The Global Food Crisis and Beyond

Jacques DIOUF*

As the financial crisis edged the food crisis off the front pages this autumn, the focus of world attention shifted from the plight of the poor and hungry to the hardship of bankers and brokers and the need to avert a global financial meltdown.

But the historical magnitude of that financial hurricane should not be allowed to obscure the fact that, with the food crisis of 2007-2008, a storm of comparable proportions continues to strike at the lives of the world's poorest people. The food security crisis remains profound and requires an immediate, comprehensive, coherent and coordinated global response.

In 2007, soaring food prices dumped another 75 million people below the breadline and millions more joined them in 2008. This means that there could be now about one billion people in the world suffering from chronic hunger – one in every six human beings.

It also means that we are moving away from the first of the international community's Millennium Development Goals, which was to halve, by 2015, the proportion of people suffering from hunger. Unless immediate and resolute action is taken, that commitment seems destined to remain another empty promise, just like the now almost forgotten 1974 World Food Conference undertaking that within a decade no child would go to bed hungry.

Obviously, this does little for the credibility of politicians generous with rhetoric but stingier with money, policies and measures to match. But this is no time for finger-pointing or recrimination. It is instead time to take the steps required to honour the promises of the past to meet the challenges of the future and to seize the opportunities that the present situation may offer.

(*) *Director-General of Food and Agriculture Organization of the United Nations (FAO).*

In the spring of 2008, with improved production prospects, the prices of many agricultural commodities started to soften. By the autumn, wheat futures had slumped from over US$13 per bushel to roughly US$7 per bushel, while maize had dropped from nearly US$8 per bushel to almost US$4 per bushel. Prices of other important foodstuffs such as vegetable oils, oilseeds or dairy products also dipped.

But that doesn't mark the end of the crisis. In shops and markets around the world, food prices remained high, with the FAO food price index registering twice its 2002 level. One reason was that retailers were still selling supplies purchased at maximum prices earlier in the season. The other was that the cost of food reflect margins of the local intermediaries and the impact of high transportation costs. Food will remain expensive through the next decade at least.

It wasn't the end of the food crisis because all over the smallholder farmers, especially in developing countries, could not afford to buy fertilizers whose price had doubled and tripled, and faced greatly increased prices for seeds and other inputs. Without assistance, it would not be possible for them to grow enough food for their families and generate incomes for their livelihoods.

It wasn't the end of the food crisis because its underlying causes are yet to be solved.

The high prices are the results of inadequate supply to meet growing demand. There are several underlying factors. On the supply side: the negative impact of climate change on production, particularly droughts and floods, and low cereal stocks (the lowest for 30 years at 421 million tonnes). On the demand side: a rapidly growing world population (an extra 78.5 million people each year), high demand in emerging countries (driven by annual GDP growth rates of 9 to 12 percent) and the transformation of an increasing share of agricultural production into biofuels (100 million tonnes of cereals were diverted to biofuels in 2006), and finally the effects of high oil prices and speculation.

But to my mind, the single most important reason for the food crisis, which has affected the world's rich and poor peoples very differently since the latter spend proportionately much more on food, is the world's irresponsible neglect of agriculture over past thirty years.

During the Green Revolution fifty years ago, investment in developing countries' agriculture gave rise to a sustained and impressive expansion of production. In 1961, the world used about 1.4 billion hectares of land for crops to feed itself while three decades later it grew twice as much food on 1.5 billion hectares. Far-sighted public investment in agricultural research and rural infrastructures , particularly irrigation, storage and roads, in the 1960s and 70s was the backbone of the Green Revolution and the main reason for the rapid expansion of agricultural output in many developing countries.

Unfortunately, the abundance of food produced by the Green Revolution came to be taken for granted and investment in agricultural research began to level off in the 1990s while official development assistance (ODA) to agriculture virtually dried up. Between 1984 and 2004, international assistance to agriculture fell from 8 billion US dollars (2004 basis) to 3.4 billion dollars, representing a reduction in real terms of 58 percent. Agriculture's share of ODA fell from 17 percent in 1980 to a mere 3 percent in 2006, reflecting the scarce importance attached to a sector on which two billion people in the world depend for their living. Add to this the sad fact that international and regional financial institutions saw a drastic reduction in resources allocated to agriculture. In one telling case, the loan portfolio to agriculture of one institution fell from 33 percent in 1979 to 1 percent in 2007.

Evident enough, the result of this trend was a slowdown in the growth of food production in the developing countries – the ones with the highest population growth rates and an increase in their dependence on food import to meet their requirements. The effect was most visible for the least-developed countries (LDCs), which currently import twice as much agricultural produce as they export.

The combination of rapidly rising food prices and higher freight costs resulted in sharply higher food-import costs. Globally, food import bills surged to 820 billion dollars in 2007, the highest level in history and were projected to rise by another 26 percent in 2008 to more than a trillion dollars, with the most economically vulnerable countries liable to bear the highest burden. In 2008, the food-import basket in LDCs and Low-Income Food Deficit Countries (LIFDCs) could cost four times as much as in 2000.

It follows that the key to resolving the continuing food crisis lies in a reversal of the policies and measures that led to its outbreak in the first place. Among these are the low priority accorded to investment in agriculture and the distortions in the current international farm trade system – foremost among them the massive support and protection afforded to farmers in OECD countries, which has averaged some US$300 billion every year since the eighties. Also essential is a successful conclusion of the Doha round of trade negotiations.

A lasting solution to the current food security crisis and future similar crises can only be achieved through a sustained increase in the level of investment in agriculture, with a focus on enabling small holders and peasant farmers in developing countries with rapidly growing populations to produce enough food for their own needs and for export.

