REPORT: FOOD CRISIS

Food Sovereignty in Latin America: Confronting the 'New' Crisis

A woman carries a bag of U.S. rice in the La Saline market of Port-au-Prince, Haiti, in July. Since the 1990s, U.S. food aid has flooded Haitian markets, undercutting domestic production and placing it squarely in the hands of transnational corporations.

JAN SOCHOR / ZUMA PRESS

By Peter Rosset

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During the first months of 2007, Mexicans took to the streets to protest a sudden doubling of the price of corn tortillas, the mainstay of the national diet. Government officials and industry blamed the increase of corn prices in the global market on the widespread promotion of ethanol production from corn as part of the agro-fuels initiatives being promoted by then President George W. Bush and President Luis Inácio Lula da Silva of Brazil. While speculation on corn futures to feed ethanol plants did contribute to the price rise, it later turned out that hoarding and price speculation by private grain-trading corporations like Cargill, which benefited from Mexico's earlier privatization of national grain reserves, played at least as big a role.[1] In fact, Cargill bought a healthy chunk of the late-2006 Mexican corn harvest for 1,650 pesos per ton. It then withheld its inventory from the market, creating an artificial shortage, which drove prices up to 3,500 pesos in January, when it finally began to sell, making a handy profit.[2]

Throughout 2007, Venezuelans periodically faced milk shortages, which sometimes generated lines several hours long at supermarkets. President Hugo Chávez accused transnational dairy giants Nestlé and Parmalat of buying and exporting milk from the Venezuelan market, precisely when the population most needed it. While the Venezuelan government eventually purchased a huge milk-processing facility from Parmalat, it is possible that these transnational corporations (TNCs) were following an old Washington script, by which artificial shortages of food and other products are used to create long lines at shops to undermine the legitimacy of governments that the U.S. government doesn't like.[3] Even if the script did not come from Washington, it is clear that these companies were using their near monopoly power to undermine government price controls and pro-consumer policies. In a scenario eerily similar to that in Venezuela, President Evo Morales of Bolivia had to temporarily ban exports of cooking oil, chicken, beef, wheat, corn, and rice in 2007, as the private sector hoarded and exported much needed foodstuffs, creating artificial shortages and long lines.[4]

Thus did Latin America, like the proverbial canary in the mine shaft, prefigure the world crisis of food prices that exploded into global headlines in late 2007 and throughout most of 2008. While manipulating markets to make windfall profits and to undermine governments are not the same thing, they both result from the central feature of the crisis everywhere: the iron grip that TNCs maintain over our food systems, made possible by the runaway trade liberalization and privatization during the neoliberal decades of the 1980s and 1990s. When TNCs control critical food supplies, consumers and entire nations are at their mercy. They can hoard food, create artificial shortages, and take speculative profits on soaring prices, thereby delegitimizing governments not friendly to their interests. And their behavior in times of crisis is the exact opposite of the public sector's: While governments release food from publicly owned reserves to ease the effects of a crisis, private traders can withhold their stocks from the market to drive prices still higher—a problem since biblical times (in Isaiah 23, God punishes grain-hoarding merchants and restores justice: "It will not be stored or hoarded, but [Tyre's] merchandise will supply abundant food. . . .").

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By early 2008, most of Latin America and the world woke to a full-blown food crisis. In April viewers of international TV news were treated to images of rioters in Port-au-Prince and other Haitian cities burning tires, blocking major thoroughfares, and looting local stores. We also saw U.N. peacekeepers—actually the troops of foreign occupation—firing rubber bullets and tear gas at crowds. These images obscured both the history and structural causes of the food crisis, and the fact that, as analyst Mark Schuller reported, most Haitians helped one another out, and few did any actual looting.

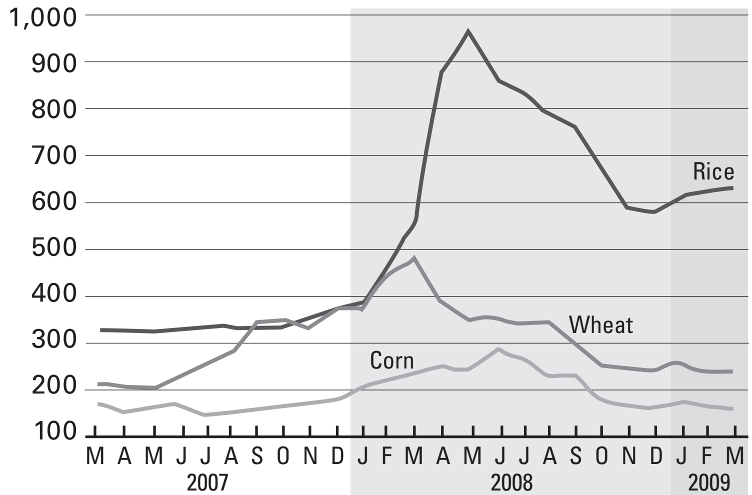
"While the rising sale of 'dirt cookies'—biscuits made of clay, salt, and oil—and the food protests and isolated cases of looting illustrate the desperation of the hungry," Schuller reported, "Haiti also has a still-extant tradition of *youn ede lòt*—one helping the other. Although foreigners may not see these invisible ties, even in the crowded capital city ordinary Haitians often share what little they have with neighbors and extended kin. . . ."[5]

