THE TABLET

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Hungry for change

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Rice is the most vital of basic foods, feeding nearly half the human population, so a recent surge in prices has provoked riots in some countries in Africa and Asia. It is part of an unprecedented global food crisis that, unless it is solved, threatens the lives of the poorest people in the world

Late last month there was a gala dinner in Accra, the capital of Ghana. The street outside the International Conference Centre was closed as limousines drew up with their police outriders and wailing sirens for escort. With perhaps half an eye on presidential elections in December, President John Kufuor was playing host to the United Nations' equivalent of the Olympics, the four-yearly UN Conference on Trade and Development (Unctad).

But this year's display of finery struck a rather false note, after riots over food prices in February and March in nearby Senegal, Burkina Faso, Côte d'Ivoire and Cameroon, as well as in Haiti and several Asian countries. After many years of stagnation and decline in real terms, the world's cereal prices have risen sharply, by 74 per cent in the year to March in the case of rice, and 130 per cent for wheat.

On Tuesday the UN secretary general, Ban Ki-moon, announced that he was setting up a taskforce to examine how to close a £380-million funding gap for the UN's World Food Programme this year. Mr Ban said the world faced "widespread hunger, malnutrition and social unrest on an unprecedented scale".

Many reasons are given for this. Water is running short and there are droughts, some harvests have been poor, and growing demand for meat is increasing the use of grain for animal feed. Meanwhile, the increase in rice yields from the use of high-yielding hybrids requiring more water and pesticides is levelling out and biofuels are taking up more and more agricultural land, especially in Africa. Taken all in all, world cereal stocks have been declining in proportion to demand for several years.

So, 44 years after Unctad had its first meeting in Geneva, it seems that all too little has changed. Just as in those far-off days, when independence in Africa was still new, the prices of basic commodities are top of the trade agenda for the poor majority of the world.

Where food commodities are concerned, this means rice, above all. Rice feeds nearly half of the human race and in particular it keeps Asia, the most populous continent, going. There it is at the heart of life and in many places it is treated with reverence. In the Catholic Philippines, a rice-harvest festival every May is dedicated to San Isidro Labrador, patron saint of the farmers. In Bali, the goddess of life and fertility is Dewi Sri, the rice mother, while in the fields of Cambodia farmers offer rice porridge to Yiey Tep, a guardian spirit.

And it is not just in Asia that rice holds a special place. More hardy but lower-yielding varieties are indigenous to parts of Africa. In the poorer northern part of Ghana, rice is grown by small farmers and processed by women for local consumption. And in Ghana's cities, both wheat and rice are increasingly consumed in preference to other staples such as maize, yams and plantains, which are more trouble to cook.

In the long run higher prices must help farmers. Around the world, three-quarters of the 1.2 billion people living on less than $1 a day live in rural areas. And about half of the world's hungry people are from smallholder farming communities, while another 20 per cent are rural landless. Extra income from crop surpluses will help small farmers and their families, and give a boost to their communities with the spending power it provides. It will enable them to plant more and invest in better technologies, thereby boosting their countries' domestic supplies. This is a boon even for China and India, where agriculture has been in crisis for many years as low prices put rural people at a disadvantage.

But that is all in the long run. In the short run the world faces a crisis. All the factors listed above explain rises in price, even quite sharp ones. But a 56 per cent increase in world rice prices in the first quarter of this year? Where did that come from?

This is where the world's other crisis comes in - the one that rich countries have worried about. The "credit crunch" prompted financial investors to take their funds out of stock markets, financial derivatives and commercial property, and place it instead in wheat, rice, oil and other essential commodities. This is all made easy by the futures markets that exist for such trade in London, Chicago, New York and elsewhere.

There are funds that simply track average commodity prices - and this means pure speculation. The sums invested in them are estimated to have increased from $46 billion (£23.3bn) to $250bn (£126.7bn) in the three years to March this year. That is just one out of numerous forms of commodity investment. By the end of April, market reports suggested that the rice price might have reached a peak, at least for now. Reports of increased spring planting in the US led to a sudden fall in price on the highly speculative Chicago futures market.

But this is all dangerous for vulnerable, poor countries. For the last 20 years governments in Africa and Asia have been told that they must bring down trade barriers, which used to protect their farmers and inhibit food imports. According to the aid donors, developing countries should get their economies into shape by concentrating on goods for export. With the proceeds of this trade, governments were told that food could be purchased on international markets and everybody would be better off: no need to waste money on inefficient support for farmers, or on food reserves that would sit idly in warehouses for years on end. The market worked more efficiently than that. If a country exports enough other goods, it can always import the food that its people eat.

If only life - and the world economy - were that simple. These theories reckoned without the credit crunch, mobile investments and commodity tracking funds.

For most developing countries, exports mean other agricultural products for which there is overseas demand, or a mineral such as copper and in a few cases oil. In Ghana - known as the Gold Coast in colonial times - there has been a revival of gold exports from the ancient Ashanti mines. But in recent years more and more of the rice eaten in Ghanaian cities such as Accra, Takoradi and Kumasi has been imported. It is cheaper than local rice, partly because exporting countries such as the United States and Thailand, the biggest exporter, subsidise it. Higher crop yields in major exporting countries can make it cheaper to produce. And more of it is long-grain and less is broken rice, which also helps it to sell.

But instability in demand and supply, as well as financial speculation, makes the prices of rice unpredictable - and those of cocoa and cotton and copper and oil and gold too. Ghana's main agricultural export is cocoa, and between 1980 and 2000, world cocoa exports more than doubled from 1.1 million to 2.5m tons. But, with production persistently exceeding demand, their value fell from $2.8 billion to $2.5bn.

When these market-opening policies were introduced to cope with the debt crisis of the 1980s, most poor countries produced enough food for their people to eat. Ghana was one of them. Their governments provided various forms of support to their farmers, just as in developed countries. There were two big countries, India and China, that had particular trouble with food supplies in the 1950s and 1960s. As their industries later expanded and their economies opened up, they were determined that their new export revenues would go on things other than food. In recent times both countries have made sure they remained broadly self-sufficient in basic foods.

Elsewhere, the situation is urgent once again. Unctad was created in 1964 to address the devastation wrought on people in poor countries by instability in commodity export markets. For 20 years it made serious efforts to do so, but then the tide turned against market interventions and Unctad attended to other tasks. But food imports mean that poor countries now face similar instability on the import side too.

There was cause for the assembled ministers and officials at the gala dinner last month to think about renewing actions to stabilise the commodity markets. Sadly, another opportunity missed.