As for the short term, it is essential that smallholders in vulnerable countries are helped to access seeds, fertilizers, animal feed and other inputs which, at current prices, they could otherwise not afford. That is the rationale behind FAO's international Initiative on Soaring Food Prices (ISFP), currently involving farmers in some 80 countries. The scheme, which was launched on 17 December 2007, was designed to build the supply response elasticity of poor farmers so they stay in business and benefit from the higher food prices.

For it must be remembered that while high prices hurt subsistence farmers who often produce less food than they consume, and have to buy the rest from the market, they benefit those farmers who have the capacity to respond and are able to grow – and market – a surplus. High prices also represent an incentive for investing in agriculture so that, paradoxically, the present crisis may afford the best chance for new investments in many decades.

It is thus critical that governments now increase not only the overall level of ODA but the share of assistance to agriculture therein. This is critical in attracting an appropriate level of private funding and generating economic benefits worth up to five times the original level of investment. Thus, it is essential that the share of agriculture in total ODA is increased to its level of 1980 and that the resources allocated to agriculture from national budgets are boosted in developing countries. It is also important to ensure a favourable environment to attract private investment in agriculture. This was reaffirmed by the FAO High-Level Conference on World Food Security, which was held in Rome from 3 to 5 June this year, stating that investment in agricultural production was the basis for any sustainable solution to the global food crisis and that adequate resources were needed.

The current global financial crisis may well mean that some governments may be tempted to cut back on their development spending, but that would be not only to miss an historic occasion, it would be a strategic mistake. That would only guarantee increased starvation, prolonged period of economic turmoil and intense periods of social unrest. The financial crisis should not make us forget about the food crisis. The hungry and poor need help too.

The *High-Level Task Force on the Global Food Security Crisis* set up in April 2008 by UN Secretary-General Ban Ki-moon under his chairmanship and the vice-chairmanship of FAO has put together a Comprehensive Framework for Action (CFA) detailing both the short and long term measures for resolving the present crisis and preventing new ones. The CFA draws extensively on FAO's Anti-Hunger Programme (AHP), a plan prepared by FAO in 2003 and designed to halve hunger by 2015 by improving agricultural productivity and access to food developing countries.

Key elements of the AHP include:

- Providing the capital, either through loans or matching grants, to enable small farmers to build up productive assets on their farms. The average cost of investments required to kick-start a sustainable process of on-farm innovation may be estimated at about US$600 per family. Typically, this start-up capital would finance the uptake of new technologies, such as seed of improved varieties, plants, manure or fertilizers, and of small-scale on-farm works and equipment.

  Success in on-farm development depends on the creation of a policy environment conducive to agricultural growth, supported by research and extension institutions that are responsive to local needs. In many cases success also depends on developments beyond the farm gate, such as improvements in roads or in the supply of irrigation water.

- Expanding rural infrastructure in developing countries and improving market access

  The rural areas of most developing countries still have inadequate levels of services and often a deteriorating stock of rural infrastructure. This much reduces the competitiveness of their agriculture in domestic and international markets, and has increased the costs of supplying growing urban markets from national farm production.

Reversing the decline in the share of developing countries in world agricultural exports, which is an essential ingredient in improving rural incomes, will require increased efforts by many developing countries to alleviate their domestic supply-side constraints. There is a danger that, unless infrastructure-related constraints are addressed, developing countries will miss the opportunities arising from high food prices and the new market opportunities provided by freer markets and new production possibilities such as bioenergy.

The highest priority must go to the upgrading and development of rural roads and to ensuring their maintenance, and to basic infrastructure to stimulate private sector investment in food marketing, storage and processing. Precedence must also be given to irrigation and water control.

- Developing and conserving natural resources

If food demand is to be met in the future, increased outputs will have to come mainly from intensified, more efficient and more environmentally sustainable use of limited natural resources. This is all the more important given the challenges of climate change and a growing bioenergy sector. At the same time, action must be taken to arrest the destruction and degradation of the natural resource base.

- Strengthening knowledge generation and dissemination

Success in promoting rapid improvements in livelihoods and food security through on-farm investments depends on small-scale farmers having good access to relevant knowledge. This requires the provision of effective knowledge-generation and dissemination systems, aiming to strengthen links among farmers, agricultural educators, researchers, extension workers and communicators. Agricultural research and technology development are likely to be dominated by the private sector, especially suppliers of inputs and companies purchasing farm products.

There remain, however, many areas of basic research where responsibility is likely to rest with the public sector. The experience of the Consultative Group on International Agricultural Research (CGIAR), which runs an international network of research centres, has been very positive, and there is every reason to reverse the decline in funding from which the CGIAR system has been suffering.

All-important too is to improve the effectiveness of agricultural extension by introducing institutional reforms and associated activities, such as training of extension staff and, particularly, farmers, who can assume much of the responsibility for facilitating group learning processes in the medium term. Other capacity-building measures include steps to improve the communication infrastructure in rural areas and nutrition education.

The cost of implementing the AHP is US$30 billion a year – less than one tenth of the amount which rich countries spend on protecting their farmers and only 2.5 percent of world military spending. It is also little compared with the potential short-term returns, calculated at some US$120 billion annually, and with the longer-term result of creating a world that is more just and more secure.

The world's nations now have an historic opportunity to strike a decisive blow against hunger and poverty by putting agriculture in the top of their agendas and boosting investment in the sector in the developing world. They must not step away from it. They must act decisively, responsibly and immediately.