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Descrambling the 'Food Crisis'

By George Caffentzis

When the world's hedge funds turned from real estate to grain speculation the poor picked up the tab. But the food bubble was no accident, argues George Caffentzis, it was class war

After more than three decades of relative stability, food prices have dramatically increased over the last three years. Between May 2007 and May 2008, corn prices increased by 46 percent, wheat by 80 percent, soybeans by 72 percent; rice by 75 percent. As a result, according to the UN World Food Program, another 130 million people have been added to the hundreds of millions already starving or suffering from malnutrition.

Not surprisingly, then, in dozens of cities across the world, from Port-au-Prince to Cairo to Manila, people have rioted in protest against the economic death sentence imposed on them, clearly aware that fluctuations in commodity prices are not 'facts of nature'. Indeed, the hieroglyphics of food prices both hide and reveal a world of plans, policies and struggles that we need to decipher if we are to explain the roots of this 'food crisis'.

caffentzis food crisis

Perfect Storms and Irrational Bubbles

Our first step must be to reject its characterisation as a 'perfect storm', that is, the outcome of a combination of factors that *nobody* could have possibly predicted.

Nothing could be further from the truth. As with the 'energy crisis' that is sending oil prices to the sky, the rise in the price of staple foods was easily predictable and indeed forecast by analysts and activists across the globe. For years, greens, eco-feminists and, above all, members of peasant movements denounced the neoliberal policies imposed by the World Bank and IMF on the countries of the Global South in the name of economic recovery and structural adjustment. These had disastrous effects on food production and people's ability to reproduce themselves.¹

Nevertheless, structural adjustment remains to this day the 'Bible' for the regulation of the economies of Africa, Asia, and Latin America. Accordingly, governments in these regions have been pressured to privatise land tenure, cut subsidies to farmers, redirect agricultural production toward export goods, while opening the door to food imports (especially from the US and the EU). In addition, they were urged to dismantle food reserves, the argument being that such protective mechanisms have no place in a free trade, global economy where food is easily and cheaply at hand.

Even when evidence accumulated that these policies created near famine conditions and major social dislocations, making millions of people dependent on the vagaries of the international market, objections were dismissed. 'Experts' appealed to the principle of 'comparative advantage', and deemed it 'scandalous' for countries of the South to demand *food sovereignty*, i.e., 'the right of every population to decide what to eat and how to produce it, having access to land and low interest loans', when these countries' staple foods could presumably be 'more efficiently' produced in the US.² As a result, in the space of two decades, many countries that had been totally self-sufficient in food production became net importers of food stuffs from Europe or the US, and millions of small farmers were ruined, forced to migrate to towns or abroad. Many in India, crushed by debts, were driven to suicide (150 thousand in recent years).³

In Europe as well, since the formation of the European Common Market, the possibility of food self-sufficiency was undermined, as the objective shaping agricultural production has been the maintenance of a profitable price structure, even though it is achieved through the destruction of much wealth. Building a highly profitable agricultural sector, in fact, has meant instituting quotas regulating what quantity of each product a member country is allowed to produce, and imposing stiff fines on those who exceed these measures. Depending on the country and the particular quotas assigned to it, dairy farmers have been paid to kill their 'surplus' cows, so their milk production would not exceed the limits prescribed, and have been fined when they did not comply, while other farmers have been forced to uproot fruit trees, destroy 'surplus' crops, and so forth.

In sum, while the official rhetoric espoused by the Food and Agriculture Organization (FAO) has hailed the goal of universal 'food security', the production of artificial 'scarcity' in the service of higher profits and the elimination of subsistence farmers has been the true guideline of international food policy for quite some time.

Under these circumstances, to speak of the 'food crisis' as an unintended result, or to blame it on higher oil prices or on the diversion of acreage to biofuel or the increased demand for soybeans in China is a cover up. Indeed, it is an exercise in cynicism for the World Bank to wag its finger at governments promoting biofuel production, as it has recently done.⁴ Biofuel production is perfectly in tune with its policy recommendations that have systematically prioritised the commercialisation of agriculture and profit maximisation at the expense of subsistence needs.

