



*Long-Term Thinking
for Today's Issues*

Christian Farmers Federation of Ontario

7660 Mill Rd., RR 4 Guelph, ON N1H 6J1

Ph: 519-837-1620 Fax: 519-824-1835

E-mail: cffomail@christianfarmers.org

Web: www.christianfarmers.org

CFFO Represents 4,300 farm families in Ontario

The Food VS Fuel Debate A CFFO Educational Primer

Preamble

The Christian Farmers Federation of Ontario (CFFO) is concerned with the growing debate surrounding the issue of using food for fuel. This is a very complicated issue, with many different perspectives based on imperfect information. This advisory will attempt to shed some light on the situation, providing some facts and a balanced measure of the situation.

Question 1: Is there enough food to feed the world and continue biofuel production in North America?

Answer: Yes, there is enough food to feed the world. While storage of many food staples are currently at low levels, we are far from being out of food. Many of the problems in feeding the world are logistical in nature, not production related. In war-torn regions getting food to those with the greatest need is nearly impossible. In other countries, hoarding of goods is taking place, out of fear of a potential shortage.

Question 2: What is driving food costs up?

Answer: there are a large number of factors that are driving food costs upward, including:

1. The developing economies of China and India. There are millions and millions of people that are rising out of poverty in these countries. When people become more affluent among the first things to change is their diet. This change tends to include the consumption of high protein foods such as meat. The rapid growth of wealth in these countries is creating higher demand in the global food supply as more people consume greater amounts of protein. This will continue to be a factor as long as the economies of these countries continue to grow at a staggering rate.
2. Drought conditions among key staple producing countries. The drought condition in Australia has affected rice and wheat production, and the drop in rice production in Vietnam has tightened the global supply for a number of staple crops. These supply-side disruptions should resolve themselves in time, if weather conditions return to normal.
3. Biofuel production is tightening the supply of corn and sugar beets. This demand-side driven change is creating new price plateaus for these staples and the goods derived from them. Recent increases in biofuel production have been driven by two factors: government subsidies and high crude oil prices. It is important to note that the one of driving forces behind the ethanol boom is the American push

to establish a better balance of trade and enhance its national security through alternative fuel sources.

4. Rising fuel and energy costs. These changes are increasing transportation and processing costs, which are being passed onto the consumer.
5. Speculation in the marketplace may be creating distortions in the “real” value of commodities, particularly through hedged exchange traded funds. The new price plateaus for certain staple goods may be genuine or they may be a bubble waiting to burst.

Question 3: Are government subsidies of biofuel production creating a harmful situation for people and other producers?

Answer: The simple answer is, yes, government subsidies of biofuels are creating some distortions. The resultant change in animal feed prices has been a contributing factor in the beef and pork crisis of the last year. (The effect on people is discussed below).

However, financial pain in one section of agriculture should not be enough to justify an end to subsidies in another. But the government needs to recognize that intervening with market forces in one area may require a series of interventions farther down the chain while the market adjusts to the new reality.

On a positive note, the land-based, diversified model of farming that the CFFO has championed is proving to be more resilient during these tough times than the specialized production model that has come to dominate the agricultural landscape.

Question 4: Are there moral concerns with foodstuffs being used to produce fuel?

Answer: This is a very difficult question, because what people consider to be a moral concern differs very greatly from person to person.

From the perspective of the developed world, the vast majority of North Americans and Europeans will not be placed in jeopardy by the rising cost of food. The amount of disposable income spent on food is incredibly low in North America and Europe, and as a percentage of disposable income is half of what it was in the 1960s. It is more likely that dining out will decrease rather than people going hungry. If your moral concern is for your fellow Canadians, there is a segment of the population that is engaged in low-income labour. For these Canadians, a shift in their food budget will impact other aspects of their lives but not threaten their survival.

From the perspective of the developing world, the story is very different. If 50-80% of a family's disposable income is spent on food, a doubling of food costs will place them in very serious jeopardy. However, simply because the price of corn has increased, it does not mean that the cost of their diets has also increased.

1. The staple food of many people in the developing world is not corn or wheat. Rather, they have a local staple that is used in their diet, such as millet, sorghum, or cassava.
2. Rice is the staple for many people in the developing world. However, very little of it is actually traded internationally. The demand-side disruption in rice production should resolve itself in time. Finally, the change in the value of rice is not bio-fuel driven, making it a red herring in this debate. Rice is currently not used in biofuel

generation and its principle replacement in times of shortage is wheat, which is also not used in significant amounts for biofuels.

What is of a moral concern is the possibility that local staple production may cease in order to chase the high value of corn, wheat, soybeans and rice. Will the rising use of staple crops for non-food purposes – biofuels are just the beginning of the bio-economy - eventually pull all commodities to a new price plateau?

If this situation occurs, then the value of the remaining local staple production will also rise as supply tightens. This in turn raises the question: can one force these farmers to continue to produce low-value crops to keep local people fed? The answer, if one believes in the freedom of choice, is no. They have the same right to pursue a profitable enterprise as those in the developed world. Unfortunately, there may be millions of people adversely affected by those market-driven decisions.

It should be emphasised that Government policy has a huge impact on food production. Ultimately, they have the ability to ensure or discourage the production of adequate staple foods for their populations.

Question 5: What options are there moving forward to meet the needs of both the developing and developed world?

Answer: When we look at the global situation, there are vast tracks of land that are not producing staple crops at a high level. Many former Soviet block countries are still well below their Soviet-era production levels, often due to infrastructure problem, and many regions in Africa are unproductive due to years of systemic violence. This violence has resulted in a loss of knowledge in agriculture in these regions, as few farmers remain to pass on their skills to a new generation.

In the developed world, the development of the bio-economy is seen as a necessity as we approach (or arguably, have reached) peak oil. The high cost of fuel is driving innovation in any sectors, including agriculture. The development of renewable ways to produce fuel, high tech components and plastics will be necessary to maintain a semblance of the lifestyle we enjoy. Furthermore, expanding the role of agriculture beyond the production of just food and fibre has the potential to make those involved in the sector more profitable and more important to society as a whole.

Given this situation where there are goals in conflict with each other there may be some solutions. There are many people who may suffer by rising food costs, yet there is the need to develop the bio-economy in the age of peak oil. At the same time there are vast tracks of unproductive land, and a lack of local knowledge to put these areas to use. Perhaps what needs to be done is to have the expertise of North American and European farmers brought to these regions, combined with the local knowledge of the nation's people to develop sound agricultural systems. Investments in infrastructure need to be made using money from the developed world, teaching the developing world how to feed itself rather than providing them with food.

Question 6: What will it take to get there?

Answer: There are a large number of policy and trade tools that can be used to achieve a more stable food supply for the world. The following list is by no means exhaustive.

1. Allowing foreign investment into developing regions will provide them with capital to make infrastructure improvements. Despite the pitfalls that sometimes accompany this sort of investment, capital is needed to make a venture grow.
2. Through organizations such as the United Nations and other non-governmental organizations, targeted investment in education and training in agricultural techniques – from water management to crop rotation - would enable a new generation of farmers to begin growing crops in areas where these skills have been lost.
3. Each country should be able to set a desired level of food self-sufficiency. Governments' should then take steps to achieve those goals through their own set of policy tools. The desire for greater market access by an exporting country should not trump the food security goals on a nation.
4. Respecting each country's desired level of food self-sufficiency, adjustments in trade rules would have to be made to allow more market access for high value crops exported from developing countries. As the bio-economy emerges, demand should grow at a rate to make this option viable.