

Vinyl 2010 Essay Competition Submission Template

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Summary:

We face a crisis as we have never seen before, with three main pillars: food, energetic and economic. Thus, we should reconsider our development model since it has been shown to be weak. A new development model must be embraced, one that understands that natural resources are limited and therefore economic growth cannot be unlimited. This will give us the chance to improve our well-being by different means that will be stated further on. This article intends to approach the crisis from the above-mentioned “pillars”, focusing on the energetic and food crisis, with the economic aspect impregnating the whole essay.

Essay:

Energetic and food crisis

Focusing on the energetic and alimentary aspects of the global crisis we live in, we can observe that agricultural prices have increased enormously due to many circumstances that have occurred within the last few months. This increase has been produced by changes in the supply as well as on the demand.

In the supply, the main changes come as a consequence of: a) the poor results of the crops in producer countries such as Australia, b) the loss in productivity due to climate change that affects specially impoverished countries, where agriculture is the main part of their economies and c) the price rise in petroleum that makes machinery and transportation become much more expensive.

At the same time, an important increase in demand has taken place as the result of the awakening of the two Asian giants: China and India. These two countries represent the 40% of the world population and as a result of their social and economic development their eating habits have evolved and they no longer consume just cereals, but also big amounts of meat and milk. However, demand has also increased because of the industrialized countries investment in biofuels, which need cereals such as corn, wheat and vegetable oils to be produced. In addition to this, panic in the stock market has made many investors to turn their eyes (and money) into biofuels as a financial alternative for speculation with the consequent effect on cereals prices.

The previous were direct causes, but they are imbued in a wider context that makes our system unable to solve the problem. Thus, the importance of agriculture for the societies of poor countries is huge. It has been proved that growth in agriculture is four times more effective in reducing poverty than growth generated in other sectors¹. In spite of this, Official Development Assistance (ODA) for agriculture has dropped from 8.000 \$ million (1984) to 3.000 (2006), representing just the 3% of the whole ODA.

However, the increase in food prices must be seen as a chance to reduce poverty and boost rural development. In order to make the most of this chance, and to make the

increase in prices become an increase in farmers' earnings, poor countries' governments and the international community must raise their investments in this sector, specially directed to small and medium producers. These producers have an enormous potential, not only to produce the food the world needs, but also to expand the basis of the economic growth and reduce rural poverty. This should be the driving force in southern countries and more specially in Africa.

With regard to energetic crisis, biofuels are usually proposed as a solution. However, we have to take into account that our consumption of petroleum is so high that in order to make biofuels become an alternative, immense amounts of agricultural production would be needed. What we really need to do is to reduce our consumption of fossil fuels and bet on clean and renewable energy sources, so we could avoid the pernicious effects of biofuels on food prices.

What to do?

Here are some propositions to find solutions to this crisis. In the short term, (a) governments, the UN, and NGO's must widen social protection and safety nets as well as increasing the acces to ODA; (b) developing countries should invest to increase agricultural production; (c) developed countries should not worsen the problem with investments in biofuels, redirecting them towards renewable energy sources; (d) trade agreements undermining long-term development opportunities must be avoided; (e) those countries that are net importers of agricultural products and face financial or balance of payments problems should be provided with extra financial help; and finally (f) governments and international institutions like the World Bank and the Food and Agriculture Organization (FAO) must clarify the way futures exchange market have contributed to the sudden increase in agricultural prices.

In the medium-long term, other important measures should be taken: (a) developing countries must be financially supported in order to reestablish food reserves; (b) governments must invest in social protection programs so that people can satisfy basic needs, protect their ways of life and improve their social status and rights. The total amount of money estimated to do this is 30.000\$ million², what could be easily assumed by any international financial institution. Besides, (c) developed countries and international financial institutions must progressively increase their investments in rural development guaranteeing sustainable agricultural development that benefits all the population involved in the process. In addition to this, (d) agricultural assistance plans must not be linked to any condition such as trade transactions involving donor countries. This aid must not undermine local producers either.

One of the most controversial issue is that of trade agreements. (e) These must include a significant reform of the current regulations for agricultural trade establishing fair conditions for the developing countries producers. Thus, WTO must state regulations that allow producer countries real access to markets.

Biofuels proved not to be an alternative for the energetic crisis since they contribute to worsen climate change and food crisis. Thus, developed countries should search for other (efficient and clean) alternatives such as renewable energy. On the other side, developing countries should prioritize bioenergetic projects offering renewable energy sources to the rural population provided by small and local producers as a development model for the local communities, taking into account the opportunity costs of alternative strategies in agricultural development and poverty reduction.

Conclusion

The problem we face is not only a matter of scarcity but a matter of justice. Thus, the fair answer coincides with the clever one: Meeting the challenge of reducing rural poverty is a way to obtain global public goods such as a more balanced environment and a supply of safer and more secure food. In addition to this, clean and renewable must be the main energy sources to improve global well-being.

¹. World development report 2007. IFAD.

². Calculated by Oxfam on the basis of UN data