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The 2008 Food and Financial Crises and the South: Causes and Impacts

SOHA FAROUK AND LAURA CLICHE

ABSTRACT. The year 2008 is best remembered for the global financial crisis that is held responsible for the ongoing economic hardships that confront many states. One of its most significant implications is food security which is the topic of this paper. The authors closely examine the causes and impacts of the food crisis in developing countries. According to the Food and Agriculture Organization of the United Nations, nominal and real prices of major food products continue to surge which contributed to increasing food imports of developing countries. The poorest countries were the ones most affected by these price surges given their declining incomes and exchange rates. The article posits a number of causes for the food crisis ranging from underlying factors such as climate change, market speculation, US dollar depreciation, among others, to long term structural factors including unfair trade rules, oligopolistic market structures, and decreased food and development aid. Given these factors, the authors show that the implications of the food crisis were not confined to the economic sphere as shown by political and social impacts that surround the crisis which include inflation, exacerbation of poverty, malnutrition, deplorable conditions for women and children, and political riots. The authors conclude that the crisis shall continue to threaten the livelihoods of developing countries given the unfair competition brought about by capital intensive agriculture, lack of government support, and global economic integration of the agricultural sector. The authors then challenge the food security paradigm premised on liberal trade and proposes food sovereignty as an alternative paradigm in which autonomous food systems are put in place backed by national and international policies and civil societies that promote food as a fundamental human right in the fight against world hunger and malnutrition.

KEYWORDS. food crisis · agriculture · developing economies · global integration · food sovereignty · poverty studies

Introduction

In late 2008, the world faced a global crisis of multiple dimensions negatively affecting food and fuel prices, exacerbated by climate change and the increasing spillover effects of the global financial crisis.

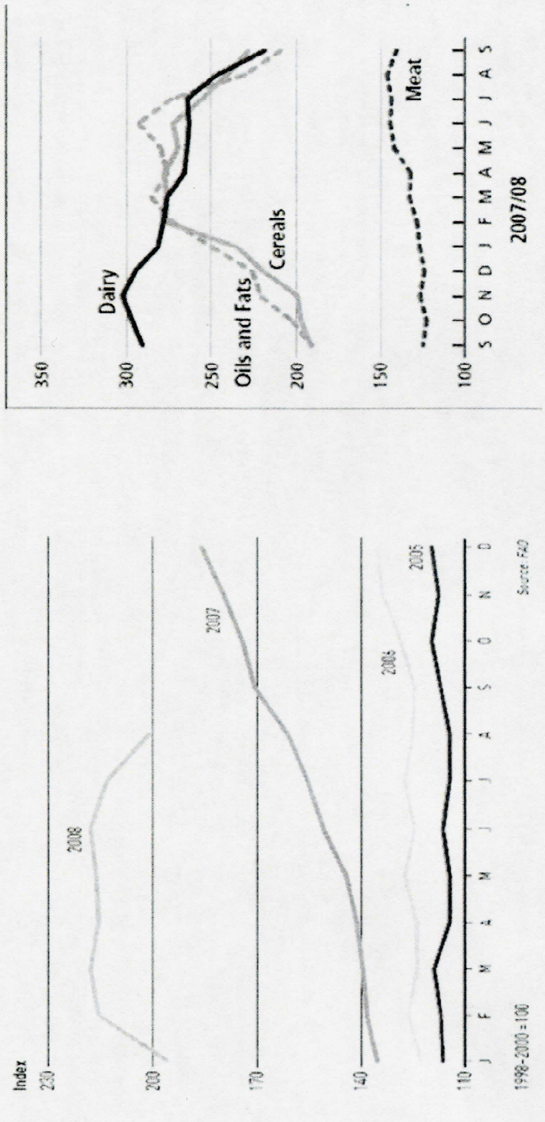

Figure 1. FAO food price index and food commodity price indices (1998-2000=100)
Source: FAO 2008b.

According to the Food and Agriculture Organization (FAO) of the United Nations, international prices of all major food commodities increased to record nominal trend levels in nearly half a century while real prices were the highest in nearly three decades (FAO 2008d). The FAO food price index marked an increase on average of 8 percent in 2006, 24 percent in 2007, and 53 percent in the first quarter of 2008 (Figure 1; FAO 2008b). This global food price surge was led by vegetable oils, which on average increased by more than 97 percent during the same period, followed by grains with 87 percent, dairy products with 58 percent, and rice with 46 percent (FAO 2008c). The prices of sugar and meat products also rose, but not to the same extent (FAO 2008d).

In fact, all the agricultural goods mentioned above are of crucial importance to global food and feed markets. They represent much of the food consumption and import expenditures across the world and generate income for the small farmers (FAO 2008a). At the national level, these global food price changes boosted general inflation around the globe, slowing down future growth by pushing up uncertainty and distorting economic planning (Braun 2008). According to FAO (2008a), livelihoods of the vast majority of poor urban and rural households were the most adversely affected, particularly the landless and the female-headed households, given the large share of food in total expenditure and the constraints they face in terms of low income and capital endowment.

The overlap of food and financial crises increased substantially the food import bill of developing countries. According to FAO estimates, the global cost of imported foodstuff in 2008 reached an unparalleled high of USD 1 trillion. At USD 1,019 billion, the total global food import bill was 23 percent higher than that in 2007 and 64 percent the year before (FAO 2009).

The world's poorest countries, with a combination of falling incomes and real exchange rates in a deteriorating economic environment, bear the brunt of growing food import costs. For example, the cereal import bill of low-income food-deficit countries increased in 2007-2008 (as compared to 2002-2003) from USD 6.5 billion to USD 14.6 billion in Africa, from USD 7.0 billion to USD 15.4 billion in Asia, and from USD 0.3 billion to USD 0.7 billion in Latin America and the Caribbean (UNCTAD 2008c). Thus, in five years the cereal imports of these countries more than doubled in value (ibid.).

