



INTERNATIONAL FOOD
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Responding to the **Global Food Crisis:**
Three Perspectives



ESSAYS

Responding to the World Food Crisis: Getting on the Right Track • *Joachim von Braun*

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The dramatic rise and volatility of food prices over the last year have shaken the global food system. Governments and the international development community generally have responded to various aspects of the food crisis, but questions remain about whether the right actions are being pursued, how best to respond, and what the future holds.

The three essays here by Namanga Ngongi, president of the Alliance for a Green Revolution in Africa, Josette Sheeran, executive director of the World Food Programme, and Joachim von Braun, director general of the International Food Policy Research Institute, respond to these critical questions. They point to the dangers and pitfalls of misguided policies, but also to the very real opportunities for responding in a way that prevents future crises and assures food security now and in the long term.

Responding to the World Food Crisis

Getting on the Right Track

Joachim von Braun

- ▼ *Rising prices have a way of shining a bright light on any sector, no matter how overlooked previously. The rapid run-up in food prices is no exception. Food may be an essential good, but when food prices spent decades moving downward, the food sector held little interest for policymakers and investors. Now, with the doubling and tripling of the prices of some food grains in the past two years, the world has snapped to attention. Faced with rising food insecurity, social unrest, and accelerated inflation driven to a large extent by food prices, developing and developed countries and international governmental and nongovernmental organizations have begun responding to the rapid rise in food prices with a new sense of urgency.*

How effective will these responses be in actually ameliorating the food and agriculture crisis? Are they likely to move the world closer to or farther from a resilient and sustainable food system that can supply the food needs of all people? After all, the point is not just to do something, but to do the right thing. So far, however, although some sound actions have been taken in response to high food prices to mitigate the crisis, many others appear likely to exacerbate it and further distort the fair and efficient functioning of the food system.

But crises can also offer opportunities by causing a rethinking of basic issues and assumptions. There is no doubt that the crisis in food and agriculture poses tremendous risks and hardships for poor people. At the same time, it also has the potential to stimulate changes that will improve the functioning of the global food system for years to come, although it is important to be aware of the potential cynicism of seeing "opportunities" in crises that hurt many. Careful policy

action can alleviate the current crisis while also reducing the chances of another such crisis in the future and in fact helping reduce poverty and hunger overall.

AGRICULTURE TRANSFORMED BY NEW FORCES

Over the past century, the world has seen only three major spikes in food prices: one occurred after World War II, the second took place in the 1970s, and the third is underway now. Otherwise, international food prices have generally followed a slow decline since the 1870s. At the same time huge fluctuations have occurred at country and regional levels, especially in Africa.

Now, the world's farmers are operating in a context where new forces are pushing agricultural prices upward—this context appears likely to persist. Demand for agricultural products has risen rapidly owing to climbing incomes in many developing



countries, especially in Asia, and to the surging appetite for biofuels in Europe and the United States. At the same time, droughts have constricted supply in Australia and Ukraine, major wheat exporters. Farmers who are connected to world markets are therefore benefiting from the higher prices, but they also face much higher costs. With oil prices well above US\$120 a barrel and predicted to stay there for the foreseeable future, farmers find the cost of cultivating and fertilizing their land and transporting their inputs and products reaching new levels. Looking ahead, it seems likely that farmers will face the task of meeting the food and energy needs of a growing world population while coping with increasingly scarce water supplies and more variable and extreme weather caused by global climate change.

POLICY RESPONSES

The current food price crisis is a short-term emergency for millions of people, but it also signals longer-term failures in the functioning of the world food system. Responses to the crisis therefore must accomplish two tasks.

They must address the immediate food needs of poor people priced out of food markets, and they must begin to correct previous failures in agricultural policy by investing in agriculture and food production, setting up reliable systems for assisting the most vulnerable people in a timely way, and establishing a fair global trading system and a conducive investment environment.

The following are high-priority policy actions both to cope with immediate needs for food and to build a stronger food system that can respond to future challenges:

1. expand emergency responses and humanitarian assistance to food-insecure people and invest in social protection;
2. undertake fast-impact food production programs in key areas and scale up investments for sustained agricultural growth;
3. eliminate agricultural export bans and export restrictions and complete the Doha Round of World Trade Organization (WTO) negotiations;
4. change biofuel policies by freezing biofuel production at current levels, reducing it, or imposing a moratorium on biofuels based

on grains and oilseeds until prices come down to reasonable levels; and

5. calm markets with the use of market-oriented regulation of speculation, innovative virtual shared public grain stocks, and strengthened food-import financing.

All of these actions should be undertaken immediately, but some will have short-term impact, whereas others are designed to have impact in the medium and longer term.

The United Nations, multilateral agencies, and national governments all acknowledge the urgent need for action and are taking steps. So how well do their actions square with the steps recommended by IFPRI? How effective are their responses likely to be in alleviating the food crisis in the short and long term?

Humanitarian Assistance and Social Protection

The highest priority must be to protect the food consumption levels of poor people, which requires that national governments, aid agencies, nongovernmental organizations (NGOs), and civil society organizations expand food and cash transfers targeted to the poorest and most vulnerable people. The most effective interventions would focus on early childhood nutrition, regions in distress, school feeding with take-home rations, and food and cash for work.

Indeed, emergency responses are underway at international and national levels. At the global level, the World Food Programme (WFP), the United Nations agency responsible for emergency food assistance, made a call in spring 2008 for US\$755 million in assistance to help pay for the rising cost of food to higher numbers of poor people and got the requested support.

At the national level, countries are undertaking distributions of food and cash targeted

to poor people affected by the food price crisis. Across the world, governments have revised their budgets upward to account for increased spending on new and existing social protection programs. The most common type of program, especially in South and East Asia and Latin America and the Caribbean, is the sale of food to the poor at subsidized prices. In Sub-Saharan Africa, protection measures include increasing the salaries of teachers and civil servants and urban food rationing. Across the world, a few governments have also introduced new employment programs, such as India's nationwide program, and school-feeding and cash-transfer programs.

Yet the most widespread responses to the current food crisis are general consumer price controls, lowered taxes on staple foods, and the sale of staples and fertilizer at subsidized prices. These general measures are not targeted at the most vulnerable and indirectly hurt them by diverting scarce public resources from pro-poor investments. Price controls also discourage producers from increasing their output of food by reducing their profits.

This range of responses signals the need for better preparation for slow-onset food emergencies like the current crisis. By carefully monitoring the well-being of vulnerable groups and adopting a series of triggers to activate assistance to these groups, international and national emergency agencies could establish an effective and orderly system of reaching the poorest people during food emergencies.

