

José Manuel Barroso
President of the European commission
1049 Brussels, Belgium

Copy: EU Heads of State

2 June 2008

Dear President Barroso

As you are aware, global food prices have risen sharply in the past three years – the World Bank estimates by 83 per centⁱ. For the World's poor, who typically spend 50-80 per cent of their income on food, this has proven devastating. Riots have broken out in numerous poor countries as millions of people have seen the price of food spiral out of their reachⁱⁱ. The World Bank has estimated that already 100 million people have been pushed into poverty as a resultⁱⁱⁱ, undermining already shaky progress towards the first Millennium Development Goal of eradicating extreme poverty and hunger to which the European Union has made repeated commitments. Contrary to what many seem to imagine, it is not just the urban poor that are being affected – the majority of poor rural households are also net consumers of food and so suffering the same fate. We are writing to outline our concerns around the role that increasing demand for biofuels is playing in this situation and to call on the European Union to drop the proposed 10 per cent biofuels target.

As you are also aware, the reasons for these price rises are numerous and complex. They include rising demand for meat and dairy foods in emerging economies; adverse weather events and poor harvests, most notably for wheat; and higher energy costs which translate to higher costs of production and transport. We note with alarm however the repeated refusal of the European Commission to acknowledge its own role, through the promotion of biofuels, in the crisis. This is despite a clear consensus among prominent economists and international organisations such as the World Bank, the International Monetary Fund (IMF), the OECD, the World Food Programme, and the Food and Agriculture Organization, that increasing demand for biofuels is an important contributory factor. For your information, we attach as an appendix a summary of recent commentary to this effect.

According to the IMF, "rising biofuel production in the United States and the European Union has boosted demand for corn, rapeseed oil and other grains and edible oils. Although biofuels account for only 1.5 per cent of the global liquid fuels supply, they account for almost half the increase in consumption of major food crops in 2006-07."^{iv} In a recent paper, the OECD concluded that between 2005 and 2007, "nearly 60 per cent of the increase in use of both cereals and vegetable oil was due to higher use in the biofuels industry."^v As a result, the IMF has commented that increasing demand for biofuels explains '20 to 30 per cent' of recent food price increases^{vi}. This is corroborated by the International Food Policy Research Institute (IFPRI) which puts the contribution of biofuels to the crisis at 30 per cent^{vii}.

This is not only the United States. The EU is already the World's biggest producer and consumer of biodiesel, and its contribution to the food crisis is set to increase under current proposals to take biofuel consumption from under 2 per cent of transport fuel needs today, to at least 10 per cent by 2020. The Joint Research Centre has estimated that meeting this target would require 19 per cent of world vegetable oil production^{viii}. IFPRI has estimated that by 2020 existing plans for

biofuel expansion will have pushed the price of edible oils up by 18 per cent, and corn by 26 per cent, with direct impacts upon hunger, most notably in Africa^{ix}. The OECD estimates that under current policies – primarily those of the US and EU – demand for cereal feedstocks will double by 2017, and that biofuels will account for over a third of the growth in vegetable oil consumption in the same period. For its part, the European Commission has estimated conservatively that the 10 per cent target will drive up cereal prices by only 3 to 6 per cent – separate analysis suggests that this could translate to an extra 50 to 100 million hungry people than would otherwise have been the case^x.

In the meantime, the EU continues to heavily subsidise biofuels, the net effect of which is to incentivise the diversion of food and agricultural land into fuel production. IFPRI has commented that “subsidies for biofuels that use agricultural production resources are extremely anti-poor because they act as a tax on basic food, which represents a large share of poor people’s consumption expenditures and becomes even more costly as prices increase.”^{xi} By reducing access to food in poor countries, biofuel policies such as those of the EU are undermining the Right to Food, recognised within International Law, and which states are legally obliged to respect internationally^{xii}.

Biofuels are not a ‘scapegoat’ for the food crisis. We acknowledge that a number of factors are having a significant impact upon food prices. But, biofuels is undoubtedly a significant one. More importantly, it is the one factor that EU policymakers can do something about – changing global dietary patterns, the oil price, and the weather are all outside the scope of European policymaking. Biofuel demand is not. Analysis by IFPRI shows that an immediate global moratorium on biofuels would translate to rapid and significant reductions in the price of food^{xiii}.

The European’s Commission’s own science and environmental agencies have called into question current biofuels policy. In addition, a growing body of scientific research shows that biofuels will not help to meet the EU’s objective of reducing greenhouse gas emissions.

