

## First Riots Erupt Due to Food Price Hike

*By Marie Brill, ActionAid USA*

On January 5, the UN's Food and Agriculture Organization (FAO) announced that food prices had surpassed the 2008 peak and had reached a record high. While the FAO did not describe the record levels found on the food index as a "crisis", Abdolreza Abbassian, an FAO senior economist did describe the situation as "alarming." The FAO warned that if food prices remain high or if more commodities rise in price as well that it could lead to another global food crisis, evoking memories of the 2007/2008 crisis that sparked riots in 33 countries, claiming hundreds of lives. Already the first riots have erupted in Algeria and India. The news of the FAO price index has sparked a flurry of news coverage that raises as many questions as there are answers.

ActionAid urges the international community to act now so that the high prices will not grow into a full-blown global food crisis. And as an organization with a presence in 50 countries, we are taking every step possible to prevent and prepare to address a crisis if it comes down to that. In the U.S. we are making every effort to address some of the key contributing factors, including climate change, the biofuels boom, and commodity speculation that gave rise to the 2008 crisis and that are partially feeding this latest price volatility.

ActionAid has been monitoring the rise in prices and assessing the impact on poor and vulnerable communities, many of whom have been unable to recover from the 2008 crisis. ActionAid offices in developing countries have been watching for signs of deterioration in food security. Not only has ActionAid noted surges in local market prices, but staff are taking notice that households are having to reduce the frequency or quality of meals.

Internationally, ActionAid is working with allies to review the readiness of local and national governments, farmers and communities to cope with another food crisis. ActionAid's definition 'readiness' means a combination of short term steps to guarantee poor people's access to food (such as subsidies, rations, school feeding schemes, public works employment/cash for work, or cash transfers), and long term measures to increase local food production for local use (such as credit, extension, inputs, land reform, investment in sustainable and resilient farming methods).

### **Is there a crisis or not? What is happening?**

There are four trends that are worrying us.

1. **High levels of underlying, chronic hunger.** In many countries, domestic food prices did not go down much after 2008, and/or have risen significantly during 2010. In addition, the recession has led to social spending cut-backs and/or job losses in some countries. These two factors, separately or in combination with one another, means that chronic hunger is already at very high levels in some countries.
2. **Rising global prices.** Food prices have been steadily rising on global markets in the past 3 months. The margin between global supply and global demand is very thin and the FAO, while stopping short of predicting another worldwide crisis, describes the situation as "dangerous." Prices of many staples except rice are getting close to 2008 peaks again. This is due to several factors such as:

- a. harvest failures in some key exporting countries, coupled with export restrictions in a few of them;
  - b. biofuels consuming an increasing part of the US corn crop, which has a knock-on effect on the prices of other crops used as corn substitutes;
  - c. the rise in oil prices, which will increase input and transport costs
  - d. increasing demand for food as consumers recover from the 2009 recession
  - e. a weak US dollar, and extra-loose monetary policies in the U.S. and Europe which could spur another wave of commodity speculation
3. **Climate change impacts.** At the moment there have been good harvests overall in Africa and Asia which are helping stave off a full blown crisis, but poor weather could change this. The developing “La Nina” phenomenon has already resulted in drier than average weather conditions in some countries and off season rains in others. Too much or too little rain can hamper planting operations, cause crop failure or disrupt access to markets and restrict humanitarian responses.
  4. **Root causes of food crises remain.** Systemic challenges to the global food system that have given rise to past crises have not been addressed. The International Food Policy Research Institute (IFPRI) warns that without changes to repair these flaws then food crises could begin to repeat more frequently. These root causes overlap with the factors listed above, but can be simmered down biofuel policies, commodity speculation, climate change, and failed trade and agricultural policies. Each crisis has also had additional factors that united to create the food price spike, but these underlying challenges to the global food system have not been addressed.

### Which countries and social groups are vulnerable?

Who will be hardest hit depends on a number of factors that are very hard to predict, such as weather patterns, which crops experience the biggest spikes, and the policy responses of governments.