Beyond emergency relief, countries should invest in comprehensive social protection measures that will both help mitigate the risks of high food prices to poor people and help prevent longer-term negative consequences. Such measures would include cash transfer programs, pension systems, employment programs, microfinance programs, and

preventive health and nutrition programs. Countries that do not already have comprehensive social protection programs will find it difficult to create them in the short term and thus should focus on launching targeted cash transfers to the poorest.

Responses by People in the Streets

It has long been recognized that social and political conflict increases food insecurity, but food insecurity can also be a source of conflict. The strong link between food and political security has been often underestimated in the current food crisis. The trivial energy security gains due to the biofuel production that has been one of the causes of rising food prices have been largely overwhelmed by broader losses in social and political security triggered by the food-price surge. From January 2007 to June 2008, food protests—strikes, demonstrations, and riots over food- or agriculture-related issues—have occurred in more than 50 countries, with some countries experiencing multiple occurrences and a high degree of violence. Food protests have not affected only poor countries, but states with varying levels of income and government effectiveness. Yet food protests in high-income countries have tended to be nonviolent, whereas protests in low-income countries have often involved the use of physical force or resulted in casualties. Within countries, as food prices increase, the middle class typically has the ability to organize, protest, and lobby, but the poor usually suffer silently for a while.

Trade Policies

When agricultural prices were low, many countries focused their trade policies on boosting agricultural exports and discouraging imports. Policymakers sought to prevent cheap agricultural imports from undercutting their own farmers' output. Now, with food prices soaring and supplies tight, policymakers in many countries have turned that strategy on its head.

In an effort to maintain domestic supply, many countries worldwide have banned exports of certain staple foods. Other countries have raised export duties or adopted regulatory restrictions on exports.

National governments naturally wish to care for their own citizens first, but restrictions on exports are narrowing the food supplies available on the world market while import policies are putting further pressure on these dwindling supplies. These policies thus drive prices up even higher and are counterproductive even for the countries that adopt them, yet removal of export restrictions by countries acting individually is highly unlikely, given countries' focus on their own citizens. What is needed, then, is an ad hoc forum of global players, such as the Group of Eight + Five and perhaps the other five main grain exporting countries, that can negotiate for widespread removal of export bans and restrictions. Why should countries want to participate? Removing export bans would make food prices more stable and could have reduced price levels by as much as 30 percent in 2007–08—outcomes that are in every country's favor. Widening trade opportunities for agricultural goods will also increase the incentives for farmers worldwide to raise their output.

In the longer term, trade has the potential to be a valuable tool for coping with regional and national supply and price fluctuations,



but its effectiveness has been reduced by the failure to implement fair and rule-based trade for agriculture through the Doha Round of negotiations. Ultimately, however, completion of the Doha Round is key to creating a rule-based system of trade. High prices may make it easier for the developed countries to reduce their domestic support and export subsidies to farmers. So far, the European Union has eliminated its applied tariffs on cereals, but not its bound tariffs, whereas the United States has made no moves to restrain support to U.S. farmers. The food crisis has made the environment for achieving trade agreements more difficult—confidence in the world trading system has been lost, and as a result some developing countries may increase their focus on food self-sufficiency. First-best means to foster a supply response would include free trade and responsive international finance and banking that would channel capital to agriculture. However, a new trend by cash-rich countries to acquire land from poor, land-rich countries in order to secure food supplies indicates that confidence has been lost in trade and that international financial markets have failed to facilitate domestic investment

expansion. First-order policy distortions—export bans and restrictions—are now leading to second-order distortions, i.e. an attempt—by those countries that can pay for it—to secure supply lines by investing in foreign farm land.

Food Production and Sustainable Agricultural Growth

It has been said that the best cure for high prices is high prices. For some farmers, higher prices alone are helping to stimulate more food production. The U.S. Department of Agriculture has projected that global wheat production in 2008–09 will rise 8.2 percent over the previous year, with U.S. production projected to rise by 15.7 percent. Projections are not rosy for all crops, however. The USDA projected that global maize production would fall by 7.3 percent in 2008–09.

In many countries, farmers need better access to seeds, fertilizers, and water if they are to substantially ramp up production. Farmers also need buyers, and procurement programs offering farmers guaranteed minimum prices that reflect long-term



international prices can help stimulate greater production.

A few countries have begun to take such steps. In an effort to raise agricultural production quickly, China has increased subsidies for seeds and other inputs. It has added to funds for flood and drought preparedness and for agricultural infrastructure. It has also raised the minimum purchase prices for wheat and rice and improved financial services available to farmers. India and Russia have raised the prices at which they procure grain for their reserves as well.

The international community is also jumping in with support to agriculture. The World Bank has announced a US\$1.2 billion fast-track facility for dealing with the food crisis that will include not only financing for emergency food assistance, but also funding for seeds and fertilizer, irrigation, and crop and livestock insurance for small-scale farmers. The bank will also increase its overall support for agriculture from US\$4 billion to US\$6 billion between 2008 and 2009. In addition, the European Commission has created a one billion euro emergency fund to help

developing countries cope with high food prices by raising agricultural production and strengthening safety nets.

Fast-track food production programs to improve farmers' access to inputs and credit should plan for a transition from initial "crash" programs to market-based arrangements, because the private sector can generally supply inputs and credit more effectively than the public sector. Involving the private sector from the start would help ease the transition.

The food price crisis is a stark reminder that in the long run much more investment is needed to create a viable and healthy global food system that can cope with shocks and shifts like climate change. Substantial public investments are needed in rural infrastructure, services, agricultural research, and science and technology. Such investments would not only add to the global food supply, thereby helping to control prices, but also improve livelihoods in rural areas.

China and India have taken the lead among developing countries in investing in agriculture. In 2007 India announced a new National Agricultural Development Plan,

through which it will spend US\$6.1 billion in the next four years. The country is also increasing spending on irrigation by about 80 percent in 2008–09. Under India's National Food Security Mission, it plans to raise production of rice to 10 million metric tons, wheat to 8 million tons, and pulses to 2 million tons by 2011–12. Likewise, China increased its budgetary spending on agriculture by 20 percent in 2008. In their 1999 Maputo Declaration, African governments committed themselves to spending 10 percent of their budgets on agriculture, but to date only four countries—Chad, Guinea, Madagascar, and Mali—have reached this target.

Ultimately, building the kind of food system that would support the achievement of Millennium Development Goal 1—halving hunger and poverty by 2015—will require much more investment in agriculture worldwide. IFPRI researchers estimate that the incremental public investment in agriculture in Sub-Saharan Africa needed to halve poverty and hunger is between US\$4 and US\$5 billion a year.