Table 1. Increase in domestic food prices, March 2007–March 2008 (in percent)

Countries	Rice	Wheat	Meat
Afghanistan	70	16	30
Bangladesh	100	74	60
Cambodia	100		45
China, People's Republic of	6	7.2	
India	9.3	(2.5)	
Indonesia	8.7		
Kyrgyz Republic		100	
Mongolia		40	
Nepal	20		
Pakistan	60	38	
Philippines	40		30
Sri Lanka	55	36	
Tajikistan		100	50
Viet Nam	17		

Sources: Country data; ADB's resident mission submissions.

Asian countries were not exempt from this full-fledged crisis and its disastrous implications. In India, food prices in 2008 marked an increase of approximately 14 percent against 2007 level while Pakistan recorded an increase of 28 percent (Sutaria and Robins 2008). In general, food price increase was higher in Asian developing economies than in the more developed ones given that they are integrated into the world economy, financially and economically, more than ever before, thus far more exposed to any global shocks (Cheung et al. 2008; Table 1). At the same time, since many more of the poor now depend on wages and are more closely connected to the rest of the economy, they suffer more from across-the-board drops (FAO 2009).

UNDERLYING CAUSES

Different complex and intertwined causes were behind the food crisis. Although the underlying causes of food, fuel, and financial crises are fundamentally different, they fed on each other in many complex ways, increasing the volatility of commodity prices and deepening the food insecurity of poor countries. Consequently, at the end of 2008, prices of international food commodities persisted to be high by recent historical standards and volatile, although they have decreased from their mid-2008 highs (FAO 2009). Also, domestic staple food prices have been slower to fall, on average 17 percent higher in real terms, than two years earlier (FAO 2009).

By nature, the crisis reflects an imbalance between supply and demand due to production shortage coupled with increasing demand in the last years. The price crisis is also growing because of market malfunction and manipulation (FAO 2008b). In this regard, this article attempts to distinguish between the initial structural causes of the price surge accumulated over several years and the intermittent short-term factors that exacerbated the crisis, and assess the impact of each factor.

Intermittent Causes

Climate Change and Weather Conditions

Physical factors played a key role in the 2008 food crisis by slowing down production growth. Agriculture is weather sensitive. Drought, flood, or freezing weather can decrease harvest significantly, affecting food stocks and prices (Mittal 2009). Climate change is expected to continue to adversely impact agricultural output and food security in developing countries (ibid.). In 2008, extreme cold weather in some central Asian countries such as China, Mongolia, Bangladesh, Afghanistan and Tajikistan; drought in Afghanistan; and floods in Pakistan and Sri Lanka have caused crop damage, livestock losses, and harvests reduction, particularly for rice (FAO 2008d).

Low Food Stocks

In times of unstable agricultural markets, food stocks could play a counterbalancing role, offering the opportunity to moderate prices and consumption over time. However, since 2000, the world witnessed a depletion of food stocks in a number of countries and growing incentives for governments and the private sector to reduce their stocks (FAO 2008d). For the period 2007-2008, FAO estimated the ratio of world cereal stocks to utilization at 19.4 percent, the lowest level since 1982 (Figure 2; FAO 2008b). World wheat stocks dropped to 147 million tons, its lowest level since 1977 (Mittal 2009).

After nearly two decades of low and stable food prices, many of the world's major cereal producers (China,[1] the European Union, India, and the United States) decided to reduce their grain stocks, assuming it to be less important (PECC 2009). They were influenced by the wave of trade and agricultural market liberalization, which has reduced trade barriers and facilitated trade, as well as a number of changes in the

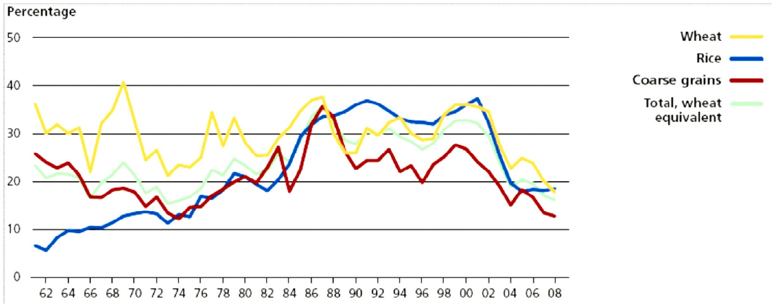

Figure 2. Ratio of global stocks to use
Note: Wheat equivalent based on relative 2000-2002 prices from OECD (FAO 2008b).

policy environment since the Uruguay Round Agreements[2] (Mittal 2009); the development of other less costly instruments of risk management; increases in the number of countries able to export; and improvements in information and transportation technologies. The private sector reduced grain stocks given the cost and inefficiency of holding it, rise of "just-in-time" inventory management, and the years of abundantly available global supplies (Trostle 2008; PECC 2009).

Increased Demand of Emerging Countries

The long-term trend of rising demand for food from emerging and developing countries has been identified in many instances[3] as a stimulating factor to the surge of food prices (Trostle 2008). This was largely explained by industrialization takeoff, population growth, shifting rural-urban populations, and rapid economic development in East Asia and Southeast Asia, in particular, representing over a third of the world's population, which grew at 9.2 percent and 11.4 percent, respectively, in 2007 (Sutaria and Robins 2008).

