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## **Backgrounder on the Global Food Crisis** **US Working Group on the Food Crisis**

Recent sharp fluctuations in food prices have set off protests in more than 30 countries, and are revealing the dangerous vulnerability of the global food system. Although prices have dropped recently, their volatility and unpredictability are wreaking havoc on farmers and consumers. The number of undernourished people in the world increased to 923 million in 2007, according to the UN's Food and Agriculture Organization (FAO), setting back progress made toward reducing hunger in the world by more than a decade. With drastic increases in the prices of staple cereals and oil crops well into 2008, the number of people suffering from chronic hunger is likely to have risen even higher. The FAO states that between March 2007 and March 2008 the price of corn rose 31%, rice 74%, soy 87%, and wheat 130%. Although commodity prices have dropped, the prices charged to consumers have not necessarily gone down. Women, children, and marginalized people (such as those without land, minorities and HIV-affected communities) are most vulnerable to food insecurity.

In the US, at least 36 million cannot access healthy food on a regular basis. Food banks have witnessed dramatic increases in the number of people they served this past year. At the same time, food stocks for all kinds of emergency food assistance have declined due to higher food costs and waning donations, as the economy falls into recession. Hit by both rising fuel and food prices, many families at or near poverty have been pushed into food insecurity.

***We can relieve this suffering by changing the policies that put the most vulnerable people at constant risk.*** US agriculture could be a source of abundant, wholesome food and good jobs, as well as an engine for rural economic development. But the industrial food system that dominates the US and has been spread worldwide extracts wealth from communities instead of adding wealth; degrades soil and drinking water; and contributes to rising rates of obesity, diabetes, asthma, cancer, and many other chronic diseases. It relies on underpaid labor, including children, working in dangerous conditions. Our federal farm and trade policies have encouraged overproduction and dumping food in other countries, undermining the livelihoods of farmers by selling food below the cost of production. Instead of helping to solve the food crisis, our industrial food system helped to create and continues to perpetuate it.

***To solve the food crisis, we need to fix the food system.***

**Why are we experiencing a food crisis now?** Food price inflation is a symptom of a food system in crisis. Skyrocketing oil prices, agricultural market and trade deregulation, the use of food crops to create agrofuels (industrial-scale biofuels), commodity speculation and catastrophic weather exacerbated by climate change are only the *triggers* of the food crisis. The *root cause* of the crisis is a global food system that has been developed to serve powerful corporate interests at the expense of the rest of us. It is a system that is highly vulnerable to economic and environmental shock.

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In the same way that deregulation in the energy sector led to the Enron debacle and the deregulation of the banking sector led to the current banking and credit crisis, agricultural trade deregulation and deregulation of commodities futures markets have contributed directly to this food crisis. One of the original purposes of futures markets was to help buffer price volatility, by setting a fixed future price and delivery date for crops. However, under deregulation, institutional investors have increased their investments in commodities futures twenty-fold in the last five years. In that period, the price of 25 commodities has risen by an average of 183%. The Commodity Futures Trading Commission, created in 1974 to regulate commodity futures, created loopholes that allowed outside investors to invest unlimited amounts in commodities. Until recently, most participants in agricultural commodity futures markets were directly involved in food and agriculture. But with stock market and then housing bubbles bursting, many investors switched to commodity futures. Deregulation of the commodities futures markets allowed them to invest immense amounts of money in these markets, causing huge price swings.

**Who benefits from this food crisis?** Although some US farmers saw modest increases in their net profits from higher grain prices, those who purchase grain for livestock were hurting. As commodity prices fell dramatically over the last year, farmers absorbed the loss on top of paying considerably higher prices for farm inputs such as fertilizer, thus losing any profits they had realized from higher grain prices. At the same time that more people cannot afford enough food for survival, profits are sharply up for large agribusiness corporations that sell fertilizers, pesticides and seeds, or who buy and sell agricultural commodities. They gain from commodity price increases as well as sudden drops because they control food markets at so many critical points. They profited from selling inputs at higher prices and trading commodity crops at higher prices. But when prices dropped, they passed the losses on to farmers and consumers. Archer Daniels Midland's profits were up 42% just in the first three months of 2008; Cargill's profits leaped 86%; Monsanto's soared 108%; Mosaic Fertilizer's profits shot up 1200%. Even retail chain stores have seen increased profits from food sales, and food prices do not drop for consumers when commodity prices drop. The commodity futures market, which once helped farmers balance risk, is now open to profiteering. It is outrageous that buyers of commodity futures amassed fortunes by gambling on a precipitous rise in prices, while hunger increased worldwide.

