THE COMING CRISIS OF FOOD PRICE HIKES: A THREAT TO SOUTH AFRICA’S NATIONAL STATE SECURITY?

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ABSTRACT
In recent decades, demographic and economic growth has challenged the limits of economic, social and ecological sustainability, giving rise to questions about food security. Despite technological advances that have modernized the conditions of production and distribution of food, hunger and malnutrition still threaten the quality of life of millions of people, worldwide. At the same time, our food problems are also becoming more and more complex, with highly connected ramifications that make food security an issue of critical concern.

Although the causes of hunger have always been known, recent research and publications have not only accentuated the issue, but have also indicated that the new complexities only serve to exacerbate the problem. For example, in April 2011, the World Bank\(^1\) estimated that food prices had increased by 36% compared to the same period in April 2010. A recent report published by Oxfam (May 2011)\(^2\) estimates that there about 1 billion people who go hungry to bed every day. The report also warns that basic food prices could increase substantially in the next 20 years, especially given that population growth is also expected to rise and generate new and pressing demands for food. It is predicted that by 2050, there will be another 2 billion people to feed, on top of the nearly 7 billion today. The growing mismatch between demand and supply for food is simply not sustainable and will exacerbate food insecurity throughout the world.

Noting that the price of food is inextricably linked to the critical questions of food insecurity, hunger and poverty, especially in terms of availability, accessibility and affordability, this paper, therefore, not only critically contextualizes and analyses the recent Food Price Increases, but also, complements the challenges of Food Security, which was comprehensively articulated in Kalliston’s recent Policy Document entitled “Food Security in South Africa and Sub-Saharan Africa”\(^3\).

In the context of the above, the introductory section of the paper provides a synopsis of the recent global food price increases and its relevance to the future of human sustainability. The next section outlines and analyses the possible causes of the recent food price hikes and provides a prognosis of the future danger that unabated increases pose to human sustainability. Given the importance that the South African State Security Agency attaches to the issue of human and food security, the third section deals with the political economy of food price increases and the conflicts that have generated, thereof. The paper then presents a critical review of global policy responses with a view to draw insights on what is needed to tackle the recurring food price threat in South Africa. No country is exempt from the ravages of the food price crisis, especially our neighbouring countries in Sub-Saharan Africa. The final section, therefore, concludes by advocating for urgent Smart Power Policy interventions within the Sub-Saharan African continent, with specific reference to the universal issues of food security and the food price crisis.

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Key Words: Crisis, Food Hikes, State, Security, Global, Food Prices, Developing Countries, Policy, Poverty, Risks, Nexus

Introduction:
Food Price Increases and Effects

"Global food prices are rising to dangerous levels and threaten tens of millions of poor people around the world," World Bank Group President Robert Zoellick said Tuesday as he announced the bank’s findings that about 44 million people in developing countries have been pushed into poverty since last June 2010 because of rising food prices.

CSM (February: 2011)⁴

According to the FAO (2010)⁵ the international price index for basic foodstuffs rose sharply in the latter half of 2010 and recently exceeded the peak levels of the 2007-08 food crises (Figure 1). The alarming spike in prices is led by cereals (e.g. maize, wheat, rice) which are important food staples for many developing country populations, especially the poor. While the full picture of the drivers behind the price increases continues to develop, there is a growing consensus that high food price levels are likely to persist.

Figure 1: International Price Indices, Jan. 2007-Jan. 2011
(Jan. 2007=100)

Source: FAO (2010)

⁴ CHRISTIAN SCIENCE MONITOR 2011. Rising world food prices may soon hit Africa hard, but could be a future boon. . USA.

1.1 Food Price Increases: Moving Food Security to the Nexus of Global Risks

UNICEF (2011)\(^6\) is of the view that the 2007-08 food crisis clearly demonstrated that soaring international food prices have serious consequences for developing countries, especially those that are dependent on food imports. To the extent that the recent increases in global food prices impact local prices, they further threaten the survival, nutritional status and livelihood of vulnerable populations, especially children, who are still reeling from the income shocks resulting from the cumulative, lingering impacts of the previous food, fuel and financial crises. Poor households all over the world are in an increasingly weak and vulnerable situation in 2011, having often already exhausted available coping strategies, such as eating fewer meals (and less nutritious foods), reducing limited expenditures on health and essential medicine.

Moreover, extreme price movements of agricultural commodities not only threaten the food security of millions of people but also the economic recovery and social stability of developing countries. The impact is compounded as more people lose purchasing power due to rising food costs and are thrust into poverty. For example, in April 2011, the World Bank\(^7\) estimated that food prices had increased by 36% compared to the same period in April 2010. A recent report published by Oxfam (May 2011)\(^8\) estimates that there about 1 billion people who go hungry to bed every day. By 2050, there will be another two billion people to feed, on top of the nearly 7 billion today. The African Economic Outlook (2011)\(^9\) avers that the recent global trends in food prices are marked with higher levels and increased volatility as compared to the 2007-2008 food crises and are projected to stay higher over the medium and long term.

The recent hike in prices of food has also contributed significantly in putting the food security issue on the centre stage of global risk-geopolitics. Inexorable food price increases and the associated food security problem have emerged as a major risk, marked by both local and global consequences, trade-offs between different mitigation priorities and a disproportional impact on poorer communities (World Economic Forum:2008)\(^10\). See Figure 2.

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\(^6\) UNICEF 2011. Escalating Food Prices: The Threat to Poor Households and Policies to safeguard a Recovery for All. New York, USA.


Figure 2: Food Security: At the Nexus of a Range of Global Risks


Furthermore, the recent food protests in Algeria, Egypt, Haiti, Jordan, Morocco, Mozambique, Tunisia and Yemen serve as sombre reminders of the gravity of increasing food prices and underscore the urgent need for policy attention of—and interventions by—national governments and the international community (UNICEF: 2011)\textsuperscript{11}.

Food Security and Food Price Increases: Concepts, Understandings and Linkages

Food security is not simply a function of supply or demand, but of availability, accessibility and affordability. These factors include a broad spectrum of socio-economic issues with great influence on the impoverished, in particular. Rising and volatile food prices affect all of these factors and axiomatically, food security. The world produces enough food to feed everyone. World agriculture produces 17\% more calories per person today than it did 30 years ago, despite a 70\% population increase. This is enough to provide everyone in the world with at least 2,720 kilocalories (kcal) per person per day (FAO 2002.9)\textsuperscript{12}.

The principal problem is that many people in the world cannot afford the food. For the poorest households, food accounts for a major part (between 60\% and 80\%) of their expenditure, and food price directly affects their food security.

The IDRC (2000)\textsuperscript{13} is of the view that before any meaningful conclusions can be drawn on food price increases and food security, the three dimensions of food security, mentioned above, need to be critically examined.

- **Availability of food** – refers to the physical existence of food, be it from own production or on the markets. On the national level, food availability is a function of the combination of domestic food stocks, commercial food imports, food aid, and domestic food production, as well as the underlying determinants of each of these factors. Use of the term availability is often confusing, since it can refer to food supplies available at both the household level and at a more aggregate (regional or national) level. However, the term is applied most commonly in reference to food supplies at the regional or national level (Riely et al: 1999; 21)\textsuperscript{14}.

\textsuperscript{11} UNICEF 2011. Escalating Food Prices: The Threat to Poor Households and Policies to safeguard a Recovery for All. New York, USA.

\textsuperscript{12} FAO 2002. Measures to address Food Security in the SADC region – A Background Paper. Rome, Italy.


Accessibility of food – is ensured when all households and all individuals within those households have sufficient resources to obtain appropriate foods for a nutritious diet (Riely et al: 1999). It is dependent on the level of the household resources – capital, labour and knowledge – and on prices. Adequate access can be achieved without households being self-sufficient in food production. However, more important is the ability of households to generate sufficient income which, together with own production, can be used to meet food needs.

Food accessibility is also a function of the physical environment, social environment and policy environment, which determine how effectively households are able to utilize their resources to meet their food security objectives. Drastic changes in these conditions, such as during periods of drought or social conflict, may seriously disrupt production strategies and threaten the food access of affected households (Riely et al: 1999; 22).

Affordability of food – Food security also requires that at the household level food is both accessible and affordable. There are various factors in the food value chain that cast a negative impact on the food affordability. For example, in rural areas road infrastructure is poor and may hinder accessibility and this can increase the distribution costs, which invariably impacts on every link in the food value chain. These rising costs are eventually passed onto the consumer. It is possible that while a country may be food secure at the national level, it may not be food secure at the household level. The bulk of the concerns regarding food security at the household level, therefore, centre on the affordability of food products. Food may be available and accessible, but is not universally affordable.