In fact, although developing Asian countries, especially China and India, showed strong sustained growth since the early 1990s,[4] the link between the rapid rise in the living standard of emerging countries and the inflation of food prices, which began in 2006, has been overestimated (Mitchell 2008). Theoretically, the food demand does not vary significantly with income change, although the composition of the food basket changes more (Mittal 2009). However, in the context of food price explosion, it is vital to concentrate more on the reality of the food trade balances than on agricultural trade balances to assess the

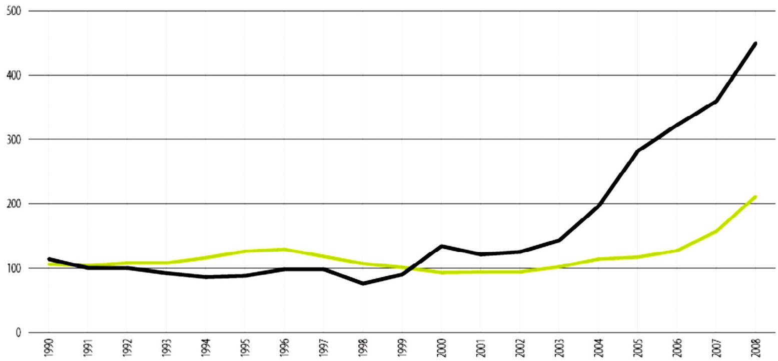

Figure 3. Reuters-CRB energy and FAO food price indices 1998-2000=100
Source: FAO and Reuters CRB.

responsibility of these emerging countries (Berthelot 2008). Hence, China and India were both essentially exporters of cereals over the period 2005-2007, accounting for only 8 percent of the increase in global demand (Headey et al. 2009). Thus, rising cereal prices in 2008 could be attributed to the Western policies on biofuels more than the increase in grain consumption in developing countries, as will be discussed later (Mitchell 2008; PECC 2009).

Rising Energy Prices

Oil and food prices are progressively correlated as a number of agricultural feedstocks are becoming economically viable sources of energy supply, and agriculture is increasingly becoming energy intensive (Braun et al. 2008). Until mid-2008, the doubling of energy prices made agricultural production more expensive by raising the cost of inputs like fertilizers, irrigation, and transport of inputs and outputs (Figure 3; FAO 2008c). The sharp rise of oil prices is induced mainly by the difficulty in sustaining alternative fuel programs for the consumers and the rising demand from middle-income economies aiming to improve standards of living, which requires higher petroleum consumption (PECC 2009). Whereas the share of energy in the cost of crop production is about 4 percent in most developing countries, it is 8-20 percent in some large countries such as China and India (FAO 2008d). The Asian Development Bank (ADB) mentioned an increase of 20-50 percent in domestic energy prices in Asian countries despite large subsidies, and an increase of 30-50 percent in fertilizer, irrigation, and transport costs (ADB 2008b).

Depreciation of the US Dollar

The decline of the dollar contributed to the rise in food commodity prices. Since 2002, the US dollar began to depreciate, first against currencies of Organisation for Economic Co-operation and Development (OECD) countries, and later against many developing countries' currencies. As the dollar lost value relative to the currency of an importing country, it reduced that country's cost of importing (Mitchell 2008). Since the United States is a major source of many agricultural commodities, foreign countries' imports of US commodities began to increase, putting upward pressure on US prices for those commodities (ADB 2008a). Further, since world prices of major crops are typically denominated in US dollars, the depreciation of the dollar also raises prices (measured in dollars) (Trostle 2008).

Soaring Production of Biofuels

One of the factors frequently mentioned as an important cause behind the 2008 food crisis had been the growing use of agricultural commodities for biofuel production, accelerated by the explosion of oil prices. Wheat, soy, sugar, maize, oilseed, palm oil, and other agricultural products are increasingly being used for the industrial production of biofuels, such as ethanol and biodiesel, as alternatives to oil (UNCTAD 2008b). Production of biofuels—mainly concentrated in the United States, the European Union, and Brazil—tripled during the period 1975-2005 and has increased sharply since 2004 (South Centre 2008).

However, there is no clear agreement on the extent to which biofuels have contributed to the surge of food prices. The International Monetary Fund (IMF) estimates that the additional demand for biofuels accounts for 70 percent and 40 percent increase in the prices of maize and soy, respectively, during the period 2002-2008 (South Centre 2008). In contrast, the US government assumed that biofuels—mainly ethanol produced from crops such as corn, palm, and soy—have been responsible for only 3 percent rise in food prices (ibid.). As for the United Nations Conference on Trade and Development (UNCTAD), increased biofuel production has been—for some crops and for some countries—a driver of food price inflation, but not the dominant one. Where demand for biofuels has had an impact, the relationship between them and food price spikes should be interpreted more as a policy failure than as an intrinsic and unavoidable consequence of the production of biofuels (UNCTAD 2008b).

Speculation in the Food Commodity Markets

The increased speculation in futures markets[5] has been identified, in many instances, as a potential factor exacerbating soaring food prices (Robles, Torero, and Braun 2009; Timmer 2009). Global trading activity in futures and options combined has more than doubled during the period 2002-2007 (GRAIN 2008). One firm calculates that the amount of speculative money in commodities futures has ballooned from USD 5 billion in 2000 to USD 175 billion in 2007 (ibid.).

However, it has not been established whether speculation is driving prices higher or whether this behavior is the result of prices that are rising in any case (Irwin, Sanders, and Merrin 2009; FAO 2009). Nevertheless, supply and demand fundamentals do not fully explain the recent drastic increase in food prices. Either way, the greater participation of hedge funds, index funds, and sovereign wealth funds in agricultural commodity markets could partly account for the persistence of high food prices above levels justified by supply and demand fundamentals and their increased volatility (IATP 2008). Such a sharp increase in food prices cannot result solely from market fundamentals. Some part of the price inflation is fueled by the capital flight from real estate and stock assets to commodity market speculation (UNCTAD 2008b).

