



Organization of American States

Topic A: Food Crisis in the Americas

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8 April 2010



Introduction

The Organization of American States (OAS) is the world's oldest regional organization, tasked with promoting democracy, human rights, security, and development in the Western Hemisphere. One of the most urgent problems facing the region collectively is a rapidly developing food crisis. In the past several years, the use of ethanol as a fuel, the rapidly increasing populations of the nations of the Americas, the desire for higher quality of life, and climate change have all come together to stem a food crisis facing the region's people.

Access to food is a fundamental human right, and with the changes in the dynamics of American ecosystems and the new uses of corn to extract energy, food prices have risen dramatically in the past decade. Although the crisis has impacted all levels of society, generally the poorest in society have ended up being the most heavily affected.

Although it seems evident that a food crisis exists and what the causes for the current food crisis are, the topic has largely been ignored within the global community. While critics of "agro-fuels" warned that the diversion of the productive uses of land from food to fuel would cause a price hike and food shortages, and meteorologists predicted global warming would have an effect on crop cycles, most of these threats have been brushed aside.

Today, however, an all-out food crisis does in fact exist; two countries in particular, Mexico and Haiti, have faced the brunt of the calamity. These two countries illustrate how the rest of the Western Hemisphere might experience the same food shortages if immediate action is not taken to avert this emergency.

In Haiti and Mexico, decreasing food supplies and rising food prices have led to an explosion of public demonstrations, some of which have included violence and looting of stores. 50% of the Haitian population survives on less than a dollar a day, and increases by as much as 50% in the prices of staple foods like rice and beans are keeping more and more people hungry.



Mexico's food crisis is a longer-standing issue and centers on Mexico's predominant food crop, corn. The rise in the international price of corn due to demand for ethanol production, the increase in the price of gas, and the concentration of corn markets as a result of the North American Free Trade Agreement have all contributed to price increases too sharp for the average Mexican citizen to keep up with.

While food prices have increased, so too have profits for agribusiness corporations. Speculation in crop markets has led to soaring prices as investors look for ways to make money out of the price increases. This proves that it isn't simply poor yields and changes in consumption that are leading to the food crisis, but also a problem of manipulated prices and an inefficient market that threaten to make more and more people in the Americas.

How can this food crisis be controlled, pushing prices lower without reducing supply? Your goal as a committee is to review the information presented in Mexico and Haiti's situation and assess the contributing factors to the crisis in order to come up with a practical solution on how to stop the crisis and prevent further food-related violence.

Background

The food crisis developing in Latin America is undeniably intertwined with rising food prices that have occurred over the past five years all across the globe; the international food price index rose 82% between March 2006 and March 2008, yet food prices still remain lower than they were in decades past. For example, wheat prices in 2007 were 10% lower than they were during much of the 1960s and 1970s. The current food crisis stems not just from high prices but from fundamental changes in the nature in which food crops are consumed, due to increased biofuel production, higher energy prices, and increased food consumption in emerging markets. These factors have led to a high degree of food price inflation.

By looking at historical context, it becomes even more apparent as to how the food crisis has come about and that the main root of the problem is the corporate monopolization of the global food system. In the 1960s, a movement known as the Green Revolution arose, which



marketed the technologies of hybrid seeds, fertilizers, and pesticides to developing countries around the world, including Latin America. This served to increase yields but did not alleviate the hunger problems facing these developing nations; the new technologies brought forth by the Green Revolution allowed better control of rich bottomlands by large farmers that could adopt the new technologies more rapidly, leading to displacement of small farmers and the peasantry.

These small farmers were forced to leave agriculture and migrate to the cities. Others created new agricultural areas in regions less conducive to crop growth. Meanwhile, the Green Revolution technologies led to greater and quicker degradation of the soils, calling for the use of more and more fertilizer applications to prevent yields from falling. Thus, the Green Revolution, which was formed to make life easier on the poor, actually put them into further poverty and degraded the ecosystems they depended on for food.

Another development that led eventually to increases in food prices and the shortage seen in nations today was the formation of Structural Adjustment Programs in the 1980s, which were conditional loan programs enforced by the World Bank and International Monetary Fund (IMF). Countries applying for these loans agreed with the IMF to remove their tariffs on foreign imports and privatize state companies and services. This allowed for “dumping” of grain surpluses from the US and Europe to developing nations at subsidized prices, which farmers in these nations could not compete with. They were driven out of the business and forced into low-wage jobs, mainly involving work on plantations. Thus, the Structural Adjustment Programs led to a dependence on food imports by the world’s developing nations. Free trade agreements and the World Trade Organization led to further emphasis of the factors underlying the problem.

