THE BLAME GAME:
Who is Behind the World Food Price Crisis?

World prices for basic staples have skyrocketed—up 83 percent compared to three years ago—while hunger and destitution reaches record levels. Corn registered a 31 percent increase between March 2007-2008, rice 74 percent, soya 87 percent and wheat a whopping 130 percent. Policy makers and media continue to place blame for skyrocketing prices on a variety of factors, including high fuel costs, bad weather in key food producing countries, and the diversion of land to biofuels. Increased emphasis, however, has been placed on a surge in demand from emerging economies—for instance, from the middle classes of India.

Growing Consumption in India

The key is if you say it enough times, with conviction, chances are people will think there is some truth to it or that it is true. President Bush too joined the bandwagon of decrying increasing consumption in India and China and its role in the current food crisis. His comments came close on the heels of remarks made by the Secretary of State Condoleezza Rice that “improvement in the diets of people in India and China” which is forcing the governments there to keep food “inside” is a cause for the current global supply shortage. Bush specifically took the case of Indian middle class to argue that its demand for better nutrition was a factor in pushing the global food prices up. Bush and Rice were echoing the sentiments expressed earlier by other influential policy makers. Josette Sheeran, Executive Director, UN World Food Programme, in a testimony to the European Parliament Development Committee, said, “the economic boom in nations such as India and China, is creating increased demand for all commodities including food.” The International Monetary Fund in its 2008 World Economic Outlook states, “strong per capita income growth in China, India and other emerging economies has also buoyed food demand, including for meats and related animal feeds, especially grains, soybeans and edible oils.

China and India grew at 11.4 percent and 9.2 respectively in 2007. With both nations occupying the top slots for population, with over a billion people each and accounting for nearly a third of world’s population—it seems highly probable that a mass consumption in these two countries could be well poised to create a food crisis. It is therefore not surprising that both India…

“There turns out to be prosperity in developing world, which is good....It also, however, increases demand. So, for example, just as an interesting thought for you, there are 350 million people in India who are classified as middle class. That's bigger than America. Their middle class is larger than our entire population.... And when you start getting wealth, you start demanding better nutrition and better food, and so demand is high, and that causes the price to go up.”

--President George W. Bush, Missouri, May 2008
and China, world’s fastest growing economies have become scapegoats to explain the current crisis while the White House tries to defend U.S. diversion of corn to biofuels. At a press briefing, Scott Stanzel, White House Spokesman, said, “of the 43 percent rise in food prices around the world, biofuel production accounted for only 1.5 percent.”

Presenting the food price crisis in terms of an imbalance between demand and supply and to hand pick a few countries responsible for it, is a convenient oversimplification of the causes. On one hand, it takes the scrutiny off structural causes of the crisis, such as the trade liberalization policies advocated by the International Financial Institutions (IFIs) that have wreaked destruction on the agricultural base of the developing countries and destroyed their ability to feed themselves. And on the other, it helps promote the notion that policies based on free trade, deregulation and privatization, have not only created spectacular national growth of developing nations but also improved the standard of living of their citizens. A closer examination, however, reveals otherwise.

**Increased Consumption in India: The Image of a Well-Fed India Does Not Hold Scrutiny**

The increased consumption in India argument does not hold much weight when one considers the fact that India is home to the largest number of chronically hungry people. According to the Food and Agriculture Organization (FAO), there are 820 million chronically hungry people in developing countries, of which 212 million live in India. The World Food Programme’s country page for India states: “nearly 50 percent of the world's hungry live in India, a low-income, food-deficit country. Around 35 percent of India's population—350 million—are considered food-insecure, consuming less than 80 percent of minimum energy requirements. Nutritional and health indicators are extremely low. Nearly nine out of 10 pregnant women aged between 15 and 49 years suffer from malnutrition and anemia. …More than half of the children under five are moderately or severely malnourished, or suffer from stunting.”

Findings of the National Family Health Survey, 2005-2006 support these numbers. The report in comparing with its 1998-1999 data for children under the age of three, states that although chronic under-nutrition is less widespread, acute under-nutrition continues to be a major problem in the country. It also reports, “under-nutrition is particularly serious in rural areas, in the lower wealth quantiles, among schedule castes and schedule tribes, and among those with no education.”

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“The consumption of cereals declined from a peak of 468 grams per capita per day in 1990-91 to 412 grams per capita per day in 2005-06, indicating a decline of 13 per cent during this period. The consumption of pulses declined from 42 grams per capita per day (72 grams in 1956-57) to 33 grams per capita per day during the same period.”

