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Sharia: Solutions to Food Insecurity, Poverty and Inequality

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Abstract

This study proposes Sharia based solutions to the problems of food insecurity, poverty and inequality in the Muslim world. In recent years there has been increased volatility in international grain and food prices which has adversely impacted many developing countries due to their high exposure to food imports. In future years, as environmental concerns and energy security feature even more prominently in grain exporting countries, relying on imported supplies of vital grains may be even more perilous. The author argues in favour of Shaira based solutions rooted in Islam in the form of land reform, government funding of public agriculture infrastructure investment and import controls to promote the growth of domestic staple grain production, which at the same time will reduce wealth inequality and lower poverty.

Keywords

Grain prices, food insecurity, Sharia agricultural solutions, Muslim world, FAO, land reform, globalization.

Summary

Each and every person in the world has the right to sustenance. The Muslim world has, with the onset of globalisation, surrendered food security to the whims of international markets where global food traders, manufacturers and speculators dominate price movements. Neoclassical economists have long argued that the developing world has benefited from lower international agricultural prices principally due to international trade. However when 3 in every 4 of the world's poor live in the countryside, the developed world's subsidised grain exports have contributed to the stagnation in agricultural production in the developing world and subsequently reduced the livelihoods of the world's poorest. The volatility and upward trend in international food prices since 2007 puts the developing world on a perilous trajectory of unaffordable imported grain supplies without sufficient domestic production to fall back on. The continuation of the status quo is thus clearly unsustainable. The Muslim world needs to adopt an agricultural development strategy rooted in Islam that is firstly, independent of global corporate designs to dominate global food supplies and secondly, is insulated from the turbulence of international commodity prices and currency markets. The Sharia based solutions of land reform, state funding of agricultural development and grain import controls collectively have the potential to radically change the rural economy.

Firstly, the three year rule in the Sharia, which allows for the confiscation of utilised land after three years, and the prohibition on leasing agricultural land provides the state with the power to break-up unutilized, and in many cases, large feudal holdings, and grant them to the people who have for generations worked on them yet gained little benefit. Direct access to farm land will enable subsistence living, removing hunger, and provide a means of earning a livelihood, thereby raising incomes levels. In addition to these economic benefits, land reform via the breaking up of a few large feudal landholdings will be transformative – creating a more socially and politically representative rural landscape.

Secondly, while basic agriculture infrastructure exists in the Muslim World it is inadequate for current and future food demands due to expanding populations. Thus to fully promote a thriving rural economy and efficient utilisation of farming land and the environment the Sharia requires the state to build basic public infrastructure, such as, for example irrigation waterways, roads and markets in the countryside. This may be financed from Khiraj revenues, which is a Sharia tax on agricultural

production. Finally, with Islam's policy on import tariffs based on reciprocity, the huge subsidies granted by foreign governments to their farming sectors are a Sharia justification for restricting imports from these countries and thereby promoting the development of the state's own farming industries.

Introduction

Prophet Muhammad (peace be upon him) said:

"The Son of Adam has no better right than that he would have a house wherein he may live, a piece of clothing whereby he may hide his nakedness and a piece of bread and some water." [Tirmidhi]

In January 2011 the UN's Food and Agricultural Organisation warned that world prices for some staple grains surpassed the peak of 2008, when, according to the World Food Program, 100 million people fell into food poverty.

With the onset of globalisation, developing countries have relinquished food security to the whims of international markets, where global food manufacturers and speculators dominate price movements. To totally depend on production and prices determined on the other side of the world to feed domestic populations, when sufficient quantities of adequately priced, healthy food is a basic human necessity, is a failure of purpose.

Mainstream economic consensus has overwhelmingly favoured neoclassical opinion for, at least, the last three decades. This has argued that the liberalization of agricultural trade has benefited consumers in the developing world through lower real international prices. However, when 75% of the world's poor live in the countryside - depending on the land for their food and the rural economy for their livelihoods - lower priced imports have contributed to a reduction in agricultural production in the developing world (Murphy, 2002). Increased international food price volatility, especially since the financial crisis, suggests the long term reduction in real international agricultural prices may now have come to an end (OECD-FAO, 2008), making it unaffordable for developing countries to service their food imports, with inadequate domestic agricultural output and rising populations.