Biofuel Policies

IFPRI research shows that biofuel production accounted for about 30 percent of the price increase in average grain prices between 2000 and 2007. New biofuel policies must therefore be part of the solution to the food price crisis. Biofuel production based on cereals and oilseeds, especially in Europe and the United States, should be reduced, or at least frozen, to make more grains and oilseeds available as food and feed. According to IFPRI research, a moratorium on grain-based biofuels could lower maize prices by about 20 percent and, in turn, reduce wheat prices by about 10 percent.

So far, however, none of these options has been adopted. In its 2008 farm bill, the United States Congress maintained subsidies

for maize-based biofuels while increasing investment in second-generation biofuels that do not compete with food. In its climate change policy package, the European Union sets a target of meeting 10 percent of transportation fuel needs with biofuels by 2020. In time, ethical consideration for the consequences of biofuel policies on the poor need to come to the fore and become an element in the rationale for changing such policies.

Biofuel production that does not depend on food crops could help reduce pressure on the food supply. Sugar-cane based biofuels do not, in many instances, compete much with food for the poor. Investments in biofuels produced from cellulose, biomass, and other nonfood feedstocks are rising, but most experts believe that widespread commercial viability of these second-generation technologies is still a decade or more away.

Market Calming

The existence of adequate public grain stocks that could be released during food emergencies would help moderate price increases and reduce volatility by smoothing supply. Some countries, including Cambodia and Thailand, have released rice stocks during the current crisis, but such action has not materialized on a global scale. Global wheat stocks are at their lowest level since 1978, and the USDA has forecast that at the end of 2008–09 global maize stocks will be at their lowest level since 1996 and global soybean stocks will have declined by 22.2 percent from the previous year. Although tight markets make it difficult to boost global stocks immediately, some individual countries have started taking steps to build up their grain reserves. India, for instance, has decided to establish a strategic grain reserve consisting of 3 million metric tons of wheat and 2 million tons of rice, over

and above its buffer stocks, and that level seems to have been exceeded already in 2008.

Stronger food import financing and reliable food aid could also help calm markets. The International Monetary Fund could create a mechanism to finance imports by countries facing food emergencies. The Food Aid Convention should be renegotiated to bring about more reliable food aid, and food aid commitments should be increased.

Excessive build up of stocks and speculation has also fueled price increases, although the extent of this activity is unclear. Food processors, for example, normally speculate to hedge against the risk of price increases or decreases as a normal part of their business practices. Governments therefore should avoid overregulating speculation but should take steps to curb excessive speculation. IFPRI has proposed a global virtual food commodity reserve system in which the Group of Eight + Five countries, perhaps together with five or so additional main grain exporting countries, would commit to virtually earmarking some stocks for intervention in markets and to providing funds to intervene in futures

markets in the event of excessive speculation that pushes food prices well above the level indicated by market fundamentals.

CONCLUSION

Part of the difficulty in responding to the food crisis is the lack of credible and up-to-date data on the impacts of food prices on poor people and on the effects of policy responses. Such information would allow international and national decision makers to use feedback to adjust their responses and achieve maximum effectiveness. Much more investment and sound coordination is needed in this area.

So far, national and international responses to the food crisis are mixed in terms of their likely effectiveness. Important steps have been taken with regard to emergency humanitarian assistance and, in some countries, social protection, but more is needed. Some countries and institutions are launching substantial investments in agricultural production, but, again, meeting global demand for food will require even

Responses by the Private Sector

Speculative capital continues to flow into commodities markets. At the Chicago Board of Trade, the average daily volume of grain and oilseed futures traded increased by 19 percent between the first half of 2007 and the first half of 2008, while the volume of options increased by 34 percent in the same period. As commodity speculation has widened the gap between cash and futures prices of agricultural commodities, some governments have responded with increased regulation, while others have halted grain futures trading on some African and Asian commodity exchanges.

Private-sector players along the whole food-value chain have a key role to play in stabilizing food prices and in the recovery from the crisis by offering technological advances for improving agricultural productivity, providing infrastructure, and innovating in the spheres of agricultural insurance and small farm credit.



greater investments. And, in the areas of trade and biofuel policies, many of the actions taken are counterproductive and actually put more upward pressure on food prices. It is promising that the issue of global food security is now on the agenda of the Group of Eight countries, but disappointing that at their July 2008 meeting they did not do more to promote social protection, revise biofuel policies, make specific commitments for funds to overcome the food crisis, or delineate the actors and mechanisms that would play roles in strengthening the global governance architecture for food and agriculture. It is crucial that the funds already committed by the G8 countries be released in a timely manner.

What will it take to get food crisis responses on the right track? First of all, leadership is needed to coordinate implementation of appropriate responses. This effort could be led by the UN, as a follow up to the Group of Eight + Five countries' activities, and by major groups of developing-country players.

At the moment, high and unstable food prices look like they are here to stay for some time—perhaps years. But because no one

actually knows what the future holds, it is important that responses to this crisis help build the kind of food and agriculture system that can cope with a variety of possible outcomes, ranging from even higher food and energy prices to a possible short-term glut of low-priced food emerging from the current high-price environment and a world in which demand collapses due to recession. Millions of poor people would benefit from a system that would allow policymakers and others to respond calmly and rationally to eventualities like these instead of lurching from crisis to crisis. Building such a system will require collective action on an international scale. Given the strong links that tie so many countries to each other and to the world market, each country's actions inevitably have implications for others, so areas of common interest must be identified and trade-offs made. Moreover, these changes need to be made now, for the benefit of all people today and in the future.

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High Global Food Prices

The Challenges and Opportunities

Josette Sheeran

- ▼ *High food prices are not only causing a humanitarian crisis, but also putting at risk the development potential of millions of people. Global agriculture markets are undergoing structural changes, and the next three to four years will pose great challenges for achieving an affordable and accessible food supply for the world's most vulnerable. Soaring food and fuel prices are creating a "perfect storm" for the world's most vulnerable. The consequence is that the bottom billion could become the bottom 2 billion overnight, as those living on US\$1 a day see their purchasing power cut in half.*

Many people have asked, what has turned this challenge into a crisis? At the World Food Programme (WFP) we have seen perhaps the most aggressive pattern of global price increases ever for food commodities, starting in June 2007. From 2002 to 2007, the cost of procuring basic foods for our program increased by 50 percent, and then by another 50 percent from June 2007 to February 2008.