In light of this, we call on the European Union to act decisively to mitigate the food crisis by dropping the proposed 10 per cent biofuels target and dismantling associated biofuel support measures. To continue the current pursuit of biofuels in the face of the credible, impartial and growing opinion that this is exacerbating the food crisis would be wholly unacceptable.

Yours faithfully

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Appendix – recent commentary on biofuels and the food crisis

“We should cut back significantly on our biofuels programmes...the biofuel impact is greater in the US because it’s a larger programme. In Europe, it’s still a real impact though due to two things: to a modest extent food, wheat for example, is used for creating biofuels in Europe and that amount is to multiply considerably in the years ahead. Secondly, land that is crop-growing land is diverted from grains to rapeseed and other inputs for biodiesel...neither makes much sense in terms of the environmental effect, the energy balances or the food impact.”

Prof. Jeffrey Sachs, Director of the Earth Institute, Columbia University and former Director of the Millennium Project and Special Advisor to Kofi Annan.

“Biofuels is no doubt a significant contributor [to the food crisis]. It is clearly the case that programmes in Europe and the United States that have increased biofuel production have contributed to the added demand for food.”

Robert Zoellick, President of the World Bank

“Land used to grow biofuel feedstock is land not available to grow food, so subsidies to biofuels are a major factor in the food crisis.”

Professor Paul Krugman, Princeton University

“We need to pull [EU biofuel policy] back before it does real damage. We have surely learnt enough about European agriculture to realise how important it is to kill this incipient scam before we are engulfed by it.”

Professor Paul Collier, University of Oxford, and former Director of Research at the World Bank.

“[Governments need to] look more carefully at the link between the acceleration in biofuels and food supply and give more thought to it.”

Josette Sheeran, Executive Director of the World Food Programme.

“Our analysis suggests that if a moratorium on biofuels would be issued in 2008, we could expect a price decline of maize by about 20 per cent and for wheat by about 10 per cent in 2009-10. So it’s this significant.”

Joachim von Braun, Director General, International Food Policy Research Institute

Notes

- ⁱ ‘Rising food prices: policy options and World Bank response’, World Bank, 2008.
- ⁱⁱ For example Guinea, Cameroon, Niger, Ethiopia, Ivory Coast, Mauritania, Mexico, Burkina Faso, Philippines, Bangladesh, Morocco, Uzbekistan, Egypt, Thailand, Indonesia, Senegal, Yemen, Haiti, Mozambique.
- ⁱⁱⁱ ‘Implications of Higher Global Food Prices for Poverty in Low-Income Countries’, Policy Research Working Paper 4594, World Bank, Washington, 2008.
- ^{iv} ‘World Economic Outlook 2008, IMF, April 2008.
- ^v ‘Rising Food Prices: Causes and Consequences’, OECD, paper prepared for the DAC High Level Meeting, 20-21 May 2008.
- ^{vi} Simon Johnson, Chief Economist of the IMF, speaking on The Today Programme, BBC Radio 4, 14th April 2008.
- ^{vii} ‘Biofuels and Grain Prices: Impacts and Policy Responses’, IFRPI, 2008.
- ^{viii} ‘Biofuels in the European Context: Facts, Uncertainties and Recommendations’, JRC Working Paper, 19 December 2007.
- ^{ix} ‘The World Food Situation: New Driving Forces and Required Actions’, IFRPI, 2007.
- ^x Separate analysis suggests that for every percentage point rise in the price of food from today until 2025, an extra 16 million people will be hungry in 2025 than would otherwise have been the case. Applying this to the EU’s estimates for the impact of the 10% target on cereal prices suggests the target could result in an extra 50 to 100 million hungry people. See Runge, C. and Senauer, B., ‘How Biofuels Could Starve the Poor’, *Foreign Affairs*, May/June 2007.
- ^{xi} ‘The World Food Situation: New Driving Forces and Required Actions’, IFRPI, 2007.
- ^{xii} General Comment No.12, “Substantive Issues Arising in the Implementation of the International Covenant on Economic Social and Cultural Rights: The Right to Adequate Food”, E/C.12/1999/5, 12 May 1999, para 36 states that “states parties should take steps to respect the enjoyment of the right to food in other countries, to protect that right, to facilitate access to food and to provide the necessary aid where required.”
- ^{xiii} ‘Biofuels and Grain Prices: Impacts and Policy Responses’, IFRPI, 2008.