Haiti lost its food self-sufficiency during previous decades of neoliberal policies and foreign donor interference. In the 1990s the United States used the Food for Peace aid program to flood Haitian markets with cheap rice and other foodstuffs, undercutting Haitian production and the local food economy, placing it squarely in the hands of TNCs.[6] Such food aid programs represent a free government service designed to help grain-trading companies expand both their current and future sales. Food aid sales generate the same profits for the big U.S. grain companies as does any other commercial export. The only difference is that the U.S. government immediately pays the bill. From the point of view of the grain corporations, then, food aid creates immediate markets through the U.S. government's financing of purchases that otherwise might not have been made. The recipient countries, meanwhile, come to depend on these foreign food supplies. When the aid stops, governments are pressured to keep importing the commodities on commercial terms. The inflow of food aid—even in many emergency cases—has proved time and again to harm local farm economies. Cheap, subsidized, or free U.S. grains undercut the prices of locally produced food, driving small farmers out of business and into cities.[7]

This, combined with the permanent opening of the Haitian market to imports through structural adjustment programs imposed by the World Bank and International Monetary Fund, turned Haiti into a basket-case food economy, fully dependent on the global economy and vulnerable to its price swings. Thus, it should have been no surprise that Haiti became a poster child for the food crisis in early 2008. More recently Haitian peasant organizations, both members and non-members of La Vía Campesina—the international alliance of peasant and family farmers, farmworkers, indigenous people, landless peasants, and rural women and youth—have formed a national peasant coalition to push for structural reforms, including a rollback of free trade and support for peasant food production, to address the structural causes of the food crisis in their island nation.[8]

As world market rice prices tripled in 2008, wheat prices more than doubled, and corn prices almost doubled (see figure 1, at right), food protests and riots broke out in countries as diverse as Bangladesh, Brazil, Burkina Faso, Cameroon, Côte d'Ivoire, Egypt, Ethiopia, India, Indonesia, Mozambique, Pakistan, Myanmar, Panama, the Philippines, Russia, Senegal, and Somalia and other countries around the world. But, as the Haitian case demanded that we ask, was the crisis really new, or was it a manifestation of long-standing problems?

Figure 1: Volatile international grain prices ($U.S./ton)



Prices refer to monthly averages; for March 2009, two weeks' average.

ADAPTED FROM UN FOOD AND AGRICULTURE ORGANIZATION (FAO) GLOBAL INFORMATION AND EARLY WARNING SYSTEM (WWW.FAO.ORG/GIEWS/ENGLISH/EWI/CEREALPRICE/2.HTM)

When prices jumped, we were told that the world was facing a new crisis and that food prices, like petroleum prices under "peak oil," would now stay up forever. But prices soon began to drop (although in March analysts predicted they will rise again).[9] The key point is that we have apparently moved into a new era of more volatile, wildly fluctuating commodity prices. For example, *The New York Times* reported in April 2008 that U.S. farmers were experiencing—and expecting to continue to face—monthly price swings for corn, wheat, and soybeans several times greater than usual.[10] In the global market, after a low and stable 25-year trend, prices of agriculture commodities started to rise slightly between 2004 and 2005, followed by an acceleration between the end of 2007 and the summer of 2008, when prices increased 3.2 times for rice, 2.1 for wheat, and 2.5 for corn. Following the dramatic hikes, the prices for rice and wheat fell by 55% in late 2008 and corn fell 64%.[11] Then in January rice prices began increasing again. These kinds of fluctuations are largely due to the deregulation of international trade in foodstuffs, the privatization of grain and other food markets within countries, and, more recently, the entry of speculative capital into commodity trading.