Additionally, priorities are changing in the grain and food exporting countries whether through the adoption bio-fuel subsidies, new stricter environmental laws or food commodity speculation (OECD-FAO, 2008). This will have direct knock-on effects on grain production, exports and on international food prices in the years to come when the developing world's populations are forecast to rise to new highs (Anderson, 2010).

In the 1960s and 1970s developing countries were self-sufficient in agricultural production (Anderson, 2010). Today, however, many rely on vital food imports for survival while, for some, scarce agriculture resources are devoted to cash crops, directed by IMF and World Bank structural programmes, in order to pay foreign debt. The continuation of the status quo is thus clearly unsustainable.

Policy objective

In order to achieve food security the aim should be to achieve near self-sufficiency in stable grains like wheat, rice, maize, oilseed, as these provide the basic ingredients for a vast variety of food production. While contrary to the open market philosophy, a goal of food security through self-sufficiency is a "totally defensible" economic policy, when a country is at a low level of economic development (Chang, 2009). In the absence of self-sufficiency, which would mean a reliance on grain/food imports, poor and vulnerable populations in developing countries will be subject to undue uncertainty in food supplies and prices, with adverse knock-on effects in human development goals¹³¹.

Policy outcomes

The main outcome from near self-sufficiency in grains would be to provide the foundation for affordable, nutritious food supplies in order to progress human development goals, and ensure stability and security of the population. In agricultural production supply tends to be the main source of price instability due to failing harvest, drought, floods etc. Demand for food supplies tends to be fairly stable growing steadily with rising population and income levels. Near self-sufficiency is a

¹³¹ Human Development Report 2011 <http://hdr.undp.org/en/reports/global/hdr2011/download/>

necessary though not a sufficient condition to ensure stable food supplies as domestic crops can fail too.

Sharia rules related to land reform that promote agriculture have the added benefits of removing poverty and reducing inequality. A key public policy aim is to use agriculture and agriculture growth to reduce poverty among the vast numbers in the developing world who live in the countryside (Berdegue and Ravnborg, 2007). Thus the promotion of agriculture via the unique land redistributive policies embedded in the Sharia will not only secure stable staple food supplies but will also result in a radical step change in economic development in the Muslim world – removing rural poverty and reducing land and wealth inequality.

Role of Government

In spite of recent reductions, the \$300 billion 5-year US Farm Bill¹³² and the EUR 75 billion per annum European Common Agricultural Policy¹³³ ensure that substantial state funds go into supporting farming and agricultural production in the West. Therefore the state plays a significantly pivotal role in farming in the main grain exporting countries of the world. Although farms, farming land and ancillary industries are essentially private businesses, oligopolistic tendencies are clearly obvious across the whole sector. Reported in Britain's Independent, 23 January 2013, 90% of world grain trade is dominated by 5 companies (ADM, Bunge, Cargill, Glencore and Louis Dreyfus)¹³⁴. Modeled on maximising output with the least inputs current forms of farming tend to be industrial/corporate in nature: large; highly capital intensive; requiring chemicals, fertilized soils and pesticides in order to maximise yield or output per acre. The demand drivers are consistent, highly aesthetic and grade quality food for giant food producers and supermarket buyers (Institute of Mechanical Engineers, 2013). Also livestock are fed high protein feeds and chemicals to increase meat and byproduct output and speed up growth so that more can be reared, more quickly each year. While these methods have increased yields, lowering the cost of production and reducing market prices, it has also resulted in a concentration of production in large farms. A few multinational firms dominate food production; and a small number of large suppliers control much of the market share in animal feed, fertilizer and seed production (Murphy, 2002). At the same time intensive farming practices have caused a loss of biodiversity, degrading of soil and the natural habitat which has negative implications in the long term (European Commission, 2012). Animal welfare has also been sacrificed as judged by animal health scares like repeated BSE crises in Britain.

In the Sharia farming, food and fisheries are of the private properties. They are owned by individuals and companies who employ workers, buy land and hire plant and machinery. The role of the Islamic state implementing the Sharia is to promote 'competitive' food, farming and fisheries industries.