I believe the world may be entering the third phase of this crisis for the world's most vulnerable nations. During phase one, which started about four years ago, prices began a steady climb and national food and cash reserves were drawn down to all-time lows. Phase two began in June 2007, when aggressive price increases exhausted all coping strategies. Under phase three, many nations and populations have become dependent on external assistance to avoid widespread human suffering and ensure affordable access to adequate food.

During this phase, WFP assessments show that the most vulnerable populations

are running out of coping strategies. People living on less than US\$2 a day have cut out health and education and sold or eaten their livestock. Those living on less than US\$1 a day have cut out protein and vegetables from their diet. Those living on less than US\$0.50 a day have cut out whole meals, and sometimes go days without meals. Phase three is characterized by a nutritional crisis, which requires critical action for groups such as children under two years old, who will suffer the effects of deprivation for life. Nations that are import-dependent are facing even greater challenges in accessing affordable food for their populations. The challenge is still more dramatic when soaring food and fuel prices combine with additional shocks such as drought, as is now occurring in the Horn of Africa; severe weather, as in Bangladesh or Myanmar; or floods, which have devastated many parts of Africa.

The world's attention has been awakened by the global food crisis. The demand for action has come across loud and clear. We



need to act quickly and comprehensively to meet this collective challenge. Comprehensive responses by national governments, with the support of the international community, are required and should include immediate emergency measures as well as medium- and long-term interventions and investments.

The United Nations secretary-general's food crisis task force, pulling together UN agencies, the World Bank and International Monetary Fund, and others, is launching a comprehensive framework of action to ensure investment in agricultural development, as well as efforts to meet the immediate humanitarian needs on the frontline of hunger through safety nets, targeted cash and voucher programs, and supplementary food distribution. WFP is working alongside its sister UN agencies—the Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD), the

United Nations Children's Fund (UNICEF), and others—and partners like the World Bank, non-governmental organizations (NGOs), regional financial institutions, and others to ensure that the most urgent needs are met.

MEETING HUMANITARIAN NEEDS

As the world's largest humanitarian agency, WFP will provide food assistance in 2008 to approximately 90 million vulnerable people in some 80 countries throughout the developing world. WFP is also the logistics coordinator for the UN system, running a global network of planes, ships, trucks, and, when needed, camels, donkeys, and elephants to link with a vast network of warehouses.

WFP is at the forefront of action, and its toolbox is well embedded into the world's core strategic, policy, and operational responses. For this year, WFP requires an estimated total

US\$6 billion to reach hungry people, against which a total contribution of US\$2.8 billion has so far been confirmed.

In the immediate term, emergency assistance needs to be launched or safety-net programs need to be expanded to meet the urgent needs of those who are unable to produce or purchase sufficient food. In terms of emergency response, WFP has heard the call of many nations seeking assistance, and we are rolling out an additional US\$1.2 billion of food assistance to meet urgent needs in 62 of the most vulnerable countries.

In Afghanistan, for instance, we have scaled up food assistance to an additional 2.5 million people—almost half of whom are urban dwellers—who faced increased food insecurity because of higher food prices, on top of widespread conflict and severe destitution. WFP is infusing another US\$73.4 million to meet new urgent needs.

As high prices and drought sweep through the Horn of Africa, we are, for example, in Ethiopia responding to the urgent needs of 4.5 million people—many of whom are pastoralists and agro-pastoralists and who risk losing their livelihoods altogether due to the drought in the Horn of Africa, high food prices, and exhausted coping mechanisms—with US\$193 million.

In Haiti, WFP is tripling the number of

people we reach with food, from 800,000 to 2.3 million, with an urgent infusion of US\$23 million in addition to our current US\$48 million program. WFP's assistance in Haiti consists of targeted food distribution and hot meals in schools, provision of nutrition for mothers and young children, and take-home rations for poor urban families at the start of the school year when the costs of school fees and uniforms make ends hard to meet.

FOSTERING DEVELOPMENT

WFP is also deploying a wide and nuanced range of tools in time for the global food crisis. For example, the WFP brings in commodities when necessary, such as in Darfur, where we provide critically needed food to more than 3 million people every day. It also relies on local purchases in cases where there is no food on the shelves but there is food on the farms and no infrastructure to get it out. The WFP also uses targeted food vouchers, as we did in Pakistan, or cash, as we did in Indonesia in the 1990s and more recently in Myanmar.

We also use our food-for-assets programs to help train local populations. Over the past four decades, together with experts from the FAO, we have planted more than 5 billion trees in the developing world, helping stabilize soil. We have also de-mined and built tens of

Vouchers for the Vulnerable in Pakistan

WFP's food voucher program in Pakistan has been active since 1994 and reaches about 47,500 beneficiaries every year. Beneficiaries, mostly women, receive an average of US\$23 per year as part of asset-creation activities. Among other accomplishments, since 2001 about 15 million trees were planted under the program and 15,300 latrines and 17,300 water tanks were built. In 2008, 68 small retailers and 19 bank branches were involved, while vouchers worth about US\$1.2 million are injected into local markets every year.



thousands of kilometres of vital feeder roads, including reopening more than 10,000 kilometers of roads in the Democratic Republic of Congo (DRC), Angola, and southern Sudan in the past few years. In 2007 the government of southern Sudan became one of WFP's top 10 donors, as we partnered with them to reopen roads for farmers and build schools and hospitals through food-for-work programs, which allowed us to reduce dependency and cut general food distribution in half.

School feeding is another critically important program response. WFP works with governments and communities to provide

food to some 20 million children through school feeding each year. A humble cup of food or date bar or biscuits can revolutionize a child's life. We must help make schools the center of life and improve attendance, especially for girls.

Helping countries out of the crisis also means helping them to climb the development ladder, which will build resilience. Many activities employed during an emergency will have positive effects on development, in particular those focusing on nutrition and those that prevent negative coping strategies. In addition, steps must be taken to foster

Supporting Small Farmers

WFP has been procuring food locally for decades and spent more than US\$1.2 billion in food purchases in Africa alone from 2001 to 2007. In 2007, 80 percent of WFP's overall food purchases were made in developing countries, representing more than US\$612 million or 1.6 million metric tons. Fifty-six percent of the total quantity purchased was procured in least-developed and low-income countries, while 24 percent was procured in middle-income developing countries.



the productivity of small farmers and better connect them to markets; invest in effective safety-net systems; and enhance disaster preparedness and risk-management capacities.

Spurring Productivity and Market Connectedness of Small Farmers

WFP has been revolutionizing food aid to transform it into an investment in developing countries that is sensitive to local markets and helps bring lasting solutions to hunger.

