

Policy Pennings by Dr. Daryll E. Ray

As Yogi Berra would say: It's déjà vu all over again

Times of crisis often shine a bright light on long-standing problems. That was just as true in 1974 as it is today.

In mid-1974, agricultural commodity prices were triple the level of two years earlier and concern was raised that malnutrition in developing countries was on the rise. Currently we are in a similar situation, agricultural commodity prices are two-and-one-half times the level they were at the start of this recent surge in prices and the portion of the world's malnourished is on the rise.

To put the current circumstances in perspective, we find it helpful to look back at the earlier crisis and see what lessons can be learned. The World Food Conference met in Rome in November, 1974 as agricultural prices hovered near their peak and people were dying as the result of famines, particularly in Bangladesh.

The goal of the conference was to "develop [the] ways and means whereby the international community, as a whole, could take specific action to resolve the world food problem within the broader context of development and international economic cooperation."

In the Conference report to the United Nations (www.eclac.org/cumbres/3/43/FAORLC-41001WorldFoodConference.doc), representatives of 135 states adopted the "Universal Declaration on the Eradication of Hunger and Malnutrition. The goal established was to eradicate "hunger, food insecurity and malnutrition within a decade" (www.fao.org/wfs/index_en.htm).

The goal was not met and, in the intervening decades, the issues of hunger and malnutrition have often fallen off the radar screen of the media and the general public. It takes a devastating famine or a price spike like the current one to garner the world's attention, and even that attention could be fleeting.

No matter what one thinks about the advisability of using crops for the production of biofuels, the current crisis culminating in food riots in more than 30 countries, did not develop in just the last 24 months. It has been a long time in the making and the challenges are far more profound than the "food vs. fuel" debate makes it seem.

Even if no corn were to be used for ethanol production, over 800 million people around the world would suffer from malnutrition.

Much of the 1974 World Food Conference report could have been written today with the dates and some specifics replaced. Recommendations were made, but here we are over three decades later and many of the recommendations have not been implemented. Some of the declarations in the report are very telling.

One of the declarations recognized the importance of water for food production and said, "action should be taken to promote a rational exploitation of these resources, preferably for direct human consumption, in order to contribute to meeting the food requirements of all people."

In the context of the 1970s, the words "preferably for direct human consumption" had real significance. Grain-fed cattle were seen as competitors of the world's poor in

the marketplace for grain. People were being urged to eat less meat so that starving people could be fed.

The analog in today's climate is the call for the elimination of biofuels that are made from edible agricultural products like grains and oilseeds. The assumption in both cases is that any grain not fed to meat animals or biofuel plants will become used to reduce the food problems of the 800-900 million malnourished people in the world.

In a perfect world, that would be completely true. But, in the world we live in, it is a little more complicated than that. The cost of production of a bushel of corn in the US plus transportation to developing countries is greater than many of the 800-900 million malnourished can afford to pay. The more permanent problem is the lack of purchasing power, or the ability to grow their own food.

By the late 1970s when production costs soared past the market price for agricultural commodities, farmers fed their grain to chickens, pigs, and cattle in an attempt to enhance the value of their raw material through on-farm further processing. Likewise the corn-ethanol plants were a response to the below-the-cost-of-production prices that farmers were receiving in the late 1990s.

Given profitable grain and oilseed markets, far less investment would have been made in animal feeding and ethanol operations than we have seen over the last three decades. Much of the development of these industries is the result of low grain and oilseed prices.

The long-term challenge that has not been solved is to find ways to enable all people to be able either to earn an adequate livelihood so they can afford basic staples at prices that allow farmers to cover their cost of production or acquire access to the resources they need to produce their own staples.

Undoubtedly, the growing demand for biofuels has contributed to the immediate crisis that has resulted in 100 million persons being added to the number of food insecure persons in the world.

At the same time, it is important to remember that when corn prices were below \$2.00 per bushel, 800 million people were still food insecure and the US subsidies that enabled prices to remain at those levels were being blamed for impoverishing farmers in the rest of the world.

The problem is more than food vs. feed. It is more than food vs. fuel.

The solution requires the long-term attention of governments to the problems of both producers and consumers and the crafting of policies that meet the needs of both, while maintaining a productive capacity that exceeds current demand.

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