A macro strategic goal of the Islamic government should be to increase agricultural output and yields to fulfil the food requirements of large and growing populations who currently have inadequate supplies of affordable food.

A case in point is Pakistan where agricultural and food production has not kept pace with population growth, therefore there is an increasing reliance on food imports¹³⁵. The US Department of Agricultural estimates that US and Asian rice yields are twice as high as Pakistan's while European wheat yields are nearly 3 times as high as in Pakistan¹³⁶.

Owner occupied land holdings have a greater tendency to be labour as opposed to capital intensive (Lipton, 2009), which would ensure jobs and income for the masses of unemployed and underemployed rural poor boosting the rural economy more generally and encouraging supplementary and support industries like transport, retail, schooling, health etc boosting employment in a variety of sectors and generating a thriving rural economy.

¹³² http://topics.nytimes.com/top/reference/timestopics/subjects/f/farm_bill_us/index.html

¹³³ http://ec.europa.eu/budget/library/biblio/publications/2012/budget_folder/186978_2011_4429_EU_BUDGET_2012_EN_V2.pdf

¹³⁴ <http://www.independent.co.uk/news/uk/home-news/monopoly-of-grain-trade-has-forced-millions-into-starvation-say-charities-8462260.html>

¹³⁵ http://earthtrends.wri.org/pdf_library/country_profiles/agr_cou_586.pdf

¹³⁶ <http://www.fas.usda.gov/wap/current/toc.asp>

This will have the indirect benefit of keeping most of the rural people in the countryside easing pressures from urbanisation with already overcrowded cities lacking adequate basic infrastructure and public services.

A thriving and large agricultural economy will also increase the tax base of the Sharia implementing state. Kharaj and Ushr are Sharia based taxes on agricultural produce and increasing agricultural land and output will boost Kharaj and Ushr revenues for the Islamic government.

Umar b. Khattab did not divide the lands of Iraq among the Muslim fighters. Instead Umar is reported to have said to the Ansar "I have decided to make the land and their trees an inalienable property, and to impose on them the Kharaj and on their owners the jizya, these would be a Fai (booty) to the Muslims, be it be the fighters, their children and those who come after them..." 137

The Kharaj is a levy on the land based upon the potential agricultural output of that land, according to how the land is irrigated, whether by rain, springs and wells or using mechanical sprinklers, and dependent on the value of the crops.

Kharaj is amongst the most important sources public revenues in the Sharia for the disposal of the Islamic government. Agricultural produce – food and grains – are among the basic necessities so will always be grown in an economy thereby minimising the disincentive of taxation on production. At the same time the Kharaj will encourage the efficient utilisation of land and minimise land left underdeveloped.

These are taxes which the Sharia allows to be spent on general expenditures like health, education and transport and therefore can be used to help reduce inequality beyond just the countryside and help finance poverty alleviation programmes more widely. Boosting the agricultural tax base is crucial as conventional forms of taxation like income and expenditure taxes are prohibited in Islam.

Policy instruments

Today farming policy appears to be failing because, despite farmers, mainly in the developed world, receiving huge subsidies there are still extensive price controls, mainly in the developing world, to ensure affordable food prices for the poor. This imposes huge costs on strained Government budgets, both in food exporting and importing countries.

The Sharia has three main instruments at its disposal to affect agricultural policy: land laws and agricultural regulation, government funds and import controls.

1. Land laws

The three year rule, which allows for the confiscation of utilised land after three years, and the prohibition on leasing agricultural land provides the Islamic state with the power to break-up unutilized, and in many cases, feudal holdings, and grant them to the people who have for generations worked on them yet gained little benefit.