However, we have identified three categories of countries at risk:

- 1) Countries where domestic prices have already increased sharply in recent months: these include India, Nepal, Myanmar, Pakistan, China, Vietnam, Kenya, Afghanistan, Bangladesh, Burundi, Haiti, Mozambique, Uganda.
- 2) Countries that are heavily dependent on imported cereals: these include Algeria, Nepal, Afghanistan, Pakistan, Liberia, Ethiopia, Lesotho, Haiti, Bangladesh, DR Congo, Ghana, Kenya, Mozambique, Nigeria, Senegal, Tanzania, Zimbabwe.
- 3) Countries with vulnerable economies and limited ‘fiscal space’ i.e. limited ability to borrow to finance higher food import bills and/or to cushion consumers from price increases. We are researching this further but at the moment we think this category is likely to include Bangladesh, Nigeria, Kenya, Zimbabwe, Mozambique, DRC and Pakistan.
- 4) Countries with unfavourable prospects for current crops: Burundi, Cambodia, Lao People’s Dem. Rep. and Pakistan.

In addition (and with some overlap) the FAO identified 29 countries that are currently in crisis and requiring external assistance for food. 20 of these countries are in Africa, 7 in Asia and 2 in Latin America and the Caribbean. These countries fall into three, not mutually exclusive, categories. They are countries facing an exceptional shortfall in food production and supplies, countries with widespread lack of access

to food, and/or countries with severe localized food insecurity which could result from refugees, crop failure or deep poverty.

Poor people in both urban and rural areas are vulnerable to price increases. Most smallholder farmers are net buyers of food, and they may spend as much or more of their total income on food (in percentage terms) as the urban poor. Women and young children are particularly at risk both because they lack bargaining power within the household, and for reasons of biology (malnutrition does severe damage to under-five children and pregnant or lactating women). Additionally, if families have to change their survival strategies to cope with rising food prices, it is often women and girls who will shoulder the costs of these coping mechanisms: e.g. if children must be withdrawn from school then girls are usually the ones to suffer.

### **Will there be a crisis and when?**

We don't know. **Hopefully, there won't be a full blown crisis at all.** Much has to do with the psychology of "market panic" which is very unpredictable in nature. However, it's worth noting that in 2007/8, price pressures began to build in Nov 2007 following the Northern hemisphere harvests; and escalated to unmanageable levels around April 2008. So over the next couple of months we need to monitor the situation very carefully.

### **Where are the riots?**

The FAO has been arguing that the current high prices don't make a crisis because there have been some good harvests in many countries, not all staple foods (like rice and wheat) have risen in price too quickly or at the same levels as in 2008.

ActionAid has started to hear reports from some countries that they are seeing lower yields in their farms, and are noticing the rising prices, but enough families have been able to stretch to afford the increased costs, which has staved off riots.

Riots make good press, but are devastating to people, so the more that nations and communities can do to meet people's needs and avoid riots the better. The 2008 riots claimed hundreds of lives in 33 countries, giving face to the 100 million people that were pushed into deeper poverty as a result of the food crisis. Initial riots have already broken out in Algeria and India, but the extent of the violence will likely reflect not only the severity of the crisis but the ability of governments and aid organizations to respond.

### **What steps do we need to take?**

The United States governments and other governments can play a critical role in both effective food crisis response and prevention. Immediate responses to the distress caused by rising food prices, including funds to increase emergency food aid and expand social protection programs are extremely important. However, short term assistance will not tackle the underlying causes of the crisis. To begin tackling the root causes of these crises the U.S. can take several important steps including:

- Fulfilling its pledge to increase investment in agricultural development made at the G8 summit in L'Aquila, which will assist small farmers to increase production and feed themselves and communities.

- Implement limits on commodity speculation and work with other countries in the G20 to develop appropriate global measures to strengthen the regulation of commodity futures trading.
- Remove all subsidies for corn ethanol production and blending and lower targets for increased use of biofuels that are driving the current increase in corn prices.
- Support a moratorium on the diversion of arable land to industrial biofuel production.
- Work with other countries to shift from subsidizing biofuels to increase research, investment and incentives to scale up alternative renewable energy sources.