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Turn the crisis into an opportunity

by Hanlie du Plessis

Robert Zoellick, president of the World Bank, recently declared a global food emergency as riots over food shortages spread around the globe. The World Bank estimates that 33 countries around the world face potential social unrest because of acute rises in food and energy prices. Food riots started last year in Mexico with the tortilla protests, and have spread to Cameroon, Egypt, Haiti, Indonesia and Peru.

Speaking at the International Monetary Fund (IMF) and World Bank spring meeting in Washington, Zoellick reiterated calls for a “new deal for a global food policy” to combat world hunger through emergency aid and long-term efforts to boost agricultural productivity in developing countries.

The crisis at home

South Africa has not been spared the pain. Cosatu organised several marches throughout the country to emphasise to society the extent of the crisis and the necessity that it should be dealt with through targeted action. Some 25 000 people participated in the Gauteng march, while about 8 000 workers downed tools in Rustenburg. Another four marches took place in the Eastern Cape.

Research suggested that Cosatu’s decision to stage mass protests was not only aimed

against the government but also the private sector. However, taking to the streets is not the solution to this global dilemma. With Cosatu’s fingers pointing at CEO salaries and super profits, we are marginalising the problem to be a local one, which it definitely is not. However, Cosatu was planning a national stayaway for early in August.

Most economists agree that the cause for rising food prices is an accumulation of multiple factors. The most obvious culprits seem to be the diversion of crops to biofuels and crop failure due to global warming. The unprecedented growth in China also led to increased beef consumption, which leads to a rise in the demand for grains. Lastly, the countries that used to be net exporting countries closed their markets to ensure their own food security and to ease their food inflation.

The argument for biofuels

But this is not the case in South Africa. According to the Southern African Biofuels Association (Saba) president, Andrew Makenete, the sharp increase in food prices in South Africa can definitely not be linked to biofuels: “We’ve not even produced a single drop of biofuel in South Africa. People cannot blame high food prices on biofuels, because we’ve not even scratched the surface yet.”

He also criticised the fact that government excluded maize from its biofuel strategy:

“The government has been too conservative excluding certain food crops in its biofuels strategy. You can go to any shop and you’ll find maize. The problem is not the availability of food crops, but higher prices.”

And indeed price is a problem. Farmers are price-takers on both the input and output sides. They are unable to influence the input prices and therefore will have to find ways to optimally utilise inputs. Modern production practices based on the principles of reduced or conservation tillage, are being applied worldwide. This kind of thinking seems to be in line with what economist Tony Twine suggests. He said that working towards reducing food production costs, was a better idea.

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Price hikes and interest rates

In the South African scenario, the spiralling input costs can be directly related to the hike in interest rates, the rise in petrol prices and the sharp electricity price hike. The effect of the latest interest rate hikes will aggravate the already precarious position of the consumer. We now experience increased repossession of homes, cars and other essential consumer goods. It is not the rich who suffer; it is the middle class that makes up the backbone of most societies,

and especially the very poor who have no back-up resources.

Petrol prices have increased year-on-year by double-digit figures, causing a 2,33-fold increase from January 2004 to April 2008. While it is accepted that crude oil prices have increased worldwide, the formula for calculating fuel prices contains unacceptable elements such as the way in which fuel tax is calculated. Why must taxes go up as oil prices go up? It makes no sense that government cashes in on crude oil price hikes.

The requested electricity price increase will also have a huge impact on the economy and on inflation. It will inflict immense hardship among the less privileged consumers, resulting in more unpaid municipal accounts. The entire exercise runs counter to efforts by the Reserve Bank to rein in inflation. Electricity outages have already caused millions of rand in damages to industry and commerce, farmers, small enterprises and consumers.

Maize crop estimates

Putting all negativity aside, South Africa's maize farmers are expected to realise R1 500 to R1 600 a ton this year, up from R1 100 to R1 200 last year and more than double the low of R600 two seasons ago. This year's crop is expected to be about 10 million tons, up from 6,9 million last year and above the longer term average of eight million, which has been increasing as farming technology has improved. And as the sector recovers from the droughts a couple of years ago and benefits from higher global and local prices, its contribution to economic growth could quite easily double this year.

There are limits to the land that can be farmed and the output that can be produced. But in farming, productivity and technology can improve yields; more of the available hectares can be ploughed and more commercial farmers could be attracted into the sector. The number of commercial farmers fell from about 60 000 in the early nineties to little more than 40 000 now.

Look beyond maize

Government and other policy makers should also be looking beyond maize, at where and how South Africa's commercial farmers might be able to boost the output of other agricultural commodities, particularly for export.

Perhaps the focus of the Department of Agriculture and Land Affairs has thus far been more towards land than agriculture, with much attention paid to land reform, land restitution and small farmers, and very little to commercial farming.

Of course it is crucial that those land issues be addressed and small farmers be promoted. But the fact is that this global food emergency could easily be turned into an opportunity for South African farmers to make a lot of money and capture the full benefits of the global boom. Should government fail to take a serious look at big commercial farmers, this could sadly be a boat that our producers miss.



Short-term solutions

The plight of the poor is heartbreaking and sincere. At a recent food summit organised by the Gauteng Department of Agriculture, Jane Mabilu pleaded with government to return dignity to the poor. She said that hungry eyes could look at someone

carrying a loaf of bread and wonder how they can afford it.

At this summit the overwhelming message from the Agriculture, Conservation and Environmental Affairs MEC in Gauteng, Khabisi Mosunkutu, and the national Minister of Agriculture and Land Affairs, Lulu Xingwana, was that South Africans in the suburbs, townships and rural areas should all start producing their own food.

"Each family should have a vegetable garden. Let us help one another to grow our own food. In areas where the land lies fallow, let us mobilise communities to produce food for themselves," said the Minister. A noble idea, but not really a short-term solution. The people will

firstly need the skills, the seeds and the water to be able to take to this route successfully.

One obvious short-term solution is to look at what people living under the breadline eat, and to exempt the whole basket from value added tax. A 14% discount on polony, baked beans, UHT-milk and tinned fish could put a balanced meal in reach of more hungry people.

However, in the medium to long term, South Africans will have to join hands to overcome the problem. Government, labour unions, businesses, NGOs and communities will have to find solutions to rising food prices by building partnerships. These strategies and solutions will only be effective if we all work together. 