The Messenger of Allah Prophet Muhammad (peace be upon him) said: **"Whoever cultivated a dead land, it becomes his."** He (saw) also said: **"Whoever encircled a land by a fence it becomes his."**¹³⁸

Furthermore, Abu Dawud narrated from Rafi'a ibn Khadeej that the Prophet (peace be upon him) said, **"Whoever has land, he has to plant upon it or let his brother plant upon it, and he cannot lease it for its third or fourth or a specified food."**¹³⁹

This policy tool is so profound that it will lead to a step-change, indeed, an uplift in the economic and social empowerment of the masses of rural poor. The poor will have land as their own where once they were effectively bonded labour, thereby incentivising production. At the same time, this will promote deep rooted wealth redistribution significantly reducing wealth inequality given the large numbers of rural poor in the developing world. Direct access to farm land will firstly, enable subsistence living, removing hunger, and secondly provide a means of earning a livelihood, thereby raising incomes levels. In addition to these economic benefits, land reform via the breaking up of a few

¹³⁷ Funds of the Khilafah State, Abdul Qadeem Zaloom, 1988.

¹³⁸ Taqiuddin An-Nabahani (2010), The Economic System in Islam

¹³⁹ ibid

large feudal landholdings will be transformative – creating a more socially and politically representative rural landscape.

Supplementary agricultural regulation will be required to regulate weights and measures to prevent cheating in markets; grain and livestock inspectors to ensure food safety and quality; Kharaj, Ushar and Zakat estimators and collectors to protect tax revenues (Qadeem Zaloom, 1988); and among others a code of practice to ensure animal welfare. The regulations will be developed in light of new issues arising in order to ensure the smooth operation of the agricultural market and protect the integrity and long run viability of the agricultural sector.

2. Government funds

While basic agriculture infrastructure exists¹⁴⁰ in the Muslim World it is inadequate for current and future food demands due to expanding populations. More generally poor infrastructure delays, damages or generally increases the cost of production and reduces agricultural output, and this supports the case for Government spending in the agricultural sector (Lipton, 2009). Additionally there are swathes of barren land in developing countries like Pakistan that can be utilised once the state removes the barriers to its development like modernising surrounding public infrastructure.

Thus to fully promote a thriving rural economy and efficient utilisation of farming land and the environment the Sharia requires the Islamic state to build basic public infrastructure such as, for example irrigation waterways, roads and markets in the countryside. This may be financed from Khiraj revenues, which is a tax on agricultural production.

A unique feature of agriculture as a business are the lags in production – time before crops are harvested and livestock raised – and the upfront costs of production associated with buying land, seeds, soil, pesticides, livestock which must be incurred some time before sales and income is generated. This will be a barrier to entry, especially poor farmers and inhibit agricultural production. The Sharia allows for the support of the poor and needy through grants from Zakat funds collected by the Bait-ul-Mal, the Islamic state's Treasury.

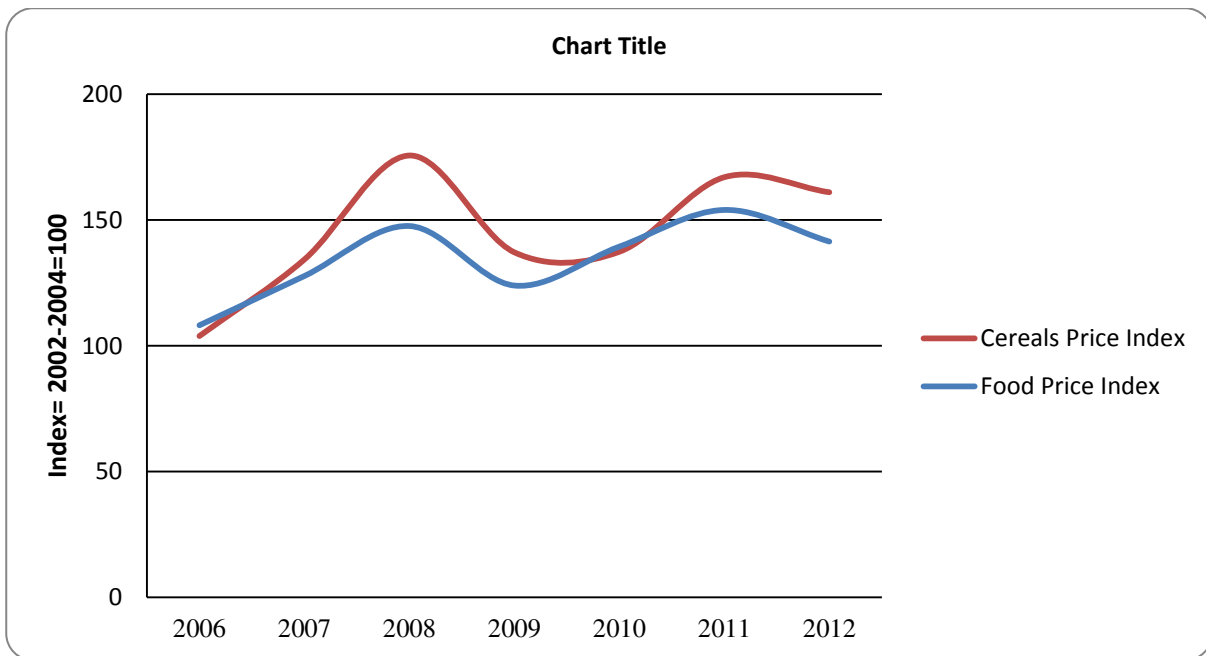
The strategic and long-term issues facing agricultural production, such as, for example water shortages requiring new dams, addressing the degeneration of soil, the development of new seeds and safe pesticides requires the government to fund agricultural research and development. These are classified as public goods in Islam (An-Nabahani, 2010) due to their large scale and collective nature and therefore the Islamic state must fund these in the context of strategic agricultural development as a whole without favour to any individual or business.