Structural Factors

Declining Agricultural Production in Developing Countries

Low and decreasing agricultural production had been one of the significant structural long-term causes of the global food crisis. Although large developing countries, such as India, attained rapid growth, they were unable to provide sufficient food for domestic consumption and for international trade, and their farmers continued to lead lives of mere subsistence (UNCTAD 2008a). The decline of agricultural output could be attributed to years of inappropriate support policies, systemic failure of development strategies, and declining investment in the agricultural sector (ADB 2008b). Aside from these, the reduction of state intervention and public investment in the agricultural sectors of developing countries encouraged by the structural adjustment programs (SAPs) of the World Bank and the IMF in the 1980s and 1990s, and the long-term neglect of the agriculture and food sectors in the last two decades engendered a supply shortage (South Centre 2008).

This deteriorating situation has been reinforced by underinvestment in the infrastructure (communications, irrigation, transportation) needed to distribute agricultural products. Spending on agriculture as a share of total public spending in developing countries fell by half between 1980 and 2004 (Braun 2008). Poor public investment, in turn, led to a lack of private investment. The strengthening of intellectual property rights over plant varieties and new seed technologies also had adverse impact on farmers (Barrett and Mutambatsere 2005). Moreover, in several countries, failure to adhere to IMF and World Bank conditionalities triggered temporary (and sometimes permanent) postponements of cash releases and changes in commitments from other donors, governments of rich nations, and international institutions, thereby eroding the ability of developing countries to maintain agricultural production and increasing their reliance on imported food (ADB 2008b).

Unfair Trade Rules

Since the 1950s, the "Green Revolution" agricultural model, trade liberalization, and structural adjustment policies imposed by the World Bank and the IMF on the poor countries; the establishment of the World Trade Organization (WTO) in the mid-1990s; and the recent barrage of bilateral free trade and investment agreements negatively affected developing countries (Mittal 2009). Under the WTO, rules have recognized subsidies for agriculture (which are mostly forbidden in the industrial sector) and allowed for indirect export subsidies through export credits, state trading enterprises, and food aid (UNCTAD 2008c). Hence, in the context of open markets, developing countries were deprived of tariffs and other tools used to govern the flow of agricultural imports into their market. They were constrained to open their markets to global agribusiness, speculators, and subsidized food exports from rich countries. In the process, fertile lands have been diverted from serving local food markets and feeding people to the production of global commodities or off-season and high-value crops for Western supermarkets (UNCTAD 2008c).

Furthermore, in developed countries, governments implemented long-term domestic support policies for the agricultural sector and subsidized their agricultural exports. According to the FAO and UNCTAD, agricultural subsidies in developed countries have been associated with rapidly increasing food imports in developing countries, alongside the decline in agricultural production (FAO 2008d; UNCTAD 2008c). Industrialized countries captured developing country markets by dumping commodities below their costs of production (IATP 2008). In consequence, farmers were left defenseless and unable to generate the supply response to the 2008 food crisis. In addition, foreign direct investment (FDI) in agricultural production has been very limited. In 2005, only USD 300 billion of FDI stock, or less than 3 percent, was held in agriculture and food industries (UNCTAD 2008a). In fact, it tends to be concentrated in processing and marketing. However, private domestic and foreign investments in cash crops have been significant. In general, the investment deficit exacerbates as the agricultural and food industries have become more capital intensive (UNCTAD 2008c).

Oligopolistic Market Structures

Moreover, inflation of food prices was exacerbated by the context of tight food markets, globalized food system, and an even more complex financial system where few mega-corporations, investors, and speculators are dominating progressively the world's fertilizer market, undermining the locally produced agricultural products (GRAIN 2008). According to UNCTAD, "Oligopolistic (on the seller side) or oligopsonistic (on the buyer side) market structures, mergers and strategic alliances in the agro-food sector have contributed to higher prices for agricultural inputs" by shaping the world's food system toward generating profits for the corporate agribusiness instead of feeding the hungry (UNCTAD 2008a). Their concentration facilitated their exercise of buyer power vis-à-vis developing-country farmers, pushing downward prices offered for their production while keeping high food prices to the general public to ensure large profits (GRAIN 2008). Developing countries were forced to divert fertile land from responding to the local food markets to the production of global commodities or off-season and high-value crops for Western supermarkets (UNCTAD 2008a).

Hence, profits of Cargill's Mosaic Corporation, the world's leading producer of concentrated phosphate and potash crop, more than doubled in 2007 (Vivas 2009). Seed and agrochemical companies Monsanto and DuPont registered 44 percent and 19 percent increase in overall profits in 2007 respectively (ibid.). The same goes for the main food processors, supermarket chains, and commercial distributors, which deepened their control of the productive chain and registered record profits (GRAIN 2008).

Decreased Food and Development Aid

At the global level, aid and official development assistance (ODA) in response to the steep rise in food prices grew substantially in 2008 (Ridolfi and Laanouni 2009). However, development aid typically decreases when donor GDP decreases. Thus, with donor countries facing tougher budgetary constraints in 2009, the IMF estimates that the poorest seventy-one countries experienced an overall drop in ODA of about 25 percent (FAO 2009). In fact, aid to developing countries for agriculture has been decreasing, even before the food and financial crises (FAO 2009). Between 1980 and 2002, ODA provided by multilateral institutions for agriculture decreased from USD 3.4 billion to USD 0.5 billion (a decrease of 85 percent) (UNCTAD 2008c). Bilateral donors cut their assistance from USD 2.8 billion to USD 1.7 billion (a decline of 39 percent) (ibid.). In addition, aid for science, technology, and innovation, a substantial tool to improve agriculture output, represented only a small proportion of total aid and was largely insufficient to strengthen the productivity improvements and agricultural development in most developing countries (UNCTAD 2008c).

