



**Jürgen Maier** is director of the German NGO Forum Environment & Development since 1996. He has worked extensively on globalisation, world trade agreements and market liberalisation in various fora such as the WTO and the G7/G20.

Contact: [chef@forumue.de](mailto:chef@forumue.de)

Photo: Author

## Markets for farmers and consumers, not for speculators and corporations

The impacts of the Ukraine crisis on food prices world-wide have highlighted just how globalised the commodity flows have also become in the agrifood sector. This is of no benefit to most farmers, our author maintains, and calls for a New Deal for agriculture.

By **Jürgen Maier**

Food prices surged world-wide after the Russian Army's invasion of Ukraine in late February 2022. Within a matter of weeks, the price of wheat rose from 260 euros a tonne to 430 euros, while the Food Price Index of the UN Food and Agriculture Organization (FAO) reached an all-time high. At first glance, this comes as no surprise – after all, Russia was the most important wheat exporter, and Ukraine the fifth most important. Furthermore, Russia is the world's biggest exporter of fertiliser. Globally, around 50 countries import more than 30 per cent of their wheat from Russia and Ukraine. A major world-wide famine seemed to be looming.

However, one year on, the war continues, Ukrainian exports have collapsed, and the price of wheat has nevertheless returned to its pre-war level. Losses among Ukrainian exports have been made up for by deliveries from other countries, including Russia. After the long-awaited agreement on the resumption of Ukrainian grain exports via the Black Sea ports had been signed, the first ship sent out came to a standstill in the Black Sea because the Lebanese importer had changed his mind and no longer wanted the shipment he had ordered several months previously. Initially, no one was willing to buy the consignment.

At the time, the European Union suspended its tariffs on food imports from Ukraine in order to get them onto the world market via alternative ports in the EU. At least this was the idea – but now, Poland, Hungary and other eastern European countries started closing their frontiers to cheap food imports from Ukraine. Instead of feeding a hungry world, the Ukrainian imports were flooding markets in the East of the EU, forcing local prices down.

The good news is that the world markets have proved to be more resilient than expected, and able to bear the impact of the war somehow. The bad news is that a global food system in which precisely this seems surprising is not really sustainable. For already before

the war broke out, world food supplies had been in a severe state of crisis. By the time the war started, two years of what had sometimes been erratic Covid-19 restrictions had already massively harmed the livelihoods of the poor, even in countries which had imposed no lockdowns or other such measures. Depending on sources, between 100 and 160 million people had slid into extreme poverty from 2020 on. Around 2.3 billion people have no access to adequate food, which is 320 million more than in 2019.

### Inflation is back again

It would appear that the true problem which world food supplies are now facing is by no means any acute physical dearth but rather the combined impacts of inflation, rising energy prices and disrupted supply chains. Following 15 years of relentless money printing, inflation, already written off, is back again, and is above all coming to bear on food. In March, Germany, for example, recorded a price increase of no less than 22 per cent compared to the previous year.

But why should a war in far-off Ukraine have any impact on food security elsewhere, for instance in Africa? Must this be the case? During the last major war in Europe, 1939–1945, there were no such impacts. Instead of today's "world market", until well into the 1970s, there was a considerable diversity of regional markets, regionally operating producers and regional price formation. Nowadays there can be no mention of all this. What we have today is a system dominated by multinational corporations, a corporate food system featuring globalised so-called value and supply chains, driven by the corporate profit logic. It does not result from any law of nature. This system would never have developed without massive political backing. Global supply chains can only work if markets are opened up with free trade agreements, if necessary against considerable public opposition.

Nevertheless, it is not countries but enterprises which operate on the world markets. Four corporations dominate trade in agricultural commodities: Archer Daniels Midland, Bunge, Cargill and Louis Dreyfus. Together, they are known as the “ABCD Group”. With their considerable market power, such corporations can influence the global agricultural markets in their favour and take advantage of their market clout in price negotiations with producers. However, the biggest profits can be made on the world agricultural markets by speculating, which requires a very good knowledge of the market situation. Extreme price fluctuations are ideal for speculating, whereas lastingly stable and low farm prices are not very profitable.

