MY VIEW | VOX HETERODOX

Grain of unpleasant truth: Global hunger calls for collective action

Swift international collective action motivated by solidarity and implemented through cooperation is the need of the hour

DEEPAK NAYYAR
is emeritus professor of economics, Jawaharlal Nehru University, New Delhi

MINT

The world system that feeds humankind has been under stress for the past two years. It began with the coronavirus pandemic, which created food insecurity by disrupting agricultural production, supply-chains and livelihoods. The cost of critical inputs for agriculture—energy and fertilizers—rose sharply, as crude oil prices trebled between late 2020 and early 2022. The Russia-Ukraine war strangled crucial sources of supply, as these two countries contribute 28% to world wheat exports and 15% to world maize exports. Exports from Ukraine are simply not possible, as Odessa port is blockaded by Russia and mined by Ukraine, while exports from Russia are squeezed by sanctions. Climate change has accentuated the problem for wheat in 2022. Untimely rains in China, the world's largest producer of wheat, an unprecedented heat wave in India, the world's second largest producer of wheat, and insufficient rain in the wheat belts of the US and France, have all reduced output. Drought in the Horn of Africa has severely hurt the production of wheat and maize.

In less than six months, world prices of wheat have risen by 60%. The prospects are worrisome. Ukraine, ravaged by war, might not be able to store what remains of the harvest to come, or plant for the next season. Russia will inevitably experience constraints. Surging prices of energy, fertilizers and pesticides will either shrink profit margins or diminish their use, reducing agricultural yields and output everywhere, particularly for poor farmers in developing countries. The spectre of a global food shortage looms large on the horizon. In a statement on 18 May, Antonio Guterres, the United Nations' Secretary General, said that: "Global hunger levels are at a new high. In just two years, the number of severely food insecure people has doubled from 135 million to 276 million." Going further, he warned that the present situation "threatens to tip tens of millions of people over the edge into food insecurity, followed by malnutrition, mass hunger and famine, in a crisis that could last for years."

The availability of food grains for human consumption is constrained not only by output levels, but also by alternative uses. For one, the proportion of grains used to feed animals is alarmingly high. Estimates suggest that 33% of maize produced in the US and 40% of wheat produced by the EU is eaten by cows, while an enormous amount of maize grown in and imported by China is used to feed pigs. For another, a significant, albeit smaller, proportion of grains and vegetable oils are used to make biofuels—ethanol and biodiesel—which drive cars or trucks on roads, even if the objective is to reduce pollution.

There is a deeper structural problem in the world food system. Production and exports are concentrated in 10-12 countries, while consumption and imports of food, more widely distributed, depend on population and income levels. Moreover, a relatively small proportion of world output—25% for wheat and 15% for maize—is exported. It is appropriate to focus on wheat, the most important grain for human consumption, except in Asia, where it is rice.

Eleven countries account for 70% of global wheat production: China and India (the two largest producers) for 31%, Russia and Ukraine for 15%, the US, Canada, France, Germany and Australia for 19%, Turkey and Argentina for 5%. Just ten countries account for 86% of world wheat exports: the US, Canada, France, Australia, Germany and Poland for 50%, Russia and Ukraine for 28%, Argentina and Kazakhstan for 8%. Essentially, rich countries, which also use wheat for animal feed and biofuels, are the exporters. Similarly, just ten countries account for 83% of world imports, but in contrast, all ten are developing countries, listed in descending order of import volumes: Indonesia, Egypt, Turkey, China, Algeria, Bangladesh, Morocco, Nigeria, Brazil and the Philippines. The regions that are dependent on wheat imports for food are North Africa, Sub-Saharan Africa and the Middle East. Most of these countries and regions are vulnerable because Russia and Ukraine provide 25%-75% of their wheat imports.

More than two-thirds of the world's population lives in countries that are net importers of food, largely in the developing world. The poor in these countries spend at least 40%, if not more, of their income on food. For the poorest, wheat and bread also provide a significant proportion of the calories needed to keep hunger at bay. And, when there are food shortages, it is the poor who go without.

Satyajit Ray's portrayal of the 1940s Bengal famine in *Distant Thunder*, or Amartya Sen's analysis in *Poverty and Famines*, both show that famine deaths are attributable to paucity of income among the poor rather than food shortages. In the present global context, it will be poor countries that cannot afford to buy scarce food at high prices, and hunger will be the fate of their poor.