The U.S. Eats 5 Times More Than India Per Capita

Even as the world spins into a global food crisis, a popular theory—voiced by the likes of U.S. President George W. Bush and Secretary of State Condoleezza Rice—is that the Chinese and Indians are responsible. The "logic": due to zooming incomes, they are eating more, causing worldwide shortages. But is that true?

Due to their huge populations, countries like India and China may appear to consume gigantic amounts of food. But the real elephant in the room that nobody is willing to talk about is how much each person gets to eat. And the answer will shock many.

Total foodgrain consumption—wheat, rice, and all coarse grains like rye, barley etc—by each person in the U.S. is over five times that of an Indian, according to figures released by the U.S. Department of Agriculture for 2007.

Each Indian gets to eat about 178 kg of grain in a year, while a U.S. citizen consumes 1,046 kg. In per capita terms, U.S. grain consumption is twice that of the European Union and thrice that of China. In fact, per capita grain consumption has increased in the U.S.—so actually the Americans are eating more. In 2003, U.S. per capita grain consumption was 946 kg per year, which increased to 1046 kg last year.

By way of comparison, India's per capita grain consumption has remained static over the same period. It's not just grains. Milk consumption, in fluid form, is 78 kg per year for each person in the U.S., compared to 36 kg in India and 11 kg in China.

Vegetable oils consumption per person is 41 kg per year in U.S., while Indians are making do with just 11 kg per year. These are figures for liquid milk, not for cheese, butter, yogurt and milk powders which are consumed in huge proportion in the more advanced countries.

A significant proportion of India's population is vegetarian, and so, this is all the food that they get, apart from vegetables and pulses. But the source of carbohydrates and fats is mainly derived from food grains and oils.

As far as meat consumption is concerned, the U.S. leads the world in per capita consumption by a wide margin. Beef consumption, for example, is 42.6 kg per person per year, compared to a mere 1.6 kg in India and 5.9 kg in China. In case you are thinking that perhaps Indians might be going in for chicken, think again. In the U.S., 45.4 kg poultry meat is consumed every year by each person, compared to just 1.9 kg in India.

Pork consumption is negligible in India, while it is a major item elsewhere. In the European Union, 42.6 kg pork is consumed per person every year, while in the U.S., 29.7 kgs are consumed. Pork is a staple for Chinese, and so over 35 kg are consumed per person per year. All these comparisons are for powerful economies, whether of the West or the East. But the story would not be complete without mentioning the plight of Africa, where foodgrain consumption in 2007 was a mere 162 kg per year for each person, or about 445 grams per day. Perhaps, it is time to include the lifestyle choices of the West in the whole feverish debate on how to tackle the global food crisis.

The argument that "economic boom" has improved peoples’ diets, also helps generate the perception that the market-friendly reforms initiated in India have contributed positively to the uplifting of the poor and underprivileged. Data proves the contrary.

While there has been a reported decrease in the incidence of poverty, the gap between the rich and the poor is widening. While thirty-six people reportedly are collectively worth $191 billion, according to the Asian Development Bank more than 800 million people in India earn less than two dollars per day and more than 300 million Indians remain under the poverty line, earning less than one dollar a day. Figures culled from the surveys of the National Sample Survey Organization (NSSO) and the 2007 report of the National Commission for Enterprises in the Unorganized Sector (NCEUS), also known as the Arjun Sengupta Report, offer a more sobering contrast: 77 percent of India’s working population lives on less than Rs. 20 per day—which is a little over half a U.S. dollar a day. The NCEUS also reports that the total number of the poor and vulnerable had increased from 732 million to 836 million between 1993-1994 to 2004-2005.

Increase in Demand for Food = An Increase in Purchasing Power or Destruction of the Country’s Agricultural Base

Even if the argument “increase in demand” is taken seriously for a moment, it is pertinent to ask if the increased demand for food results from increased purchasing power of the population or is due to erosion of agricultural base of the country. This requires an examination of the agricultural sector, agricultural exports and imports bill, and the agricultural policies of the country, and last but not the least, social and economic conditions of the peasantry in India.

Figures rarely convey the complexity of the situation. Comparison of the export and import bills for cereals in 2002 and 2006 demonstrates that the slight increase in exports is offset by the drastic increase in imports during that period. The number of agricultural commodities that India was the largest producer of decreased from 30 to 19. Also, a comparison of agricultural commodities produced before and during 1991 and in the years following to 2006, shows a change in composition of agricultural produce, with the trend moving favorably towards high-value commodities for exports.