Today, WFP is one of the largest purchasers of food in the developing world. Eighty percent of our cash for food is spent in 70 developing countries. For example, during the recent floods in Mozambique, there was plenty of food on local markets, but the food could not reach the victims and they could not afford to buy it. WFP thus purchased 80 percent of the food for the victims from Mozambican farmers, creating a win-win solution. Similarly, in Senegal most of the salt we use for our program there is procured from village salt producers. WFP helps these

producers iodize the salt and thereby address goitre—what President Wade called one of the biggest health challenges in Senegal.

Win-win solutions like these use food assistance to break hunger at its roots. They are part of what I call WFP's 80-80-80 solution: 80 percent of our cash used for food purchases is invested in developing countries; 80 percent of WFP's land transport and warehousing is procured in developing countries; and 80 percent of our staff in the field is hired locally in developing countries. This adds up to an investment of more than US\$2 billion in developing-world economies that helps nations and villages help themselves and makes farmers part of the solution.

With support from the Bill and Melinda Gates Foundation and the Howard G. Buffett Foundation, WFP is launching the Purchasing for Progress (P4P) initiative to ensure that our procurement helps break the cycle of hunger. Under P4P, WFP uses its purchasing footprint to give smallholder farmers the support they need to overcome obstacles to increased production, distribution, and access to markets. WFP food procurement practices are thus

becoming more supportive to low-income farmers, while WFP's presence is leveraged to catalyze innovations in African agricultural markets that lower risks and costs and increase ability to work in those markets. Such investments will improve low-income farmers' abilities and incentives to invest in yield-enhancing technologies, to produce and sell surpluses, and to raise their incomes.

Investing in Safety-Net Systems

In general, safety-net systems include transfers, access to food through basic services such as school feeding, and insurance options. Ideally, such systems would be domestically financed by governments to meet the needs of their citizens, as they are in Europe, North America, and parts of Asia and Latin America. Only a few developing countries, however, can currently afford such systems. For most developing countries, international assistance fills the gaps temporarily while helping to create the conditions under which programs can be handed over to governments and national safety nets can be established.

Countries have different capacities to introduce and scale up safety-net systems, and recommended actions should be tailored

to meet context-specific challenges and needs. For example, a number of very low-capacity, often postwar, countries do not have formal safety-net systems in place (such as Afghanistan, Somalia, and Sudan). In those cases, donors often provide safety nets, mostly in the form of emergency relief.

In other contexts, elements of safety-net systems may be present, although they are often uncoordinated, of short duration, and limited in scale (such as in Bangladesh, Ethiopia, and Malawi).

In yet other circumstances, countries have fully institutionalized national safety-net systems, almost entirely domestically funded by governments (such as Brazil, Mexico, and South Africa).

Therefore, the expansion of safety-net systems in low-capacity contexts would be based mostly on humanitarian assistance, while at the same time investments should be made to build capacities for safety nets in the medium and long term. In higher-capacity countries, the expansion of existing safety nets may be possible, while improvements should be made to make safety-net systems more flexible, effective, and efficient.

When appropriately designed, safety nets

Expanding Safety Nets during Crisis

As a response to high food prices, WFP is scaling up school-feeding safety nets, including an extension through summer months, to help ease the impacts of food costs on poor families and ensure that children receive basic nutrition. In Mozambique, WFP targeted an additional US\$7 million to expand social safety nets for highly vulnerable populations through school feeding, supplementary feeding, and general feeding for AIDS patients. In Ethiopia, WFP supports the national Productive Safety Net Programme, which reaches 8.3 million people, and is now working with the World Bank on designing and implementing safety nets specifically targeting urban areas.

provide timely support to prevent the adoption of negative coping mechanisms. At the same time, safety nets can foster economic growth by investing in human capital, improving risk management, addressing some market failures, and reducing inequality.

Disaster Preparedness and Mitigation

In many countries, the end of one disaster often becomes the precursor of the next, either because the first shock has undermined the resilience capacities of countries and communities or because there is an underlying low level of disaster preparedness. There may be other destabilizing pressures—such as high food prices—that can affect resilience at its core, often compounded with other factors such as the impact of climate change.

Humanitarian needs caused by disasters are increasing, and so are the human, social, and economic costs associated with these events. In the 1980s, around 170 million people were affected by climate-related disasters. Between 2000 and 2004, this number was 262 million, of whom 98 percent are in developing countries. Climate-related disasters are likely to be an increasing

problem, and WFP has thus made disaster preparedness and management a key objective of its strategic plan for 2008–11.

WFP is already working with communities in many parts of the world to ensure that fragile food security ecosystems are kept intact and sustainable. WFP has worked with communities to build tens of thousands of canals and dykes, restore river beds, and take other practical steps to protect food systems. It is also working with governments to establish early warning systems for droughts and floods. Last fall, warnings helped thousands escape the worst effects of Cyclone Sidr in Bangladesh.

THE WAY FORWARD: CRISIS AS AN OPPORTUNITY

High food prices are hitting the world's most vulnerable people hard, and we need to protect them with safety-net systems, now and tomorrow. We need to expand such systems where they exist and introduce them where they do not. Insurance and other risk-management products will also help by reducing people's uncertainty and provide a better basis for planning for the future.

Insuring against Disasters

In 2006, WFP piloted the world's first insurance contract with AXA Re for humanitarian relief in Ethiopia. Under the pilot, funds would have been triggered to support people in need based on trends of a weather-based index. In 2007, such an index was refined in partnership with the World Bank, the U.S. Agency for International Development (USAID), and the U.K. Department for International Development (DFID). In 2007, the government of China requested the assistance of WFP and IFAD in designing and piloting drought and flood risk management instruments for the vulnerable in rural China.



At the same time, high food prices and increasing demand present a huge, historic opportunity to reverse the neglect of agriculture and increase the incomes of small farmers in the developing world. By 2050, with the growth in demand, the world needs to produce twice as much food. This need simply cannot be met without huge investment in the world's poorest farmers by governments, the private sector, and the international community.

Agricultural research should be increased, while agricultural productivity should be fostered by investing all across the value chain, in seeds and fertilizers, water, infrastructure, human and physical capital, and all the other inputs required for competitiveness in a globalizing world. WFP supports the call by the World Bank, FAO, and IFAD to invest in fertilizer and seeds, and FAO Director-General Jacques Diouf has estimated that US\$1.7 billion is needed urgently.

WFP also faces a new challenge, however—the increasing export restrictions and bans in many countries. These restrictions

make it difficult for WFP to acquire and move much-needed humanitarian food around the world. WFP is urgently calling on all nations to exempt humanitarian food purchases and shipments from these restrictions, and we call on donors to ensure that earmarks and restrictions do not limit our ability to reach those in urgent need.