The Food Price Spiral and Consequences

Beyond the potential economic consequences of rising food prices is the well-established relationship between food prices and political stability. In 2007-2008, surging prices put basic food items beyond the reach of the poor and middle class, precipitating civil disobedience in at least 43 countries (Geopolitical Monitor: 2011). According to the FAO (2011), urban households were among the hardest hit, especially the lower income groups which spend a higher proportion of their earnings on food than the richer class. By some estimates, 60% to 80% of a poor family’s income may be spent on food, compared to less than 25% of a family’s income in more economically well-endowed countries. During the same period, stocks of the major traded grains were at a record low and the perception that there would be supply shortages triggered action by several governments to stop exports. The subsequent spillover effects led to market panic. Mark Plant of the IMF (2008) states that rising food prices have also had a substantial impact on world inflation. He believes that Inflation has been tricky ever since the global economy came out of recession. The inflation rate is high in most emerging nations while it is still under manageable limits in developed nations. There are many factors - global as well as domestic - that are contributing to the high inflation rate – food price increases principally being one of them.

Inflation rates have been at high levels since the beginning of last year, i.e. 2010. The initial wave in inflation was fuelled by rising prices of food. However, the later triggers include rising fuel prices in international markets, rising prices of non-food articles, manufactured goods and cascading effect of price rise in related products. The latest trigger, in the beginning of 2011, was...
again provided by the rising prices of basic food commodities, especially cereals. Analysts at the IMF believe inflation is likely to remain firm in the short to medium term. Map 1, below, indicates Global Food Inflation for 2007.

Map 1: Global Food Inflation in 2007

Source: IMF (2007)\textsuperscript{19}

The latest FAO Report (2010f)\textsuperscript{20} shows that in a survey of food price changes in 23 selected countries (See Figure 3,), the overall cost of the basic food basket is more than 20% above the five-year average. Food fears have precipitated countries like China, South Korea, Vietnam, Indonesia, Indonesia,


India and Russia to take pre-emptive action such as reducing tariffs on some imported food items, fixing prices and encouraging people to grow food.

Figure 3. Local Food Price Changes in Selected Countries: May to November 2010 (In Percentage Points)

Source: FAO (2010f)
Finally, given the importance of the inexorable food price increases to South Africa’s National State Security, especially in terms of civil unrest, the issue of the *Political Economy of Food Price Increases* will be dealt with in the third section of this paper.

**Food Price Increases: Genesis, Progression and Impacts**

IFPRI and CGIAR (2008) are of the view that there is an emerging and reasonable consensus among experts and academics about the range of causes that influence food price increases. There is, however, ongoing debate about the relative contribution of each one of the causes. Research has revealed that there is no one, single cause; rather, many factors are interacting in different locally specific ways. Causes vary between different places and over time, as has happened in previous commodity booms. Some are cyclical, some are structural and some are unique.

In terms of the 2010 to 2011 food price increases, Sundaram (2011:1) asserts that global food prices continue to rise month after month, driven by longer term and more recent trends. Financialisation is an important factor among the recent trends. There is strong evidence of correlation among the markets for different financial assets, including stocks/shares, commodities and currencies. Failing asset prices in other financial market segments may thus be more important for explaining the recent surge in food prices than supply constraints or changing demand and other factors underlying longer-term gradual upward prices.

The CSM (2011:1) states, that the current period (2010-2011) of food price increases is distinctive, especially if it is compared to food price hikes in 2007-2008. The period was characterized by a diminished supply of staple grain crops, especially wheat. Russia, Ukraine and Argentina had severe droughts, while Pakistan and Australia experienced massive flooding. The demand for food has also been rising as people in fast-developing countries, such as China and India, have been buying more staples. Furthermore, the current situation is distinctive because it is not a select few but nearly all major food and feed commodities that are seeing a “concurrency of hike in world prices”.

It is too early to confirm what are the real causes which influence the current (2010 - 2011) food price increases. There are, however, some factors which have been identified as the major drivers for food price increases in 2007-2008. IFAD (2008:1) has identified six reasons that explain the increase in food prices in the period between 2007 and 2008:

- First, world cereal production fell by 3.6 % in 2005 and 6.9 % in 2006 due to bad weather in major producing countries.
- Second, stock levels were very low, which magnified the impact of production shortfalls as markets worried about the lack of a buffer. The ratio of world cereal ending stocks in 2007-08 to the trend in world cereal utilization was estimated at 18.7 percent, the lowest in three decades.

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23 CHRISTIAN SCIENCE MONITOR 2011. Rising world food prices may soon hit Africa hard, but could be a future boon. USA.

Third, petroleum prices and food prices were highly correlated, with an estimated correlation coefficient of more than 0.6. The rapid rise in petroleum prices exerted an upwards pressure on food prices as fertilizer prices nearly tripled and transport costs doubled over a two year period.

Fourth, increased demand from the bio-fuels sector also tended to push prices upwards. It is estimated that about 100 million tons of grain (some 4.7 percent of global cereal production) were used for bio-fuels in 2007-2008. In 2007-2008 the United States alone was expected to use about 80 million tons of maize to produce ethanol, a 37% increase over the previous year.

Fifth, economic growth in some large developing countries was leading to changes in diet and increased demand for food crops. Over the last 15 years, meat consumption more than doubled in China and grew by 70% in Brazil and 20% in India. Since it takes some 5 Kg of cereals to produce 1 Kg of meat, this shift in diet was also leading to higher cereal prices.

Sixth, trade policies put in place by some countries, such as export bans, contributed to higher prices in certain cases.

**Key Long-Term Causal and Cyclical Factors Influencing Recent Food Price Hikes**

As research in food prices continue, what is becoming evident is that there are some factors which are resilient and have been involved in price hikes since the early 1970s. This section, therefore, outlines and then discusses the repercussions of each one of the long-term causal factors which influence price increases. Much of these factors derive from studies undertaken by Oxfam (2011)\(^ {25}\), UNICEF (2011)\(^ {26}\) and FAO (2010)\(^ {27}\).

**Weather Shocks**

Droughts in Eastern Europe and Argentina, and heavy rains in North America and Australia, led to production shortfalls in cereals (e.g. wheat), starch roots (e.g. cassava), and oilseeds (e.g. soybeans). In August 2010, Russia announced a ban on the country’s grain exports, sending European Wheat Futures Prices up by more than 12% in a single day. Coupled with news of bad weather in key exporting countries, the price of wheat soared nearly 90% between June and December 2010.

**Exchange Rate Fluctuations**

Due to the recent global financial crisis, many of the world’s major currencies have faltered, significantly. For example, the Dollar depreciated nearly ten percent against the major currencies. As internationally traded food commodities are often quoted in US dollars, the weakening currency led to higher commodity prices.

**Pressure from financial speculation**

According to the FAO (2010c)\(^ {28}\) financial flows into food commodity markets since mid-2000 have been massive compared to the amount of underlying physical commodity stocks. While indicative data on recent activities in food commodity derivatives are slow to emerge, recent evidence from the Chicago Board of Trade (CBOT) markets seems to show increased speculative trades in some

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\(^ {26}\) UNICEF 2011. Escalating Food Prices: The Threat to Poor Households and Policies to safeguard a Recovery for All. New York, USA.


food commodity groups, such as maize and soybeans (Figure 4), which have also been associated with increased price volatility.

Over the counter (OTC) activities, which are substantial and outside of regulated markets such as the CBOT, are also adding pressure on food prices?

Figure 4: Non-Commercial Trading Interest of Selected CBOT Markets
(In percentage of total open interest)

Source: FAO 2010c

Excess liquidity in financial markets played a significant role in this rapid increase, as major institutional investors, which were generally unconcerned with agricultural market fundamentals but rather in gaining short-term returns, moved into commodity derivatives markets, generating a
commodity bubble. Commodity futures are instruments that, in principle, should be useful to producers and consumers as they “hedge” against price risks. In this respect, Pension fund have played a significant role. Given the nature of “hedge” fund” investments, only 2% of futures contracts end in the actual delivery of the physical commodity, while 98% are traded before their expiration date by investors who are purely seeking speculative gains (FAO 2010e). Food-processing companies, governments, big farmers and even aid agencies have entered the markets to hedge their future costs, leading to increased activity in the futures market. Some analysts, such as Oxfam, see this as a significant contributor to price rises.

**Bio-fuel Production**

Concerns over oil prices, energy security and climate change have prompted governments to take a more proactive stance towards encouraging production and the use of bio-fuels. This has led to increased demand for bio-fuels raw materials, such as, wheat, soy, maize and palm oil, and increased competition for cropland. Almost all of the increase in global maize production from 2004-2007 (the period when grain price grew sharply) went for bio-fuels production in the USA, while existing stocks were depleted by an increase in global consumption for other uses.

