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The fault-lines in global food prices

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Is it just five years since we complained about collapsing commodity prices – the coffee crisis, the plight of West African cotton? That was a tragedy for development.

Now commodity prices have taken off, and that too is a tragedy. But given their volatility, who can say with any confidence where they will be in five years' time? In August 2008 the signs are that the boom is ending, with average commodity prices down 20 per cent since early July.

The last commodities boom, in the 1970s, led to many of the same concerns about food supplies and prices. But it came to a shuddering halt in 198o as the world slid into recession, and was followed by a quarter-century of price stagnation. How have different prices changed since then, and what does it mean for development?

I compared the average prices of leading commodities in 1978-80 with those from mid-2005 to mid-2008, deflated by manufactured import prices. The results were revealing:

1. The deflated prices of some industrial raw materials rose dramatically: iron ore by 96 per cent, copper 103 per cent and crude oil 59 per cent. That is good news for mineral-exporting countries like Angola, Mauritania, Nigeria and Zambia. Yet real aluminium prices fell by 1 per cent and tin by 54 per cent.

2. The real world prices of arable crops actually fell: maize by 25 per cent, wheat by 19 per cent, rice 45 per cent and soya beans 28 per cent. Why then is there a crisis over food prices?

3. The answer is that the prices of Africa's main agricultural exports fell even further: for example, cotton by 57 per cent, coffee by 63 per cent and cocoa 65 per cent. So most countries' terms of trade declined substantially *with respect to imported foods* as well as manufactures and oil.Meanwhile Sub-Saharan Africa's deficit of wheat (by volume) has more than tripled since 1990, that of rice more than doubled, while it switched from being a net exporter to a net importer of cassava, maize, millet, sorghum and sugar. By 2005 it imported an annual 14.5 million tons net of wheat, 11.4 million tons of rice and 854,000 tons of maize. Compare this with India's and China's self-sufficiency in basic foods.

4. These price changes point to unambiguous benefits in various forms of managed trade. This includes private exporters' management of supplies, leading to higher prices (by the banana corporations, the former aluminium cartel, De Beers for Botswana's diamonds); public supply management under former international agreements in such commodities as coffee and tin; and the high prices paid for sugar to Mauritius and Swaziland by the EU.

Some final food for thought. Real phosphate prices rose since 1978-80 by 46 per cent – a sharp contrast to crop prices. In August 2008 fertiliser prices have continued to rise. Where does that leave proposals for a new Green Revolution and more intensive farming?

*Thomas Lines' book, **Making Poverty: A History**, has just been published by Zed Books.*