

Food Justice Update is an occasional newsletter of the Canadian Foodgrains Bank. It is distributed to supporters of the Foodgrains Bank's efforts to work for public policies that support getting food to those who are hungry.

Farmgate Prices: A Taproot of Hunger

There are frequent stories in the farm papers (and infrequent ones in the mainstream press) about the problem of low farm prices. We hear that farm prices in Canada are as low as they were during the Great Depression. For many city folks it may sound like a story they have heard before.

But consider the impact in developing countries. Coffee is a vital cash crop in Ethiopia and Kenya (and several other developing countries as well). In 1980 we bought a jar of instant coffee for \$ 4.80; today, adjusting for inflation we buy the same bottle for \$21.30. During the same period, developing country farmers went from receiving \$ 11.20 per kilo to receiving \$ 2.60 - for the same quality of coffee. A lot more money is being made from coffee – but it's not coming to the Ethiopian farmer who desperately needs the increased income. This is money to feed and school his/her children but its also to generate the economic activity in their community that provides off farm income for others as well.

The prices for agricultural commodities have been in a steady decline for the past twenty-five years. That's about the same time as the international agreements to stabilize the prices for many commodities, including coffee were scrapped. This was done at the insistence of the rich countries who were unwilling to continue to support the price stabilization functions of these agreements. On top of the long term decline of prices, these prices have bounced up and down much more as a result of market liberalization since the early 1990s and the advent of the WTO in 1994.

For many very poor countries, the collapse of prices for crops like coffee have been a recipe for growing hunger. Stripped of the ability to generate cash for savings and for investing in their own farms, small farmers have been driven closer and closer to the 'edge of the cliff' - one season's drought and they tumble into hunger and sometimes long term poverty.

What can be done about this problem? For the past ten years the proffered answers have been diversify into other crops, improve quality to try to capture a premium, get into the fair trade business or try to value add – the same answers that many of our own farmers are given. But in developing countries the impediments to getting there have proven insurmountable. In a full day workshop at the WTO, attendees agreed that something must be done about commodity prices if significant progress is going to be made in reducing hunger and poverty. Some felt that an updated attempt at international commodity agreements were the answer. Others pointed to the success of some national supply management schemes in places like Canada as providing a solution for locally consumed commodities.

The conclusion seems to be that farming and agriculture fit poorly into the classical free market model. Without some sort of non-market arrangements, small farmers seem destined to pay the price for the poor fit – in growing hunger and poverty.

