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Can the World Still Feed Itself?

Yes, says Nestle's chairman Peter Brabeck-Letmathe, but not if we burn food for fuel, fear genetic advances and fail to charge for water.

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Vevey, Switzerland

As befits the chairman of the world's largest food-production company, Peter Brabeck-Letmathe is counting calories. But it's not his diet that the chairman and former CEO of Nestlé is worried about. It's all the food that the U.S. and Europe are converting into fuel while the world's poor get hungrier.

"Politicians," Mr. Brabeck-Letmathe says, "do not understand that between the food market and the energy market, there is a close link." That link is the calorie.

The energy stored in a bushel of corn can fuel a car or feed a person. And increasingly, thanks to ethanol mandates and subsidies in the U.S. and biofuel incentives in Europe, crops formerly grown for food or livestock feed are being grown for fuel. The U.S. Department of Agriculture's most recent estimate predicts that this year, for the first time, American farmers will harvest more corn for ethanol than for feed. In Europe some 50% of the rapeseed crop is going into biofuel production, according to Mr. Brabeck-Letmathe, while "world-wide about 18% of sugar is being used for biofuel today."

In one sense, this is a remarkable achievement—five decades ago, when the global population was half what it is today, catastrophists like Paul Ehrlich were warning that the world faced mass starvation on a biblical scale. Today, with nearly seven billion mouths to feed, we produce so much food that we think nothing of burning tons of it for fuel.

Or at least we think nothing of it in the West. If the price of our breakfast cereal goes up because we're diverting agricultural production to ethanol or biodiesel, it's an annoyance. But if the price of corn or flour doubles or triples in the Third World, where according to Mr. Brabeck-Letmathe people "are spending 80% of [their] disposable income on food," hundreds of millions of people go hungry. Sometimes, as in the Middle East earlier this year, they revolt.

"What we call today the Arab Spring," Mr. Brabeck-Letmathe says over lunch at Nestle's world headquarters, "really started as a protest against ever-increasing food prices."

Mr. Brabeck-Letmathe has extensive experience at the intersection of food, politics and development. He spent most of his first two decades at Nestlé in Latin America. In 1970, he was posted to Chile, where Salvador Allende's socialist government was threatening to nationalize milk production, and Nestlé's Chilean operations along with it. He knows that most of the world is not as fortunate as we are.

"There is a huge difference," he says, "between how we live this crisis and what the reality of today is for hundreds of millions of people, who we have been pushing back into extreme poverty with wrong policy making." First there's the biofuels craze, driven by concerns over energy independence, oil supplies, global warming and, ironically, Mideast political stability.

Add to that, especially in Europe, a paralyzing fear of genetically modified crops, or GMOs. This refusal to use "available technology" in agriculture, Mr. Brabeck-Letmathe contends, has halted the multi-decade rise in agricultural productivity that has allowed us, so far, to feed more mouths than many people believed was possible.

Then there is demographics. Recent decades have seen "the creation of more than a billion new consumers in the world who have had the opportunity to move from extreme poverty into what we would call today a moderate middle class," thanks to economic growth in places like China and India. This means a billion people who have "access to meat" for the first time, Mr. Brabeck-Letmathe says.

"And the demand for meat," he says, "has a multiplier effect of 10. You need 10 times as much land, 10 times as much [feed], 10 times as much water to produce one calorie of meat as you do to have one calorie of vegetables or grain." Even so, we are capable of satisfying this increased demand—if we choose to. "If politicians of this world really want to tackle food security," Mr. Brabeck-Letmathe says, "there's only one decision they have to make: No food for fuel. . . . They just have to say 'No food for fuel,' and supply and demand would balance again."

If we don't do that, we can never hope to square the drive for biofuels with the world's food needs. The calories don't add up. "The energy market," Mr. Brabeck-Letmathe argues, "is 20 times as big, in calories, as the food market." So "when politicians say, 'We want to replace 20% of the energy market through the food market,'" this means "we would have to triple food production" to meet that goal—and that's before we eat the first kernel of what we've grown.

Even if we could pull this off, we will never get there by turning our backs on genetically modified crops and holding up "organic" food as the new gold standard of safety, purity and health. Organic production is all the rage in the rich West, but we can't "feed the world with this stuff," he says. Agricultural productivity with organics is too low.

"If you look at those countries that have introduced GMOs," Mr. Brabeck-Letmathe says, "you will see that the yield per hectare has increased by about 30% over the past few years. Whereas the yields for non-GMO crops are flat to slightly declining." And that gap, he says, "is a voluntary gap. . . . It's just a political decision."