Several points are worth mentioning about this type of market. First, the more a market fluctuates, the more small producers, farmers in this case, are hurt. Large farmers have financial reserves to weather a price drop and wait for the next upswing, while a proportion of peasants and family farmers are wiped out every time prices crash. Second, the prices that farmers get for their crops may drop, but the prices that consumers pay for food are "sticky"; that is, they go up and "stick," hardly ever dropping again, no matter what raw materials like corn and wheat may cost. This is a function of corporate power in the marketplace. Finally, even when crop prices were up in 2007 and 2008, small farmers scarcely benefited, as rising costs of petroleum-based inputs like fertilizer ate up their earnings, as did the predatory and monopolistic practices of commodity corporations.[12] The unregulated market created by deregulation, privatization, and free trade hurts both farmers and consumers, while benefiting TNCs, the private sector, and speculators of all kinds.

When prices began to rise, it seemed quite odd to find ourselves in a crisis of high food prices, when the past 20 to 30 years had seen a crisis of low prices—prices so low that millions of peasant and family farmers around the world were driven off the land and into national and international migrant streams. Indeed, before all the headlines in 2008, there was already a crisis in the food and farming systems of Latin America and many other regions. Those low crop prices resulted from corporate monopolies that unilaterally set low prices for farmers, together with free trade policies that let those companies dump cheap food commodities in the local markets of developing countries. These are some of the same conditions behind the current malaise, which is in fact nothing more than a new face of the same old rural crisis.

To confront the earlier, low-crop-price version of the crisis, La Vía Campesina developed a comprehensive alternative proposal for restructuring food production and consumption at the local, national, and global levels, called "food sovereignty." Under food sovereignty, and in contrast to the "one size fits all" proposals of the World Trade Organization (WTO), every country and people is deemed to have the right to establish its own policies concerning its food and agriculture system, as long as those policies don't hurt other countries, which has been the case when major agro-export powers dump foodstuffs in the markets of other countries at prices below the cost of production. Food sovereignty would allow countries to protect their domestic markets against such practices.

But now that we have shifted from a period of artificially low prices to one of super-volatile prices, does food sovereignty still make sense? To answer that question, we must examine the causes of the recent crisis.

There are both long- and short-term causes of the extreme food price hikes. Among the former, the cumulative effect of three decades of neoliberal budget-cutting, privatization, and free trade agreements stands out. In most Latin American countries, national food production capacity has been systematically dismantled and replaced by a growing capacity to produce agro-exports and agro-fuels, stimulated by enormous government subsidies to agribusiness, using taxpayer money. The recent fluctuating prices and corporate market manipulations are built upon the long-term condition of small producers' displacement from the land. The case of Mexico is typical, as recounted by food policy analyst Ana de Ita of the Center for the Study of Rural Change in Mexico:

Beginning in 1989, the [Mexican] government began deepening neoliberal reforms in the countryside. State intervention diminished; credit was individualized, and the rural development bank reduced the amount of credit available for each farmer as well as the number of farmers and crops eligible for credit; subsidies fell; most of the public sector enterprises that manufactured farm inputs, or that collected, marketed, or processed farm products, were privatized; state services like agricultural extension, crop insurance, and grain storage were privatized; the subsidies that were implicit in floor prices were eliminated, and the subsidies of numerous other public sector goods and services were slashed; protection against farm imports was reduced; and then in 1994 NAFTA came into effect, effectively functioning as the padlock on the door that prevents any return to previous policies.[13]

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The signing of the North American Free Trade Agreement meant locking in the trade liberalization in agricultural products that had begun during the previous decade as conditionality for debt relief under structural adjustment and continued as unilateral liberalization by the Mexican government in preparation for NAFTA. The process was broad in its reach over policies important to farmers, including reductions in import tariffs and quotas, steep cuts in agricultural subsidies and price supports, the privatization of government-sponsored marketing mechanisms, and the disappearance of affordable and accessible credit for peasant and family farmers. The same has been true for other trade agreements, like the Dominican Republic–Central American Free Trade Agreement, which have similarly locked-in policies that have dismantled peasant agriculture.

It is peasants and family farmers who feed the peoples of the world, by and large, whereas large agribusiness producers in most any country have an export "vocation." But policy decisions have stripped small producers of minimum-price guarantees, access to parastatal marketing boards, credit, technical assistance, and above all, markets for their produce. Local and national food markets were first inundated with cheap imports, and then, when TNCs had captured the bulk of the market share, the prices of the food imports on which countries now depend, as shown in figure 2 (following page) have been drastically jacked up. It is akin to giving drugs away free at first, charging only when the victim is addicted (to imported food).