Since the deregulation of the financial markets, the global agricultural commodity markets have become more and more “financialised”. The laws of the financial markets are increasingly governing the prices of food and commodities. In the wake of the 2002 stock exchange crash, futures became a popular asset class in the portfolios of financial institutions and the investor community in general. On the world’s most important stock exchange for agricultural products in Chicago, USA, 73 times the amount of wheat that is actually available is traded. Via derivatives and other financial products, every grain of wheat switches owners 73 times before finally arriving at the processor. So whether an investor buys or sells agricultural commodities has not so much to do with actual demand on agricultural markets. Therefore, food markets cannot be viewed in isolation but only by considering the cross-links with the financial and energy markets as well as the input markets.

Neither farm producers nor consumers benefit from the globalisation and financialisation of the agricultural commodity markets. The profits are made by others. That agriculture and food usually spur public resistance against free trade agreements is not by coincidence. It was only with the founding of the World Trade Organization (WTO) in 1995 that the agricultural commodity markets also attracted the attention of the free traders. A South Korean farmer, Lee Kyung-hae, committed suicide in public during a demonstration against the WTO agricultural liberalisation negotiations at the organisation’s conference in Cancún in 2003 to send a signal against the ruinous opening of South Korea’s agriculture. The most devastating impacts of the African free trade agreements with Europe are the uncontrolled impacts of cheap, subsidised European meat, milk and other food. There are numerous reports, such as the one about former Ghanaian

tomato-growers who now pick tomatoes as migrants without any documents in Andalusia or Sicily, whereas tomato preserves from the EU now dominate the tomato market in West Africa.

Who really wants the new Mercosur-EU free trade agreement? Family farms in Europe and in the Mercosur region have nothing to gain from this agreement. The chief motive behind the EU’s currently so considerable interest in this agreement is geopolitical rivalry with China. Farmers are footing the bill for this. As a rule, opposition to free trade agreements in Europe stems from farmers fearing cheap imports from North and South America or Australia, and from consumers up in arms against genetically modified food or “chlorinated chicken” on the shelves in their supermarkets.



## We need more farmers, not fewer.

So what is the point of globalised food and agricultural commodity markets? For most farmers, they are not a good idea, and neither are they for most consumers. The industrial production forms going hand in hand with them are, to put it mildly, not a good idea for the environment and biodiversity, either. Again and again, globalising the food and agricultural commodity markets was used as bargaining chips in the interest of industry in the negotiations on free trade agreements and is now resulting in a concentration of these markets among a handful of multinational corporations. Ironically, the geopolitical confrontation currently dominating politics world-wide can indeed contribute to de-globalising the world markets again. For many countries, the food markets are by far the most sensitive “supply chains”, and here, one does not want to depend on hostile powers.

### Out of balance

However, throughout the whole world, top-down globalisation has resulted in farmers getting the feeling that they and their political interests do not count. Food prices rise and fall, but profits are made on the food markets by processors, retailers or speculators. Governments change market conditions on a whim, without farmers having much influence on the

matter. The farmers feel helpless amidst relentless international competition, ever more powerful retailers and governments seeking green regulation measures which, unfortunately, do not apply among their competitors in other countries.

Something seems to have completely lost balance in today’s world. For even after so many decades of globalisation, it is still mainly family farms which produce in regions and for regions, feeding the world as they do so. But society has little to spare for them, both economically and politically. Their profession earns them hardly enough to live on; anyone wishing to earn money opts for other professions. The majority of those going hungry are farmers. In the rich countries, more and more farmers simply give up – or they find no one willing to take over their farms. In Europe, angry farmers are mobilising against a policy which they deem unfair and economically threatening.

But we need more farmers, not fewer. Farming has to become an attractive profession which one can be proud of, and which offers one a good income – on the market, and not as a recipient of government subsidies. Nowadays, farmers in Europe depend primarily on getting public money and the provisions this entails, but they should really be free entrepreneurs.

It’s time for a New Deal for Agriculture. Governments have to hand back farmers their regional markets, without ruinous world market competition. We must ensure that farmers once again become successful entrepreneurs who can live on what they earn on the market, rather than on subsidies and alms. Farming has to become a profession in which sons and daughters seek to carry on with their parents’ farms because they see it as an activity which is far more rewarding than eking out an income in offices in the cities.

However, in return, if one doesn’t seek to produce as cheaply as possible come hell or high water, and doesn’t have to grow or cut down on activities, one can indeed sympathise far more with a sustainability agenda which society and politics are expecting of farming. However it may be referred to, farming in harmony with nature is only conceivable without global competitive pressure. But if one is bent on retaining the latter, or even on raising the pressure, it should come as no surprise when farmers merely regard having more and more “green” conditions imposed on them as attacks on their livelihoods, which then results in the protest we are witnessing today.