There has been a considerable decline in the rate of growth of production, productivity, area planted and irrigated for the major crops. The area under the production of foodgrains over a 16-year period witnessed an average annual decline of 0.26 percent during 1989-1990 to 2005-2006, largely because of a shift in area away from coarse grains. According to the 2007-2008 Economic Survey of India, between 1950 and 2006, production of foodgrains increased at an average annual rate of 2.5 percent compared to the growth of population which averaged 2.1 percent, making India almost self-sufficient in foodgrains with hardly any food imports between 1976 and 2005. The rate of growth of foodgrains
production, however, decelerated to 1.2 percent during 1990-2007, lower than annual population growth, averaging 1.9 percent.  

India is obviously making a concerted effort to move towards market driven production of agricultural goods vis-à-vis goods produced for local, State or national requirements. With its export orientation, the country is systematically letting go the long held post-Independence statute of self-reliance in agriculture. This thrust on exports comes with India joining WTO and committing itself to free trade.

**Who Pays the Price?**

The decision to subjugate the agricultural sector to the vagaries of the market and convert food into a commodity to be traded in international markets is extracting a heavy price which is rarely mentioned in explaining the current food crisis. While there have been no food riots in India as reported in other parts of the world, the current inflation rate has spiked above the 7.5 percent mark—with prices of some of the essential food commodities registering a 40 percent increase over the last year. The government has had to step in to ban export of edible oil and impose selective ban on basmati and non-basmati rice.

While policy makers from all spectrums and in both national and international arenas play the blaming game, it is important to investigate why the world’s third largest agricultural producer is adversely affected by the world food crisis. What ever happened to the surplus? How and when did India, that practiced self-reliance, decide to adopt the vagaries of the world market for food?

All economic figures indicate a dismal state of Indian agricultural sector. Despite being an agricultural economy, the Indian agricultural sector registered merely a paltry 2.7 percent growth in comparison to the over 10 percent growth in the industrial sector. Global restructuring of agriculture and agricultural intensification has significantly altered the rural landscape. The net result is further impoverishment of the impoverished lot. Farming is no longer sustainable.

With little or no incentive for producing food for home consumption, farmers are increasingly being pushed towards cultivation of cash crops, for instance Bt cotton, with disastrous results. According to official figures over 17,000 farmers committed suicide in the year 2006 alone with the states of Maharashtra and Andhra Pradesh registering the highest number. Despite Maharashtra State government’s Rs.1075 crore ($14 million) “package” for farmers and the Center’s Rs.3750 crore ($175 million) package that followed in July 2006, “the suicides, continued unabated and the number increased to 1414 during 2006-07.” Nearly one farmer committed suicide every 30 minutes since the year 2002.

The Comptroller and Auditor General’s (CAG) audit of relief packages found that not only were the packages tardy in implementation, but also mindless in conceptualization and “inconsistent with local needs.” Not surprisingly then, the money did not help mitigate the gargantuan agrarian crisis or even reduce farmers’ suicides. The report acknowledges, “Farmers’ suicides shot up dramatically even when the two packages were in vogue.” One of the important deficiencies that CAG found out was the fact that the funds spent did not improve agricultural support prices. In CAG’s evaluation, “the possibility that agrarian distress essentially caused by unremunerative agriculture would start rising again in the closing years of the package (2008-09). It warns that distress could increase significantly after the expiry of the moratorium on loan recovery, which is June 2008.
SEZs = Special Exploitation Zones?

India is predominantly an agricultural economy, this despite its claim to international fame vis-à-vis nuclear power, informational technology and current preferred destination for outsourced jobs from developed countries. The fact that more than 70 percent of its population lives in rural areas and is primarily dependent on agriculture, however continues to escape nation’s imagination as evident in its expansion of Special Economic Zones (SEZs).  

A SEZ is an especially demarcated area of land, owned and operated by a private company, which is deemed to be foreign territory for the purpose of trade, duties and tariffs. SEZs enjoy exemptions from customs duties, income tax, sales tax, service tax.

The fascination with export driven economy is visible in the fervor with which the United Progressive Alliance (UPA) government is pursuing the creation of SEZs, owned by private corporations. Prior to the Special Economic Zone Act of 2005 there were only 19 such zones in the country. This number has drastically increased in the last few years. The Department of Commerce recently reported that 428 SEZs have now been formally approved.

Kamal Nath, Commerce and Industry Minister, while defending his government’s decision in the Upper House of the Parliament reported that total of Rs. 67,000 crores ($15 billion) has been invested in 80 SEZs, currently in operation and which provide employment to 1,76,688 people. He also said that the combined exports from these SEZs stood at Rs. 65,000 crores ($15 billion) in 2007 and the projected figure for 2008 was Rs. 1,24,000 crores ($328.9 billion).

