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GLOBAL FOOD CRISES

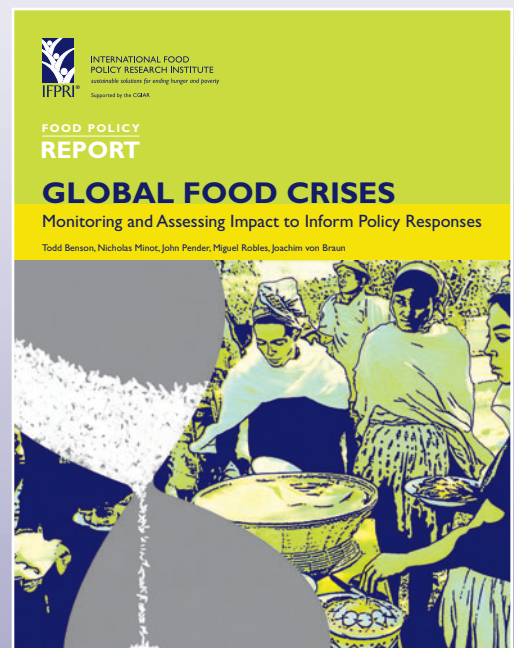
Monitoring and Assessing Impact to Inform Policy Responses

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Strong upward trends and increased variability in global food prices during the past two years have led to concern that hunger and poverty will increase across the world. At the same time, rising food prices provide an incentive and opportunity for many developing countries to strengthen the contribution their farmers make to national economic growth and poverty reduction. Policymakers and opinion leaders in developing countries, however, often lack sufficient information to gauge the likely effects of global food crises on their country and to identify, design, and implement policy actions that can best avoid risks and take advantage of opportunities. The deficiencies in information and analysis can lead to over- and underreactions, resulting in policy and market failures. Experiences across

countries in 2007 and 2008 show ample evidence of such outcomes. Although the food crisis information currently available is alarming and sufficient to initiate large-scale action, the information base must be improved to make that action more effective.



MONITORING AND ASSESSING THE IMPACT OF A FOOD CRISIS

Food crises, and policies designed to respond to them, have effects at national, household, and individual levels. First, national decisionmakers and policy analysts must understand the degree to which their country and population groups within it are exposed to the negative effects of rising food prices or could exploit new opportunities offered by the higher prices. This understanding requires information on

- global market developments;
- the characteristics of their country with regard to international trade in food;
- trends in local wages, food and agricultural prices, and energy prices;
- the composition of income and expenditure among different population groups in the country;
- and the responses of producers, consumers, and the government to rising food prices.

At the national level, the actual effects of a global food crisis depend on

- the net trade position (exporter or importer) in agricultural commodities relative to the size of the economy;
- the degree to which changes in global prices are transmitted to local markets;
- the sensitivity of government revenue and expenditures to rising food prices; and
- the political and fiscal capacity of the government to respond to the crisis.

At more local levels, the effects of a crisis will differ among communities and from household to household depending on

- a household's net sales (or net purchases) of food relative to household income;
- the level of a household's income and assets, which influences its food security and vulnerability to shocks; and
- the existence and effectiveness of government programs and policies to protect vulnerable households in a community.

Within households, members are likely to be affected by a crisis to varying degrees, with the nutritionally vulnerable members—women of childbearing age and young children—being most at risk.

As policymakers assess the effects of a global food crisis on their country and on various population groups, the most important sources of data include nationally representative

household surveys, food price series from important commodity marketplaces in a country, and trade statistics. Where such data are missing for a country, they must rely on qualitative or indicative, rather than representative, data to make short-run assessments. However, a more thorough assessment of the impact of a global food crisis on a country and its citizens and of the best course of action to follow in response requires detailed data and relatively sophisticated analytical capacity for investigating some of the national issues associated with global food crises.

MONITORING AND ASSESSING POLICY RESPONSES TO GLOBAL FOOD CRISES

It is useful to consider the types of impacts that can be expected from the policy responses of national governments to global food crises in order to help guide decisions about what information should be monitored and what analytical methods should be used to assess the impacts of these responses. In the short term, policymakers can do little to change domestic food production if farmers have already made their planting and input-use decisions for the upcoming harvest. Short-term policy responses are limited to changes in tariffs, taxes, consumer subsidies, food price controls, export restrictions, government food imports, or the release of public reserve stocks. In the medium term, the scope of action widens—governments can implement food price stabilization policies based on the use of reserves, tariffs, or subsidies; promote food production using subsidies, producer price supports, or provision of agricultural support services; and extend social protection programs to maintain adequate household food consumption levels. In the longer term, larger sustained impacts can be achieved through broader investments for economic development and poverty reduction. Given the breadth of possible policy responses to a food crisis in the longer term, the challenge of monitoring and assessing the impacts of such responses is great and hardly distinguishable from the need to monitor and evaluate policies and programs to promote economic development and poverty reduction in general.