The dependence of these nations on foreign imports, as well as a large population living under poverty levels, made a food crisis inevitable in an era in which increased demand for biofuels has brought the price of agricultural commodities significantly higher. Between 2001 and 2007, the amount of corn used in US ethanol distilleries increased 350%, from 18 million tons to 81 million tons. It was expected that by the new decade, half of the US corn



harvest would be diverted to ethanol production. This has led to huge areas of productive farmland being diverted to corn while wheat and soybeans have been displaced, decreasing their supply and increasing their market prices.

Food price inflation has been increasing since the turn of the century in the nations of Latin America, affecting both net food exporters and net food importers. On net, the nations of Latin America export more food than they import, so one should expect that the food crisis would not be as harsh on residents of these nations; the fact of the matter is that the adverse effect of rising food prices has been just as strong on Latin American nations as on importers. The poor have been disproportionately affected, by having to spend a larger share of their income on food. UN Secretary General Ban Ki-Moon called the food crisis the “crisis for the most vulnerable,” as it is the poor who spend the greatest percentage of their income on food and so are least able to purchase higher-priced food.

These high prices, due largely to inflation and increases in tariffs for food trade, have provoked demonstrations by citizens of OAS nations, which have become violent in numerous cases. In Haiti’s capital of Port-Au-Prince, pricing issues and food shortages exploded into violence in early 2008, with five people left dead and numerous stores looted. One laid-off Haitian factory worker stated, “The thing that destroys the country is that you can't buy anything. This high cost of living is killing us in Haiti.” This sentiment has left the working classes feeling as though violence and stealing are the only option for survival.

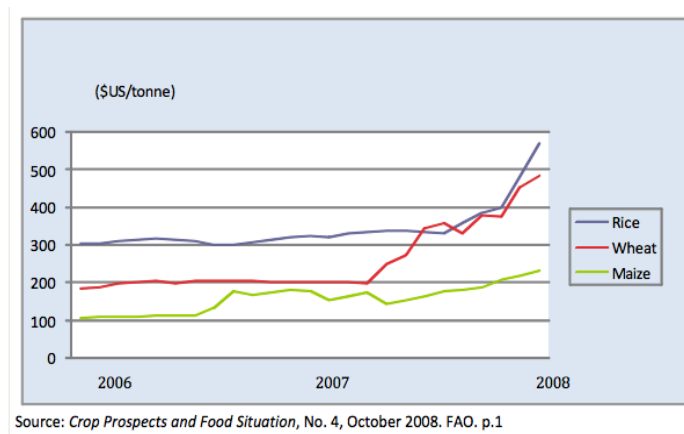


Figure 1: Price Increases from 2006-2008 Across Staple Latin American Crops



Contrary to the picture painted by many media outlets in the developed world, Haiti is not a poor country for all its residents; it has the second highest income inequality of any nation in the world. Although Latin America as a whole exports more food than it imports, Haiti is a net food importer, despite at one time being completely self-sufficient in the production of rice, the Haitian population's staple crop. In the 1990s, with the introduction of trade liberalization policies, import of rice began to exceed internal production. With the lowering of tariffs by the International Monetary Fund in the 90s and further decreases by interim Prime Minister (after the 1991-1994 coup d'etat) Gerard Latortue, Haiti has become almost entirely dependent on foreign food import, and at present 82% of the rice Haiti consumes is imported. The situation has continued to worsen, causing Prime Minister Jacques Edouard Alexis to step down following more riots in April 2008. Thus, it can be seen how the current food crisis has been foreshadowed for the past several decades.

Current Status

Riots in Haiti and similar, less violent demonstrations in Mexico exploded onto the international stage in May 2008, when seventeen Latin American governments declared a "regional food emergency" at a one-day summit in Managua, Nicaragua. The summit urged an increase in the investment in agriculture and international cooperation to help ease the crisis.

