

International energy crisis removes bread from our table

by Jannie de Villiers'

The increase in fossil fuel prices has urged the world to reconsider alternative sources to produce energy. The biofuel industry erupts on the back of increased oil prices. The consequence of this development increases the demand for grains and oil seeds substantially over a short period of time followed by all time high prices. In conjunction with this development the economic growth and consequent increase in wealth by countries such as China and India has put additional demand on grain supplies.

The prophets of climate change have highlighted the impact that this phenomenon could have on the availability of food in the future. All these factors jointly have brought agriculture to the front pages of the international discussions not only by governments but also by business leaders.

This was one of the messages from the World Economic Forum that was held in Switzerland at the beginning of 2008. Various governments have adapted different strategies to deal with this new food security matter. All governments are concerned when it comes to feeding the masses that put them into political power.

The common agricultural policy in the European Union was a direct result of a decision regarding food security following World War II. The goal was never to let Europeans go hungry again. The policy was successfully implemented. The latest developments regarding the energy crisis and exceptional growth in highly populated countries requests the urgent attention of political policymakers to reconsider their current situation.

Food security has two legs to it: Availability and affordability. Availability in my opinion is a job for the free market. Free market and capitalism will ensure that there are always food products on the table. The free market, however, distributes products and services according to the ability to pay. This is where the affordability issue comes into play. It is my understanding that the availability of food is the responsibility of business driven by the free market whereas affordability is the responsibility of a government ensuring poverty alleviation through job creation and economic growth.

Governments all over the world have reacted differently to this new challenge of food security. To increase food security by increasing production will take time. The agricultural sector is directly linked to the cycles of nature. New agricultural

policies will have to be developed through consultation and within the current framework of the World Trade Organization rules. This process coupled with the delays of nature will cause a time lag that could be very critical to food security in the immediate future. The change in climate conditions will prevent the agricultural sector from doing business as usual.

We have seen governments implementing quantitative restrictions on exports to create surpluses of grains in their domestic markets. This action together with other policy tools was used to ensure the availability of food and through surpluses reduce prices and increase the affordability. Some governments have opted to tax their exports in a way to increase food security domestically. Ironically South Africa still taxed their wheat imports. We have also seen an example where governments temporarily reduced their import duties on grains to improve the food security.

Some governments have gone all the way and commenced with projects of food price control to deal with the matter of food security. Only time will tell which of these intervention measures will prove to be effective in dealing with this new phenomena. The true colours of patriotism were most evident when the United States of America announced that they will no longer provide food aid in kind, but only in cash. For many a year the food aid system in the world was misused by the developed countries as a surplus removable scheme. They've always denied these accusations, but the truth has eventually surfaced.

The bottom line for South Africa is that these developments in the past 12 months serve as a wake-up call to government and policymakers to seriously adapt to the new global conditions and views regarding food security. The agricultural sector in South Africa has amongst others the goal of being the vehicle for transformation and to form the backbone of the rural economy. Food security has not been in the front of the minds of those developing economic policy. The latest developments as described above have changed the priority that food security should get in developing new policies for agriculture. The result of the Uruguay round of the World Trade Organisation in 1994 gave governments the assurance that free trade would provide enough to be food secured. Measures implemented by governments in their own interest as we have seen in the past 12 months necessitate the South African government not to rely on free trade only, but to redesign our agricultural policy to ensure enough investment in this sector to secure our food availability and affordability for the future.

This will necessitate a revision of our trade and tariff policy as well as our spending on research and development. The negative trade environment coupled with the low spending in the research and development have decreased the profitability of the sector to such an extent that very little new investment was

attracted. This can be compared to the current energy crisis in South Africa with Eskom not having spent enough to maintain capacity to be energy secured.

The huge demand for increased production of grains internationally has brought new challenges to input suppliers such as seed, chemical and fertilizer companies. The pressure to supply more inputs has consequently increased the prices of those products substantially with the consequential increase in the cost producing food. This in itself will again worsen the food security issue regarding affordability. One of the many solutions to the current situation is the responsible application of biotechnology. The availability of biotechnology for maize and soya beans used for animal feed and industrial usage could speed up production to catch up with the growing demand. The initial refusal by consumers in some countries to accept biotechnology in wheat has caused most researchers to abandon all new projects to improve wheat production through biotechnology. Those governments who chose wheat for biofuel purposes are already regretting it. The announcement by the European Union in this regard is enough evidence that they over-reacted with policy decisions to address the energy crisis without considering the implications for food security properly.

The world has changed permanently and needs quick reaction by government to create a policy environment to attract new investments in agriculture to ensure food security. Reliable structures, free from corruption, should also be developed to directly address the needs of the poor during the lag time that agriculture needs to react to this new challenge.

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