



The Issues

WHAT RULES AND POLICIES CAUSE HUNGER?

Global rates of hunger have decreased by an average 2.5 million people annually, according to the UN Food and Agriculture Organization's (FAO) report *The State of Food Insecurity in the World 2002*, (1). But the FAO points out that these figures mask the fact that reductions in seven large countries account for most progress. In most regions, Canada included, hunger is actually increasing (2). If results from these seven key countries are excluded, the number of undernourished people rises by 80 million. The report further states that 840 million people world-wide are undernourished. Of these people, 799 million live in developing countries.

In 1996, governments the world-over gathered in Rome for the World Food Summit (WFS) and pledged to halve the number of hungry people in the world by 2015. At the current average rate of progress of 2.5 million people per year, this goal is a far cry from being met. If we were on target for reducing hunger by half, according to FAO research, the numbers would have to drop by 24 million annually.

Today, in just six Southern African countries, an estimated 15 million people face food shortages. Under unusually strained circumstances, hunger counts can soar even further. For example, due to simultaneous crises in a number of regions in 2002, 32 countries faced exceptional food emergencies with 67 million people requiring emergency food aid (3).

Why does hunger persist in this day and age?

There is enough food in the world to adequately feed every single person, and as the FAO states, "There is no lack of knowledge about how to fight hunger" (4 Jacques Diouf, IHT commentary, 2001). Each country faces its own particular situation in regards to food security and hunger, yet it is not a coincidence that both rich and poor countries struggle with these issues. Economic policies, trade rules and corporate market power that sharply deepen the inequality between rich and poor are at the root of hunger.

Economic policies

Governments, heavily influenced by powerful multinational corporations and international financial institutions, implement policies that create tremendous wealth for multinational corporations, but also perpetuate poverty, food insecurity and hunger, especially in developing nations. One of the most destructive economic policies for developing countries are SAPs – Structural Adjustment



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Hunger, food security and food sovereignty – what do they really mean?

All people who experience hunger are by definition food insecure, but not all people who are food insecure are hungry. While there are several definitions of food security, Oxfam believes that: “Food security, as a basic human right, means assured access for every person by production or purchase or social security to enough safe, nutritious, culturally acceptable and environmentally sustainable food that is required to sustain an active and healthy life with dignity”

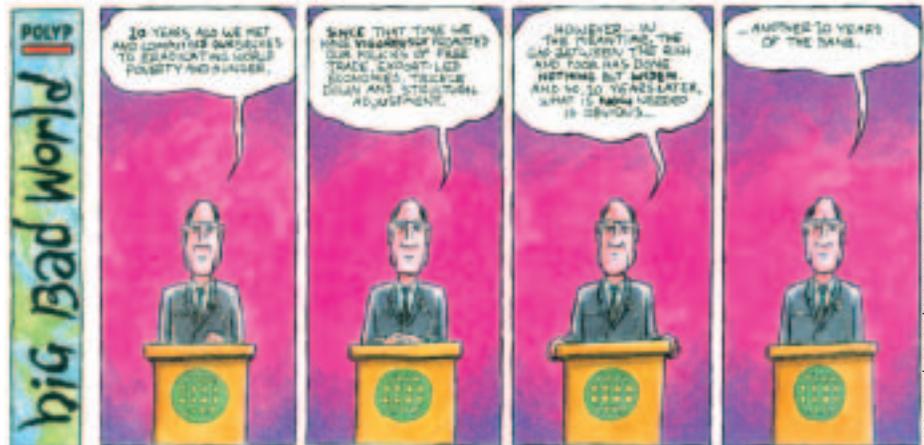
– Oxfam Canada Food Security Policy

The right to access adequate amounts of appropriate food are key issues. There is no global food shortage – it is people’s right to access food that has been severed by international trading systems and rules. Oxfam’s partner, La Via Campesina, is an international movement which coordinates peasant and small and middle scale farmers. They believe that food sovereignty must be achieved. Food sovereignty is “the peoples’, countries’ or state unions’ RIGHT to define their agricultural and food policy, without any dumping vis-à-vis third countries” (11).

Programs, imposed by the International Monetary Fund (IMF) since the 1980s to ensure poor countries pay their foreign debts. Under SAPs, recipient countries had to open their economic markets by:

- allowing greater foreign ownership and investment in the country;
- devaluing their domestic currency;
- reducing government spending on health, education and agriculture; and
- lowering tariffs on agricultural products.

In order to pay their debts, under SAPs, many countries shifted their efforts from growing crops to feed the nation to producing crops to be exported to other countries. Land and agricultural subsidies were diverted away from small-scale farmers and offered to large-scale food producers and companies (5). Poor farmers, with little access to loans, land or technology, are unable to compete. Small-scale farmers, many of whom are women, are highly disadvantaged. People have little to no income to buy food, yet much of the food grown in the country ends up on tables somewhere overseas. For example, Brazil is the world’s fourth largest agricultural exporter, yet the number of food insecure people rose from 44 million to 46 million from 1999 to 2001 (6).