**Global Production of Cereals has Slowed**

World production of cereals has slowed, caused by a decline in stocks over the last decade. This has weakened the ability of the world food system to cope with shocks and created conditions in which short-term shocks cause large price increases.

**High Costs of Oil and Energy**

The high costs of oil and energy is affecting transportation of agricultural outputs and inputs, mechanical cultivation, fertilizer and pesticides. Generally, though, the new surges in oil and energy have affected the supply chain management of all agricultural production. It has also marginalized small scale farmers, especially in emerging economies, from accessing world markets. Equally, the resultant effect is that producers of food crops soon become dependent on imports.

**Changes in Global Demand Patterns**

Increasing and fast-changing economies like China and India have put new pressures on the demand on food. Increasing purchasing power and a growing middle class has significantly changed dietary habits, especially away from traditional staples and toward higher-value foods like meat and milk.

**Export Restrictions and Panic Buying**

Export restrictions and panic buying is usually caused by weather related shocks. For example, because of a sustained period of drought and wild fires, Russia’s wheat crop was placed in jeopardy. In 2010, in order to protect its own food security, Russia immediately curbed all export of wheat and consequences for import reliant economies like Mozambique is now well-known – the price of bread escalated and food riots ensued. Similarly other countries like Saudi Arabia, fearing

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for their own food security, decided to invest in the acquisition of land to produce their own staples, such as rice. All of these reactive measures have a negative impact on the pricing of food.

**Topsoil Erosion**

Modern ploughing, overgrazing, fertilizer and pesticide use result in the steady depletion of worldwide topsoil. Water and winds carry away the soil, when it is not fixed by plant cover. An estimated 25 billion tons of topsoil are lost to erosion each year. The United Nations estimates that erosion has now seriously degraded about 40 percent of the world’s agricultural land.

**Increasing Urbanization**

In developing countries, especially those that are largely poverty-stricken, the rate of urbanization has expanded phenomenally – this is largely due to rural-urban migration. Unable to carve out a simple lifestyle of subsistence, rural folk migrate to cities. This often means that more people are becoming purchasers rather than producers of food. Quite obviously, this creates new demands, especially of food and imperils the lives of poverty-stricken millions who spend between 60-80 % of their income on basic food, such as bread and maize meal.

**Dwindling Water Supplies**

Most subsistence agriculture is reliant on rainfall for their crop production. However, as a result of global warming, weather patterns have begun to change drastically and the world is begging to see extremes of climate, i.e. droughts and floods. The situation has definitely affected the lives of millions of people, worldwide. At the same time droughts and floods seriously impact on the production of crops – leading to shortages and dependency on imports. The situation has seriously impacted on the price of food. In other countries which depend on underground supplies of water for their agricultural use, aquifers are beginning to dry up. Some of these countries, like Saudi Arabia, have encouraged their farmers to acquire land elsewhere – thus using up the water resources of the host country.

**The Paradox of Food Subsidies**

Indeed, there are various factors which have contributed to food prices increases in both the developed and less-developed countries of the world. Causes not commonly attributed by mainstream views include structural changes in trade and agricultural production, agricultural price supports and subsidies in developed nations, diversions of food commodities to high input foods and fuel, commodity market speculation.

While developed countries pressured the developing world to abolish subsidies in the interest of trade liberalization, rich countries largely kept subsidies in place for their own farmers. As a result, developed countries have generally been protected from the recent food price increases and the real cost of food (especially cereals) which is dictated by global markets is passed on to the developing world and its consumers.

The Third World Network (2008)\(^\text{30}\) points out that, in effect, many developing nations have gone from being food independent to being net food importing economies since the 1970s. The process of Globalisation opened up developing countries to developed world food imports which was subsidised by Western governments.

**How Long will the Food Price Crisis Continue?**

The short answer here is that experts do not agree. On one hand, it has been argued that by 2030 there will be 1 billion more chronically under-nourished people in the world due to continued

pressure on prices, in part due to the conversion of maize away from food uses to ethanol production (Runge and Senauer: 2007)\textsuperscript{31}. Demand for agricultural commodities – food, feed, and fuel – are likely to continue to escalate. Climate change and rising energy demand could re-accelerate food prices in the future.

Ad-hoc market and trade policies such as export bans and import subsidies add further volatility in the international food market (IFPRI/CGIAR: 2008)\textsuperscript{32}.

On the other hand, some analysts have noted that there have been previous spikes – notably around 1974 and 1996 – but technological change in agriculture, poverty reduction, higher labour productivity, and increased demand for food linked to urbanisation and economic growth, have combined to maintain downward pressure on food costs to consumers at the average global level (Hazell and Wood: 2008)\textsuperscript{33}.

Yet, other analysts suggest that, provided there is not a huge spike in oil prices within 15 months, most of the price increases will disappear, with the possible exception of maize prices where the impact of ethanol production may still weigh heavy. In the medium term, staple food prices are expected to be 20% to 40% higher in 10 years than they were in 2002 in real terms, owing largely to increased real costs of oil and bio-fuel production.

**What are the Impacts of Rising Food Prices on Poor People?**

Higher food prices can have radically different effects across countries and at household and individual levels. A recent IFPRI report (IFPRI: 2008b)\textsuperscript{34} provides a conceptual framework for understanding these impacts, which powerfully highlights the complexity of cause and effect. Broadly speaking, at the country level, net food exporters will benefit from improved terms of trade, although the benefits may be offset in situations where exports are being banned to protect consumers. Net food-importing nations, however, will struggle to meet domestic food demand. At the household and individual levels, food prices increases can be devastating to the poor, especially given that they already spend between 60% to 80% of their incomes on food. It can further compromise the overall quality of their lives, especially in terms of other basic needs.

An FAO report published in June 2008 highlights 22 developing countries that are especially vulnerable due to a combination of high levels of chronic hunger (more than 30 % under-nourishment), and high dependence on imports of petroleum products (100 per cent in most countries) and, in many cases, also of major grains (rice, wheat and maize) for domestic consumption (FAO, 2008)\textsuperscript{35}. Food-price increases are having serious consequences for the purchasing power of the poor (KFSSG/FAO: 2008)\textsuperscript{36}. Affected groups include the rural landless, pastoralists, small-scale farmers and the urban poor. Despite the various causes of food crises, the


\textsuperscript{34} IFPRI 2008b. The Global Food Price Crisis. *Washington DC, USA.*


hardships that individuals and communities face have striking similarities across disparate groups and settings. These include:

- inability to afford food, and related lack of adequate caloric intake
- distress sales of productive assets
- migration of household members in search of work
- reduced household spending on healthcare, education and other necessities.

All of the above carry potentially irreversible consequences and compromise the future ability of individuals and households to escape poverty. For example, malnutrition that leads to stunting in preschool children directly affects their ability to learn in school and thus their long-term ability to earn income as adults (IFPRI/CGIAR: 2008).37

Food Price Increases: The South African Scenario

As mentioned previously, the effect of the food crises is relative. Some countries, especially the developing economies, have experienced a severe food price crisis. While at the national level, South Africa is food secure in terms of availability of food, at the household and individual levels, a significant number of individuals go to bed hungry because they cannot access or afford food. See Kalliston’s (2010)38 Food Security in South Africa and Sub-Saharan Africa policy document, which more than adequately deals with this issue.

The April 2011 Consumer Price Index (CPI) released by Statistics South Africa (Stats SA)39 showed that food and non-alcoholic beverages inflation increased by 4.8 % between April 2010 and April 2011. Headline CPI increased by 4.2 % between April 2010 and April 2011. See Figure 5. The prices of processed food products increased by 5.1 % from April 2010 to April 2011 and the price of unprocessed food products increased by 4.8 % over the same period.

Figure 5: Headline CPI and Food and Non-Alcoholic Beverages CPI for 2010-2011 (Year on Year)

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At the retail level, urban consumers paid R 7.30 for a 700g loaf of brown bread and R8.23 for a loaf of 700g white bread during April 2011, a 4.29 % and 6.61 % increase respectively compared to April 2010. Urban consumers paid 2.99 % more for a super maize meal (5kg) and 7.49 % less for special maize meal (5kg) in April 2011 than during April 2010 at the retail level. Sunflower cooking oil prices showed the largest price increases of all retail food products reported on in both urban and rural areas. Rural consumers paid R 11.44 more than urban consumers for the same food basket, a significantly lower price difference than usually reported.

During February 2011, the FAO global food price index reached its peak of 237.2 index points. In March, the food price index decreased for the first time in 8 months. From March to April, the food price index showed a slight increase again and reached 232.1 index points.