The Consequences of the 2008 Food Crisis

The food and inflation crises caused intertwined impacts, some of which with long-term adverse effects until 2011. Food, being inherent to life, is by nature one of the most consumed goods. The rise in its price affected populations throughout the world. We will concentrate on the Southeast Asian response to the crisis, looking at the governments' responses, often through costly social measures, and its consequences such as increased poverty levels, undernourishment, indebtedness, and social protests. As any crisis, it created winners and losers. Briefly, we present who were able to manage through the storm, and who had to cope with the remarkable economic shock.

Inflation and Government Policies

At the macroeconomic level, governments became actors in the food and economic crises by their investments, trade policies or restrictions, thus influencing the crisis course.

Government efforts to cushion the negative impacts through costly public expenditures and emergency safety nets created an economic catch-22; fiscally struggling countries increased temporarily their public investments, thus adding pressure on already indebted national economies. While investments in food security were much needed, the ADB analyzed in 2008 that "direct and indirect subsidies are likely to increase recurrent public expenditures, thus worsening fiscal deficits. Other social safety net measures will require effective targeting of assistance; otherwise, these may add to further fiscal pressure. The problem would be more severe in countries with large fiscal deficits like Sri Lanka, Pakistan, India, and Bangladesh" (ADB 2008b, 10).

The investments were also needed to address the issue of inflation. With the significant weakening of demand, following the negative income growth and the rising energy costs, the inflation created a spiral where unemployment rates spiked (PECC 2009. South Asia was no exception, as the total inflation rose from 11 percent, reacting to the 15 percent rise of food inflation (Headey and Fan. 2008). The inflation rate in Cambodia touched 20 percent in 2008 (CDRI 2008). The overall inflation is estimated to have eroded the purchasing power of 1.2 billion people in Asia (ADB 2008b). Every economy in the Asia-Pacific region contracted, except Australia, China, Indonesia, and Vietnam. Thus, public safety net programs became essential at a time when reduced government revenues forced budget cutbacks. Nonetheless, a number of governments invested in economic stimulus packages, even if it meant plunging in debts, with adverse long-term effects, to offset the driving forces of the crisis (PECC 2009).

Government policy makers also played a significant role in the food crisis by applying trade restrictions or complete export bans. For instance, "Vietnam, the world's second largest rice exporter, announced an export sales ban in July 2007, which was lifted for a few weeks and selectively reinstated in February 2008 to ensure adequate supplies for its own market" (PECC 2009 14). Only Thailand, the United States, and Australia kept their markets fully open during the 2007-2008 crisis. These interventions created a psychology of scarcity and a propensity to hoard; countries highly dependent on food imports faced uncertain supplies, even though rice was never in danger of scarcity (PECC 200910).

Although a main lesson from the 2008 food crisis was that nationalist-centered policy interventions can turn out to be more damaging than redeeming, many countries are now committed to becoming rice sufficient, such as the Philippines, Malaysia, and China, who are currently investing in infrastructure development as part of a nationwide food security plan (PECC 2009).

Aid agencies were also very active, "most of which faced formidable obstacles in scaling up across the world in response to the crisis" (Compton, Wiggins, and Keats 2010, 14). Notably, the heterogeneity of the poorest households and the scarcity of available resources greatly complicated their work: in many countries they could only reach a small portion of the poorest population, as in Bangladesh where roughly only 7 percent gained access to social protection (IFPRI 2008). Assistance varied, reaching urban poor or rural areas: "more than a quarter of poor urban laborers surveyed by Sulaiman, Parveen, and Das (2009) [in Bangladesh] reported benefiting from subsidized sales of food by the government, compared to only a couple of percent of household in rural quintile.... However, the opposite was true in the Philippines" (Reyes et al. 2009, quoted in Compton et al. 2010, 32). Headey and Fan (2008) stated that drastic price changes always create winners and losers, and the results differ by country, region, and even community. In this next section, we'll briefly examine who was worst affected by the crisis.

The Poor becoming Poorer

The crisis hit the population in highly uneven ways depending on different criteria. The FAO (2008a) specifies a variety of causes: (a) if culturally the diet consists largely of food staples that are internationally traded, (b) other local factors such as land distribution patterns, or (c) the extent to which a household can produce food for their own consumption or for the market. Domestic food prices also varied, according to their speed of transmission from world to local prices. Wheat and rice are known to have fluctuated a lot faster than maize (Compton et al. 2009). No consensus exists in the literature on who was hit the hardest by the crisis, a direct consequence of the lack of generally reliable exhaustive and quantitative data and the use of different methodologies. Although, as suspected, poor net food-importing countries received the first blows. Also, countries experiencing political or environmental pressure—such as conflicts, drought, or natural disasters—are commonly known to be where the highest prices were recorded (ibid.).

Generally, the groups who suffered the most were "casual wage labourers (both rural and urban), land-poor farmers, petty traders, and producers of commodities whose terms of trade declined against food grains" (Compton et al. 2009, iii). As cited above, it is still unclear whether people living in rural areas were better off than the urban poor. The Pacific Economic Cooperation Council (PECC) stated that "[the urban poor] are more dependent on a money-based economy and spend large shares of their budget on food . . . . The rural poor may have greater access to food through familial relationship or the capacity to produce their own" (2009, 20). On the other hand, a report of UK Aid presents that safety measures and emergency social protections often do not reach people in rural areas (Compton et al. 2009).