3. Import controls

The development of a large, strong and efficient agricultural sector able to provide sufficiently for the needs of the population would be greatly assisted with strict restrictions of grain imports. Due to turbulence of the global economy international food and grain prices have risen by between 50%-60% in real terms since 2006 according to the FAO (shown in Figure 1 below). For nations dependent on grain and food imports the rise in international food prices has increased the burden on foreign exchange reserves.

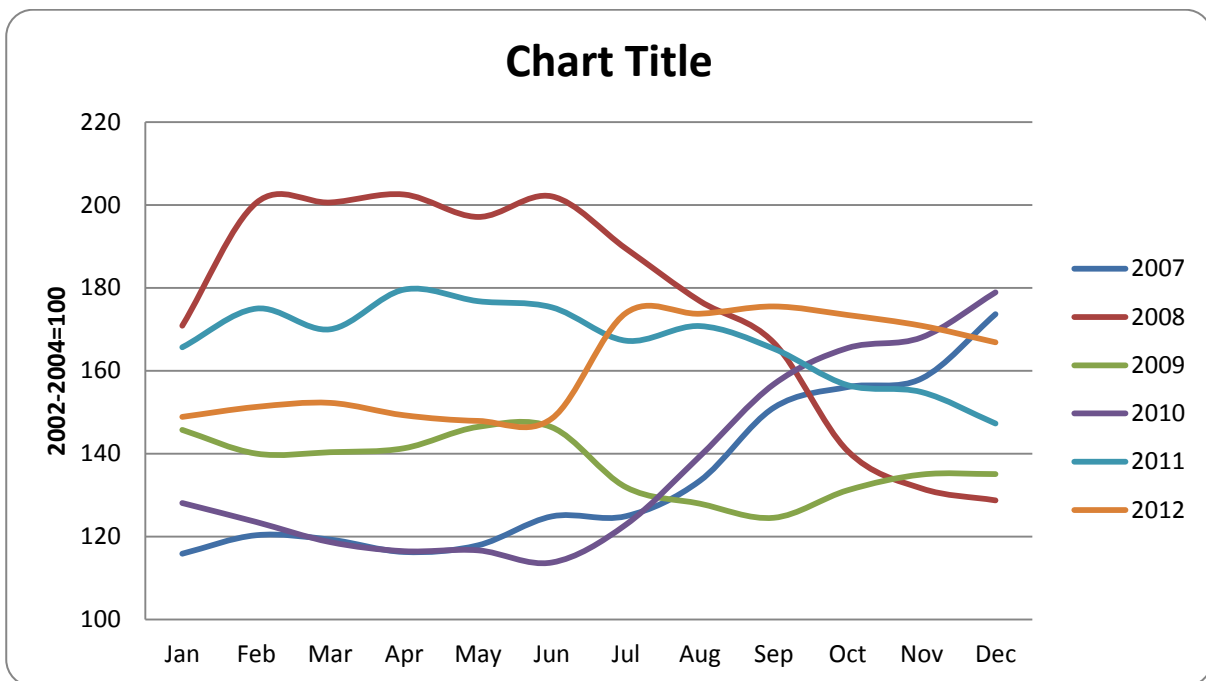
Of even greater concern however has been the month-on-month variation in international food prices as illustrated by Figure 2 (see above). Examining the change in international cereal or grain prices adjusted for inflation shows huge monthly variation during the years. During 2007, inflation adjusted international cereal prices rose by 50% between January and December, to their highest levels recorded by the FAO in 2008, though during 2008 they actually fell by 25% between the start and end of the year. Volatility continued in 2010 with a 40% increase between January and December before an 11% fall during 2011, offset by a 12% increase during 2012. This volatility in international prices results in huge income uncertainty for developing world farmers and over time has the potential to devastate domestic food production in developing countries.