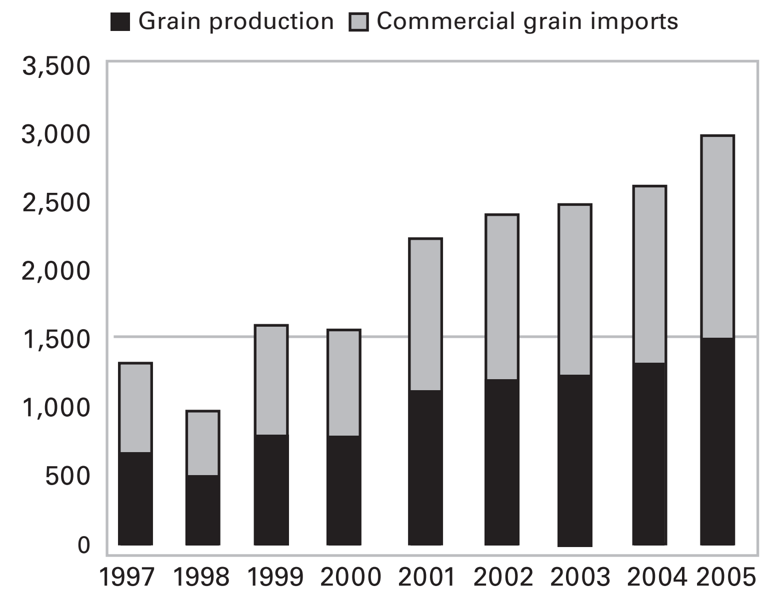
Meanwhile the World Bank and the IMF have forced governments to sell off their public-sector grain reserves and inventories. The result is that we now face one of the tightest margins in recent history between food reserves and demand, which generates both rising prices and greater market volatility. In 2008 world cereal supply (stocks plus production) was at an estimated 30-year low.[14] In other words, many countries no longer have either sufficient food reserves or sufficient productive capacity. They now depend on imports, whose prices are skyrocketing. Another long-term cause of the crisis, though of far lesser importance, has been changing patterns of food consumption in some parts of the world, like increased preference for meat and dairy products.[15]

Among the short-term causes of the crisis, by far the most important was the relatively sudden entry of speculative financial capital into food markets. Hedge, index, and risk funds invested heavily in the futures markets for commodities, including grains and other food products. With the collapse of the home mortgage market in the United States, investors' already desperate search for new avenues of investment led them to discover these markets for futures contracts. Attracted by high price volatility in any market, since they take their profits on both price rises and drops, speculators bet like gamblers in a casino—gambling, in this case, with the food of ordinary people. The lure of quick, spectacular profits "has attracted a torrent of new investment from Wall Street, estimated to be as much as $300 billion," according to *The New York Times*.[16]

All of this new investment capital inflated a price bubble, pushing the cost of basic foodstuffs beyond the reach of poor people in country after country. And when the bubble inevitably burst, it brought crop prices back down, though consumer prices have of course stayed up. Here we have the nefarious interplay of two kinds of speculation: On the one hand, financial speculation inflated a price bubble that later collapsed, while traditional or "biblical-style" hoarding of grains and price speculation by TNCs and the private sector exacerbated the price hikes, preventing consumer prices from falling once the speculative bubble burst and crop prices collapsed.

Another important short-term factor is the boom in agrofuels, the crops for which compete for planting area with food crops and cattle pasture. Major global price increases in the costs of chemical inputs for conventional farming, directly resulting from the high price of petroleum, were also a major short-term causal factor. Given this panorama of failed, decades old neoliberal policies and the recent onslaught of speculative capital, food sovereignty is the only alternative proposal that is up to the challenge of wresting control over national food systems from the TNCs.

Figure 2: Domestic grain production versus imports in 11 Latin American countries (thousands of tons)



Grain production in Latin America, so focused on exports, has been unable to keep up with domestic demand. The difference is being made up by a growing volume of imports.

SOURCE: ECONOMIC RESEARCH SERVICE, USDA (WWW.ERS.USDA.GOV/PUBLICATIONS/GFA18)

UNDER THE FOOD SOVEREIGNTY PARADIGM, LA VÍA Campesina and a growing number of progressive and semi-progressive governments, in Venezuela, Bolivia, Argentina, Cuba, Ecuador, Nicaragua, Honduras, and elsewhere, propose that we not only re-regulate the food commodity markets that were deregulated under neoliberalism, but regulate them better than they were before, with genuine supply management, making it possible to set prices that are fair to farmers and consumers alike. That necessarily means a return to protecting the food production of nations, both against the dumping of artificially cheap food and the importation of artificially expensive food, which we face today. It means renationalizing and rebuilding national grain reserves and parastatal marketing boards, in new and improved versions that actively include farmer organizations as owners and administrators of public reserves. That is a key first step.