Global hunger is a global problem. National actions in isolation, such as export restrictions, cannot suffice. International collective action, motivated by solidarity and implemented through cooperation, is the need of the hour. If the world cannot feed its people, the consequent hunger and starvation will feed conflict by unleashing economic, social and political tensions within countries, which could spill over across national boundaries.

QUICK READ

Surging input expenses on fuel, fertilizers and pesticides will shrink profit margins, reduce farm yields and hurt output everywhere, particularly for poor farmers in developing countries.

If the world fails to feed its people, the resultant hunger and starvation might feed conflict by unleashing tensions within countries that could easily spill across national boundaries.

MINT CURATOR

A strong dollar has worsened today's oil shock for importers

Crude is dearer than its 2008 peak of $147.50 in local currencies

JAVIER BLAS
is a Bloomberg Opinion columnist covering energy and commodities.

A weaker rupee means India pays about 45% more than it did 14 years ago AP

Just over 50 years ago, at a meeting of the world's top economic powers, US Treasury Secretary John Connally shocked his counterparts from other countries by proclaiming the dollar "is our currency, but it's your problem." Back then, America wanted a cheaper currency, forcing others to revalue theirs. Half a century later, the global economy faces the opposite challenge: The American greenback is hovering at a 20-year high against its fellow major currencies, creating a huge problem for everyone outside America buying dollar-denominated goods, like crude oil. And no commodity is more important than crude oil.

Since Connally made the dollar everyone else's trouble, the greenback has become king of the global energy and commodity markets. The price of nearly every raw material the world consumes today, from oil to wheat to copper, is set in US dollars. Even tea, the quintessential British beverage, is priced today in the US currency rather than sterling.

Typically, a strong dollar means weaker commodity prices—and vice versa. The commodity-dollar relationship tends to act as a cushion for the global economy with one offsetting the other, which is particularly important for the world's poorer countries that struggle to pay their import bills priced in dollars.

Indeed, the last time the world faced surging oil prices was paradigmatic of the symbiosis. In 2008, the cost of Brent oil surged to an all-time high of $147.50 per barrel, straining the finances of many nations. But that same year, the US dollar plunged to a record low against the currencies of America's major trading partners, easing some of the worldwide pain of expensive oil. For many oil importing nations, crude oil imports became expensive, but not quite as exorbitantly costly in their local currencies as they might otherwise have been.

That historical dollar-oil price relationship now appears to be broken. Crude has risen 70% in the past year, and currently trades at about $120 a barrel. At the same time, the dollar has gained 10% since mid-2021. That's creating balance-of-payments crises in many oil-importing nations, particularly in Africa, Latin America and Asia.

Malawi, one of the poorest nations in Africa, recently devalued its currency by 25% in a single day. Sri Lanka, among the poorest Asian countries, is on the brink of economic collapse. "The divide between the prosperous and the countries that have a lower ability to pay for commodities is becoming extremely stark," Mike Muller, head of Asia at Vitol Group, the world's largest oil trading house, said on Sunday. Even those who can afford to pay sky-high prices in local currency, such as Europe and Japan, are suffering via increased inflationary pressures.

While Brent oil is about 20% below that 2008 all-time dollar high, it's changing hands at record levels when expressed in local currency for countries accounting for roughly 35% of the world's oil demand.

India, the world's third-largest oil consumer behind the US and China, is paying about 45% more than it was 14 years ago due to the steep depreciation of the Indian rupee against the dollar.

The Eurozone currently pays about €111 per barrel, compared with €93.5 in July 2008. The UK faces a similar problem: Brent peaked at about £74 pounds per barrel in 2008; today, it's almost a third more expensive at £95. With the Japanese yen down to its weakest against the dollar in two decades, Japan is also hurting. The list of nations struggling to meet their energy bills goes on and on.

Beyond the domestic economic aftershocks, record high oil prices in local currency matter for the energy market itself. Oil traders are looking for signs of demand destruction—the point at which higher prices lead to reduced consumption. For now, oil demand growth has remained robust, boosted by pent-up consumption as the world emerges from the pandemic. But with a significant chunk of the world already facing record prices, demand will likely soon suffer. Analysts at Goldman Sachs Group reckon that the strength of the US dollar is adding an average of about $20 a barrel extra when measured in local currencies, "to reach levels equivalent to $150/barrel Brent."