Most of the short- to medium-term policy responses aim to reduce consumer food prices, which is a favorable effect from the standpoint of net food buyers. Policies and programs to promote increased food production also have beneficial impacts on net food buyers to the extent that they result in reduced domestic food prices. They also can benefit food producers by reducing their costs of production (such as through input subsidies) or increasing producer prices (such as through price support and producer subsidies), although the net impact on producers depends on the relative strength of these effects compared with the downward pressure on producer prices caused by increased production. Targeted food aid or income-oriented interventions likely

have favorable impacts on the direct beneficiaries, and these may have beneficial spillover impacts on other households or individuals, such as by increasing demand for goods and services provided by households as a result of the increased incomes of beneficiary households.

All of these policy responses have costs and potentially unfavorable impacts as well. All price-oriented interventions, to the extent they are successful in reducing food prices, will reduce the incomes of net food sellers and the incentive for producers to respond to a food crisis by increasing production. Reducing tariffs or consumption taxes, increasing consumer or producer subsidies, or increasing social protection programs will have direct budgetary costs, potentially increasing government deficits, credit shortages (if budget deficits are financed by borrowing), or inflationary pressures (if budget deficits are financed through monetary expansion). The benefits of interventions may not be well targeted to poorer and more vulnerable households, especially interventions focused on affecting market prices, leading to potentially high costs relative to the improvement in food security achieved. Direct subsidies to producers or consumers or social protection programs have more potential for targeting, although targeting may not always be politically acceptable and may involve high administrative costs. Efforts to control prices and speculative behavior may lead to black markets, and thus be ineffective, and may contribute to corrupt practices by regulators. To the extent that price controls are effective, they can cause shortages that must be addressed by other rationing mechanisms, leading to inefficient and possibly inequitable allocation of commodities. Leakages and spillover effects of interventions may also undermine their effectiveness. For example, export bans may lead to increased contraband food exports, while changes in public food reserve stocks may be offset by induced changes in private stockholdings. Trade interventions such as export bans on staple foods can also precipitate protectionist reactions by other nations, undermining the food security of trade-dependent countries as the international market for food becomes increasingly volatile.