International trade rules

Trade rules have a profound impact on food security. They determine not only what countries can and cannot do when trading food and agricultural products, they also set parameters for the 90% of the world’s food production which is not traded internationally. The World Trade Organization (WTO), established in 1995, is the body responsible for administering international trade agreements that cover commercial aspects of everything from agriculture to copyright protection. The WTO’s Agreement on Agriculture (AoA) requires all developing countries to



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open their markets to imported food while allowing developed countries to continue imposing barriers on exports from developing countries. There are loopholes used by rich countries that allow them to continue selling food overseas below production costs, under-selling local farmers' produce in those markets and driving poor farmers into destitution (7).

These unfair international trade rules prevent developing countries from competing in global markets or developing their agricultural sectors. As a result, they become dependent on food imported from developed nations, some who heavily subsidize agriculture. Without serious reforms, the WTO and regional trade agreements such as the proposed Free Trade Area of the Americas (FTAA) constitute a threat to both the food security of poor countries and the livelihoods of small and subsistence farmers (8).

Corporate market power

Just as there is no shortage of food in the world there is also no shortage of money in the agri-food system, it is merely poorly distributed. The corporations that make tractors, fertilizer, and pesticides make billions. For example, in 1998, gross revenues for all Canadian farmers together were \$29 billion. In sharp contrast, Philip Morris Inc., alone, had revenues of \$109 billion. In fact, fewer than six companies control around 70% of world trade in basic grains (8a).

Corporate market power allows the buyers, processors, distributors and retailers to capture most of the profit in the chain from producer to consumer, squeezing farmers with lower and lower prices for their crops. In 1975, people paid \$0.55 for a small box of corn flakes. Of this, the corn producer received 7 cents. In 1997, the same box of corn flakes costs \$2.98 and farmers are receiving 10 cents. Their share in the product fell from 12.7 percent to 3.4 percent. More product examples can be found in Oxfam's 2001 World Food Day kit, *The Business of Food*.



Cornflake Sales

Year	Sold for	Producers received
1975	\$0.55	\$0.07
1998	\$2.98	\$0.10

And the good news is... you can have a positive impact!

- Whenever possible, buy locally produced organic and/or fairly traded food to ensure that small-scale farmers get a fair and liveable return.
- Contact the Government of Canada, Agriculture and Agri-Food Canada, and ask them to implement the strategies outlined in "Canada's Action Plan for Food Security", Canada's commitment to reducing hunger and food insecurity both at home and internationally.



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Things don't have to be this way – because this system was created by people, people have the power to change it!

The survival of small producers, for whom there are no alternatives to agriculture, is being threatened by the rise in power of large agribusinesses and their control over markets. Although agricultural production for export offers opportunities for some, agriculture is too vital for poverty reduction, food security and environmental sustainability to be left to the forces of the global market.

Things don't have to be this way – because this system was created by people, people have the power to change it! Trade rules and economic policies can and should alleviate poverty and serve development goals. Fair trade rules and economic policies could mean a more equitable distribution the \$442 billion earned annually in the trade of food (9).





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HOW DO THE WTO AND FTAA SEE FOOD?

Consider this – food bank usage in Canada increased by nearly 100% between 1989 and 1999, the same decade in which both the FTA (Free Trade Agreement) and NAFTA were signed (12). Now, their successor, the FTAA (Free Trade Area of the Americas), is being proposed and fears are that it will lead to further food insecurity as food gets treated as a profitable commodity rather than as a right.

The FTAA is a trade agreement that seeks to encompass all the countries of North and South America (except Cuba) in a free trade area by 2005. The agreement proposes that greater trade in food can improve food security, however, it narrowly defines food security as “the adequate supply of imported food to member states” (13). An adequate supply of food is no guarantee that people can afford to buy it. Moreover, the WTO (World Trade Organization) and international trade agreements do not support the interests and livelihoods of small farmers, critical elements in promoting food security.



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Genetically Modified (GM) food aid

Last year, controversy swirled around the government of Zambia's decision to refuse GM food aid despite national food shortages. Why? GM food and seeds can spread, displace and undermine local food crops and markets, thus creating a vicious cycle whereby developing countries become even more dependent on imported food, whether through commercial or aid channels.

Consider that:

- GM crops are patented. They are owned by someone, usually a multinational company. Under patent laws, if someone is found using GM products without having bought them, they can be forced to pay the company who owns the patent, even though GM seeds may unknowingly blow onto nearby fields.
- The long-term health and environmental risks of GM products are unknown.

GM food "aid" may in fact be little more than surplus dumping – we've already seen the negative consequences of dumping! It is up to donors to provide non-GM alternatives and not force hungry countries to accept questionable surplus goods. (35).



"Despite our differences, it's good to see we can come together over dinner."

