price that year was USD \$95/tonne, barely at the cost of production. I spoke with all our local elevators, and finally in desperation I said to one, a personal friend, "John what on earth do we do with it?" "Well," he said, "You can dump it in the woods and let it rot down, you could feed it to your own cattle, but I would suggest giving it as food aid and taking the tax write off." So ninety tons of barley that we couldn't sell for animal feed was worth the most by donating it to feed poor people in the developing world.

Through my interaction with World Trade Organization delegates at the Seattle Trade Summit, I knew something of the problems with unsanitary food aid that enters into

local markets driving down the price the local farmers' get for their crops. Furthermore, without the sophisticated testing techniques people could get sick from handling the grain unprotected.

Because our farm has shrunk over the years and we no longer feed as many cows, we have plenty of storage space. So we started feeding the barley to our own cattle. But the cows don't really like the taste of barley, they prefer corn, and we only feed grain after the cows have calved, when they are lactating. Suffice it to say, two years later we still had plenty of the infected barley left.

Then in the spring of 2008 we got a call from John, the mill operator, asking if we had stored any barley over the winter. We ended up selling that old infested barley for Cnd \$224/tonne and we got nearly \$300/tonne for the year-old barley. In the end, farming is as much about luck as it is about know-how.

There is a current move to adjust the 2007 Farm Bill to reflect recent production cost changes. Although the U.S. Farm Bill is reassessed every five or six years, each year there is room for adjustment for specific needs. Many possibilities exist to bring about more sustainable agricultural practices, and the Farm Bill is slowly beginning to support more environmental practices.

The high price of food is painful medicine, but it could help to decrease rural poverty and the rate of urban migration. But will legislators act appropriately? The entire fast-food industry is dependent on a cheap food supply. Agribusiness is not likely to give up the millions of dollars in subsidies they now enjoy. The recently passed Farm Bill has locked us into another five years of the subsidy system that has had such a detrimental impact on food policy in our country. Now that smaller food producers are prospering rather than just hanging on, perhaps it is time to start developing a plan to shift these subsidies to low-income consumers through this transition period. The Farm Bill already includes the Food Stamp Program, so it is well within the legislative authority to shift resources from farmers to low income consumers. Even the World Trade Organization is in the process of reevaluating the Doha Round on agricultural trade in light of current food prices. Perhaps now, in the face of emergency, they will see the flaws in their ideology. Perhaps there is a bright side to crisis.

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What Friends Can Do to Beat Food Inflation

- 1) **Eat less meat and eat meat that is grass fed.**
- 2) **Support a local farmer.** It is estimated that a single human being can be fed for a year from one quarter acre of intensively farmed land. The startup cost for a small vegetable farm is relatively low. If you have a large lawn you could give it or rent it cheaply to a young person in your community that would like to start their own farm stand.
- 3) **Reduce shopping costs.** For many of us time is the most restrictive element. We know how to cook properly, but because of time pressures we reach for the prepared food. The following recipes are very easy, very quick, really cheap, and actually good for you.

Pita or Flat bread

Ingredients:

- 1 cup whole wheat flour
- 1 cup white flour
- 1/2 tsp salt

1) Combine ingredients in a large mixing bowl. Add cumin, thyme, rosemary, or other ingredients. Mix and add enough water to make a heavy dough formed into a ball. Allow to rest if you like.

2) Sprinkle a clean flat surface with white flour and turn out the ball of dough. Pound, slap or knead the ball a bit. Pull off the ball a smaller ball about the size of an egg or a bit less. Roll it between the palms of your hand and flatten it on the floured surface with a rolling pin or a bottle until it is a very thin pita, both sides covered with flour.

3) Bake the pita on a dry preheated skillet at medium heat. Turn over when the edges lift away from the skillet surface and lightly brown the other side. Eat immediately or wrap in a clean dish towel. The raw dough will keep sealed in the fridge for up to three days.

Couscous, Quinoa, Barley

Fill a thermos with boiling water, leave for a minute to heat the thermos up, then empty. Then pour about 1/4 cup of boiling water into the thermos, followed immediately with 1/2 cup of grain, 1 bullion cube, cut up fresh vegetables and then 1 cup of boiling water (2 cups for barley). Give the thermos a good shake to make sure that it is well mixed up. In 2 hours you will have a fresh hot meal and it will stay hot in the thermos for up to eight hours. This is really easy to make in the morning and makes a lovely hot lunch at work.