AN IMPLEMENTATION PLAN FOR ACTION ON MONITORING AND IMPACT ASSESSMENT

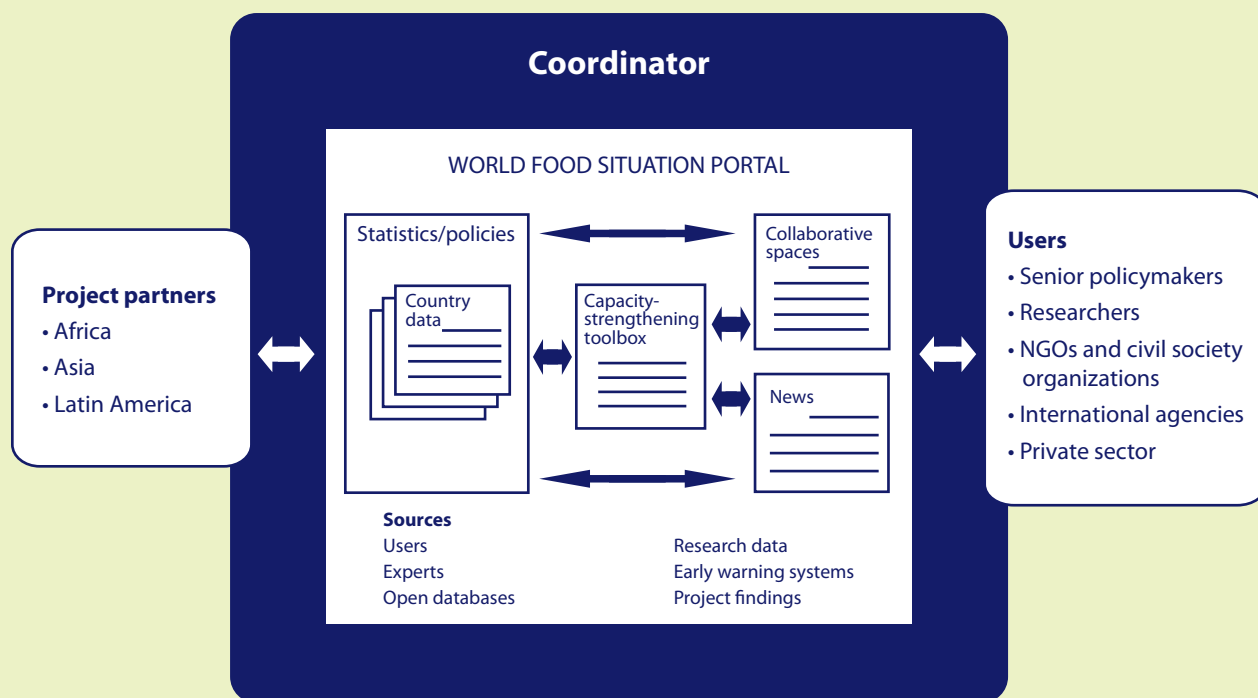
A wealth of information on the world food situation and its shifts is available, but not everywhere, quickly, or at the needed level of disaggregation. In some contexts, even when information is available, access to it is not assured for all stakeholders. Frequently, government leaders and their analysts, civil society, and business actors are not sufficiently informed for sound decisionmaking. In response to these information challenges, a global initiative involving networks of institutions and individual experts could provide reliable, appropriate information and decision-support tools for national policymakers. The implementation plan's objectives and components are outlined in Table 1.

This initiative would include the creation of an Internet-based information portal to strengthen the ability of policymakers to obtain the information they require to respond quickly to dynamic developments in world food markets (Figure 1). This portal would not duplicate useful websites operated by the Food and Agriculture Organization of the United Nations (FAO), the World Bank, or the institutions of the Consultative Group on International Agricultural Research (CGIAR), but would add specific value. As an important new feature, the portal will include a "toolbox" to help users become proficient with various analytical tools, as well as country-by-country food policy information, news reports related to food policy, links to key players in the international community, key research findings, and user forums. Because the portal will be designed in an open Wikipedia-type fashion, access to the portal both to obtain and to add information and tools will be open to the wider public as an international public good.

Table 1—Main objectives and activities of the implementation plan for providing information and decision-support tools to respond to global food crises

OBJECTIVES	ACTIVITIES
1. Information strengthening and monitoring	<ul style="list-style-type: none"> • Development of an Internet-based portal • Development of a capacity-strengthening toolbox • Facilitation of urgent advisory action
2. Advisory services for policy actions	<ul style="list-style-type: none"> • Assessment of impacts of high and volatile food prices in countries • Identification of risks and vulnerabilities
3. Closing of important specific information gaps that limit appropriate food crisis responses	<ul style="list-style-type: none"> • Specific studies designed to strengthen actions and implementation in countries, such as on women and food crises, supply response, moving from emergency to social protection, and others to be identified as the program is built.

Figure 1—Conceptual framework for the policy information portal



CONCLUSION

Decisionmakers who serve leaders of national governments need information and analytical tools to assess the risks and opportunities their countries face from current and future global food crises, to determine how they might respond to those risks and opportunities, and to monitor both the impact of a food crisis and the effects of governments' policy responses. Although the implications of a global food crisis differ across countries and population groups, there are relatively well-defined sets of information and analyses that governments can employ to manage such crises in their respective countries. Consequently, economies of scale can be captured at the international level through joint action to collect data on food crises and their effects, to build

analytical capacity, and to evaluate the effectiveness of policy responses. Similarly, there are a relatively small number of types of policy responses that governments might take in the face of these crises. Here, too, there is scope for international action—the lessons learned from both effective and failed policy responses by national leaders can be shared to aid other countries considering similar policies. The proposed global initiative to provide reliable, appropriate information and decision-support tools to enable national policymakers to respond quickly to changes in world food prices was formulated in recognition of the gains that can be realized through joint action across countries and institutions to address the crisis. Ultimately, it is in the use of data and analysis at national and more local levels that will lead to long-term resilience to the effects of rising and variable global food prices and contribute to sustained global food security.

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