From April 2010 to April 2011, the cost of a basic food basket increased by about R12.28 (+3.3 %) in nominal terms. The cost of this food basket, expressed as a share of the average monthly income of the poorest 30 % of the population, increased from 33 % in April 2010 to 34.1 % in April 2011. The cost of the food basket, expressed as a share of the average monthly income of the wealthiest 30 % of the population, increased slightly from 2.6 % to 2.7 %.

Moreover, a critical assessment of the CPI data for food, recently released by Statistics South Africa, reveals that the figures mask the real account of food price inflation. The computation for the CPI was, for example, based on a basket of food that related to upper income consumers. The Development Policy Research Unit (DPRU) of the School of Economics at the University of Cape Town (2008)\textsuperscript{40} confirms this when they state “The poor and the rich have different baskets of consumption. These baskets differ from the ‘average’ basket for the country as a whole. ... the

\textsuperscript{40} DPRU 2008. Consumer Price Inflation across the Income Distribution in South Africa. \textit{Development Policy Research Unit, School of Economics, University of Cape Town, South Africa.}
consumer price index as calculated by Statistics South Africa does not really reflect the ‘average’ household, as is commonly believed.” Because of the weight structure applied by Statistics South Africa – known as the “Plutocratic Weight Structure” the weightings of the different food items in the CPI basket are skewed in favour of the rich. A more representative weighting structure, known as the “Democratic Weight Structure” can be calculated to get a sense of the “true” level of inflation for the average South African. This rate is different from the one based on economy-wide consumer spending, as the rich account for much more consumer spending than the poor. Furthermore, the two different approaches yield vastly different weights for food items. For example, food items have a plutocratic weight of 23.7% and a democratic weight of 36.6%. From this, one can deduce that during periods of high food prices, the average South African is hit harder than those at the upper end of income distribution.

The DPRU further points to the fact that the plutocratic weight structure most closely resembles the expenditure patterns of households in 95th percentile of the expenditure distribution. Accordingly, the DPRU confirms that the official inflation rate as calculated by Statistics South Africa reflects the macro-economic picture and cannot be used to assess the experience of a typical consumer or household. Though the problem posed by using plutocratic weights for calculating the official consumer price index statistics is not unique to South Africa, the extreme levels of inequality in the South African society accentuates the problem.

In order to rectify the situation, Statistics South Africa needs to pay special attention to weighting issues discussed above, and must include in their household surveys, questions relating the actual food items purchased and the real expenditure for food (based on critical issues of affordability and accessibility). Failure to provide a more realistic CPI, can seriously compromise a meaningful and critical assessment of household food security in South Africa. The Human Sciences Research Council (2009)41, likewise, echoes similar sentiments when it notes: “But we cannot precisely determine a baseline estimate, and therefore it is currently not possible to monitor progress towards greater food security. Despite numerous indicators of food security status evident in various national datasets, sampling and methodological constraints render cross-dataset comparisons unworkable. The same constraints prevent any determination of household level food security in South Africa”.

Failure to rectify this situation will not only continue the tradition of computing the CPI based on food expenditure patterns of the rich, but will also seriously compromise a real assessment of the food and human security scenario of the majority of poor households in South Africa. Overall, what is certain is that at the macro level, food prices in South Africa are on the rise, albeit, not at the same rate of increase as in other developing countries. However, The Global Crop Industry News (January 2011)42, warns that although South Africa’s food prices hikes seem not to have kept in tandem with global increases, the country should not be complacent. South Africa’s food price increases have also been disguised by the strength of the rand. Since food prices, locally and internationally, have been increasing at the same time and to the same extent that the rand has been strengthening, the two have largely cancelled each other out.

It would seem that this is a problem delayed, since the rand is bound to retreat at some point and all indications are that food prices will endure for a longer period – or worse, they could be here to

stay. When this happens, the effect on food prices is likely to be dramatic. The result, in effect, will be like a “double-edged sword”, especially for food security in South Africa. Even the South African Reserve Bank is vigilant on rising food and oil costs (SFGate.com: 23 May 2011)\(^{43}\). The Bank threatens to action if price pressures from rising food and oil costs become more widespread. While the Monetary Policy Committee (MPC) of the Bank held back on raising interest rates, it said “This does not mean that these inflation developments can be ignored,” The Bank, further reported that food and oil prices are driving inflation and the acceleration in food price hikes is expected to persist for some time.

Finally, it would seem that no developing country in the world, even South Africa, is exempt from the ravages of food prices increases – whether in terms of poverty and hunger or food riots or a combination of both.

The Political Economy of Food Price Increases and Food Security

_This year’s "Arab Spring" has underscored the potential for food scarcity to stoke political instability. Demonstrators on the streets of Tunisia, Jordan and Yemen brandished loaves of bread as part of their protest, showing how hunger, coupled with the desire for political change can be a combustible mix._

_The Age ((17 June 2011)_

In the current era of Globalisation, free trade, expanding private ownership and squeezing government control from the ownership of business, bring significant economic prosperity in the developed world. On the other hand, widespread poverty, war and conflicts, food insecurity and environmental degradation cause severe human suffering all over the developing world and help to destabilize the world’s economy and ecosystems.

Presently, we have about 7 billion people, and of them, 2.5 billion live in relative poverty, and 30% of the total global population lives in absolute poverty (Andersen and Lorch: 1998). The major issue that emanates from this sorrowful picture is food insecurity. The current increase in food prices only accentuates the food insecurity problem and has brought the issue twice onto the centre stage of global geopolitics in the past five years.

The causes of these hikes in food prices (as we have seen in the analysis above) and resultant crises are multivariate, touching on issues of economics, politics, global warming, financial speculation, changing dietary habits, new demand for food, population increase, bio-fuel production, dwindling water resources, reactive export bans, high costs of oil and energy and exchange rate fluctuations.

As Saliem Fakir states in the New Age (11April 2011)\(^{44}\), “…. Food security is an issue of political economy. And the more one multiplies the unpredictable variables that determine food costs, the more volatile the food economy behaves. That’s not good news for the poor.”

_Food Price Hikes: Historical Consequences: The Food Riot_

Although the geopolitical north south divide, in terms of development still persists, the process of Globalisation has inextricably linked the economies of all countries of the world. The world has shrunk to become a village. Within this scenario, foreign markets (normally located in some developed country) dictate the price of all commodities – including food. The inequalities of availability of food not only persist in terms of the global scale, but also at the local and household

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\(^{44}\) THE NEW AGE 2010. Food Access is Income Dependent. _Johannesburg, South Africa. 11 April 2010._
levels. Income and food are inter-related. In poverty-stricken households the relationship between income and food is more pronounced – the poor spend the bulk of their scanty earnings on food. When food prices spiral upwards, the situation makes it impossible for poor households to feed themselves. Against the backdrop of this scenario, the poor either perish or decide to make a “last stand” by collectively going out in the streets and protesting about their sorry plight. The problem is aggravated in urban areas where the mass of the people are simply consumers of food and not producers.

The rising food prices of 2007 to 2008 resulted in one of the oldest forms of collective action – the food riot (Patel: 2009). Orlove (1997) pronounces that a “Food riot” is a term applied to mass protests over the price and accessibility of key foods. The protests usually occur in urban areas and are associated with other kinds of political organizing. The foods over which protests are made are usually staple cereals or products such as bread that are made from such cereals.

The phenomenon of people taking to the streets to protest hunger has a very long history. Thompson (1971) cites the case of Cicero (a Roman leader who lived between 106-43 BC) who witnessed this first hand, when his house was attacked by a hungry and angry mob. Tilly (1971), with particular reference to the sixteenth and seventeenth centuries, points to the key feature that spawned food riots, linking it to the formation of a national market in grain. She asserts that the national market eroded the kinds of local control over the economy that were possible for peasants and the urban poor to exercise.

The gap between people's expectations and their experience of poverty within the material economy has been explained by development economist Amartya Sen as an “entitlement failure.” His 1981 work on the Bengal Famine of 1943, in which between 1.5 and 3 million people died, pointed to a key problem in food economics. In times of modern famine, food has always been available. Famine is, in other words, not a result of a food shortage. The reason that people died in Bengal was that they lacked the means to buy food on the open market. Having seen that this was not, then, a problem of inadequate supply or want of demand, Sen theorized this as an “entitlement failure.”

At the end of World War I a number of instances of food riots were observed, particularly in North America. Food riots broke out in Philadelphia, Boston, Chicago, Toronto and, most notably, in New York (Frank 1985:264). The price of food in North America had, after 1916, started to rise dramatically. Increasing quantities of North American grain were being diverted to Europe, still in the throes of the war. This drain on the grain markets, while welcomed by farmers, caused tremendous hardship in urban areas. Again, however, the hardship was widespread, but while some areas saw protest, others did not.