And it's one thing for rich, well-fed Europe to say, as Mr. Brabeck-Letmathe puts it, "I don't want to produce GMO [crops] because frankly speaking I don't want to produce so much food." That, he says, he can understand.

What's harder for him to understand is that Europe's policies effectively forbid poor countries in places like Africa from using genetically modified seed. These countries, he says, urgently need the technology to increase yields and productivity in their backward agricultural sectors. But if they plant GMOs, then under Europe's rules the EU "will not allow you to export anything—anything. Not just the [crop] that has GMO—anything," because of European fears about cross-contamination and almost impossibly strict purity standards. The European fear of genetically modified crops is, he says, "purely emotional. It's becoming almost a religious belief."

This makes Mr. Brabeck-Letmathe, a jovial man with a quick smile, get emotional himself. "How many people," he asks with a touch of irritation, "have died from food contamination from organic products, and how many people have died from GMO products?" He answers his own question: "None from GMO. And I don't have to ask too long how many people have died just recently from organic," he adds, referring to the e. coli outbreak earlier this year in Europe.

Nestlé itself has at times been painted as an enemy of the world's poor—for 30 years it has contended with a sporadic boycott movement over the sale and marketing of infant formula in the Third World, a push that some rich Westerners find unethical. On the other hand, under Mr. Brabeck-Letmathe, Nestlé's corporate strategy has emphasized that all food markets are intensely local. Americans may increasingly buy all drinks by the gallon and chocolate bars by the pound, but in many parts of the world a trip to the store might yield a single Maggi cube—the Nestlé-made bullion cubes that are ubiquitous in many countries. In these countries, single servings of many products are sold in little foil packets to allow people to match their spending to their cash flow.

This is, Mr. Brabeck-Letmathe contends, an extension of Nestlé's original reason for being. Nestlé exists, Mr. Brabeck-Letmathe says, because as Europe's population "urbanized," as people moved to the cities and traded their ploughshares for time cards, "somebody had to ensure that people" who worked 12 hours a day in a factory could feed themselves. For the first time in history, "you need[ed] a food industry. You need[ed] somebody who takes a product, who treats it so that its shelf life allows it to be transported, to be brought into the consumption center. That's why we have canning, that's why we have pasteurization, that's why we have all these things."

The vast majority of us would have no idea any longer how to feed ourselves if we turned up one day to find the supermarket empty. We rely on industrialized food production, distribution, preservation and storage to make our urban lifestyles, our very lives, possible. And "it was not the state that took care of this thing. It was private initiative." Today, Nestlé employs some 300,000 people, takes in some \$100 billion a year in revenue—and yet represents just 1.5% of a global food industry that feeds billions.

But for private initiative to work that kind of miracle, you need a market. Mr. Brabeck-Letmathe even worries about the absence of a functioning market for water. Some 98.5% of the fresh water the world uses every year goes to agricultural or industrial use. And in most cases, there is no market for how that water is allocated and used. The result is waste, overuse and misuse of the water we have. If we don't do something about that, Mr. Brabeck-Letmathe fears, we will soon run ourselves dry.

Up to now, he says, our response to water shortages has focused "on the supply-side": We build another dam, or a canal to bring water from one place to another. But "the big issue," he contends, "is on the demand side," and the "best regulator" of demand is prices.

"If oil becomes scarce," he notes, "the oil price goes up. But if water does, well, we still pump the same amount. It doesn't matter because it doesn't cost. It has no value." He drives this point home by connecting it back to biofuels: "We would never have had a biofuel policy—never," he contends, "if we would have given water any value." It takes, Mr. Brabeck-Letmathe says, "9,100 liters of water to produce one liter of biodiesel. You can only do that because water has no price."

He cites Spain as an example of an agricultural sector in need of adjustment. "The total [output] of the Spanish agricultural system," he says, "is less in value than the subsidies they receive between the Common Agricultural Policy, the subsidies for tax relief, the subsidies for water."

"Take away the emotion of the water issue," Mr. Brabeck-Letmathe argues. "Give the 1.5% of the water [that we use to drink and wash with], make it a human right. But give me a market for the 98.5% so the market forces are able to react, and they will be the best guidance that you can have. Because if the market forces are there the investments are going to be made."

The world's population is projected to hit nine billion by mid-century, up from 6.7 billion today. So, can we feed all those people? Mr. Brabeck-Letmathe doesn't hesitate. "We can feed nine billion people," he says, with a wave of the hand. And we can provide them with water and fuel. But only if we let the market do its thing.

Mr. Carney is editorial page editor of The Wall Street Journal Europe and coauthor of "Freedom, Inc.," (Crown Business, 2009).

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¹<http://online.wsj.com/article/SB10001424053111904787404576529912073080124.html>