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Global food crisis: The struggle to satisfy China and India's hunger

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Zambia: Business has been good for Lin Changming, right, who bought a farm northwest of Lusaka in 2003. Each year he expands, buying land from his Zambian neighbors. He now has 400 hectares producing wheat, corn and Chinese vegetables for the Chinese community that now is over 20,000 strong in the country. (Photo: Paolo Woods)

With their huge populations, China and India exert an unparalleled force on world food markets. They are looking abroad as it becomes more difficult for them to be self-sufficient -- and the increasing demand often has disastrous consequences across the globe.

Santarém, in the heart of the Brazilian rainforest, is a modest little city. Quaint passenger steamers bob next to the breakwater of the Tapajós River, which flows into the Amazon here, while couples walk hand-in-hand along the riverfront.

The city would be even more idyllic, however, if the view of the cloudy tropical sky in the background were not marred by a terminal operated by the American agricultural conglomerate Cargill.

The steel structure protrudes into the air like the neck of a giraffe, constantly spewing ton after ton of soybeans into the holds of waiting ships. Every hour, a giant freighter departs for the mouth of the Amazon, 600 kilometers (373 miles) away. From there, the ships will set sail for China.

Until the end of the last century, soybeans were practically unknown in the Amazon basin. It was not until the grain terminal was built that soybean farmers came to the region from farther south. The land there was cheaper, the banks were offering low-interest loans and sales to Cargill were guaranteed.

Villages, rubber plantations and grazing land for cattle were transformed into bean fields. The farmers cut enormous swathes into the rainforest, until environmentalists put a temporary stop to the unchecked rash of clearcutting. In Mato Grosso, the most important farming region, producers and environmental activists agreed on a two-year moratorium on the purchase of soybeans from the Amazon basin.

But now the moratorium is set to expire and prices are rising. This is mainly the result of China's thirst for raw materials, says Pedro Jacyr Bongioiolo, the president of the André Maggi Group, one of the world's largest soybean producers.

'A Culture of Death'

From the Río de la Plata to the Amazon, the Chinese are sucking the markets for soybeans dry. Large segments of the state of Mato Grosso are already covered with a green, pesticide-drenched monoculture. In the dry season between August and November, a cloud of smoke descends on Cuiabá, the capital of Mato Grosso. Despite a government ban, many farmers burn down sections of the rainforest to gain more farmland.

In neighboring Argentina, thick smoke even darkened the skies in the capital Buenos Aires two weeks ago. In that case, the smoke was coming from bush fires set by cattle ranchers in the nearby delta of the Paraná River. The ranchers need more pastureland because expanding soybean farms are swallowing up their traditional pastures. Here, too, the soybeans are being produced for the Chinese market.

It has long been clear who the losers are in this soybean rush. In Santarém, hundreds of small farmers became unemployed when they sold their fields to soybean farmers. The money was quickly spent, and now most of them live in slums, because there are now few jobs in agriculture.

"Soy is a culture of death," says union leader Ivete Bastos. But few are interested in opinions like hers, especially not 16,000 kilometers away in China. Brazil is one of China's major trading partners. Long-term contracts between the two countries are intended to secure raw materials for China -- and, more recently, food products in particular.

The rising world power, with its population of 1.3 billion, must take steps to ensure that it too does not become a victim of the global food crisis, having only recently managed to win the fight against poverty for much of its population at home. But now India, home to 1.1 billion people, has caught up with China in terms of the power it wields as a massive market. Together, the two Asian nations must feed more than a third of the world's population. In times of exploding food prices, their sheer size alone makes the crisis even worse.

To confront this growing problem and because wheat production has stagnated since the turn of the millennium, India has recently decided to develop an additional strategic food reserve. Statisticians have calculated that the demand for food increases by 0.7 percent for each percentage point of Indian growth. According to this calculation, last year alone, when India's per capita growth was about 7.5 percent, the country needed about 5.2 percent more food, especially more expensive non-staple foods. The situation is similar in China. Its global purchases of soybeans are a consequence of changes in eating habits. More than half of all soybean production in the world now ends up in China.

It isn't difficult to imagine what happens to prices when the world's two most populous countries buy up other food products in a similarly aggressive fashion. In more and more dangerously poor countries, wheat and meat have become an almost unaffordable luxury, while famine and hunger riots are only likely to get worse. London-based author Raj Patel, whose new book "Stuffed and Starved" takes a critical look at the global food industry, warns that

the events in Haiti are "a sign of things to come."

A large share of the soybean harvest is traded at the Chicago Board of Trade. Although one is unlikely to find the Chinese there, they are the topic of many conversations. They sweep the market clean every day, "as if they had a giant broom," say traders. Chinese farmers need more and more feed for their livestock, while Chinese families are using more and more cooking oil.

The National Development and Reform Commission in Beijing is in charge of crisis management. It hopes to put a stop to spiraling prices by reducing import duties, but this hasn't worked as planned. A stampede even erupted at a supermarket in Chongqing, when customers rushed into the store to take advantage of a sale of cooking oil. Three people were trampled to death and 31 were injured.

Chinese Prime Minister Wen Jiabao tried to console himself and his fellow Chinese when he said: "With grain in our hands there is no need to panic." But the Chinese Communist Party has recently become concerned over the potential threat to calm and order posed by supply bottlenecks. Even in affluent Hong Kong, consumers bought up all the rice in stores in a collective attack of panic buying. To discourage such behavior, the government media have taken to constantly broadcasting images of lush fields and well-stocked supermarkets.