Recently, however, a new phenomenon has precipitated a fresh round of food riots. In 2007 grain harvests were particularly poor. This combined with the high price of fossil

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fuels (used throughout fertilizer and farming processes), an increasing demand for meat (and therefore feed grain for livestock), and a reduction in the available food supply due to demand for bio-fuels, led to increasing prices for food. These new price rises are known as “agflation”.

No place is immune to this wave of rebellion because globalisation is a fact; all the world's markets are intricately interlinked, and woe in one place quickly translates into fury in another. Twenty years ago, things were more manageable. When grain production collapsed in the Soviet Union during the 1980s and what had been one of the world’s greatest grain exporters became a net importer, the resulting surges of anger brought down the whole Communist system within a couple of years – but stopped there. Today there are no such firebreaks, and thanks to digital communications, events happen much faster (Popham: 2011)51.

The food price increases of 2011 forebode ominously about the future of food security, human sustainability and peace. The UN, The United Nations Special Rapporteur on Food, The FAO, The World Bank, IFPRI, and many other specialists organisations dealing with the question of global food security have warned about the rise in food prices in 2011 and the impeding crises that may ensue. One wonders whether it a case of food riots in 2007-2008 and revolutions in 2011?

**Food and Revolutions**

Besides being the cause of social unrest, protests and riots, James (2011)52 warns that rising prices are important to bear in mind because they have historically been the trigger for political revolutions. He asserts that the three revolutions that made the modern world, in France, Russia and China, all had their immediate origins in food shortages, fear of hunger and disputes about food pricing.

The panic about bread that swept France in 1789, and the inability of the government to guarantee supplies, destroyed the ancient regime. Louis XVI was contemptuously called “le boulanger,” the baker. Wartime inflation destroyed stability in the Russian empire in 1917, as farmers, worried about the declining value of their money, hoarded their output and let the cities starve. The Bolsheviks came to power on a promise of bread (and peace). China, too, was paralyzed by inflation after the Second World War, leaving it vulnerable to food panics.

Food prices are usually not limited in their effects to one country alone. Simultaneous revolutions swept Europe in 1848, in the aftermath of crop failures whose most notorious manifestation was the Irish famine. Price rises have been a major trigger of the discontent this year in the Middle East and North Africa. Though the Egyptian and Tunisian economies were expanding quite satisfactorily, people had to pay much more for food.

Moreover, it would be wrong to view this as a purely regional phenomenon limited to the so-called Arab Spring. The same kind of unrest, in which the countryside is pitted against the town, with both sides demanding more rights, could undermine the political order in any emerging-market economies.

51 Popham, P. 2011. The Price of Food is at the Heart of This Wave of Revolutions. The Independent. UK. 27 February 2011.

Recent decades have been replete with contagious financial crises that spread disorder from one country to another. The effects of globalized money are now producing a new whirlwind. The coming years or even months are likely to see new forms of these domino effects. As in 1848, the struggle for affordable food is producing discontent that transcends national frontiers, threatens established regimes, and fuels popular demand for a more just political order.

The issue of food price increases and its concomitant effects is a very critical one not only to food and human security, but also to the economic and political stability of any country – rich or poor. The FAO (quoted in the British-based Independent of 27 February 2011) likens the “extreme price volatility” to great natural disasters – major earthquakes, tsunamis, catastrophic cyclones. “Historically, bouts of such extreme volatility … have been rare”, they say. “To draw the analogy with natural disasters, they typically have a low possibility of occurrence but bring with them extremely high risks and potential costs to society.” The fundamental difference between such cataclysmic natural disasters and the food price crisis is that with the former, we have no control. With the latter, which is man-made, we can alter the course of that destiny prevent an untold misery on the future of human and state security. The next section therefore looks at global responses to the food price crises.

**Global Responses to the Food Price Crisis**

In his 2008 report to the Human Rights Council (HRC) the UN Special Rapporteur on the Right to Food, O. De Schutter, described the responses of national governments and the UN to the food crisis (HRC 2008b, 32-35). He pointed out three phases: an initial one of individual, uncoordinated measures, a second phase of coordination with international meetings and conferences and a third phase of discussions about a new world food order. Uncoordinated responses from States and international organisations

From the start of the food crisis several governments adopted measures to improve their population’s access to foodstuffs (see figure 6). In response to hunger riots, some subsidised staples (e.g. bread in Egypt). Others reduced customs duties on food imports or, on the contrary, restricted such exports. At least 15 countries, including Cambodia, China, India, Pakistan and Vietnam, drastically limited their exportation of staples in order to feed their own population. Several governments announced a revival of policies in favour of agriculture.

National reactions to the crisis were uncoordinated, but it is important to realise that some governments did not even have the means to take these measures in response to their population’s demands (HRC 2008b). The spike in food prices most strongly affected the poorest countries, such as Haiti, which were powerless.

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A new phenomenon took place during the food crisis: the purchase or rental of millions of hectares of land in nations with a high degree of food insecurity by wealthy countries or private companies based, in particular, in Korea, China, the United Arab Emirates or Saudi Arabia (Grain 2008)\textsuperscript{55}. The best-known example is the purchase of 1.3 million hectares of arable land in Madagascar by Daewoo, a Korean firm. This set off demonstrations and led to the ousting of the President of Madagascar in March 2008.

The phenomenon of land acquisition or “land grabs” for the prime purpose of securing food, especially in Africa, is now on the rise. Literally millions of hectares have been procured by food insecure countries to grow their food on foreign land. The consequences of these land deals are now beginning to emerge. In many instances the poor rural classes in the host countries are being marginilised and displaced of their traditional lands. For a more detailed analysis of land grabs, see

\textsuperscript{55} GRAIN (2008), ‘Seized: The 2008 landgrab for food and financial security’, Ref: briefings\textbar landgrab-2008-en . USA.

UN agencies also reacted fast and, initially, in an uncoordinated manner to the food crisis. The World Food Programme (WFP) urgently called for USD 500 million to offset the rising cost of food in its budget. Due to the 40% increase in food commodity prices during a year, WFP either had to cut the number of beneficiaries by 40% or had to raise more funds.

FAO was one of the first organisations to foresee the price spike. As early as 2007 the Director-General had floated the idea of taking action against sharply increasing food prices. FAO earmarked USD 17 million for this purpose and, at the outset of the crisis, asked for more than USD 1 billion. It wanted to raise money to help the poorest farmers acquire the supplies necessary for growing more food.

International financial institutions also proposed solutions. At the start of the crisis the World Bank declared that it was going to make agriculture a priority, by doubling the volume of loans to this sector in Africa (from USD 400 million to USD 800 million in 2009).

As from April 2008 States and international organisations tried to move beyond the phase of individual reactions and coordinate their responses to the crisis. International meetings were held in Rome, Geneva, New York and Madrid. Despite the sincerity of the parties involved and the fact that all efforts converged on the need to reinvest heavily in rural development and local agriculture and to help small farmers, the solutions proposed often ran counter to each other.

**Response from International Organisations**

To coordinate international responses to the food crisis, Ban Ki-Moon, UN Secretary-General, set up the High-Level Task Force on the Global Food Security Crisis in April 2008. It brought together the heads of UN agencies, international financial institutions and the World Trade Organization (WTO). It met nine times from May 2008 to June 2009. In July 2008 it adopted a Comprehensive Framework for Action with two major objectives: provide food assistance to the most vulnerable and reinforce their food security in the long run. In his closing speech to a high-level meeting on food security for all, in Madrid on 27 January 2009, the UN Secretary-General proposed adding a third axis, the right to food: “We must continue to meet urgent hunger and humanitarian needs by providing food and nutrition assistance and safety nets, while focusing on improving food production and smallholder agriculture. This is the twin-track approach taken in the Comprehensive Framework for Action. We should be ready to add a third track, the right to food, as a basis for analysis, action and accountability.”

The importance of the right to food in the fight against hunger was recognised in the guidelines unanimously adopted by the FAO Council in November 2004. It is as important as food assistance and food security in the UN approach to the crisis. These three pillars could form the grounds for a new world food order for battling hunger (HRC 2008b, 32-35)

**References**


Response from Countries

Countries proposed quite different approaches to the food crisis. Some called for a change of paradigm with a focus on the right to food, whereas others emphasised efforts to support local agriculture and pursue existing policies.

For the first thematic session in the HRC’s history, the 43 member States unanimously adopted a resolution on the “negative impact of the worsening of the world food crisis on the realisation of the right to food for all”. This resolution reasserted that the right to food was a fundamental human right, which member States had to guarantee to their population and in particular to the most vulnerable. States pledged to boost local production and they called on the international community to reinforce national efforts to do so. In a noteworthy passage the HRC (2008b) called for “States, individually and through cooperation and assistance, relevant multilateral institutions and other relevant stakeholders, (...) to consider reviewing any policy or measure which could have a negative impact on the realisation of the right to food, particularly the right of everyone to be free from hunger, before instituting such a policy or measure”. Accordingly, the production of bio-fuels, speculation and the liberalisation of the agricultural sector should be reviewed in the light of their impact on the right to food (HRC 2008b).