'Perfect storm', however, is not the only description that obscures the social agents responsible for the sudden food price increases. For the crisis is also often depicted as a price 'bubble' driven by the irrational speculative activity of short sighted investors who are bidding up wheat, corn and rice futures far beyond their 'true value' in a desperate desire to wring every last bit of profit before the bubble bursts and the price collapses. The implication being that these investors are as caught up in the process as the people who do not have the money to pay for the corn flour to make their daily tortillas! So, according to this logic, if a market bubble is responsible for the death by hunger and malnutrition of millions, then *nobody* is to blame.

The 'bubble' description of the price hikes is plausible because more and more aspects of capitalism in this neoliberal period are becoming 'financialised'. Thus, in the major mercantile exchanges for grains, investment funds and hedge funds have joined agribusiness and food processing firms as the major buyers and sellers. They are involved in these markets not in order to make a profit out of selling the commodity or through using it to produce other commodities, but in selling the right to sell the commodity at some fixed price in the future. This motivation creates the conditions for a bubble to develop.

The 'bubble' method of dramatically increasing the price of staple foods is quite different from the way it was done in the last historic increase of staple food prices in the early 1970s. As Harry Cleaver incisively describes it, the US government deliberately created a grain shortage by holding down acreage allotments for cultivation in 1970, 1971, and 1972 even after agreeing to the massive grain deal with the Soviet Union.⁵ This led to a scarcity of grain on the international market and a dramatic increase in its price. This type of market manipulation was done during the Keynesian period when the state could justifiably claim to control the market; after all, this was the period of Nixon's wage-price controls. In the present neoliberal era this open planning would be ideological anathema, especially for the Bush administration, and so the grain price increases are accomplished through the market.

But we should not be deceived into thinking that 'bubbles' are unintended distortions that in time will be corrected and everything will go back to 'normal'. For bubbles are not irrational, though the investors involved in them might be; bubbles are constructed, inflated and 'popped' by financial institutions and the state (for a classic example see the role of Alan Greenspan's Federal Reserve in the '.com' bubble of the late 1990s). They have their purposes and bankers, investment fund executives, and US and EU government officials are responsible for their creation and collapse, including that of the food price bubble of 2008.

Food Power

If the 'food price crisis' is the result not of error and irrationality, but of planning and capitalist reason, what is its purpose? What objective/s is it supposed to achieve? More broadly, what is its significance from the viewpoint of the short and long-term trends in capitalist accumulation and class relations?

One sure answer to these questions is that the present food crisis is but the latest step in international capital's long march towards establishing its control over the main planetary sources of energy and value; food production being the key to the regulation of economic activities, wage levels, and labour power production in every part of the world. It is a long march that dates back to the colonial era, when not only were land and other natural resources expropriated, but export-oriented cash cropping and monocultures were implanted at the expense of the colonised people's subsistence needs. Since then, every new policy regarding agriculture and food production (at times involving 'cheap' and at other times 'expensive' food) has been shaped by the principle that *those who control food production also control the political economy of the planet.*

The drives to privatise communal lands and to industrialise agriculture through its rooting in the chemical industry and, later, biotechnology, from the Green Revolution to the invention of Genetically Modified (GM) seeds, were both geared to this purpose. So were the politics of agricultural subsidies and 'food aid' which the US (the Prime Mover in the commercialisation and corporatisation of global food production) has promoted since the 1950s. A turning point was the Food for Peace Act of 1954 that politicised food aid and began to make formerly colonised countries dependent on grain from the US. Much of this was achieved through the policy of 'cheap' food that, in time, undermined the livelihood of subsistence farmers in Africa, Asia and Latin America by making it impossible for them to compete with the heavily subsidised and industrialised agriculture of the US.