The WTO's Agreement on Agriculture's (AoA) main goal is to increase international trade in agriculture and food. The AoA has three main components: market access, domestic support, and export subsidies. In theory, these three components are meant to build a level playing field by opening countries' markets through the reduction/elimination of government subsidies in agriculture. In reality however, the playing field continues to be far from level.

Listed below are three main problems brought on by the AoA:

1 Increased inequality between developed and developing countries

Although all countries are supposed to adhere to the AoA's rules, loopholes within the WTO grant exemptions to many developed countries. For example, in 1999 wealthy OECD countries spent \$360 billion on agricultural subsidies, while total revenues for all developing nations from agricultural exports was only \$170 billion (14). In other words, rich countries spent more than double the amount in subsidies than developing countries actually earned! Heavily subsidized agribusinesses produce more than is needed domestically. This cheap oversupply is then "dumped" onto the markets of poor countries at prices less than the actual costs of production. Developing countries' low tariffs and lack of mechanisms to protect against influxes of cheap food leave them more vulnerable to dumping than developed countries.



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“Dumping” undermines economies because prices go down to artificially low levels, and local producers are unable to sell their own product as cheaply as imports. Dumping leads to loss of income and livelihood among local producers, and to the loss of assets as farmers sell their land and livestock to buy food. In many cases, the land ends up in the hands of agri-business.



2 Weakens incentives for local domestic production/changes nature of production

Small farmers, unassisted by their governments, are forced to leave the land and go into cities in search of work. Those remaining often feel the pressure to divert land from domestic food production to export cash crops, simultaneously exacerbating domestic hunger and international oversupply. The US, EU (European Union), and, to some extent, Canada, have attempted to save some of their farmers through multi-billion-dollar support payments. Unable to match such payments, developing countries are largely helpless as the flood of our cheap food washes away their farmers, rural communities, and capacity to produce food.

Dependence on imported foods not only displaces local production but alters traditional food preferences. An FAO report of 16 developing nations shows that imports have risen while exports have stagnated (15), making cash-strapped countries increasingly dependent on foreign food items while their ability to pay for those imports decreases. For example, in Sub-Saharan Africa, the cost of buying imported cereals alone totalled one quarter of what it earned in export sales.

Why doesn't an influx of cheap food help?

The vast majority of rural people living in developing countries are not consumers but are subsistence farmers. They cannot afford to buy food, they must grow it. Typically, only financially stable, largely urban, people are able to buy food provided by markets. In addition, lower food prices are not always necessarily accompanied by cheaper prices for the consumer – it often only means that multinationals are getting inexpensive raw materials and larger profits (18).). Since the signing of NAFTA, the price of domestic corn in Mexico has decreased by almost 50%, yet savings have been accrued by those who control the tortilla industry, not by the consumers.

SOURCE: Gauri Sreenivasan and Ricardo Grinspun (2002). Global Trade/Global Poverty, NGO Perspectives on Key Challenges for Canada: The Rural Poor and Food Security. Canadian Council for International Co-operation.

In Mexico, basic grains imports under NAFTA have doubled between 1994 and 2001, at a value of \$18.5 billion. Mexico now imports an average of 6 million tons annually, compared to 2.5 million before NAFTA. Prices to corn producers have dropped to about \$80 per ton when the cost of production is \$120 per ton. This has resulted in the stagnation of domestic production and an increase in food dependency, affecting the livelihoods of over 2.5 million corn producers. However, due to the concentration of the commercial chain between importers and distributors, this price reduction has not benefited consumers. In fact, sales prices to the public continue to rise, from .80 pesos/kg in 1993 to 5.00 pesos/kg in 2002.

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What you can do

The Canadian government supports reductions in subsidies, but it does not support developing countries' request to impose tariffs on imported food that it can produce itself, a key element in promoting food security. Contact the Canadian government, Department of Foreign Affairs and International Trade, to ask that it:

- advocate for an end to all subsidized agricultural exports;
- support workable defensive mechanisms for developing countries; and
- refrain from demanding that developing countries open their markets for staple products.

3 Results in volatile commodity prices

Because governments are not allowed to regulate markets, prices are vulnerable to severe fluctuations. Producers cannot be guaranteed a fair or liveable return on their products. The coffee crisis provides a clear and stark example. Over the past three years, the price of coffee has fallen almost 50%, resulting in a widespread humanitarian crisis for 25 million coffee growing families in over 50 developing countries. While major coffee corporations such as Kraft netted an 80% increase in earnings in 2002, famine-stricken Ethiopia lost nearly double what it saved in debt relief during the same year (16). In many Central American countries, rural families have become dependent on food aid following the severe drought in 2001 and collapsed coffee prices on global markets (17).

Trade agreements such as the AoA exacerbate hunger, food insecurity and poverty. The FTAA has been dubbed the "WTO+" by critics because its plan for economic liberalization exceeds even the most worrisome aspects of some WTO rules, as in the case of investment and intellectual property. Thus, the FTAA is likely to have similar, if not worse, impacts than the WTO's AoA. This is of great concern, given that trade agreements are legally binding whereas commitments to food security are not.