For the OPEC+ oil cartel, the broken relationship between crude and the greenback delivers a windfall. In 2007, at an Organization of the Petroleum Exporting Countries summit in Riyadh, oil producers worried about a dollar collapse. With the US Federal Reserve poised to raise interest rates further and faster than its central banking peers, the US currency looks set to continue riding high—another reason for the oil cartel to work harder to put a lid on crude prices.

MY VIEW | PEN DRIVE

India Inc's dissonance over top B-school recruitment

DEVINA SENGUPTA

writes on workplaces and education at Mint

Forget strategizing, that will come later. Tell me how the rubber smells on the road," said an exasperated second-in-command human resource manager of a large manufacturing company. "There has to be more executive presence. They are divorced from reality. They want to become CXO in their next promotion, but have never worked in the trenches," said another talent recruitment head at one of India's largest business houses.

One can detect an increasing murmur that suggests India Inc is unhappy with the expensive talent being recruited at B-school campus placement exercises, especially since many of these recruits don't even last with such recruiters for more than a year. The problem gets accentuated when early-phase interview slots are dominated mostly by consultancy firms and investment banks, which tend to get day-1 and day-2 invitations by student preference on account of their reputedly large pay packets.

"We hired 30 from the best of B-schools, and within a year, barely 15 remain. They all want to strategize, but when you are in your early twenties, have no attention to detail, have no work experience besides two internships, how do you expect to get plum assignments because you are from a certain college?" So complained a senior executive at another business house.

Disappointment in campus picks is often brushed under the carpet by corporates because netting a few students from top management colleges is important for their business image. Their pre-placement offers are not always accepted and competition among recruiters for the top of the class can be fierce, even ugly.

India Inc has a few options up its sleeves. Instead of chasing only the top B-school graduates, which lets them meet their bare minimum intake requirements, they shift focus to second-rung management schools. "[We'd] rather take the best of the second rung than chase students with multiple offers from the leading colleges," in the words of another campus recruiter.

So, what is going wrong with hiring from India's leading B-schools? Recruiters have no single answer. Some recruiters who have been going to these hallowed campuses for a few years say these B-schools face an acute faculty shortage. Also, theory often crowds out practice. "The directors move from one B-school to another, teachers have theoretical knowledge, but more case studies need to be taught," according to a recruiter. Global, he adds, the industry interface with colleges is greater: "When a case study is taught, then either representatives of the company or those who were part of it, or tracked the case closely, are invited to talk to students. It makes all the difference."

Today, a host of colleges are counted as tier-1 B-schools in India, including 20 Indian Institutes of Management (IIMs). The difference between newer IIMs and the older ones are also pronounced, say HR executives.

For years, these management colleges have said they are not mere placement agencies and instead spot and groom leaders, aided by a strong alumni base that has its tentacles spread wide. But this pitch is not cutting it anymore with many corporates. The top brass has been asking talent acquisition teams where top-rated B-school graduates are going.

Startups is one answer. Established firms have been jolted by the shock of a fuddy-duddy image they've acquired among many ambitious students. With their flexible work arrangements, array of stock options, other incentive plans, work-life-balance benefits and steeper career paths, startups have become a big lure. It has become common for students to use offer letters to negotiate further during the placement process and get better deals.

According to a senior executive in a retail company, it is difficult for big legacy firms to match the fancy designations and sweat equity offers of startups. Until recently, B-school graduates were made to work on shop-floors for months before they were allowed into the decision-making spaces of offices. Stories abound of the grind that recruits are put to as soon as they join; of how a paint company, for example, made its recruits wait for hours on roads in remote areas to count vehicles passing by, just to check if its roadside billboards were worth the money spent. Consumer product marketers have for long packed would-be managers from B-schools off to the Indian countryside to acquaint them with rural reality.

But do B-school recruiters need to relook at their classic moulds and adapt their usual check-lists to changing circumstances?

The ones I spoke to were unconvinced. "We don't hire them for what they know," said a Mumbai-based senior HR executive, "Right when a candidate walks in, there needs to be a spit and polish about him. In group discussions, [we need] perspectives which show he or she can look at a problem from many [angles]. Instead, we are sifting through candidates who want to be the next Elon Musk, but have applied for a job in a component manufacturing firm."

Roaring placements at India's premier B-schools, it seems, are no indication of how good India Inc's leadership pipeline is.

QUICK READ

Many recruiters complain that fresh management graduates sought from fancied business schools have expectations that exceed the value they can deliver with low real-world exposure.

Startups that offer inflated designations and attractive sweat equity packages have been luring top talent away even from recruiters that once dominated campus placements.