The ADB recognizes the overall major steps back and the undeniable challenges ahead (IFPRI 2008). People who managed to upgrade their welfare in the last decade might not be able to cope with the economic pressure of rapidly rising food prices and fall back into financial insecurity. Whether living in the city or in the countryside, when spending 50-70 percent of household budget on nutrition needs, as is usually the case with the poorest segment of society, one can risk not being able to afford basic food if there is a light increase in prices (PECC 2009). It is especially true when prices are soaring as they did between June 2007 and June 2008, when the world price of rice increased by 134 percent, dramatically limiting families' purchasing power (ibid.).

Furthermore, within communities, different groups experienced uneven impacts of the crisis. Devreux (2006) coined the concept of vulnerability and resilience to food insecurity, which differentiates resilient households (those who have access to credits, savings, or other assets to manage through a crisis) from vulnerable households (those who have no recovery mechanisms and are on the verge of plunging into long-term poverty if facing a shock, such as a food inflation crisis). Raihan illustrated this difference: "the middling poor, those on around 2$ a day, are pulling children from school and cutting back on vegetables so they can still afford rice. Those on 1$ a day are cutting back on the number of meals. The desperate—those on 50 cents a day—face disaster" (Raihan 2009, quoted in Compton et al. 2009 27).

So far, literature has also shown that women and children were generally worst affected in food-insecure times, with long-term negative effects.

Coping with the Crisis: Gender and Children

Female-headed households were generally more badly hit, due to their propensity for spending more considerably on food (FAO 2008d), with "38% of them falling in the poor or marginal food consumption group vs. a significantly lower 23% for male-headed households" (WFP/UNICEF/IPHN 2009, quoted in Compton et al. 2009, 21). Potentially negative discrimination in lending practices are putting women in vulnerable situations, as demonstrated by research in Bangladesh where women sought more alternative jobs and borrowed less (Compton et al. 2009). Women of all ages, from girls to mothers, tend to be affected by the rise of prices. Raihan (2009) reports a higher percentage (5 percent) of girls dropping out of school as prices rise, but this tends to be equalized by a lesser number of boys attending school. For young teenagers, "socially, this also means early age marriage for girls, for instance, in parts of South Asia where they are considered a 'burden' on the family" (Mathur 2010, 2). And finally, for mothers, engaging in additional income activities in reaction to higher food prices may mean reducing or ending breast-feeding, or diluting formula milk (Compton et al. 2009).

Thus, children are directly affected either through their mother's health or when there is a need to divert funds from education, sanitation, heating, or healthcare to basic food needs (Mathur 2010). Compton et al. presents that children were the worst affected: "Studies from Bangladesh, Cambodia, and Mauritania reported increase to the order of 50 percent in levels of acute malnutrition of poor under-fives, with plausible links to rising food prices" (2010, iv).

Undernourishment, not only for children but also for adults, was no doubt a worrisome impact of the 2008 food crisis, as we will explore in the next section.

When Poverty Leads to Hunger

Perhaps the most devastating consequence of the 2008 food crisis was the rising number of undernourished people around the world. According to the FAO (2008), an additional seventy-five million people became undernourished in 1997, creating a record number of 923 million undernourished people worldwide. In Asia alone, forty-one million people were plunged into hunger. The region is now home to an "unenviable 63% of the world's undernourished" (Mathur 2010).

While the 1990-1992 Food World Summit (FWS) aimed at focusing efforts on decreasing world hunger with clear reduction targets—420 million in 2015—the situation keeps worsening, "especially in an environment of high food prices and uncertain global economic prospects" (FAO 2008d, 5).

Food prices not only limit food consumption but also brings a shift to even less balanced diets with devastating effects on health: "The poor tend to have remarkably monotonous diets, getting the vast majority of their caloric intake from staple crops and consuming little in the way of animal-source foods, fruits, or vegetables, which are rich in essential micronutrients" (IFPRI 2008, 6). Poor diets may lack four major nutrients—iron, zinc, iodine, and vitamin A—and the results are hardly curable (Parker 2011). The implications are quite worrisome: iron deficiency makes 1.5 billion people anaemic worldwide, including half of all poor women of childbearing age; lack of zinc causes the death of 400,000 people each year; and vitamin A deficiency results in blindness of up to half a million children, half of whom die within a year. Moreover, more processed foods, which have little nutritional value, are being consumed compared to raw goods due to their low production costs. Food processors and retailers enjoy modern agricultural equipment and proper transportation means (ibid.), enabling them to offer cheaper products, even if it means loss of quality and lack of the original nutritional value.

Therefore, better nutrition goes a long way beyond getting enough calories. Even if the crisis might mean a temporary situation for some, food deprivation extended over one or two years induces domino effects with lifelong impact, especially for children (Mathur 2010). We can only think of maternal malnutrition causing irreversible damages to the fetus (UN 2008, cited in Compton et al. 2009).

The impacts of malnutrition were also felt at the community level. Surveys report that community solidarity tends to erode during food crisis, with a sharp rise in stress and conflict, and less support coming from neighbors (Compton et al. 2009).

How do people and communities cope with the food-insecure situation, other than cutting back on food expenditures? Reports from microfinance institution show a widespread use of credits and savings (ibid.).