I will conclude on a note of optimism: we can defeat hunger. The world today is producing more food and nurturing more people than ever before. In fewer than 40 years, the world has cut the proportion of hunger in the developing world in half, from 37 percent in 1969 to 17 percent in 2003. We can achieve global—and local—food security. The world knows how to do this. High food prices now threaten to short-circuit this potential and undo many of these hard-earned gains. But crises can create opportunities. Only by pulling together, in the spirit of global interdependence, can we respond strategically to this challenge. So let us act together now.

Josette Sheeran is the executive director of the World Food Programme.



Policy Implications of High Food Prices for Africa

Namanga Ngongi

- ▼ *The first half of 2008 witnessed a dramatic rise in commodity prices that brought back sad memories of the 1974/75 food crisis. Food price increases averaging 52 percent between 2007 and 2008 have posed a heavy burden on consumers in net food-importing countries, especially in Sub-Saharan Africa. The pressure of increasing food prices was a major factor in riots that erupted in many countries (Burkina Faso, Cameroon, Côte d'Ivoire, Egypt, and Senegal).*

Fearing social upheavals, some major food-exporting countries have imposed export restrictions ranging from export taxes to export bans. The small shares of global supply that are traded for the major food crops—7 percent for rice—means that small reductions in export volumes lead to disproportionate price increases.

Although the price crisis appeared to arise suddenly, it has been building in Africa for at least three decades. Since 1980, Africa has neglected agriculture, as evidenced by low crop yields (Figure 1). Structural adjustment programs led to the dismantling of many institutions and programs inherited or established after independence. Without a doubt, many of the parastatal corporations were bloated, inefficient, and corrupt; food security reserves were used for political patronage; extension services failed to deliver services; and cooperatives were politicized. But instead of improving the functioning of such essential institutions, donors and, in turn, African countries pursued market solutions that decimated these institutions.

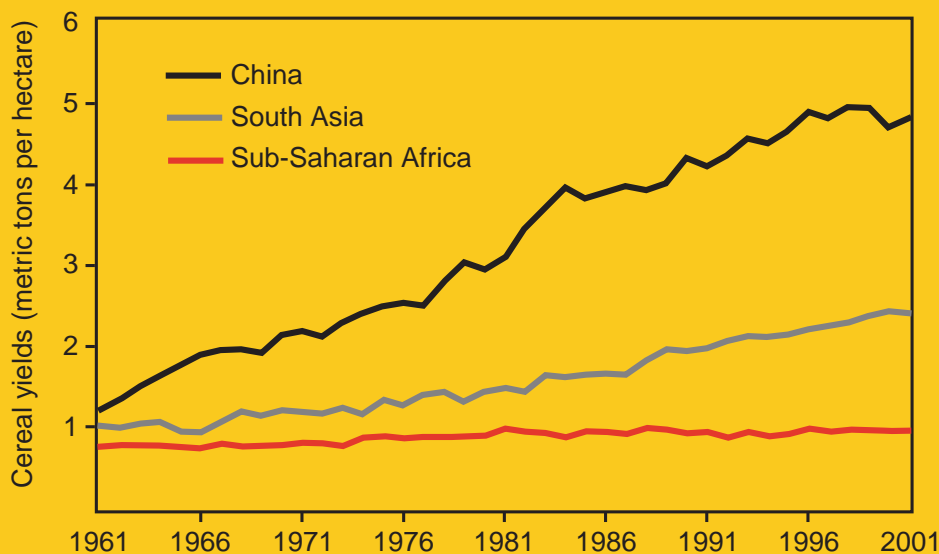
The international community contributed to Sub-Saharan Africa's neglect of agriculture

even before the widespread adoption of structural adjustment programs. The United Nations and multilateral and bilateral agencies gave confusing advice. Development theories first favored industrialization; then agro-industries, integrated rural development, and export-crop-led agriculture, and finally smallholders' staple food crops. Overseas development assistance (ODA) for agriculture fell from 18 percent in 1980 to 4 percent in 2007. The continued policy shifts and the decline in financial flows to agriculture over three decades laid the foundation for the 2008 food crisis.

POLICY REQUIREMENTS

African countries have realized the need to accord higher priority to agriculture. At the second African Union Summit held in Maputo in 2003, African heads of state and government set a target of 6.2 percent annual growth in the agricultural sector and decided to allocate 10 percent of their national budgets to agriculture. They also established a framework—the Comprehensive Africa Agriculture Development Programme

Figure 1 Cereal yields in China, South Asia, and Sub-Saharan Africa, 1961-2001



Source: FAOSTAT 2001.

(CAADP)—that will guide investment in the agricultural sector. The CAADP provides a framework for consultations between African countries and the donor community with the objective of reaching agreement on national compacts for joint action. Progress has not been as fast as hoped for, but six countries have reached or surpassed the 10-percent target set for budgetary allocation to agriculture. Aggregate growth in the agricultural sector (not the staple food crop sub-sector) also increased to more than 5.5 percent in 2006.

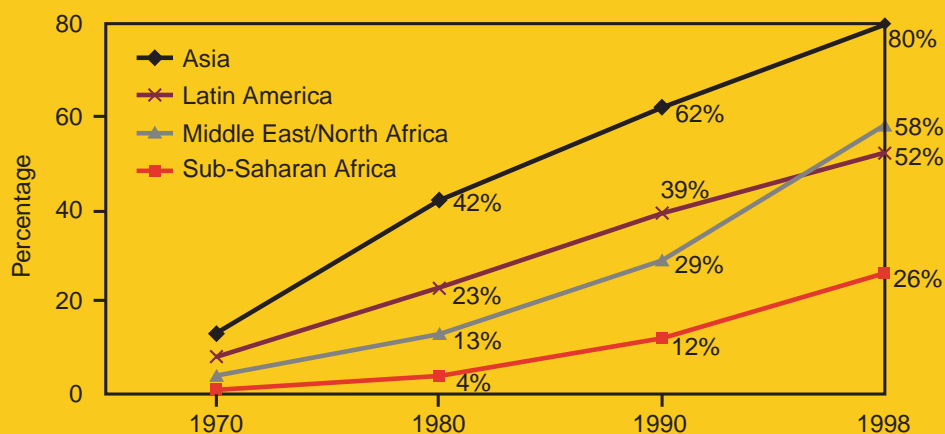
Much more must be done to develop focused policies that will lead to sustainable staple food production driven by advances in productivity rather than by expansion of cultivated area. Recognizing that the vast majority of African farmers are smallholders and mostly women, African countries must develop specific pro-poor smallholder policies.