The FAO organised a “High-level conference on world food security: The challenges of climate change and bio-energy”, in which 42 heads of State and of government, along with 100 senior ministers, took part. The goal was to debate the orientation for dealing with the food crisis and reaching the first Millennium Development Goal (FAO 2008a). This statement reaffirmed the need to boost local production and support agriculture at the national level, but the proposed structural solution to the food crisis is to pursue current policies, including the opening of trade in agriculture. In 2008 promises of donations were also proffered and in July 2008 leaders of the Group of Eight (G-8) proposed the creation of a Global Partnership for Agriculture and Food Security.

The food crisis still held a major place on official agendas during 2009. A meeting of the G-8 ministers of agriculture, together with ministers of today’s Group of Five (G-5), i.e. Brazil, China, India, Mexico and South Africa, plus Argentina, Australia and Egypt, was devoted to it. At the July 2009 G-8 summit in L’Aquila the G-8 pledged to increase donations for sustainable agriculture in developing countries (to USD 20 billion over the coming three years) in addition to contributing to food assistance.

Responses from Civil Society

Two responses from civil society have emerged to the food crisis. The first was the Alliance for a Green Revolution in Africa (AGRA). Created by African organisations and chaired by Kofi Annan, former UN Secretary-General, this alliance has received support from the Rockefeller Foundation and the Bill and Melinda Gates Foundation (BMGF). AGRA brings together agricultural research centres in Africa, universities and businesses. Its objectives are to improve seeds, fortify the soil, make water and markets more accessible, develop agricultural know-how and back policies in favour of smallholders.

During the June 2008 FAO conference AGRA signed a partnership with FAO, WFP and the International Fund for Agricultural Development (IFAD). Some countries have joined in, such as the United Kingdom which has promised to put up USD 15 million over a three-year period. Japan has created a Coalition for the Development of Rice in Africa in partnership with AGRA and the New Partnership for Africa’s Development (NEPAD). The goals are to boost rice production on the continent by using improved seed grain and to reduce the dependence on food imports.

The second response from civil society came from the farmer organisations and non-governmental organisations that, involved in development and human rights, feel excluded from the process for making decisions about the food crisis. Just before the “High-level conference on world food security: The challenges of climate change and bio-energy” these organisations adopted a joint declaration entitled: “The world doesn’t need more of the same medicine.” Their criticism has pointed out that several proposed solutions (such as more free trade and cooperation with firms that seek to maximise profits), as well as the parties backing them, were at the origin of the food crisis. The non-governmental organisations have proposed an approach that, based on food sovereignty and the right to food, addresses the underlying causes of hunger and applies the principles of responsibility, participation and non-discrimination (Golay 2008, 11-15).

Via Campesina, another rural-based organisation has gone even further by proposing the recognition of new rights for smallholder farmers. This movement brings together more than 140 peasant organisations from nearly 70 countries and represents more than 200 million peasants. During its June 2008 International Conference on Peasant Rights in Jakarta it adopted the Declaration on the Rights of Peasants: Women and Men and then submitted it to the UN as a solution to both the food crisis and chronic undernourishment (Golay: 2008).

The coherence and innovativeness of the solutions proposed by governments, the UN and non-governmental organisations are open to question. In the spring of 2008, governments adopted radically different texts, the first calling for shifting the paradigm towards the right to food, the second giving priority to local agriculture while at the same time pursuing the very policies that led to the crisis, such as the unbridled liberalisation of trade in foodstuffs. Given this, how can we be certain that the emerging world food order will help us fight effectively against food insecurity, poverty and hunger?

**South Africa: Lessons Learned: Looking Ahead: Strategies for a Sustainable Food Secure Future**

‘Mankind is at a critical historical crossroad. The potential of globalisation and innovation to raise living standards is unprecedented, but so are social and development challenges around the world… Our increasing interdependence demands an integrated and concerted response to these global challenges. That is the historical challenge of our generation.’ – G5 Political Declaration, leaders of Brazil, China, India, Mexico, and South Africa, 8 July 2008.

(Oxfam: 2008)

From the preceding analyses, it is quite clear that the world is experiencing a dramatic increase in food prices. Nominal, as well as real, international prices of all major food commodities reached their highest level in nearly 30 years. Although the food scenario differs from country to country and future trajectories remain highly uncertain, best projections suggest that food prices are likely

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to remain high in the next few years and high prices are expected to affect the food economies of most developing countries.

Rising food price crisis is provoking social unrest across the developing world and resulting in a number of short-term policy responses from Governments in both exporting and importing countries which risk exacerbating instability in world markets. In the short run those food buyers in the cities and in the rural areas (including the poorest rural households that are predominantly net food buyers) who spend large share of their income in food, are likely to be pushed deeper into poverty and food insecurity. In some countries urgent action is required to maintain and in some case enhance emergency safety nets.

Conversely, according to the FAO (2011) high prices will stimulate a supply side response where the market signals are transmitted to food producers and where they have the capacity to increase production and the infrastructure and organisation to supply the market. This may represent an important opportunity for promoting agricultural and rural development in many low income-food deficit countries, provided an enabling policy environment and supportive measures are established quickly. On the longer term however climate change and water scarcity are expected to affect food production negatively. Without coordinated actions and adequate policy measures, these new challenges will compromise the prospects for achieving food security.

Failure to act expeditiously may lead to a significant increase in the number of people in need of emergency, as well as medium and long-term, assistance. Actions are needed to both mitigate the impact and to provide the basis for rapid and medium term supply response to take advantage of the emerging opportunities through investment in agricultural assets. Policy and investment responses by Governments and development partners need to be country and context specific and should be articulated to address both immediate issues and long terms challenges in a coherent and a mutual reinforcing manner. It must be remembered, though that the food price crisis is inextricably linked to the more the more daunting challenges of our time, namely, inequality, poverty, hunger and food security. Therefore any attempt to deal with these challenges requires an integrated strategy involving not only governments, but also, world and regional organisations concerned with development and food production, the private sector, research and policy organisations and civil society organisations.

With reference to the South African food scenario, it will be important to note that the prime focus of this position paper was to analyse and articulate the food crisis and to alert the South African Security Agency of the coming crisis of food price increases and the threat it poses to state and human security. In response, an attempt will be made in the next section to briefly outline short and medium to long term strategies to deal with the “threatening” crisis. The list of strategies is a brief summary of recommendations made by major food-related world organisations such as the FAO, WFP, IFPRI, OXFAM, UNICEF and the World Bank.

The summarised strategy basically calls for an (i) improvement in social protection and social safety nets, (ii) improvement in access to opportunities, and (iii) more equal access to improved opportunities. Within this context, this section explores short term measures and targeted interventions to protect the food entitlements of the most vulnerable groups and income and livelihood programs for the poor. In the medium to long term, measures will seek to: (i) enhance productivity growth; (ii) promote bio-security; (iii) improve access to information and

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communication technology; (iv) improve market access and income diversification; (v) encourage better risk management; (vi) continue the dialogue to deepen and widen policy reform; and (vii) strengthen institutions, enhance capacity and skills, and promote good governance.

**Short Term Responses**

If the food price issue develops into a crisis of very serious proportion, then, in the short term, it is recommended that the South African State implement the following measures:

- **Strengthening** safety net programs for food-stressed populations including targeted food subsidies and emergency food security reserves system. The targeted assistance would include support for food for work and food stamp programs.

- **Policy Advice.** Policies such as export restrictions, price controls, price supports, optional food grain reserves, and input subsidies need to be revisited in light of the higher food prices which could persist. Hence, policy dialogue with member countries is critical to consider effective options to address the immediate impacts of the crisis and to restore food price stability. Prudent macroeconomic management to contain inflation is also critical in the mix of available policy options.

- **Input Availability.** Further improvements are needed to ensure that farmers have easy, reliable, and affordable access to seed, fertilizers, pesticides, and credit. Moreover, the rapid hikes in the prices of key inputs such as fertilizers, pesticides, and fuel have created additional hurdles for farmers, which could limit their supply response.

**Medium to Long Term Responses**

As mentioned previously, there is no “one fit all” solution to the food price crisis. Unlike many other developing countries, South Africa is relatively secure in terms of availability of food, especially at the national level. However, the analyses above have shown that at the household and individual levels South Africa is food insecure. We have also seen how cyclical causative factors, especially climate change has drastically changed the food security situation of various countries that were once secure in terms of food availability. The list of measures recommended below are meant to be dealt with in a proactive manner – it is after all, better to be prepared rather experience the full might of a calamity, be it a natural one or man-made. With this in mind, the following measures are recommended to deal with the food crisis in an integrated manner:

- **Incentives.** Investments in agriculture may still not generate the envisaged returns unless these are accompanied by various reforms, pricing, trade, and other policies. The distortions need to be corrected and divergence between economic and financial returns narrowed. Otherwise farmers will continue to operate sub-optimally and return on investment will continue to be low in the sector.

