

***Helping Women Respond to the
Global Food Crisis:
What We Know and What We
Still Need to Know***

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Increasing world prices for food and fuel present a range of policy challenges

- **Not passing** through price increases is undesirable on fiscal and efficiency grounds
- **Passing** through price increase is undesirable on equity grounds
- High return to developing a targeted social safety net: serves to address climate variability as well
- The policy challenge in short-term in low-income countries is to compensate for absence of safety net and targeting capability

Looking at the problem as a long term readjustment of resource costs

- Most projections have food prices above 2006 prices well into the next decade
- Welfare consequences for consumers (including rural wage earners) clear.
- But issue is more than food prices:
 - Food prices index in May: 275 (2000=100)
 - Fuel price index: 425
 - Fertilizer index: 490

Increase is both large and rapid

	Jan-Dec 2006	First half 2008
		\$
Wheat	192	385
Maize	121	230
Rice	305	654
Urea	223	434
Phosphate	44	288
Potassium	174	420

Implication for Subsistence Farmers

Net food purchaser might need income support (at least until wages adjust)

Net producer may need increased credit but can recoup cost with high prices of output

Subsistence farmer that achieves that state with, say, one bag of DAP on one hectare will be hard pressed to stay at subsistence

Some subsistence farmers, however, use few inputs; they may be relatively unaffected in short run but overall development path might have to adjust to current prices

Principles to identify good policies

- Short-term policies should ideally support, and definitely not undermine, long term priorities
- Preserve incentives (e.g. labor, agricultural production)
- Targeted most vulnerable groups
- Costs limited, and no leakage outside national borders
- Easy to implement and introduce
- Limited management and/or governance concerns

What are we seeing in initial crisis response? (I)

- Many of the initial steps bad policy: Of 80 countries surveyed, 40% had reintroduced producer price controls and 30% had restricted trade
- Most countries increasing agricultural investment: “Now that we have your attention let's do what we recommended years ago, but you weren't listening”. It was a good idea then; it still is.
- Some targeted transfer programs are being scaled up, or indexed to current prices

What are we seeing in initial crisis response? (II)

- A popular consumer oriented response seems to be increasing school feeding. A plausible – but expensive – education program, with modest nutritional impacts
- Public works are also under consideration, although how this will work for high input subsistence farmers needs exploration

Fertilizer subsidies are also gaining prominence

- Malawi's experience is debated. It includes a targeted voucher as well as state price controls less well targeted. At a cost of over \$100M a year ago, seems to lead to slightly more in increased production
- As the fiscal implications of such subsidies become more apparent, it is plausible that targeting will improve.
- However, if focus is on market surplus rather than preventing increased poverty among subsistence farmers, risk that program design will not include this group.