In addition to Haiti's food crisis outlined above, Mexico has had its own food crisis that is worth being discussed. Its crisis is deeply rooted in two major staples of the Mexican diet: corn and tortillas, the latter of which are themselves made from cornmeal. This problem, like that of Haiti, has been growing for decades now, stemming from increases in prices and decreases in supply. The problem finally came to a head in January 2007, when tens of thousands of Mexicans poured into the streets to protest a 50% increase in the price of corn and tortillas. Most analysts have been quick to label the recent developments as a direct result of increased prices triggered by higher global demands for ethanol production. While certainly an important component, the problem is far more complex, and its causes stretch back much farther in time. The rise in the international price of corn, the increase in the



price of gas, and the concentration of corn markets by transnational companies as a result of the North American Free Trade Agreement (NAFTA) are other significant factors that have brought the situation to where it is today.

The main culprit for the steep rise of corn prices in Mexico was speculation and hoarding on the part of transnational corporations. The four companies in particular that buy, and speculate on, Mexican corn are Cargill, Maseca-Archer Daniels Midland, Minsa-Arancia Corn Products International, and Agroinsa. These four corporations had tremendous motivation to drive the price of corn up, the first and foremost of these motives being to increase their profits. The storage and transportation facilities of these companies allowed them to buy corn at around 1,500 pesos per metric ton after the 2005-2006 harvests and start selling them in the domestic market for between 3,000 and 3,500 pesos in December 2006.

Another factor in the transnational corporations' desires to drive up the price was to capture the corn flour market. Roughly half the tortillas eaten in Mexico are made with industrialized corn flour, and the other half are made with corn milled the traditional way from whole corn by small mills. The large companies have wanted to capitalize on the corn flour market by spiking the price of corn to the small mills and lowering the price of corn flour sold to tortilla produces and large retail chains. This type of collusion and market control in the hands of a few large corporations has been dubbed as a "corn-tortilla cartel." Thus, while the poor starved, Cargill registered an 86% increase in profits from commodity trading in the first quarter of 2008.

The government has recently responded by imposing a price ceiling on corn prices, which has led to stabilization of prices in some areas. The higher prices still have had a detrimental effect on the nation's poor, completely threatening their survival.

The Mexican situation is not a problem of scarcity, but the advocated solutions have focused on unsustainable agricultural practices to raise yields, including a call by biotech firms to lift the government ban on cultivation of genetically modified corn. Farmers' organizations warn



that lifting the ban threatens native corn varieties, livelihoods, and the nation's food sovereignty. Mexico is a center of origin for corn, with hundreds of native varieties developed over the years by indigenous and non-indigenous small farmers.

Mexico and Haiti serve as just two examples of the vast degree of food shortages in the region overseen by the OAS. In March 2009, the Guatemalan government declared a national state of calamity due to high food prices, high fuel prices, and the high level of malnutrition caused by irregular rain and hot conditions. In Honduras and Nicaragua, one in three children under the age of five suffers from chronic malnutrition. A study produced by the Economic Commission for Latin America and the Caribbean estimates that the food crisis will cause 15 million Latin Americans to join the 70 million people worldwide living in extreme poverty. Thus, the food crisis is a very relevant issue for the OAS to discuss and develop a plan towards halting the already dire situation from becoming worse.

Now that it is apparent a food crisis is underway, given the riots and demonstrations by citizens of various Latin American nations, the global community has begun to undertake the task of developing a solution to the problems underlying the food shortage. So far, efforts to contain the food crisis have been futile, as the World Bank has reported that wheat prices have risen over the 36 months prior to April 2008 and they were predicted to remain high into the new decade before an eventual decline. The decline would not prevent prices from staying well above 2004 levels through 2015.

Nations like the United States have provided aid, with the U.S. giving \$700 million in food aid to Haiti and Mexico in 2008. Aid will not solve all problems, however, as there are deep structural flaws in global food production, distribution, and consumption. These issues have so far gone unaddressed by the international community and most proposed solutions have emphasized more aid and free trade as solutions. These types of solutions are not sustainable, as they tend to increase the dependence of nations facing food shortages further on imports and aid.



