

UPDATE



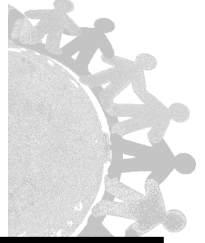
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The Food Justice Network is a community of supporters, staff and members of Canadian Foodgrains Bank engaging issues of hunger and injustice. We invite you to join us.

END HUNGER

IS NOT THIS THE KIND OF FASTING I HAVE CHOSEN: TO LOOSE THE CHAINS OF INJUSTICE AND UNTIE THE CORDS OF THE YOKE, TO SET THE OPPRESSED FREE AND BREAK EVERY YOKE? IS IT NOT TO SHARE YOUR FOOD WITH THE HUNGRY ... AND NOT TURN AWAY FROM YOUR OWN FLESH AND BLOOD.

Isaiah 58: 6-7



AGRO-FUELS (BIOFUELS*): THE FUTURE OF FOOD ?



From relative obscurity five years ago, agro-fuel development has catapulted to the top of the public agenda over the past three years. This prominence reflects several major issues:

- **Potential Fuel Shortages** – the potential gap between rapidly expanding consumption of liquid fuels (especially in China and India) and the rising cost of oil. If current consumption patterns are to be sustained, supplements to fossil fuels may be essential to meet the growing demand for liquid fuels.
- **Threat of Energy Insecurity** – the current dependence on Russian and Middle Eastern sources is placing a high cost on ‘energy security’ for the US and Europe. In addition to the cost of the Iraq War, these states are vulnerable to political pressures from oil/gas exporting countries.
- **Climate Change** – the heavy use of fossil fuels has been closely linked to climate change. For politicians the support for agro-fuel development as substitutes for fossil fuels is a relatively inexpensive response to the public pressure for policies to counter global warming.

** Agro-Fuels or Biofuels? - biofuels includes all fuels derived from biological sources—firewood, animal wastes, animal fats as well as crops. The term agro-fuels refers to crops alone and is more accurate in the current debate.*



The resulting rapid expansion of ‘first generation’ agro-fuels (ethanol based on corn or sugar, biodiesel based on canola and palm oil) over the past three years has been received as good news by farmers in many countries. Cereal and oilseed prices, recently at below cost of production levels, have risen 50-100% as a result of the demand for agro-fuel feedstocks. Farming hopes for continuing and increasing demand for agro-fuel feedstocks are sustained by the rising price of oil and importantly:

US Government Mandates and Subsidies

The US government has mandated that agro-fuel supplements to conventional liquid fuels must increase from 4 billion gallons/yr in 2007 to 7.5 billion gallons/yr in 2012. Furthermore agro-fuel processors will continue to receive a \$0.51/gallon subsidy for producing agro-fuels for supplementing liquid fuels.

EU Mandates and Subsidies

The EU established a 2005 target of 2% agro-fuels in the liquid fuel market rising to almost 6% by 2010. More recently these targets have been raised to 10% agro-fuels by 2010. Member countries are required to at least meet these targets which will likely drive agro-fuel development faster than the effect of the rising price of oil.

Canadian Mandates and Subsidies

In spring of this year the Canadian government set an agro-fuel target of 5% for gasoline by 2010 and 2% for diesel by 2012. To achieve this, subsidies of 10 cents/litre of fuel ethanol and 20 cents/litre for biodiesel have been provided in addition to a \$200 million capital fund for farmer-run ethanol plants.

AGRO-FUEL—FOOD LINKAGES

The connection between agro-fuel development and food agriculture is complex but focuses on two issues:

Supply-Demand Balance for Food/Feed Grains

There are strong indications that the ‘age of agricultural surpluses’ is either drawing to a close or is now over. The rapidly increasing meat and dairy products consumption in China and India is exerting an increasing and long term demand for feedgrains, often also affecting foodgrains. Global warming effects are already making weather in food producing areas more variable. While this will result in good yields some years and poor ones other years, the overall impact is expected to reduce yields in many countries. These effects are as important as the increasing demand for agro-fuel feedstocks. The overall effect will mean higher prices and tighter supply for foodgrains.

Impact on Small Farmers

While in general increasing prices for farm products are good for farmers and may increase both public and private investment in agriculture in places like Africa, there are questions about who will really benefit. The production of agro-fuel feedstocks including new sources like jatropha, cassava and sweet sorghum in addition to corn, wheat, sugarcane, soy and canola must ‘connect’ to large-scale industrial processes demanding large quantities of standardized commodities. This will favour those who can produce and supply these kinds of commodities. In developing countries, small-scale producers may quickly be displaced by large-scale industrial production, not only depriving them of the new markets, but perhaps even their farm land as developing country governments try to cash in on this new market.



**1 TONNE OF WHEAT =
379 LITRES OF FUEL
OR
FOOD FOR 2500 PEOPLE
FOR 1 DAY**

i) Regulation of Fuels and Fuel Additives: Renewable Fuel Standard Program (Federal Register: May 1, 2007 (Volume 72, Number 83), US-EPA, seen at <http://www.epa.gov/fedrgstr/EPA-AIR/2007/May/Day-01/a7140a.htm> viewed on 29 Aug 07)

ii) An EU Strategy for Biofuels, SEC(2006) 142, seen http://ec.europa.eu/agriculture/biomass/biofuel/com2006_34_en.pdf viewed on 30 Aug 07

iii) <http://www.producer.com/free/editorial/news.php?iss=2007-07-12&sec=news&sto=22> viewed on 6 Sept 07



WHAT IT MEANS FOR THE 850 MILLION FOOD INSECURE

The impacts of the consequences of agro-fuel development and the related issues mentioned above on those who already experience hunger may be rapid and significant:

- **Food Purchases by the Poor** – in many developing countries, even small farmers must purchase food from the market at some times of the year. The urban poor must do so daily. The price rises will hit them directly.
- **Food Import Bills** – there are a large group of developing countries that must import food. The cost of these imports will rise with the prices drawing money away from their own development.

- **Rural Livelihoods** – given that so many of those who are food insecure gain their livelihoods as small farmers or farm labour, the possible negative impacts on small farmers from agro-fuel development will pose an additional challenge to strengthening those livelihoods.
- **Food Aid Availability** – emergency food aid will still be available – at a price. And that price may increase further. Without increasing budgetary allocations for food aid, the quantity available will fall correspondingly. The World Food Program is already sounding the alarm about what this will mean for their ability to respond to emergencies. The Foodgrains Bank will also be similarly affected.

WHAT IS OUR RESPONSE?

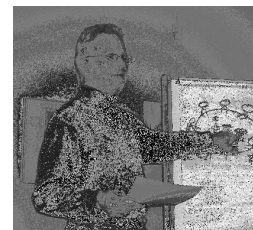
While there are many concerns about the impact of agro-fuel development on food security, it is difficult to predict with certainty what will actually happen, especially in developing countries. The Foodgrains Bank is doing two things.

Monitoring the Impact on Small-scale farmers—through the local partners of our members, we will listen for and publicize the stories of the actual impacts of agro-fuel development on small farmers in their own countries.

Working to Ensure Food Aid Availability—given the reality of higher prices for food aid commodities, the Foodgrains Bank will advocate for protecting the quantity of food aid provided by Canada. Canada has made an international commitment to provide 420,000 mt of food aid each year under the Food Aid Convention, a promise that has not been kept recently.

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END HUNGER 