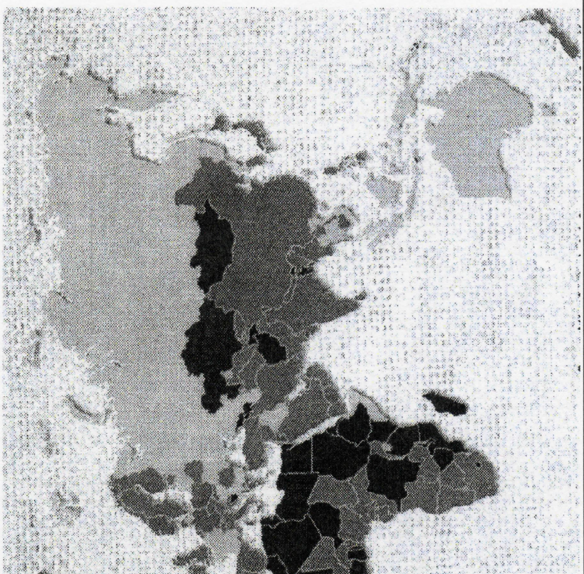

Figure 4. The global food crisis: Trade balances.
Source: O'Murchu and Bond 2008.

Managing through the Storm: Debts and Savings

In some areas, such as Cambodia and the Philippines, "more than half of surveyed households cited using credit as a response to rising food prices" (Compton et al. 2009 35). We can distinguish varying opinions in the literature on the use of credit. Cohen and Sebstad (2001) argue that reasonable credit, when in place, can be accessed quickly and is a reliable buffer in times of economic shocks. It prevents households from pawning lucrative assets, which would have long-lasting negative effects. Compton et al. presents, however, that "many studies reported indebtedness as a concern," but considers that too few studies report the level of debts, thus making it difficult to judge (200910, 35).

Remittances from migrant workers to their home countries became an important source of income, but with the rising global unemployment rates and inflation, remittances often decreased, leaving families with an uncertain financial future (Mathur 2010).

Although some were plunged into debts, they were able to go through the crisis without too many consequences, and could even gain greater access to resources and take advantage of the surging prices, such as large landowners.

Poverty, Wealth, and Land Distribution

Landowners who were able to produce more food than they consume and to reach the markets with their products, actually gained from the price inflation. A good example is how Vietnamese peasants managed to go through the crisis: "In Vietnam the majority of the poor are found in rural areas, but because landholdings are relatively equitable, the adverse effects of higher rice prices in rural Vietnam are largely offset by the increased incomes these households receive for their rice production" (IFPRI 2008, 6). Lin and Martin (2009), who analyzed the impact of the food crisis in seven countries, determined that Vietnam was an exception rather than the rule; the ultimate conclusion was that generally higher food prices contributed to rising urban and rural poverty levels. Consequently, only large farmers benefited from the crisis, as noted by the World Bank (2008). Save the Children UK (2009) arrived at the same conclusion, adding that it resulted in increased inequalities: "the gains made by wealthier landowners from increased food prices did not translate into comparable increase of wages for rural labourers" (quoted in Compton et al. 2008, 19).

Also, where government applied trade restrictions, internal food commodity prices were kept low, and peasants missed out on the opportunity to gain higher profits, while still paying for superior energy costs, higher prices for fertilizer, and coping with inflation (IFPRI 2008).

As land is now treated as a commodity, becoming more and more an interesting investment for countries or multinational companies, landowners are undergoing great pressure to sell their property. Landgrabbing, "the rush to buy up or lease farmlands abroad as a strategy to secure basic food supplies or simply for profit," as defined by Genetic Resources Action International (GRAIN 2011), is a major factor in the rural exodus, boosting the population of urban poor.

Landowners were not the only ones who benefited from the 2008 crisis. According to Rosen and Shapouri (2008), "Net exporters of minerals have also benefited [from the rising prices], albeit to a lesser degree, as have countries that are net exporters of labor to oil producing countries (South Asian countries, Philippines)" (quoted in Headey and Fan 2008).

Rioting for Rice

George Marshall made a famous declaration in 1947 referring to food security: "it is the very basis of all reconstruction: hunger and insecurity are the worst enemies of peace" (quoted in Parker 2011). Still true today, the 2008 crisis sparked massive public protests. "People not only passively respond to food price inflation, but also increasingly turn to street protests and riots. The poorest suffer silently for a while, but the middle class typically has the ability to organize, lobby, and protest early on. Between early 2007 and May 2008, social unrest related to high food prices occurred in 30 countries. Food price inflation has become a sensitive political and security issue" (IFPRI 2008, 7). Headley and Fan (2008) considered that, overall, the urban poor was the most vociferous group.

In the first month of 2008, Pakistan's army was called in to guard vehicles transporting agricultural goods, while Indonesia faced sharp protests in the streets (FOMCA 2008). In the Philippines, President Gloria Macapagal Arroyo ordered the National Bureau of Investigation to conduct raids on people suspected of hoarding rice. The administration became quite creative in finding ways to reduce waste, notably by requiring popular food chains, such as KFC, to reduce by half the size of rice servings (Mathur 2010).

Taking no actions to alleviate the sufferings meant facing a possible political backlash. The *New York Times* presented a survey conducted in Malaysia in which voters "clearly cited rising food and fuel prices as 'the most important problem in the country', and nearly voted out the ruling coalition party in the elections" (quoted in Fuller 2008, cited in Mathur 2010). However, Asia didn't undergo political shockwaves as the Middle East, where discontent over rising bread prices played a part in the recent popular uprisings (Parker 2011).

Conclusion

The food crisis of 2008, doubled by the financial turmoil, presented an unprecedented situation for the world, which will take years to ease. Poverty, social unrest, and hunger were only some of the many plagues that affected Southeast Asian communities. Although UN agencies and international institutions took immediate action to alleviate the food crisis and promote sustainable solutions to ensure efficient functioning of the markets, their short- and long-term attempts[6] did not prevent its reoccurrence in 2010-2011. In December 2010, the FAO food price index surpassed slightly its peak of early summer 2008. The highest increases were recorded for the price indices of sugar, oil, and fats (FAO 2011).