It is important here to stress that the use of food as a means to create dependence has been at the heart of the rise of agribusiness and the displacement of millions of small farmers also in the US. And it is a policy that has continued to the present as proven by the US government's staunch refusal to accept the request of many NGOs that they buy food with the money it 'donates' on the local markets from the farmers of the 'poor countries', rather than importing it from the US. This refusal has been so scandalous and so openly detrimental to the countries supposedly 'aided' that even a quasi-governmental NGO like CARE International, which has a deep allegiance to Washington, having worked for decades with the Pentagon in times of war, in 2007,

rejected \$46 million of food aid from the United States government because the aid was destroying the livelihoods of the very people, the farmers, it was meant to assist.⁶

Price Crisis = Class War

Placing today's 'food crisis' against this historical background reminds us that capitalism produces scarcity rather than wealth at least for the majority of the world population. But this explanation also raises new questions. If capitalist development has for decades been structured by the need to control food supplies and use food as a means of profit making and as a weapon in the class struggle, why is it still necessary, in 2008, to resort to measures like dramatic food price hikes that are guaranteed to trigger revolts in many parts of the world? Why do the World Bankers and other capitalist planners want to run this risk? Why were the policies of structural adjustment not sufficient? And, is the food crisis part of the crisis of neoliberalism?

These questions are not easy to answer, but some hypotheses are in order. For the dramatic and murderous food price increases are intended to force a decisive shift in the constellation of class forces throughout the world in favour of capital.

First, *the food crisis should be read as a reply to the widespread refusal of land commodification (which is especially strong in Africa) and the struggle that communities are making across Latin America to reverse the privatisation of land and natural resources and recreate 'new commons'*. This has taken the form of open land re-appropriation movements, like the Zapatistas, the Landless Workers' Movement in Brazil, the Landless People's Movement in South Africa, as well as many less formally organised efforts throughout the world.⁷ In many parts of Africa, rural migrants to the towns, especially women, have been cultivating plots of public land, a move which enables them to gain some independence, increase the family consumption and budget, and raise some money of their own through the small scale sale or barter of the surplus product.

Both World Bank officials and the CEOs of the major food trading corporations undoubtedly plan that the food price hikes will put an end to this resistance, as the rising food prices will produce a new 'land rush', leading to further land expropriation, a further commercialisation of agriculture, and renewed attacks on subsistence farming in favour of the farming of crops for export.

Second, through the hike in food and fuel prices, capital is trying to introduce a set of reforms in the social reproduction process that have long been on its neoliberal agenda, but so far have been successfully resisted by workers in Europe and the US. Despite the erosion of benefits due to increasing inflation, neither Social Security in the US nor pensions in many countries of the EU have been significantly reduced, despite repeated efforts to achieve this end. In this context, the food price hike is the equivalent of a cut in the real wage and a transfer of even more value to the agricultural corporations. It disposes of those 'income rigidities', to paraphrase a Keynesian concept, that so far have prevented the far-reaching 'welfare reform' capital has aspired to for many years. As with inflation historically, food price hikes attack working class communities at their weakest, as shoppers and consumers, rather than as members of workers' organisations.

Third, the food price hike also serves to defeat the resistance of many governments, from Europe to Africa and Latin America, to the introduction of GM products. The rejection of GM food has surprisingly come from every social rank in these regions, to the great dismay of US agribusiness. Significantly, the argument that hiking food prices would facilitate the African governments' acceptance of GM was already well articulated in the World Bank's World Development Report of 2008, that was published in October 2007 (before the most recent price hikes). Indeed, the report

would appear quite prophetic of the developments to come, if we did not realise that to a great extent these developments prevailed thanks to the efforts of the World Bank and its partners in the UN system, the IMF and the FAO, 'prediction' often being a euphemism for a planning target in World Bank discourse.⁸

The Future of Food Production

It is difficult to anticipate whether the food crisis will achieve these three objectives or will instead stimulate a worldwide uprising of movements for the re-appropriation of land and de-commodification of agriculture. For the best laid plans of both agribusiness executives and the World Bankers can go astray.