¹⁴⁰ In Pakistan the agriculture sector accounts for about 20% of GDP and about 40% of jobs. This would not be possible without sound basic infrastructures. Pakistan is among the top 10 countries in the Muslim World for agricultural output and the world's third largest milk producer. Pakistan has one of the largest irrigation systems in the world.



Source: FAO <http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/>

Figure 1. Annual FAO Food and Cereal/Grain Real Price Indices



Source: FAO <http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/>

Figure 2. Monthly FAO Cereal/Grain Real Price Index, 2007-2012

Thus, with the Sharia’s policy on import tariffs based on reciprocity (An-Nabahani, 2010), the huge subsidies granted by foreign governments to their farming sectors are a justification for restricting imports from these countries and thereby promoting the development of the Islamic state’s own farming industries. It is important to note that the 2008 international price hikes led to riots in Egypt and Pakistan but in China and India, which are both near self-sufficient in vital grains, domestic prices were largely unaffected. Due to the politically sensitive nature of import tariffs it may be applied on a case by case basis focusing on restricting those import products which could damage the domestic agriculture sector most. The above correct Sharia-based policies given the potential for agriculture in Muslim countries could transform the rural economy in the Muslim world.

Policy risks

The outlined policy faces two main risks. Firstly, promoting and creating the environment for a competitive domestic agricultural sector does not guarantee that a flourishing agricultural sector will in fact emerge. Two impediments may be imports and kharaj tax as both may discourage agricultural investment. Secondly, the promotion of a strong domestic agricultural sector may create inefficient domestic farmers especially if protected from imports.

To mitigate the import risks, restriction on imports should be temporary, to allow domestic farming to develop and production to rise, and applied only on those foods which are staple grains and essential for food security – within the limits of the principle of reciprocity. While land taxes like Kharaj are amongst the most efficient forms of taxation too high a tax will discourage development in agricultural land. To mitigate this risk the rate of kharaj tax should remain stable over time.

Conclusion

In the twenty first century, the routine death and starvation of millions due to food poverty is an indictment on world governments and global institutions like the World Bank, the UN and the IMF. Food production and exports are dominated by the global corporate giants, in part due to heavily subsidised agricultural sectors, ensuring food security and self sufficiency for grain exporting countries at the expense of food insecurity for the poorest and most vulnerable in the developing world.

The Muslim world suffers due to its adoption of contemporary economic models of agricultural development. Yet the Islamic Sharia has laid out a clear and detailed direction for developing agriculture. Uncultivated land is easily acquired while land, which is unutilised is confiscated from their owners after three years and given to those who will utilise it. Lease holding agricultural land is prohibited, though private ownership is at the core of agricultural development. Agricultural land and output – plantation and crops - provides a key and substantial source of taxation revenue for agricultural investment.

Adoption of agricultural development rooted in Islam will directly provide a means to food sustenance for the poor and needy; generate livelihoods, jobs and incomes much needed in the rural economy; lead to the efficient utilisation of land; increase productivity and agricultural yields; and act as a means of land wealth redistribution.

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