Price shocks in our globalized and consolidated market system impact everyone everywhere. Shortsighted and unjust policies of our deregulated, industrialized and globalized agricultural system have caused health and environmental disasters, exhausted our natural resource base, and driven family farmers from the land. These same policies have given transnational corporations inordinate control of many agricultural and food markets, from crops, fertilizer and seeds, to space on retail shelves.

***The global industrialized food system is destroying the planet and millions of lives. We must take back control of our food system so that it meets the human right to food before profits.***

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**What are the solutions?** Congress and the President must stop catering to the interests of corporate lobbyists and support a US food system that serves the public good and protects our natural resources and environment by providing healthy food grown with environmentally sound practices, close to where it is consumed. At the same time, we must support international development that alleviates hunger worldwide through locally controlled, sustainable food systems. Fixing the food system requires that we:

**Stabilize prices for farmers and consumers.**

- **Re-regulate the US finance sector's investment in food commodities** to eliminate distortions in food commodity pricing and price volatility.
- **Support publicly owned domestic, regional and international strategic food reserves**, similar to the U.S. Strategic Petroleum Reserve, to create an effective price floor for agricultural commodities, that will let farmers obtain a fair price in the market in times of oversupply, and to create an effective ceiling that will protect consumers from price surges in times of market shortages.
- **Reform US food aid** so that the World Food Program purchases food locally and regionally from small-scale farmers at fair prices and distributes food to those in need, rather than dumping surpluses from developed countries at prices that undermine the ability of local farmers to recover their costs of production.
- **Suspend international agrofuels trade and investment**, and ensure that land put into agrofuels production does not hurt food access or food sovereignty of affected communities. Ensure that local and indigenous communities that are potentially affected are guaranteed prior and informed consent, and substantial ownership and control of the land and facilities proposed for such production.
- **Halt any expansion of US government supported biofuels programs, mandates, tax incentives and other subsidies and ensure that they only support the sustainable domestic production of biofuels.** Any support for domestic production of bioenergy must ensure communities' right to local food and renewable energy; a significant net life-cycle reduction of greenhouse gases; local ownership of biorefineries by farmers and other community members; fair prices for farmers and a living wage and humane treatment of farm workers and other laborers; incentives for regional and ecologically appropriate feedstocks that enhance biodiversity; and substantial improvement in environmental quality and the maintenance of existing conservation programs.

**Rebalance power in the global food system.**

- **Reduce the political influence of agribusiness corporations on US public policy** by closing the revolving door between agribusiness and government agencies and reforming campaign finance and lobbying laws that agribusinesses have exploited.
- **Reign in the manipulation of agricultural and food markets by multinational agribusinesses and facilitate fair competition in the food system with stronger enforcement of antitrust laws.**
- **Democratize agricultural policy-making.** Create multi-stakeholder, representative food policy councils at state and local levels in the US to give

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farmers, other citizens and community organizations a say in how the food system functions.

- **Ensure local control over and access to land, water and seeds** at fair prices worldwide, and ensure that farmers keep their right to save seeds.
- **Demand *fair* trade, not so-called ‘free’ trade** that demolishes protections needed to keep farmers producing and earning fair compensation for their labor.
- **Support the ability of other governments to safeguard their borders from import surges and other forms of dumping into domestic markets at below the cost of production.**
- **Support countries’ ability to utilize the precautionary principle in regulating synthetic pesticides, genetically engineered crops and animals, and other new technologies** and to protect farmers and others from unfair liability that may arise from inadvertent genetic contamination of seeds and crops.

**Make agroecological farming practices the standard worldwide.**

- **Support biodiverse, sustainable small- and mid-scale food production** in cities, as well as rural areas, by independent family farmers and small- to medium-sized cooperative businesses.
- **Redirect state, national and international agricultural policies, research, education and investments towards sustainable agroecological farming and independent community-based food businesses.**
- **Challenge US investment in intensive industrial agricultural production.** Support multilateral collaboration for new forms of investment that prioritize small-scale farming, local knowledge, and culturally appropriate crops and production methods around the world.

**Build local, national and regional food systems based on social and economic justice and the right to healthy food.**

- **Call on the US to join the community of nations supporting the right to food.**
- **Call on the US to join the community of nations that approved the findings of the 2008 International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD)** and to implement the options it emphasizes for agricultural development domestically and internationally.
- **Support domestic food production and independent community-based food businesses** at home and abroad. Localize food production, distribution and consumption as much as possible.
- **Demand full labor rights for farmworkers and other wage earners** in the US food system—including no exemptions to the National Labor Relations Act.
- **Create living wages** in the US so that everyone (including farmworkers, food processing workers, food service workers and consumers) can afford healthy food.
- **Reinforce the social safety net for low-income and marginalized people** in the US by raising benefits to a level adequate to purchase healthy and local foods and support food banks to source food locally and through public procurement.
- **Create a solidarity economy** in the US that puts compassion and care for one another ahead of short-term profits.