One determining factor here will be the behaviour of governments in the global South (especially the largest ones, China, India and Brazil), many of which have shown themselves ready to take a more combative stance towards the pressure exercised by the 'international community' on them. The failure of the World Trade Organization's 'Doha Round' is a good sign in this direction. But resistance is not confined to giant nations like China, India and Brazil. An exemplary precedent is the case of Malawi, one of Africa's smallest countries. Traditionally self-sufficient, and even an exporter of food to South Africa, in the 1980s this country was led by the World Bank to end its subsidies to farmers and later, in 2000, the IMF insisted that it put its food reserves on the market. But after years of near famine conditions, it has recently reversed these policies, despite pressure to the contrary by the IMF and World Bank. This has been a wise move, indeed, one that other countries will likely emulate, since for the first time in years Malawi can boast again of a surplus food production.

States, however, are problematic allies in the struggle against starvation-creating price hikes, since they are almost always also interested in developing their capitalist agricultural sector, *but on their own terms*. What will matter most in deciding the outcome of the food crisis will be the ability of movements, across the divides imposed on us, to coordinate strategies of resistance against the planners of hunger and starvation. The struggle against famine and land expropriation cannot be fought only in Africa or the mountains of Chiapas. It must be carried on in the supermarkets and streets of the US and Europe, as were the 'clean clothes' campaigns of the 1990s that transformed shopping into a political act and united textile sweatshop workers in the Global South with workers in the North. The demand for food for all, that will strengthen not poison the consumers and producers, forms the basis of a material politics that can upset the purposes of those who have planned the food price crisis.

But let us make no mistake on this point: the stakes in this struggle are high. If the food price hike strategy works and food production is fully commercialised, if the struggle for the re-communalisation of land is defeated, with food and land going to those who have more cash in hand, millions will die, the peasantry as a historic class will disappear, people across the planet will have access to land only by labouring as peons at the service of agricultural corporations, and we will have missed our last chance of having some control over the quality of the food we eat, which is already largely a byproduct of the petro-chemical industry. Most important, if the food price hikes achieve their purpose, the possibility of constructing a world where, paraphrasing JosĂ© BovĂ©, 'Life is not for sale', will be extinguished for decades.

Info

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Footnotes

1 See: Maria Mies, *Women, Food and Global Trade: An Ecofeminist Analysis of the World Food Summit, Rome, 13-17 November 1996*, Bielefeld: Institute für Theorie und Praxis der Subsistenz e.V., and Karen Lehman & Al Krebs, 'Control of the World's Food Supply', in Jerry Mander and Edward Goldsmith (eds.) *The Case Against the Global Economy and For a Turn Toward the Local*, San Francisco: Sierra Club books, 1996.

2 Mariarosa Dalla Costa, 'Food Sovereignty, Peasants and Women', *The Commoner*, 2008, <http://www.thecommoner.org>

3 Walden Bello, 'Manufacturing a Food Crisis', *The Nation*, 2 June, 2008.

4 World Bank, 'World Bank Development Report for 2008: Agriculture for Development'. Washington, D.C.: World Bank, 2007.

5 Harry Cleaver, 'Food, Famine and the International Crisis', *Zerowork II*, 1977, pp.7-70.

6 Kwesi W. Obeng, 'Soaring food prices send shockwaves and protest across Africa', *African Agenda*. Vol. 11 No.1, pp.5-9.

7 Sam Moyo and Paris Yeros (eds.), *Reclaiming the Land: The Resurgence of Rural Movements in Africa, Asia and Latin America*. London: Zed Books, 2005.

8 World Bank, op. Cit.