China Invests in Africa

In an effort to restore calm, Wen says that China is able to meet most of its demand for rice from domestic supply, and that the government even has 40 to 50 million tons in emergency reserves. But there is still a gap between supply and demand of about 10 percent, which means that the country must import rice for 130 million people. This has become extremely difficult, because the key exporting nations, Thailand, Indonesia and Vietnam, have restricted their exports to prevent their supplies from being depleted by hoarders and their own people being left hungry.

Since January, China has also blocked grain exports by imposing new duties. Using export quotas, subsidies for farmers and price controls, Beijing hopes to safeguard the domestic food supply. The government even monitors fields by satellite to prevent them from suddenly and illegally being turned into building land.

But none of this can be effective in the long term. China and India, faced with growing populations and shrinking agricultural land, are increasingly dependent on food imports from abroad. Beijing has calculated that it needs 120 million hectares (296 million acres, or an area about the size of South Africa) of arable land to feed the country. The amount of land currently available for farming is only slightly above that figure, and fertile fields are disappearing beneath concrete daily.

And because almost all halfway fertile land is used for agriculture, the soil eventually becomes depleted of nutrients. China already consumes a third of world fertilizer production. This drives up prices, and at some point even fertilizer is no longer effective on over-farmed land.

"Most increases in productivity with such rudimentary means have already been exhausted," says Jonathan Anderson, an agricultural expert with Swiss bank UBS. In northern China, the soil is already so poor that the authorities have ordered farmers to keep their livestock in stalls to prevent further erosion of pastures and excessive rainwater runoff.

China is busy seeking solutions for all of these problems. Experts from the Trade Ministry have proposed that Chinese agricultural operations invest directly in Southeast Asia and Africa, where they could establish farms to satisfy the country's demand for grain. Although surplus harvests are a rarity in Africa, Chinese experts are already training local farmers in ways to improve their crop yields.

More than 10 years ago, Chinese farmers took over a dozen large farms in Zambia. They enjoy generous support from the government in the capital Lusaka, pay few taxes and are expected to bring innovation to and stimulate local agriculture.

In Uganda, the government of President Yoweri Museveni has provided 400 Chinese farmers with about 4,000 hectares (9,867 acres) of cropland. "We bring along experience and modern machinery," says an enthusiastic Liu Jianjun, the chairman of a Chinese-African economic alliance. "And we have high-quality seed that is far more productive than domestic varieties."

The Asians, who are by no means merely pursuing altruistic development objectives in Africa, hope that their efforts will eventually pay off. At home, new cities are swallowing up huge chunks of land, displacing millions of farmers. Indeed, it would suit China well if as many people as possible were to emigrate. There are already 750,000 Chinese working in Africa today.

In contrast to China, India enacted market reforms in the 1990s that led to hundreds of thousands of farmers becoming dependent on multinational corporations. They were led to believe that genetic engineering would solve their problems and, as a result, many switched from food crops to useful plants like cotton. But the plants were

susceptible to pests. In addition, the new crops required expensive special fertilizers and, in some cases, the purchase of new seeds every year. This drove tens of thousands into financial ruin and even suicide.

India is still a long way from overcoming acute poverty. Seventy percent of all Indians live in villages and remote hamlets, most of them in poverty. They produce hardly any more grain than in the 1970s, when the country declared for the first time that it was self-sufficient. But India's population has doubled since then.

Since January, food prices have risen by 40 percent in India, and inflation is at 7 percent. For Prime Minister Manmohan Singh, the situation is so dire that it poses an acute threat to his coalition government. The government subsidizes palm oil and imported grain, and grain futures transactions are prohibited. As a result, a hunger crisis is not to be expected for the time being.

Meanwhile, Maoist groups like the radical Naxalites have benefited for years from the plight of farmers, and have even established alternative administrations in a growing number of districts.

India is also trying to secure food imports through bilateral agreements, with Kazakhstan, for example. In addition, the country plans to "invest heavily in Africa," as Prime Minister Singh has said. Besides, politicians in New Delhi have been almost as quick to resort to trade restrictions as neighboring countries. In early March, they imposed a ban on exports of almost all types of rice. As a result, the current harvest, one of the best in years, is being kept off the world market. Rice, the most important staple food for about 4 billion people in Africa and Asia, is already selling for more than \$1,000 (€625) a ton in some cases.

Speculators and major producers are the ones who are currently benefiting the most from new conditions in the marketplace: from the reduction in supply caused by export bans, from the feverish hoarding of available products and from the changes in India and China that are increasingly shaping the global market. And there is no solution to these problems in sight.

Now that rice has become so expensive, it has aroused completely new kinds of greed. In Thailand, for example, the crop is disappearing from fields.

The thieves, who come under the cover of night, are thorough. A farmer in Sing Buri Province, for example, arrived at his rice field early one morning to find that the entire field had been harvested. It must have been the work of a team, and they must have used tractors, he says. "When the prices are low, we don't make enough money, and when they are high we get robbed," he complains.

As a last resort against rice thieves in Sing Buri, farmers have taken matters into their own hands. Some recently started spending nights keeping watch on their fields -- to ward off local profiteers of the worldwide food crisis in person.

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Translated from the German by Christopher Sultan

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