

# The other oil crisis

*"When did we see you hungry... and not feed you?"*

We've written quite a bit about the looming energy crisis due to the (eventual) peak in oil. In this issue we look at the 'other' oil crisis: cooking oil. This oil shock is occurring because of a global increase in the price of food. Unlike a rise in the price of barrels of oil, this sort of increase is much less absorbable.

**One cause is the rise of biodiesel:** a cheap, environmentally-sensitive alternative fuel made from vegetable matter (<http://tinyurl.com/2z79pu>).

Making biodiesel requires vegetable oil and vegetable matter. Manufacturers are competing to purchase palm oil, soybean oil, and canola oil, which drives the price of oils up. Palm oil may be a small expense in the West, but it is an integral part of cooking in Asia and Africa. When you live on under a dollar a day, any small rise in the price of a necessary cooking element can have a significant impact.

Moreover, biodiesel is also competing for vegetable matter. US farmers, for example, are growing vegetables as raw material for biodiesel. In 2007, US farmers grew 20% of the entire US maize crop for ethanol. American exports account for nearly three-quarters of the world's maize, used both to feed animals and as a staple food source—but last year, 20% of those exports were removed from the global food equation. That drove the prices of maize up, which also led to price increases for meat and poultry products (which depend on maize for food).

**Another factor is the growing global middle class:** note China's 200 million self-employed entrepreneurs, for example. They are demanding more protein: pork, hamburgers, chicken, ice cream. But at current levels of production there is simply not enough protein for all the world to eat this way.

**A third problem is global climate change:** making it harder to grow food in some places. Severe droughts have affected numerous countries, from Cuba to Cambodia. Twenty-year averages show dramatic increases in desertification and drought, which are exacerbating the problems being sparked by other factors.

The impact is already being felt. The FAO food price index (based on export prices for 60 internationally traded foods) rose 37% last year, on top of a 14% increase in 2006. Oils have risen even faster, more than doubling in price since 2000. Wheat, maize and rice have all seen major price increases.

In response, many countries have begun using their national stocks. Nationally subsidized products can

be cheaper. For example, flour on the open market in Pakistan can cost 60 rupees, roughly the average wage of a day laborer. State-sponsored flour can cost 14 to 18 rupees, but state-sponsored flour isn't always (even often) available. Worse, nations are eating into their food stocks. In Pakistan, shortages are leading to accusations of conspiracies, hoarding, and food theft, and destabilizing the government. Troops now guard grain stocks. As food stocks sink lower, some governments will have to enter the international markets to buy food. China has enough cash reserves to buy the entire global food market several times over—unfortunately, the market can only be bought once, and China will have to compete with other nations for it. Someone will come up short.

As shortages increase, the food riots that have gone so far unremarked in the news may become more pronounced. You might not have known it, but food riots occurred in Pakistan, Indonesia, Guinea, Mauritania, Mexico, Morocco, Senegal, Uzbekistan, Yemen, India, North Korea, and Burkina Faso. Egypt banned rice exports to keep food at home, and both China and Russia put price controls on certain foods. Food prices are a major battle the Chinese government has pledged to win but so far is losing.

Crime is also rising. Smugglers, for example, are moving oil from Malaysia (where it can be obtained cheaply due to state subsidies) into Singapore (where less regulation and subsidies makes it more expensive and therefore more profitable to sell).

As always, in the midst of these issues it is the poorest of the poor—the unreached peoples of the world—who will tend to be those who are ignored and forgotten. This is a time for the church to step up and help "the least of these" as if they were helping Jesus Himself.

#### Further reading:

Guardian (UK), <http://tinyurl.com/2qa57n>  
 New York Times (USA), <http://tinyurl.com/2gtwgs>  
 International Herald Tribune, <http://tinyurl.com/2oonaq>

We will continue to track this issue on the Momentum website. Look for the keyword "FOOD."

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