Latin American countries urgently need to stimulate the recovery of their national food-producing capacity located in the peasant and family farm sectors. That means public sector budgets, floor prices, credit, and other forms of support. Agrarian reform is also urgently needed in many countries to rebuild the peasant and family farm sectors, whose vocation is growing food for people, since the largest farms and agribusinesses seem to only produce for cars and for export. And many countries need to implement export controls, as a number of governments have done in recent months, to stop the forced exportation of food desperately needed by their own populations.

Finally, agriculture must be based on respect for nature, local cultures, and traditional farming knowledge. It has been scientifically demonstrated that such farming systems can be more productive, can better resist drought and other manifestations of climate change, and are more economically sustainable because they use less fossil fuel. We can no longer afford the luxury of food whose price is linked to the price of petroleum, much less whose industrial monoculture production model—with pesticides and genetically engineered crops—damages the future productive capacity of our soils.[17]

Some of the leftist governments of Latin America, though far from achieving food sovereignty, have moved in that direction. In March, the government of Venezuela took major actions against TNC and private sector hoarding of basic foodstuffs, in which companies like Cargill withheld inventories from the market in order to force price increases. At press time it had expropriated Cargill's major rice-processing facility and had temporarily taken over a plant owned by Polar, Venezuela's largest private food producer. In February, the United Nations Food and Agriculture Organization (FAO) had praised Venezuela for "the efforts of the national government to introduce policies, strategies, and programs to confront the global economic crisis and the volatility of food prices, and at the same time to protect the food and nutritional security of the Venezuelan people."[18] The comments singled out Venezuela's national subsidized food market, Mercal, its growing system of public cafeterias, the state-run Venezuelan Food Production and Distribution company (PDVAL), which sells food at regulated prices, the expansion of access to arable land through land reform, and the promotion of family farms under the Chávez administration.

According to government figures, agricultural production in Venezuela rose by 3% in 2008, bringing the total increase in agricultural production to 24% since Chávez took office a decade ago. During the last decade corn production has increased by 205%, rice by 94%, sugar by 13%, and milk by 11%, reducing dependency on food imports.[19] Venezuela still has a way to go to become food sovereign, as 80 years of petrodollars have structurally depressed the nation's agriculture, since it was always easier to import than to produce. Nevertheless, the Chávez government now sees food sovereignty as an imperative.

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Furthermore, Venezuela has provided financing to boost domestic food production in other countries in the region through its Bolivarian Alternative for the Americas (ALBA) and Petrocaribe programs. A question that is somewhat in dispute in Venezuela's new regional food enterprise, however, is whether it will prioritize purchases from the small farmer sectors or from domestic agribusinesses in the member countries. This is a crucial distinction in terms of real food sovereignty.

Meanwhile, the recently approved constitutions of Bolivia and Ecuador both contain food sovereignty clauses, although there was hot debate in February, and even street protests by dissenting organizations on the left, when Ecuador passed the Organic Law for a Regime of Food Sovereignty on the basis of the new constitution. The criticisms were based in part on a perception that the law does not adequately limit the role of TNCs in the domestic food economy. In Argentina, the government of President Cristina Fernández, after battling right-wing agribusiness unions for months, announced in March that it was considering the creation of a public sector agency to regulate grain and cereal prices in the domestic market. The agency would protect small- and medium-sized farmers and consumers from the vagaries of the free market, and limit hoarding.

Cuban president Raúl Castro has taken a number of measures over the past year to reduce dependence on food imports and boost domestic production, including raising prices paid to peasant farmers and initiating a new phase of agrarian reform by giving out idle lands. An ongoing grassroots debate in rural Cuba concerns the extent to which production increases will be based on Cuba's recognized prowess in ecological farming, or on newly available agrochemicals arriving from Venezuela under the terms of ALBA. Again, this a key point in terms of food sovereignty.

Whether we are speaking of countries with progressive or reactionary governments, or countries virtually without governments (Haiti), the interplay of forces between peasant, consumer, and environmental social movements, governments, TNCs, and the domestic private sector will determine the extent to which the structural causes of the food crisis are addressed or not.

It remains to be seen how this will play out. For its part, La Vía Campesina has clearly identified TNCs and international finance capital as "our most important common enemies," in the declaration drafted in October at its Fifth International Conference in Maputo, Mozambique. There, the movement vowed to "bring our struggle to them more directly." ■