

Walker's World: Food crisis again

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LONDON, Nov. 12 (UPI) -- LONDON, Nov. 12 (UPI) -- Driven by bad wheat and a serious collapse the Siberian harvest, world wheat prices have risen more than 40 percent since January and are once more flirting with the panic prices of 2007 and 2008.

Those price peaks, along with surging oil prices, were critical factors in the world economy's plunge in recession. The bread shortages and riots that followed the food crisis destabilized countries dependent on food imports like Egypt and helped trigger the Arab Spring.

Oil prices can hurt but they don't kill. Food shortages, however, are lethal to poor people and to governments. Either one eats or one starves.

It is too soon to say how bad this will get but last year saw the harvest in the United States savagely cut by the worst drought in 50 years. And most of the main wheat producing regions around the world are hitting trouble at the same time.

In Siberia and Central Asia, a combination of drought, forest fires and heat waves have slashed the Russian harvest 33 percent. For Russia, this is the worst crop since the disasters of the 1960s forced them to start spending scarce foreign currency on buying U.S. wheat. The Kazakhstan crop has been halved. This means very little wheat is available for export.

But the European Union, which might otherwise supply those export market, has seen its own wheat production fall 4 percent. Argentina and Australia have also been hit by bad weather and so it looks certain that the world will this year consume more wheat than it grows. Matters would be worse except that the U.S. wheat crop increased, mainly because farmers gave up on corn and hurriedly planted wheat instead.

So while world wheat production is down close to 6 percent, overall cereal production in down about 3 percent.

"This season's world cereal supply and demand balance is proving much tighter than in 2011-12 with global production falling short of the projected demand and cereal stocks declining sharply," said the United Nations' Food and Agricultural Organization.

There are two bits of good news. The first is that rice is enjoying a bumper harvest. The second is that prices aren't spiraling out of control as they did four years ago, in part because a number of reforms in the market quietly developed by the FAO and the Group of 20. With more transparency and information on crops and pricing at global level and more coordination

by leading food importers and exporters, FAO Director General Jose Graziano da Silva says these reforms helped to "stop the worst drought in decades [from] turning into a food price crisis as has happened in the past."

"Despite tight markets, a set of conditions and measures have so far stopped international food prices from spiraling up as they did in 2007-2008 and 2009-2010," he added. "Droughts or floods are not what cause crises, it is lack of governance. In a globalized world, we cannot have food security in only one country or in one region. We need to strengthen the global governance of food security."

There are three long-term problems. The first is that there ever more mouths to feed. Today's 7 billion humans are expected to total more than 9 billion by 2050. The second is that as people become more prosperous, they like to climb up the food chain and eat less rice and more meat, less bread and more eggs and chicken.

Twenty years ago, China consumed half as much meat as the United States. Last year, China consumed twice as much meat as the United States. That is still a lot less per head than the United States but since it takes 8 pounds of grain to produce 1 pound of beef, it means the pressure, China's rising propensity is weighing heavily on its arable land and on world food supplies. Already the biggest customers for U.S. agricultural products, particularly soy beans, the Chinese also import 5 million tons of corn a year.

Other fast-growing Asian countries like Indonesia and Thailand are also importing more meat. Food prices will probably be rising alongside the world's growing appetite for meat protein for a long time to come. This could be very positive for the U.S. economy in the future, as a top food exporter but it will almost certainly mean higher food prices, particularly for meat.

But that may be better than the waves of strikes and riot deaths around the world that we saw in the last food price spike of four years ago. It spurred a 37 percent rise in food prices in Egypt between 2008 and 2010, which helped bring on the Arab Spring.

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