Many African countries have planning units in their Ministries of Agriculture to help develop policies for attaining CAADP objectives, but these are usually understaffed and have insufficient analytical capacity. Data quality is generally poor.

Formulating appropriate policies will require giving attention to many key areas. Discussed here are improved seeds, fertilizers, financial services, subsidies, markets, and infrastructure.

SEEDS

Agriculture starts with seeds (used here in the broadest sense to include vegetative plant parts used to produce crops), which are the basic building blocks for the next harvest. Farmers all over the world must start with the best possible seeds suited to their local environments and food preferences. Nowhere

Figure 2 Rates of variety adoption by region, 1970-98

Source: Ninth Meeting of the Science Council of the Consultative Group on International Agricultural Research (CGIAR), World Agroforestry Centre, Nairobi, March 27–April 1, 2008.

in the world is the diversity in micro-ecologies and food crops greater than in Africa. Many of the crop varieties that have been selected are no longer able to produce adequate yields to feed a rapidly growing population. Because they have been selected for low-input agriculture, the seeds saved by African smallholder farmers do not have the potential to respond to improvements in soil fertility. Early efforts to improve African agriculture depended heavily on field testing crop varieties from other continents. This effort had only limited success and resulted in low adoption of new crop varieties (Figure 2). A major plant-breeding effort focused on Africa's staple food crop is urgently needed.

African countries have lagged behind in plant breeding because of the acute shortage of trained scientists and support institutions. The Alliance for a Green Revolution in Africa (AGRA) is now undertaking an effort to redress this situation by training some 250

plant breeders—80 with Ph.D. and 170 with M.Sc. degrees—in African universities. Trained plant breeders need institutional support and facilities, and public-private partnerships are needed to establish and endow institutions to support plant-breeding work in Africa.

Plant-breeding efforts will have no impact if the new varieties are not multiplied in sufficient quantity to be available for use by farmers. Hybrid seeds must be produced by specialized entities, public or private, in sufficient isolation to avoid contamination and must be purchased every year by farmers. Hybrid seeds saved from a previous crop quickly lose vigor. Seeds from crops such as rice, millet, sorghum, and roots and tubers can be saved from previous harvests and planted for up to five years without serious loss of vigor. The main problem with using saved seeds from these crops is the accumulation and transfer of diseases and pests from one generation to the next.



Seed multiplication in Africa has until recently been mostly in the public domain but public seed production agencies have not fared well. Multinational and national private seed companies have taken large shares of the seed market. Indigenous seed companies have taken hold and are expanding in East and Southern Africa but not yet in Western Africa. AGRA is working with several partners to set up financial institutions that provide funding to existing and start-up small local seed companies.

The issue of loss of biodiversity resulting from the widespread use of improved varieties is often raised, and it is a legitimate question. African farmers are not only interested in having a multiplicity of plant species on their farms, however; they are also looking for ways to improve their livelihoods. Using improved varieties can help them attain this goal. Major national gene banks need to ensure the maintenance and documentation of local genetic material, which constitutes the reservoir for ongoing and future breeding work as well as for monitoring genetic erosion.

Another issue regarding improved varieties concerns biotechnology and genetically modified organisms (GMOs). Biotechnology is used not only for GMOs, but also for rapid propagation, multiplication, and production of planting material, especially with vegetatively propagated species. The production of improved varieties by conventional breeding will largely bridge the productivity gap for African farmers. With good agronomic practices and wise use of fertilizers and irrigation, the large-scale adoption of improved varieties should double or triple current yields. This possibility will postpone the decisions on the use of GMOs, thus giving African governments additional time in which to train personnel and set up national and subregional institutions to handle questions related to the use of GMOs. With the increasing evidence of climate change, African governments should address this matter with some urgency.

Major constraints to the development of the seed industry include the tendency for government institutions to monopolize production of foundation seed and



the lengthy process of varietal testing and release. These delays were justified when seeds were imported from outside the region and could be sources of new diseases. Now that improved varieties are being produced in Africa from African germplasm, and in many cases using national germplasm, these slowdowns may be unnecessary.

FERTILIZERS

African farmers use only 23 kilograms of fertilizers per hectare, and Sub-Saharan African farmers just 9 kilograms per hectare—the lowest rate in the world. African soils, the oldest in the world, have been leached and eroded for millennia. Population density has reduced the scope for shifting cultivation and fallow systems. Continuous cultivation in the absence of nutrient replenishment from organic or inorganic fertilizers has resulted in serious soil nutrient depletion that must be reversed. Agronomic practices that combine legumes and non-legumes, either as inter-

crops or in rotation, should be exploited to the fullest to reduce the use of inorganic sources of nitrogen. Nonetheless, inorganic fertilizers will be needed.

African countries need to improve their fertilizer procurement practices, and the African Development Bank, AGRA, and other donor agencies are exploring ways to do so. Almost all of the fertilizer used in Sub-Saharan Africa is currently imported. Bulk purchases and negotiation can reduce the cost of fertilizer delivered to ports or entry points. Experienced fertilizer traders should be involved in negotiations with the major fertilizer manufacturers to reduce unit costs. Bulk purchases also lead to the use of larger ships that reduce shipping costs. Total cost reduction through bulk purchasing and negotiation has been estimated to be at least 15–20 percent for volumes imported by Kenya and Tanzania. Greater savings are likely through bulk fertilizer imports for groups of neighboring countries that are dependent on major transport corridors, like Kenya, Uganda,

Rwanda, and Eastern DRC, or Mozambique, Zimbabwe, Malawi, and Zambia. Governments and the private sector should work together to ensure that the financial resources to pay for imported fertilizer are available and that foreign exchange is allocated in a timely manner.

Africa must also produce more of the fertilizer it uses. Africa has large deposits of natural gas that can be harnessed to produce nitrogen fertilizer, but these deposits have hardly been exploited. In Nigeria, the company Notore is undertaking a new effort to produce an initial 600,000 metric tons of nitrogen fertilizer using the country's abundant natural gas. This fertilizer would meet the current nitrogen needs of Nigeria and much of West Africa. Production of nitrogen fertilizer in other parts of Africa should also be explored. In addition, Africa has considerable deposits of phosphate rock and lime that could be developed. Potash deposits are less abundant, with the deposit in Mozambique being the best known.