The government is committed to the rationale of the SEZs by showcasing foreign and domestic investment in these zones, the rise in exports, and employment generation. However, when one places these figures next to the number of people displaced and forced into destitution for failing to secure alternative livelihoods – one has to question intent

Estimates show that the government’s goal of establishing 500 SEZs will require acquiring 150,000 hectares of land—predominantly agricultural and typically multi-cropped. 114,000 farming households (each household on an average comprising of five members) and an additional 82,000 farm workers families will be displaced. In all some 1,000,000 people who primarily depend on agriculture for their livelihood, face eviction. Experts calculate that the total loss of income to the farming and the farm worker families is at least Rs. 212 crores ($49 million) a year. This does not include other income lost (for instance of artisans) due to the demise of local rural economies.

There is widespread dissent among the poor, peasant communities in India against the SEZs. The government’s desire is not in sync with the masses. Moreover, those displaced are the most disenfranchised among the disenfranchised – the tribal people. They constitute around 7.5 percent of the population, and over 40 percent of those displaced. And since 1990 the figure has risen to almost 50 percent.
Devastation of the countryside continues with little or no bearing on the policies that continue to be pro-market and anti-farmers. The new farmers policy of the Central government unashamedly emphasizes moving people out of the agriculture sector in the name of reducing dependency on agriculture without specifying as to where and how 59 percent of the population is to be rehabilitated? It is worth noting that the current food crisis has no bearings on the profits of the giant multinational agribusiness corporations. Monsanto India reported a considerable rise in standalone net profit for the year ended March 2008. During the year, the profit of the company rose 42.04 percent to $23 million from $16 million in 2007.\(^{34}\) Internationally Monsanto nearly tripled its profits in the last quarter of 2007 helped by its corn seed sales which jumped to $467 million from $360 million, and sales of its Roundup and other glyphosate-based herbicides climbed to $1.0 billion from $649 million.\(^{35}\) Cargill registered an 86 percent jump in profits in its first quarter in 2008.\(^{36}\)

**Putting Small Scale, Sustainable Agriculture Back at the Center of Policies**

Growing hunger and poverty in India amidst plenty is emblematic of hunger worldwide. It has been manufactured by decades of neglect of agriculture in poor countries which has both exacerbated food insecurity and further impoverished the most marginalized. In addition, the opening of agricultural markets has converted food into a commodity and marginalized the poor countries and their farmers at the altar of free market and skyrocketing global food prices.

Promoting agricultural development in poor nations would bolster their food self-sufficiency and help alleviate poverty. After all nearly seventy five percent of the world’s poor people are small farmers who are still heavily dependent on agriculture for income and jobs. According to a report by Oxfam International, “there are also strong efficiency arguments for investing in the developing world’s 400 million smallholder farmers. Their smallholdings often show higher productivity per area than their larger counterparts. In addition, such farmers usually spend more on locally manufactured goods and services. In countries economically dependent on agriculture, this is one factor that contributes to the potential for agriculture to ‘kick-start’ their economic development.”\(^{37}\)

India is no exception to this.

The recently concluded International Assessment of Agricultural Science and Technology (IAASTD), an independent and multi-stakeholder assessment of agriculture also echoes its support for small farmers and states clearly that the business-as-usual scenario of industrial farming, input and energy intensiveness, and marginalization of small-scale farmers, is no longer tenable.
The report recognizes the negative impact of excessive and rapid trade liberalization on food security, poverty alleviation and the environment and calls for a systematic redirection of investment, funding, research and policy focus towards the needs of small-farmer. The report also concludes that GM crops are unlikely to play a substantial role in addressing the needs of small farmers and instead, recommends sustainable agriculture that is biodiversity based as being beneficial to poor farmers.

Recommendations such as these are especially important for countries like India to attain an equitable and sustainable food and farming system that fulfills the needs of its population. However such proposals require a radical break from the past and a new approach to building an agricultural and food system that would support rural communities and the poor. This would include effective safety nets for the poor and hungry to assist people meet their basic needs and fulfill their right to food. This should be made possible through better implementation of the National Rural Employment Guarantee Programme, the Public Distribution System, and the Social Security schemes.

More important, India needs to revitalize its agricultural sector and make significant investments in the rural areas to support small farmers that form the bulk of Indian agriculture, in form of direct income supports, and emphasize production of food crops for local and national markets. This will require not only a change in the amount of investment, but for the government to embrace a people-centered policy framework for agriculture.
http://ncrb.nic.in/ADSI2006/TABLES.htm.


www.sacw.net/Nation/sezland_eng.pdf.


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32 Tribal people displaced.


