

Global Economic Crisis Hits Food Production

by Paul Gallagher

Worldwide food production, falling per capita for several years, is likely sinking in absolute terms as of 2002, stricken by the global economic depression in the form of severely depressed commodity prices, which have been dropping for the last seven years. This unprecedented alarm emerges from the "State of Food and Agriculture" report of the 123rd Session of the United Nations Food and Agriculture Organization (FAO), which met in Rome from Oct. 28-Nov. 2.

The fact that global production of all crops and livestock combined is probably dropping, and that world food reserve stocks are declining for the third straight year, gives dramatic urgency to the call made by 2004 Presidential pre-candidate Lyndon LaRouche on Nov. 28, for emergency U.S. food aid to North Korea (see p. 14). North Korea is in serious need of aid shipments which have dropped off during the course of this year, even as severe food shortages have developed in three broad regions of Africa. A mission, led by the United States, of turning around the fall in drastically needed food emergency aid shipments, will demand that the insane international agricultural policies, which are crippling the world's food production, be reversed immediately. Above all, food-stuff commodity prices must be supported to increase production; and the infrastructure of large-scale water management for irrigation must be constructed to create newly fertile land.

Killer GATT, WTO Policies

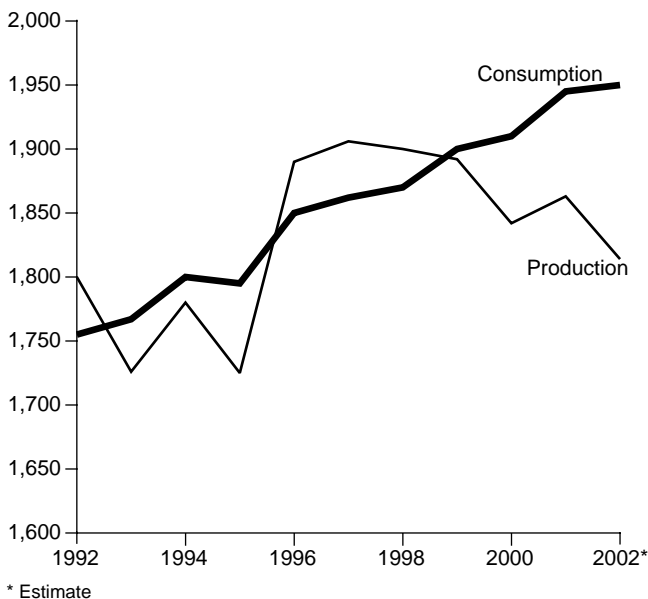
Food aid to reverse or head off severe malnutrition, or even starvation, is now urgently needed by 30 million people in 16 African countries (see *EIR*, Nov. 8); by some 6 million people in North Korea; by 2 million Afghans, and populations in Mongolia, Tajikistan, Uzbekistan, and Georgia; and now, in some parts of once food-rich Argentina.

But the FAO reports that worldwide production of all crops and livestock rose only 1.3% in 2000 (the same rate as population increased); then, by a mere 0.5% in 2001; and for 2002, it is clear that at least total *cereals* production—wheat, coarse grains, and rice—has dropped in absolute terms (see **Figure 1**). This applies equally to the Third World countries, and to the nations of the OECD (Organization for Economic Cooperation and Development), including the food-export powerhouses like Canada, the United States, Australia, and Argentina. Total food production is almost certainly falling outside China—there, fish production is rising very rapidly—and perhaps for the world, including China as well. How much

FIGURE 1

World Cereals Production, and Consumption, 1992-2002

(Millions of Tons)



Source: UN Food and Agriculture Organization.

will be seen as harvest totals come in from North America in particular—and they will not be good.

As is clear from Figure 1, total cereal production, per human being, will fall in 2002 for the fifth year in a row, and in absolute terms will fall by about 50 million tons—3%—the second drop in the past four years. Cereal *production* will be below *consumption* for the third consecutive year, and this year the gap will be 100 million tons or more, out of world-wide grain reserve stocks which are only about 270 million tons as of the end of the most recent crop year. These stocks, in turn, have been falling for three years.

These figures show that consumption of grain per person (including indirect consumption through livestock of all kinds which consume grain) is at about 630 pounds per year, compared to the 1,000 pounds required by good, balanced nutrition; and that consumption is being supported by less than 600 pounds per year of grain production per capita.

Crop output has fallen more or less drastically in four of the world's top six grain-export centers: Canada, the United States, Argentina, and Australia (the other two are Germany and New Zealand). The decline reflects both the worsening economic conditions for farming—as in Argentina, which is suffering general economic collapse under International Monetary Fund (IMF) dictates—and the impact of drought.

The Australian Grains Council announced in October, that their current harvest of crops will be down 50% from last

crop year! On Oct. 28, Grains Council president Keith Perrett said he “doesn’t doubt” that the next year will see grain *imports* into the country, unprecedented in recent times. In the United States, 1,606 out of a total of 3,141 counties have been officially designated economic “disaster areas,” most for drought, and many of them in the High Plains farm belt.

