PHILIPPE CHALMIN

Professor of Economic History and Director of the Master of International Affairs at Paris-Dauphine University

Your mobile is completely disconnected. You are old, not insured, and perhaps have early Alzheimer’s, and now, what about not being able to eat. That is the third problem we are going to cover, as quickly as possible. Food security has, in fact, two significations. One is in the north, and the second in the south.

If you are in the north, you are talking and thinking about food security as food safety, and in our debate, in advanced countries, food security is linked to the idea of the safety of the food we are eating. At the beginning of the 21st century, it is clear we have never had so many rumours about food safety.

One example is our friends in Britain, with mad-cow disease, or in China with the avian flu. About two years ago, only two geese died in France, and it provoked the complete destruction of all of the poultry industry in France because of the avian flu scare. May I remind you that, for example, with mad-cow disease there were only about two deaths in France, and perhaps only 50 people in the world have died of mad-cow disease.

Last year, we had a very nice story about cucumber in Germany, which actually affected all of the vegetable industry in Europe. We discovered, by the way, that is was provoked by bio-organic agriculture in northern Germany. I loved the irony of this, but that is another story. Of course, in that case, politicians have to act very quickly. I would remind you that mad-cow disease has provoked huge change in almost all cattle-rearing in Europe, with traceability and so on. You must almost have a picture of the cow you are eating, when you are in the restaurant.

It is very irrational, and in that respect I am not taking food safety very seriously. We have never eaten so well, as far as safety is concerned, and yet we have never had so many rumours about food safety, especially through the Internet, and so on.

The second signification of food security is food availability. Our choice today is, what am I going to choose for lunch or dinner, but the choices of about one billion people around the world are different. They are asking themselves every morning, what am I going to find to eat? One billion people, in a world of seven billion, are not dying of hunger. This is an image which you should forget. There are no hunger riots, etc. They are suffering from what I would call food poverty, that is, they are not eating well because they are too poor. Food availability is often not there. It is a long-term problem, which was evoked by a Chinese colleague, about how to feed the world on a long-term basis, and I do think that the biggest challenge of the 21st century is to feed the world - to be able to feed, in 2070, the ten billion people, not ten billion of McDonalds-eating Americans, nor ten billion vegetarian-eating Indians, or ten billion French people.

That will probably make it necessary to multiply by two world agricultural production, just for food needs. This is with, more or less, the same quantity of land which is available. This is, for me, one of the biggest challenges, and as a challenge it is one of the greater risks of the 21st century, and one which has been completely ignored for the last 20-30 years. That is why we sometimes have short crises with food riots, etc., which reminds the politicians that they must do something.

Right now, we are in the midst of the third food crisis in five years. Take corn as an example. Today, corn and soya bean prices are at their highest level ever. What do you do with corn and soya beans? Used as feed for 45 days, you will have a little chicken. If used for 90 days, you will have a little pig, and then we slaughter them.

Looking at the evolution of corn prices, you can see that, at the end of the 20th century, it was around $2 per bushel. They are now around $8. Same thing for soy beans, because corn and soya bean are more or less in the same area. By the way, China is the world's biggest importer of soya bean, because as you become richer, the first thing you spend money on is food. If you go to Tiananmen Square, you will find a Kentucky Fried Chicken there, and the chickens that the Chinese are buying there are eating Brazilian and American soya beans.
Wheat is an interesting case, and here you have a link with politics. In 2008, we saw a huge rise in world wheat prices. In March 2008, we had food riots in towns in Africa, in Haiti, and in May 2008 many politicians met in Rome for the Food and Agriculture Organisation (FAO) World Food Summit, and everyone said that more money should be devoted to agriculture. Unfortunately, there was a different crisis three months later, and everybody forgot the initial problem, and we had a good crop in 2009.

Then on August 4, 2010, Prime Minister Putin, at that time, decided on an embargo for wheat exports. Prices exploded, and then in early 2011, prices rose again because of the Arab Spring. If you do not want to have demonstrations, you must feed the people. Now, there is a poor crop in Russia this year, and an embargo on December 1 in Ukraine, and prices are at that level.

Interestingly enough, this has happened with a complete change of the Common Agricultural Policy (CAP), so for the first time in Europe in many years, we are in an unstable world. Three crises in five years, and these are not due to any climate crisis, etc. This is, I would say, a structural fact that we have not devoted enough money for agriculture and farm policies around the world.

Just to give you an idea of the link between food prices and political problems, take the situation in Egypt right now. Egypt is the biggest wheat importer in the world, around 9-10 million tons. The bill for Egypt this year will be between $4-5 billion, and it is not a question of President Morsi saying that he will raise the price of bread, as the entire country would erupt, so perhaps Dominique will tell us who is paying the Egyptian bill? Perhaps friends in Saudi Arabia, or in the US? I do not know, but it is an interesting question.

It is clear that there is a message here. We have had an underestimation due to low prices at the end of the 20th century, and in the early 21st century a low appreciation of the need to double world food production, agricultural production, in roughly two generations.

Remember that at the end of the 20th century, when we had the Structural Adjustment Programme in many African countries, the first thing that the International Monetary Fund (IMF) and the World Bank were saying, was to avoid the farm policies, exactly what the British are saying in Europe right now, though that is another story. It is clear that we have destroyed many farm policies around the world. At the same time, many people are saying that we must go to organic production, or that they do not want to use genetically modified organisms (GMO’s), etc.

We went through a time where we were thinking that there would be no food problems in the 21st century. That is a very good example of government, and even world myopia in this field. It is clear that we will have to invest in agriculture, not land grabbing, but financing farm policies around the world.

Just to finish on global governance, yesterday Pascal Lamy told us there were some fields for which he was hopeful. He quoted protectionism, finance, and agriculture. I totally disagree with him. On the third one, we have no global governance in agriculture. FAO, the food agricultural organisation in Rome, is part of the problem and not of the solution. I feel it is one of the worst bureaucracies in the world, and the world food programme is really effective, but only in urgent situations.

We have no world governance in agriculture. France tried, when chairing the G20 Summit, to regulate agricultural markets. In an unstable world, I do not believe this is possible, and I believe that people generally are saying that it is immoral to bet and speculate on food markets. It is immoral to have futures, Over-The-Counter (OTC) Markets on wheat, and wheat which is not only a religious symbol, but the basis of world food.

I would agree on that immoral principle, but I would say that the markets are probably telling us the truth. The best long-term risk assessment comes from the market. In 2008, a former French Prime Minister said that we should close the markets. That is a very French reaction. I do not like the market, and I do not like what the market is saying, so I am closing the market.

In fact, the markets are just giving us a look at the future, and when prices are too high, then the markets are telling us that the world is perhaps connected, the world is perhaps aging, but first and foremost, the world is hungry. Thank you.