- **Infrastructure.** Low levels of investments in the sector have led to poor upkeep and maintenance of existing agricultural structures and facilities, and insufficient development of new structures and facilities. In particular, investments are needed to ensure efficient and reliable irrigation water supplies and connectivity to markets. • Investments in irrigation systems will improve efficiencies and reliability of irrigation water supplies, which will in turn raise crop productivities, expand irrigated areas, and reduce the incidence of crop failures. The priority should be to improve the efficiency and reliability of existing irrigation
systems rather than to develop new systems. South Africa is already water-stressed or is nearing such a point, and there may not be much scope for development of new irrigation systems. Irrigation system development needs to be combined with investments in flood control and drainage structures. In this context, additional investments will be required for soil and water conservation.

- **Improvements in connectivity** to the markets will help in lowering production and marketing costs, reducing wastage of inputs and produce, and improving returns to agriculture. Therefore, investments in rehabilitation, maintenance, and development of existing and new farm-to-market roads need to be a priority area for public sector intervention.

- **Rehabilitation and upgrade of postharvest processing facilities.** Because of poor handling and processing facilities, South Africa exports much of its agricultural products unprocessed thus losing the value added and employment in processing. Improvement in post-harvest handling and processing capacity would enhance food security by limiting wastage, and increase income, supply, and employment.

- **Rural Finance.** In the context of financial sector reform, financial institutions including microfinance institutions need to expand operations rapidly to improve access of farmers and rural poor to credit.

- **Research Institutions.** Productivity growth in agriculture will require significant increase in investment in adaptive research and technology dissemination. New high-yielding and pest-resistant varieties are needed to reverse the stagnation in yields. Institutions engaged in agriculture research and technology dissemination in South Africa have weakened. Their capacity building will require sustained investment. Policies to attract private investment and participation of civil society institutions will also be important.

- Bio-security to protect biodiversity, to promote environmental sustainability, and enhance food safety and bio-safety.

- **Information.** Although information technology has seen great progress, farmers have largely been left out. The timely flow of market information is still lacking, which makes it difficult for farmers to adjust their production decisions to respond to changing market conditions;

- **Regional and international cooperation** to facilitate the elimination of barriers to agricultural trade has become an urgent imperative in the wake of the food crisis. Measures such as the establishment of regional and sub-regional commodity exchanges and clearinghouses need to be considered.

- **Re-inventing the CPI.** As mentioned previously, the calculation of the CPI by Statistics South Africa is skewed in favour of the rich and as a result does not reflect adequately in terms of the food basket of the poor. In order to gauge the real household level food security, the CPI has to be reflective of the average South Africa. Interventions have to be made at the national level; otherwise our risk assessment of food security can be seriously compromised.

The list of recommended measures, both short and medium to long term does not claim to be exhaustive. Quite obviously more research needs to be conducted in order that a more comprehensive prognosis of the food price increases is arrived at. What is quite clear though is that food prices are on the rise and there is an impending crisis. Thus far, food price increases have stoked inflation and squeezed the fiscal space in South Africa, increasing the risks of higher interest
rates and a slowdown in economic growth. The food crisis of global and national proportion calls for immediate response of the South African government and affiliates in the international community.

**South Africa and Sub-Saharan Africa: Dealing with the Food Price Crisis: A Smart Power Approach**

The onset of the dramatic price rises in food that affected most nations has given rise to much analysis about the deeper implications of declining food availability, accessibility and affordability, including the potential for serious challenges to national state security. At the heart of this is the obvious importance of adequate food supplies for the creation of societies that are sustainable and capable of delivering continuously improving levels of well-being. Quite clearly the sort of price rises witnessed in 2007-2008 have serious regional and global implications. World Bank president Robert Zoellick suggested that these increases had wiped out the impact of 7 years of progress in the fight against poverty. But these impacts have a marked differential effect on various nations and on specific socio-economic groups within countries. Food shortages have been particularly apparent in poorer countries that lack the financial resources to import food from the world market, and the poorer segments of societies who are especially vulnerable. In this situation the implications of a seriously undermined food security situation can be profound.

Reference has already been made to a number of food riots that took place in the last couple of years, but even more serious instability certainly cannot be ruled out. If a government is unable to feed its people it is seen as having failed to meet one of the most basic requirements for retaining legitimacy and political support, and severe disruption or even revolution are likely. At the very least some serious tensions seem inevitable, and during 2008 and 2010 many such grievances were politically and physically aired, the results of which are now history.

**South Africa – Sub-Saharan Africa Food Security: Opportunities for Dealing with the Food Crisis**

The right to food is one of those most consistently enshrined in human rights law, but it is the one most frequently violated in recent times. Targets set by the United Nations Millennium Development Goals Programme and the World Food Summit for the reduction of hunger has largely failed, despite food production having grown faster than world population. Global, regional, national and human security issues are increasingly converging, and in some areas overlapping. What is needed is an understanding that goes beyond conventional, orthodox wisdom to work more strategically in developing and implementing effective, international, regional and national policies. Availability, accessibility and affordability are all important dimensions of food security, complex issues that encompass a wide range of inter-related natural, economic, social and political factors, internal and external, which challenge the world’s ability to address the question of human and state security.

African national states need to deal effectively with food security, the food price crisis and the dramatic consequences which results from an absence of adequate mechanisms for dialogue, a lack of capable institutional structures, and shortfalls in administrative capacity, a lack of transparency. There is more than need for innovation to deal with the daunting challenges of food, poverty and hunger that face African states. Africa urgently needs to interact with the rest of the world and among sister countries within the continent. With specific reference to food security and the food price hikes, South Africa and Africa need to mitigate their exposure to commodity price volatility,
increase their participation in multilateral forums, take advantage of global financial markets and improve regional integration, including developing a common approach to problems across countries. There is also need to focus on achieving inclusive growth, spreading benefits to vulnerable groups.

The potential for regional integration to propel African growth and enhance Africa’s ability to provide food for its population and reduce hunger and poverty to effectively participate in global trade is recognized by the African Union in the initiative to establish an African Economic Community. The African Union also pledges to support the “economic, social and cultural development and integration of African economies in order to increase self-reliance and promote endogenous and self-sustained growth (SA Department of Agriculture’2006). Enhanced intra African political and economic relations holds potential for reducing the reliance on foreign developed countries, especially in terms of the market and affords African producers and exporters the opportunity to develop the required agricultural products, capacities, competitive competencies, scale economies, skills and experience necessary for effective integration and participation in the global economy and trading systems.

It is within the above mentioned context that South Africa, through the use of Smart Power, has a vital role in promoting greater inter-regional development in Africa, especially in terms of overall economic development, agriculture, trade, research and innovation. The relatively developed South African economy and agricultural sector compared to those of other African countries, ideally places our country as a leader in promoting sustainable agriculture and food security in Sub-Saharan Africa.

Leveraging South Africa’s Credentials: An Impetus for Smart Power Diplomacy and Food Security in Sub-Saharan Africa

In terms of geopolitics, South Africa has considerable prestige and legitimacy throughout Africa. The current African development nexus, especially in the context of agriculture, food security, poverty, hunger and the food crisis, provides South Africa an important opportunity to build on that legacy and to craft a balanced “smart power” approach to Sub-Saharan Africa – one that gives primacy to diplomatic engagement of an enduring nature. In this respect, South Africa must draw on the capacities and experiences of African and other international partners, both to address immediate crises and to collectively address longer term challenges in which African, South African and global interests are at stake.

More recently South Africa has added to its good standing in the African continent by becoming the only African member of the G20 countries and a non-permanent member of the United Nations Security Council. Significantly, in April 2011, South Africa was formerly accepted as a fully-fledged member of the BRICS (a group of emerging markets, comprising Brazil, Russia, India and China), thereby bolstering its position as Africa’s champion. This step contributes to further strengthening of South Africa’s political authority in the international arena, in addition to the important role which South Africa plays in the African Union (AU) and in the matters of African continent as a whole. South Africa’s connection to BRICS strengthens its global stature and forebodes well for the promising trends of world development, including the formation of a multi-centric international system.

South Africa has all the credentials which could be leveraged to make “Smart power diplomacy” work in Sub-Saharan Africa. As Maite Nkoana-Mashabane62, South Africa’s Minister of

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62 BADASIE, P. 2011. Third Brics (Brazil, Russia, India, China South Africa) Meeting. Beijing, China. 12 April 2011
International Affairs and Cooperation told reporters in Pretoria. “Joining the group is the best Christmas present ever! We will be a good gateway for the BRIC countries. While we may have a small population, we don't just speak for South Africa, we speak for Africa as a whole.