Finally, fertilizer-use efficiency must be improved. The low levels of fertilizer applied per hectare and the high unit cost make it imperative that farmers use the most appropriate fertilizers for their soils and crops and apply them when critically needed to maximize effect. Countries need support to establish soil-testing laboratories and must undertake large-scale soil testing on which to base fertilizer recommendations. Simple, easy-to-use soil-testing kits are also needed to facilitate soil testing by extension agents and farmers. Fertilizer quality plays a major role in the response of crops, and national capacities for quality control of fertilizers should be built or strengthened.

FINANCIAL SERVICES

Rural Africa is short of the financial institutions that are critical to business development, including agricultural development. Farmers, and particularly smallholder farmers, are forced to borrow at high interest rates from moneylenders. At the same time, private banks are awash with money that they cannot lend. Banks are reluctant to lend to agriculture because of the risks associated with the sector: drought, pests, and market failures. The small amounts needed by smallholder farmers also increase the cost of loan administration.

At independence, African countries set up a variety of financial institutions, most of which have collapsed owing to corruption and underestimation of administration costs. The lack of financial literacy and the popular belief that loans from government institutions do not need to be repaid have not helped. To reduce risks, several nongovernmental organizations (NGOs) and bilateral aid agencies have experimented with various types of credit guarantee schemes. These schemes are normally small in scale, of limited duration, and separate from national or area-based agricultural development programs.

AGRA has started a new effort aimed at scaling up credit guarantee schemes. For example, in collaboration with the government of Kenya, AGRA and the International Fund for Agricultural Development (IFAD) are partnering to provide US\$2.5 million each to Equity Bank to constitute a credit guarantee fund of US\$5 million. Equity Bank will then provide US\$50 million in loans to agro-dealers and farmers in 70 districts in conjunction with the government's program for accelerated input supply. Other commercial banks in the country are interested in participating. Should



credit guarantee schemes take hold in African countries, more than US\$2 billion could be available to Africa's hard-pressed farmers.

SUBSIDIES

Subsidies for agriculture are and will remain controversial. Agriculture in developed countries and other developing regions is heavily subsidized. The Common Agricultural Policy of the European Union has produced perhaps the highest subsidy levels in the world. The average U.S. farmer is not doing too badly either. Yet these subsidy-using countries and the multilateral financial institutions protest against subsidies in Africa. In Africa, they say, market forces must be used to boost production of crops in which Africa has a comparative advantage. Yet the developed countries use subsidies to give their farmers

a comparative advantage in crops they would otherwise not produce. Considering the insignificant share of Africa in the global trade of staple food crops, it appears that developed countries are not protecting global or African markets from distortion, but rather protecting the market share of their subsidized exports.

Some African countries have now reversed policy and are supporting small-holder farmers; this includes providing input subsidies for seeds and fertilizers. One outstanding example is Malawi, which provides a subsidy of up to 70 percent for fertilizers. Kenya recently announced a fertilizer subsidy of approximately 30 percent. Subsidies alone may not be sufficient, but without some form of support, credit, or smart subsidies, the targets set by African leaders for progress in the agriculture sector, especially in the staple food subsector, will remain a mirage.

MARKETS

Seeds and fertilizer, whether imported or produced at home, are of no use if they are not physically and economically accessible to farmers. African small-scale farmers have difficulty getting access to seeds, fertilizers, and other agricultural inputs because they are not available near their communities, they come in large packages, and they are expensive. Physical proximity can be improved by increasing the density of agro-dealer networks. Agro-dealers should also be trained in business management and safe handling of chemicals and provided with financing at affordable terms to enable them to stock inputs in sufficient quantities. Extension services should engage in training and demonstration activities that will lead farmers to use increased volumes of agricultural inputs and thereby make agro-dealerships sustainable.

Interventions to increase staple food production should be matched by programs for improving small farmers' access to markets where they can sell surplus production. Food should freely flow from surplus areas to deficit areas at national and regional levels. The governments of the Common Market for Eastern and Southern Africa (COMESA) signed the "Maize without Borders" declaration in 2005 to enable such flows, but recent food security concerns have provoked export restrictions.

Lack of market infrastructure, high transport costs, high storage losses, and lack of market information in Africa combine to destroy enormous value in the continent's food markets. By investing to reduce these costs, African countries have an opportunity to fundamentally alter incentives to farmers, traders, and processors in ways that promote value addition and consumers' access to food at stable prices.

INFRASTRUCTURE

Africa's very poor rural infrastructure constitutes perhaps the single most limiting factor to the continent's agricultural development. The density of paved roads per 1 million inhabitants varies from 59 kilometers in the Democratic Republic of Congo to 114 kilometers in Tanzania, 230 kilometers in Nigeria and 1,402 kilometers in Zimbabwe. India, in contrast, has 1,000 kilometers of paved roads per 1 million inhabitants. The poor state of rural roads in Africa increases transaction costs for inputs and outputs and limits the extent to which trade can ensure the distribution of food within countries and between countries in a subregion. It is often cheaper to import food from Asia or North America than to move surpluses from the interior of an African country to the cities. In addition, only 5 to 7 percent of Africa's arable land is covered by irrigation schemes. Market infrastructure and rural electrification are in a poor state. Basic processing of Africa's staple foods would improve value, increase shelf life, and reduce postharvest losses, but the necessary storage, handling, and processing infrastructure is limited.

CONCLUSION

African agriculture is at a crossroads. The current high food prices and the instability they have provoked in several countries have added impetus for African countries to review their agricultural policies and programs. New agricultural policies will have to be more focused on staple food crops and on their main producers—smallholders, most of whom are women. The new policies must remove constraints that impede access by smallholder farmers to the knowledge, technology, and



financial services they need to increase farm productivity in a profitable and environmentally sustainable manner. Institutional mechanisms that lower the risks of lending to the agriculture sector and to smallholders in particular should be established and programs developed to leverage financial resources from the commercial banking sector.

Governments and the private sector have an opportunity to work together to support the procurement, blending, and packaging of fertilizers. Together they can also support the breeding and multiplication of improved seeds. Government policies should support agro-dealers to ensure that improved seeds and other inputs are available to farmers.

The many issues that African countries must address will be beyond the capacity of

most countries, even after financial resources in private banks are leveraged. External assistance will be very much needed, especially to develop essential road infrastructure, irrigation, and rural energy. Other issues, including land policy, will also need attention.

The road ahead for African agricultural development, especially the attainment of food security, will not be easy. African governments will need to formulate and implement bold pro-poor, pro-smallholder farmer policies that will increase farm productivity, trigger a sustainable green revolution, and end the cycle of food crises in Africa.

Namanga Ngongi is president of the Alliance for a Green Revolution in Africa (AGRA).

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