Officials from various UN organizations including UNICEF and the UNDP met in July of 2008 to address the issue at hand. They came up with the following starting points for action:

- “Develop a joint assessment of the impact of higher food prices and other external shocks on hunger, poverty and inequality in Latin America and the Caribbean, using common data and indicators.
- Define a set of integrated development actions that address the needs of the most vulnerable population groups, including indigenous people, Afro-descendants, women, youths and migrants.
- Mobilize resources from governments and international donors to support these actions.
- Support the use of a new "Atlas of Vulnerability" developed by PAHO and ECLAC's population division (CELADE) to identify areas and population groups with the most urgent development needs.
- Support ongoing integral development projects in cross-border areas, including Central America's Mosquito Coast, South America's Chaco region, the Amazonian tri-border area, and the Altiplano of Bolivia and Peru.
- Launch a new Pan American Alliance for Nutrition and Development to coordinate and promote the U.N. agencies' efforts to fight hunger and improve nutrition, particularly among vulnerable groups.”

The World Bank has outlined some of its own proposals, calling on the international community to make up the \$500 million food gap required by the United Nations World Food Program to meet emergency needs and increasing its loans for agriculture. The solutions do not do anything to improve production, however. Small farmers require more support so that they can produce enough food for their communities in a sustainable manner and so that their communities can depend less on the corporate-controlled international markets.



Some issues that need to be addressed that have not yet been discussed in an international forum include government subsidies, patents on living organisms, concentration of global food trade, and supply management/market control measures. Government subsidies are important for family farmers in developing countries to encourage the goal of agriculture, lead to a sustainable food supply, and provide a stable livelihood for those seeking to farm. Patents on living organisms have functioned to inhibit the sharing of findings in agriculture as more interest has been formed in earning a patent to have a monopoly. This has led to looting of public gene banks by private interests and stolen knowledge and livelihood from small farmers and indigenous people. The global community must also look at creating antitrust laws against large transnational companies that control so much of the global food supply and the prices that consumers face. Finally, one solution toward price volatility would be for governments to build food supply reserves and management systems.

Several regional organizations have put forward their own recommendations for an international resolution in response to the food crisis. One organization, the Latin American Economic System (SELA), recommends the exchange of information and transfer of technology throughout the region, training in agriculture and livestock breeding, and the use of new technologies in the agricultural sector to benefit small- and medium-sized producers. They also called for a food security fund to assist countries with agricultural production projects as well as food emergency programs, and the development of networks of regional research institutions and laboratories that can study seed improvement, genetic upgrading, and the development of crop varieties that are resistant to disease and drought.

The World Food Program is another entity that has looked at and responded to the current food crisis in Latin America. Its executive director, Josette Sheeran, has called on the OAS to “get serious about putting in an infrastructure of food security and to look at the most cost-effective, targeted ways to do so.” She has stated that it is within the purview of the OAS to do so. Her recommendations involve having each country developing its own food security program that is appropriate to that country’s needs, with these national programs linking up to form a dynamic regional entity where regional strategies can be enforced when one nation incurs severe food deficits. A system that watches national and regional wages and food



prices would be integrated into these programs. Sheeran further argued that a commitment to nutritional floors must be adopted by nations to ensure that future problems are controlled before they become uncontrollable.

In addition to these proposals from international bodies, the nations of Latin America and the Caribbean have employed several of their own policies to combat the food crisis. Brazil, for example, has created an anti-hunger program, including a targeted food for work program, a food ration or food stamp program, and school feeding program. Other nations in Latin America have employed other similar policies, including but not limited to a conditional cash transfer program, consumer price subsidies, fertilizer or input subsidies, an increase of supply using food grain stocks, an export ban on food staples, an ease of restrictions on imports by reducing tariffs and easing nontariff trade barriers, the government purchase of food abroad to sell at home at controlled prices, and reductions of value-added taxes on food and grain.

With all of the problems and possible solutions outlined above, there has yet to be a complete resolution in which the global community can be fully confident. It is your task as a committee to come up with a resolution that addresses the matters outlined above and draws upon the various recommendations put forth in the past several years.

Questions to Consider

1. How can production of food be increased in Latin American and Caribbean nations?
2. What methods can be used to increase “real income” (income adjusted for inflation) of people in nations belonging to the OAS?
3. How can nations prevent food prices from rising without completely taking control of food markets?
4. What trade-off is worthwhile in using crops such as corn for energy instead of food?
5. How does the food crisis fit into the picture of climate change?
6. How should free trade be adjusted, if at all, to remove nations’ dependence on imports for food?



7. How can governments regulate transnational corporations that are making substantial profits at the expense of poor people unable to get an adequate supply of food?
8. Would international measures infringe on national sovereignty of OAS nations and thereby cause disagreements?

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