World grain stocks are falling dramatically; year-ending reserve levels (carry-over at the end of the crop year) dropped from 501 million metric tons (mmt) in 2000-01; to 461 mmt in 2001-02; to 371 mmt in 2002-03. Global stocks are declining for all three major grain types: wheat, rice, and coarse grains (such as maize and sorghum). For example, the projected year-ending stocks of wheat, worldwide, have fallen from 169 million metric tons in 2000-01, down to an expected 131 million metric tons—the lowest in over 20 years. World carry-over of coarse grains in 2000-01 was 187 mmt, and for 2002-03 is projected to be only 134 mmt.

The lunatic rules of the European Union Commission and other bureaucracies under the General Agreement on Tariffs and Trade (GATT), and the World Trade Organization, have compelled nations to sell off their grain reserves or absorb them through production cuts; the IMF has enforced this with Third World countries, as in the recent disastrous case of Malawi. Now, roughly 40% of all grain-reserve stocks belong to China and India. And both have begun intentionally reducing (mostly selling) their reserves.

Depression Prices Kill Production: FAO

World *trade* in cereals is also projected to be only 235 million tons in 2002-03, down from the previous year.

The FAO’s new global report states unequivocally that—although there are more or less severe drought factors affecting major producers Australia, India, and the United States, “The recent slowdown in output growth is primarily the result of depressed commodity prices, that have reduced farmers’ incentives to expand production. Slowing population growth rates and weak per caput income growth in some of the poorest countries have dampened longer-term demand.”

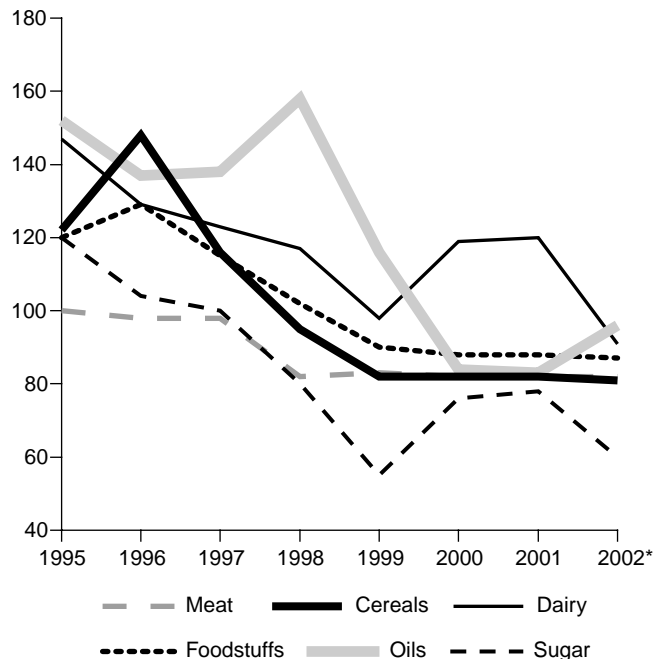
This worldwide production-killing deflation of commodities has been going on steadily since 1995 (see **Figure 2**). “Between May 1996 and January 2000, the FAO international price index for total foodstuffs declined by some 38%, to its lowest in more than a decade,” says the “State of Agriculture” report. The greatest decline has been in cereals, average prices for which fell 40% from 1996-99, and have been flat since. Prices of cereals only started to rise slightly in mid-2002 as real shortages began to appear. Dairy prices worldwide are now 35% below 1995. Global average meat prices are 12% below 1997. Coffee, tea, cocoa prices are all very depressed, and falling further. Sugar prices, internationally, are at less than half of their 1995 levels.

The collapse is not limited to food prices, of course. Cotton and rubber, for example, are at about one-third of their 1995 prices in 2002. A paradigm-shift from globalized “free trade” to fair-trade to protectionist policies, by nations across

FIGURE 2

Export Prices of Food Commodities, 1995-2002

(Index 1990-92 = 100)



* Estimate

Source: UN Food and Agriculture Organization.

the world, is needed to sustain and increase national productive capacities—and nowhere is this more urgent, than in the production of food and construction of agriculture and water-management infrastructure.

In fishing alone is food production still growing, and that, entirely in China. China has nearly one-third of world total “fish production” of 130 million tons. It accounts for *all* of the 12% world increase since 1995. “Production” consists of “capture” (fishing) and aquaculture, or fish farms. China has two-thirds of world aquaculture production of fish (35.6 million tons), and four-fifths of the 46% world growth since 1995. In “fish capture,” China has 19% of the world total and all of its growth since 1995 (the rest of world has fallen).

The FAO report’s focus on constantly sinking commodity prices, highlights the truth that falling world food production is not “inevitable,” natural, or the result of “environmental degradation,” as WorldWatch Institute’s Lester Brown has preached since pre-history; but rather, the result of misguided and failed economic policies. A sharp turn back to protecting national agriculture is needed; then, the surest means to increase production further, is the use of water management projects to increase the ratio of irrigated agricultural land, to rainfall-fed farming. A new generation of “super-rice” is also on the immediate horizon.