We may not be the same size, but we can open up opportunities for them, and through that, we can complete our economic integration on the continent.”

**South Africa and Sub-Saharan Africa: Actioning Smart Power for Food Security: Some Preliminary Thoughts**

In the light of the above, South Africa is in a unique position to leverage its good continental and global standing to assist (through smart power diplomacy) Sub-Saharan Africa in terms of overall development and the food security challenge at large. South Africa and Sub-Saharan Africa can benefit from the concrete projects of BRICS in areas such as agriculture, science, statistics, development finance institutions, security and justice. According to Badasie (2011) BRICS agriculture ministers have agreed to cooperate in agricultural technology development and exchange.

Towards this end, South Africa should strategically use its regional and international diplomatic footprint to:

- remain committed to the consolidation of the African Agenda and will need to use its BRICS membership to increase strategic cooperation among emerging market economies of the South in support of this agenda.
- be dedicated to African unity and integration within the framework of the Constitutive Act of the African Union (AU). This includes the strengthening of continental institutions, which are critical in responding to the challenges of poverty, underdevelopment, peace, security and stability on the continent.
- ensure that the rest of the African continent is advantaged by its BRICS membership and continues to benefit from the BRICS countries in the priority areas identified by the AU such as agriculture and food security.
- use its two-year non-permanent seat in the UN Peace and Security Council (UNSC) to make a significant contribution towards deepening the relationship and cooperation between the UNSC and Sub-Saharan Africa.
- use the opportunity to table some aggressive proposals supporting agricultural development and food security globally and regionally and locally.
- enhance its reputation as one of the leading campaigners for the reform of multilateral institutions, including the World Trade Organization, the World Bank, the International Monetary Fund and the UNSC.
- champion the course for emerging economies to have a greater voice in international financial institutions and for a more diversified global monetary system.
- use its membership to push for a developmental position on multilateral forums, including on contentious issues such as global warming, hunger, poverty and food insecurity.

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Badasie, P. 2011. Third Brics (Brazil, Russia, India, China South Africa) Meeting. *Beijing, China. 12 April 2011*
Utilize its executive position in AU, BRICS and the United Nations Security Council to champion the course for a World Bank body which could be the equivalent of the International Monetary Fund for Food Security – e.g. the “International Food Fund”.

Seek transformative regulation in international food markets – especially the commodities market.

champion the course for the creation of regional markets which should cater for small scale commercial and subsistence agriculture.

assist in the elimination of non-tariff barriers to ensure market access for African agricultural products to the rest of the world.

help in the drafting of regulations which will control land acquisitions in Africa, especially in favour of the rural peasants and food security.

South Africa has been and continues to be a leader in Africa, in terms of its commercial farming expertise, administration, governance, financial integrity, research and academic expertise, and its innovation capacity.

Using this experiential threshold, South Africa, could strategically assist in Africa’s agricultural development and food security.

Agricultural markets are changing. We no longer need to think exclusively in terms of export crops because new market opportunities are emerging on Africa’s doorstep. As cities expand and incomes increase, people in urban areas are changing their eating habits and becoming consumers who want more meat, dairy products and vegetables, and they expect higher quality standards – we are seeing this across the continent. In response to this demand, agricultural value chains are expanding and becoming better organised. These modern markets bring their own challenges for some smallholder farmers in terms of higher entry costs, but the potential opportunities cannot be overlooked, especially if we are serious about economic growth and food security.

South Africa, Africa and the international community need to reverse the longstanding neglect of rural development. There needs to be improved governance in rural areas, and policies that create a better economic environment for smallholder farmers to succeed and grow not only food but their businesses as well.

Rural infrastructure in Africa needs to be expanded and improved. Nearly a third of the rural population live more than five hours away from a market town, with fewer than 20% living within an hour of a market town. Only one in five Africans has access to a national electricity grid. Targeted investments in road-building and utility construction can go a long way towards improving farmers’ capabilities and access to markets. The rural environment must be made less risky.

Since South African farmers still maintain a good reputation in Africa, their expertise, if properly coordinated, can assist in the development of commercial agriculture in Sub-Saharan Africa. Already, some farmers, with the blessing of the South African government have left for Democratic Republic of Congo. This project is hailed as a food security project. Many other African countries could benefit from our farming expertise.

South Africa has some of the best Policy and Planning expertise in the world. Rather than relying on international organisations, Africa needs to harness its own expertise and “own” the policy-making and planning efforts, thus breaking dependency on foreign organisations, who generally consider their work as an obligation to their foreign funders.

South Africa has the necessary capacity to assist Sub-Saharan governments to act pro-
actively, especially in terms of risk management. Given the fact that global warming is affecting the rainfall regimes of most countries in the world, the likelihood of floods or droughts loom ominously on the horizon – Sub-Saharan Africa is no exception. Risk management plans through scenario analysis could easily be drawn up to deal with the blights such as famine, floods and food availability.

- Through the auspices of our well-organised financial institutions, South Africa could assist in strengthening Sub-Saharan Africa’s bargaining power by providing developed countries with an opportunity to reduce their carbon emissions at relatively low cost. Soil sequestration, for example, has the potential to store between 1-2 billion million tons of carbon per year, which is equivalent to 25% of annual carbon emissions (Lal:2009)\(^{64}\). African land has the potential to provide some of these soil sequestration services. Carbon credit funds gained through this process could assist many African countries in dealing with the food security challenge.

- Through a well-coordinated effort between the public and private sector, nongovernmental organisations such as universities and research organisations and civil society organisations, South Africa could harness its intellectual and research might to assist Sub-Saharan Africa in dealing many of the problems and challenges associated with food production in South Africa.

- The entrepreneurial drive and potential of businesswomen to contribute towards economic growth and export development is still widely untapped in many countries of Africa. Support to women in agriculture business and trade is a key driver towards food security and poverty alleviation in Africa. Increasing women's access to land, finances and trade opportunities helps to increase their share in food production, wage employment and contributes significantly to their economic empowerment.

- Building productive capacity for trade and exports, whether at the smallholder or micro-enterprise level, is essential for reducing poverty. But without markets there can be no basis for sustainable livelihoods. Regional economic integration that South Africa is pursuing with the rest of Africa is the key to the sustainable development of the smaller economies of Africa through access to larger markets. The programs of development of agriculture in these countries, therefore, have to be driven by the demand in the regional markets.

**Food Price Crisis and Food Security: State Security Beyond Our Borders**

*Guns, tanks and bombs have preoccupied Alan Dupont for much of his career. But now he is worried about food. Professor Dupont, the director of Sydney University's Centre for International Security Studies, says growing pressure on global food supplies threatens to make social and political unrest within countries, and conflict between countries, much more likely. But we're surprisingly unprepared. "Very little thought has been given to how serious the food security issue is going to be," says Dupont, who worked as an army officer, an intelligence analyst and a diplomat before becoming an academic.*

Matt Wade, The Age (17 June 2011)\(^ {65} \)

The current crisis of food price increases is broader than the question of food production. It

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underpins and raises the larger issues of food security, poverty, hunger and the complexities of unequal economic and political dispensations. This paper has not only provided an analysis of the food price increases, but also, focused on the potential threats that food price volatility has on food and state security. It raised fundamental questions regarding the global food production system; the paradox of a billion people going hungry to bed every day, despite the fact that the world produces more than enough for food for its almost 7 billion inhabitants; the vagaries of global food markets and the financialisation of food and the threats and conflicts that generate from food price hikes. The paper has also shown that no country is exempt from the threat of food insecurity which is now on the centre stage of global geopolitics. The recent food riots, throughout the world, only lend credibility to this claim.

In the context of the above, the new concept of national security demands more than an ability to protect and defend the national state and its boundaries. It requires that we expand our goal to include the attainment of sustainable security, within and without our borders. With its global and regional scope, South Africa’s sustainable security demands that we focus not only on the security of our national state, but also on our regional neighbors in Africa and the poorer nations of the world, especially in terms of food security, hunger, poverty and inequality. These are challenges that threaten human sustainability, at large. This paper, therefore advocates for South Africa to use Smart Power, as a diplomatic and proactive vehicle to make lasting interventions in Sub-Saharan Africa’s agriculture and food production, with the hope of achieving food security, locally and regionally and internationally. The analysis has shown that South Africa has all the credentials and opportunities to make its mark not only as a leader in Africa, but to also fundamentally change the continent’s development trajectory. Herein lays South Africa’s food security challenge – to leave a lasting legacy in Africa and the world!
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