The long-term structural factors that gave birth to the 2008 food price hikes can still explain the recent food price inflation. The international food system is still subject to the business interests of transnational corporations and major northern economic powers above the nutritional needs of the disadvantaged populations of the southern countries. Neoliberal economic policies promoted by international financial institutions in the last three decades marginalized and neglected the interests of small-scale farmers and food producers in developing countries (Massicotte et al. 2010). Their livelihoods are severely threatened by the unfair competition from highly subsidized and capital-intensive agriculture, declining prices of primary commodities, withdrawal of government support, and the integration of agri-food systems into a globalized world economy (ibid.).

Although states recognized the right to food as a fundamental human right[7] within the framework of the international system of human rights protection, which imposes related legal obligations on them to respect, protect, and fulfill this right, they ignored it entirely and presented the continuation of trade in agriculture and partnerships with multinational companies as structural solutions to the 2008 food crisis (Golay 2008). On another hand, "food security," endorsed at food summits and other high-level conferences since the end of the '70s, focused on the availability of food supplies without mentioning the fair policies to produce food, paving the ground for the dependency of poor countries on international markets in the form of food aid and subsidized food imports (Pimbert 2008).

Challenging this food security paradigm based on liberal trade, civil societies in a number of countries argued that food security of poor countries could not be secured without autonomous food systems, locally determined and strengthened by mutually supportive national and international policies (Pimbert 2008). Hence, "food sovereignty" emerged as a viable alternative policy framework for food and agriculture for developing countries. La Via Campesina, a movement born in 1993, now considered as one of the most prominent representative of Third World peasants, coined the term "food sovereignty," defining it as

> The right of peoples to define their own food and agriculture; to protect and regulate domestic agricultural production and trade in order to achieve sustainable development objectives; to determine the extent to which they want to be self reliant; to restrict the dumping of products in their markets; and to provide local fisheries-based communities the priority in managing the use of and the rights to aquatic resources. Food Sovereignty does not negate trade, but rather it promotes the formulation of trade policies and practices that serve the rights of peoples to food and to safe, healthy and ecologically sustainable production. (www.viacampesina.org)

Their will to present alternatives to the current agricultural model has echoed in Southeast Asia, giving strength to local initiatives for a more sustainable and appropriate development of land. Accordingly, it is necessary to give underprivileged rural populations fair access to productive resources (land, water, and seeds in particular, but also fisheries and forests) and to grant the urban poor sufficient income or allocations. This should be implemented in the context of improved governance at the international, national, and local levels, based on institutions with a mandate to ensure the right to food (Golay 2008).

Despite the local and international immediate and structural responses of states and international agencies, the food crisis is by no means over. However, every crisis contains in itself an opportunity.

Hence, there is a need to reconsider the agricultural policies in developing countries and reinforce the role of the government to support small-scale and sustainable production. The multilateral framework should allow mechanisms of intervention and regulation to stabilize market prices, control trading in food futures, and protect the disadvantaged producers and consumers. It's about a coordinated action between governments, international institutions, and the civil society to challenge all the factors behind food crisis, promote right to food, and food sovereignty for all on the long term and protect all the populations of structural hunger and malnutrition.

Notes

1. Since 1999, China decreased its grain stocks by more than 50 percent in five years (PECC 2009).
2. For example, the size of reserves held by public institutions and the high cost of storing perishable products (grain stocks), which is as high as 15-20 percent of the value of the stock per year.
3. President George W. Bush specifically cited the "350 million-strong" middle class in India to argue that when poor countries like India prosper, people there "start demanding better nutrition and better food." Therefore, he said, "demand is high, and that causes the price to go up" (Naim 2008). At the Africa-India Forum in April 2008, FAO Director General Jacques Diouf declared that higher demand from countries like India [and] China, where GDP is growing at 8-10 percent and where some of the increased income is going to food, was responsible for high prices (Mittal 2009).
4. Real gross domestic product (RGDP) in the region increased by more than 9 percent a year between 2005 and 2007.The increase in per capita income drives the mass consumption from starchy foods—grains and other staple crops—toward more meat and dairy products (Braun et al. 2008).
5. Markets where investors do not buy or sell a physical commodity, like rice or wheat, but merely bet on price movements, are supposed to be a "stabilizing" tool for farmers to sell their harvests ahead of time.
6. The World Food Programme (WFP) launched urgent appeals to raise large sums of money to compensate for the increase in food prices. The FAO initiative was to raise funds to allow the poorest farmers to purchase inputs and agricultural equipment to increase their subsistence production. The UN Secretary-General set up a high-level task force on the crisis—composed of leaders of UN agencies, international financial institutions, and the World Trade Organization—to coordinate their responses (Golay 2008).
7. "The right to adequate food is realized when every man, woman and child, alone or in community with others has physical and economic access at all times to adequate food or means for its procurement in ways consistent with human dignity" (General Comment No. 12 of the Committee on Economic, Social and Cultural Rights [UNHCHR 1999]).

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SOHA FAROUK is an Egyptian researcher with a special interest in dynamics of collective action and democratic governance. She works as research associate at the Water Governance Programme for Arab States, United Nations Development Programme, Regional Bureau for Africa (WGP-AS UNDP/RBAS). Send correspondence to the author at farouk.soha@yahoo.com.

LAURA CLICHE is interested in Southeast Asia's civil society and social movements. In her MA paper, she examined transnational solidarity after having worked with the National Union of Journalists in the Philippines in the context of international advocacy following the November 23 Ampatuan Massacre in 2009.