

YOU DON'T NEED A WEATHERMAN



I long for one surreal moment, in that gap that comes at the end of the news, when the weather forecaster steps up to the map and says "Wherever you look, it's crap". And tomorrow will be too. Any of the forecasters would have been entitled to do so in the UK over the last week.

The Environment Agency issued flood warnings across many parts of Britain last weekend. Torrential rain had swamped northern and central areas of the country and showed no signs of letting up. Birmingham received more rain in a single day than it normally receives in the whole month of June. Two flood warnings, that constituted an 'extreme danger to life and property', had been issued in Yorkshire and another 48 warnings were placed on rivers across the country.

At the same time, weather forecasters in the Ukraine were praying for even a bucket full of what was flooding Britain. The Ukraine faces its worse drought in a century. Sixty percent of its grain fields have been affected and grain prices are beginning to spiral.

In Australia, farmers had a little more to celebrate as rains broke a six year drought that is described as Australia's worst in 1,000 years. The rains in South East Australia have prompted some to claim that there will be a bumper winter harvest. More cautious Australians, however, are waiting to see whether this is no more than a respite in the middle of a massive crisis.

Water reserves in the Murray-Darling basin remain at 6% of their capacity. Wheat harvests had collapsed and the price Australian farmers were paying for water has rocketed from A\$50 per million litres to A\$950. If this month's rains had not come the government would have turned the taps off on agriculture altogether.

Somewhere between flood, drought and folly we are heading into an era of rising food prices. Wheat is a good example of this, with global stocks falling towards a 30 year low. This week, wheat prices in Europe and the US have hit their highest levels in more than a decade.

The element of folly comes in the dramatic shift that is taking place in the movement of farm production from wheat to corn. This comes across graphically in what has been happening in both the USA and China. In the US, George Bush has been pushing for a huge increase in the production of corn-based ethanol. The President wants 35 billion gallons of the stuff to cover the shortfall in US fuel supplies.

It has, however, been pointed out to Bush that this requires him to find an extra production area the size of Kansas and Iowa combined. Anything else shifts fertile land from food production to fuel production and drives up food prices. It has been estimated that ethanol production from corn also adds a billion dollars to the cost of their beef production and erodes soil at a rate 12 times faster than it can be reformed. The more you look at the case of using primary agricultural land for biofuel production, the less of a good idea it becomes.

China has already come to this conclusion. Its leaders have announced a moratorium on the production of ethanol from food crops. This comes at a time when the West has been charging off in the opposite direction. The Chinese have concluded what the West will rarely admit – that both environmentally and economically, food based alternative fuels are nothing but headaches.

The decision made by the Chinese has been driven entirely by their own experience of food price inflation. Their staple meat – pork – has risen in price by 43% over the last year. Almost the entire reason for this has been the rapidly rising cost of feed. The Chinese also know that as domestic demand for meat increases, the prospect of spiralling food prices brings with it a real threat to political stability. This is what lies behind their biofuels moratorium.

Don't think that this is just an 'over there' issue. A couple of weeks ago the OECD singled out UK food inflation as being higher, in the last year, than almost anywhere else in the world. Whilst the general level of UK inflation is around 2.5%, food prices have increased by 6%.

For the poor, the picture gets worse as you get into the detail. According to the latest figures from the Office for National Statistics (ONS), the price of a white sliced loaf rose 13.9 per cent between May 2006 and May 2007. In the same period potatoes were up 17 percent, as did oranges and grapes which rose 19 and 17.6 percent respectively. Eggs were up 13.7 percent, Carrots 22% and Onions 40%. Fresh fish increased by 13.5% and beef mince by 8.8%. In beverages, the cost of Instant coffee rose by 8.7 % and tea by 5.4 %. In Britain, we too may face political instability arising out of spiralling food prices.

It is not within the gift of any government to control what is happening to our weather patterns. What is important, however, is to understand that climate change is already bringing an end an era of cheap food. It also brings an end to the mistaken view that other people's global food production will simply meet our own escalating food needs. Current government claims that food UK security is not an important issue are beginning to look increasingly marooned.

Ten years ago Britain produced 81% of its domestic food needs. We are now down to less than 60% self-sufficient. Farmers clambering for subsidies to support their own shift from foods into biofuels are chasing a political folly that has to be confronted and reversed.

The patterns of rain and drought will profoundly change what we can grow and when we grow it. The political imperative, however, is to understand that food security is back at the centre of the political agenda. A new contract is needed for UK food security. Of course it has to be interventionist. Of course it must place domestic needs before production. Of course it will have to be built around what the land itself can sustain. These will be the new parameters of 21st century economics.

It was Bob Dylan whose song contained the immortal line 'You don't need a Weatherman to know which way the wind blows'. In this case the warning is coming from the environment not from the anarchists. The question is whether the government will get the message or not.