



Rising Food prices: an opportunity for change?

7th Brussels Development Briefing 16th October 2008

On 16th October 2008, CTA and other partners convened the seventh 'Brussels Development Briefing' - part of a series of bimonthly Development Briefings on ACP-EU rural development issues. Around 130 participants gathered in Brussels on the World Food Day to discuss the causes and impacts of the food prices crisis in ACP countries and the needed best policy options and actions in the medium and long term.

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Investing in agriculture to tackle the crisis

Dr Hansjörg Neun, Director of CTA, Lluís Riera Figueras, Director of DG Development at the European Commission and Sir John Kaputin, Secretary General of the ACP Secretariat, welcomed the participants at the [7th Brussels Development Briefing](#) stressing the need to tackle the effects of food prices on small-scale farmers and to boost production. FAO Director General Jacques Diouf addressed the audience in a video message from Rome, recalling the various causes of the crisis: climate change effects resulting in a reduction of available stocks, world population growth, increasing allocation of land for biofuels production, rising oil prices and speculation in commodities markets.



Small-scale farmers have been particularly affected, and the number of malnourished people has increased dramatically. In Mr. Diouf's words, the situation has its root causes in the low priority given to agriculture over the past decades: overall development assistance targeted to agriculture has fallen from 17% in 1980 to 3% in 2006, and international and regional donors have drastically cut resources for agriculture, despite its key role for most poor people.



For Mr. Diouf, agricultural production needs to double in order to feed an increasing world population and agricultural productivity also needs to be strengthened, to meet the urban population needs. This can only be achieved through investments in rural infrastructures

(access to water, roads, etc) and the modernization of production systems.

Food system needs loosening

ODI's Steve Wiggins gave a brief historical analysis of the food system, production and market trends.

The main function of the world food system is to make available sufficient staple food to meet demand at low and declining prices. For most of the four decades between 1960 and 2000 it was the case: increasing amounts of staple foods were produced and world markets prices declined overall by 55 to 65% in real terms. Although the variability of prices did not decrease, there was only one major price spike during that time, that of 1973-74, a key explanation being the success of the 'green revolution' in developing countries.

World production of cereals is now slowing down. While increases in production averaged 2.8% a year until the mid-1980s, comfortably ahead of population growth, subsequently growth rates have fallen to around 1% a year on average, behind population growth. As growth of production has slowed, stocks have been drawn down. Built up in the decade following the food price shock of 1973-74, stocks fell since the turn of the new century from more than one third of annual use, to less than one fifth. Consequently the ability of the system to cope with shocks weakened.



In his view, the 'triggers' of the current food prices crisis include: supply-side failures (like the harvest failures in Australia, Russia, Ukraine) and changing demands. In particular, rising oil prices have stimulated and increased demand for biofuels, which

pushes up the prices, for example, of maize. These factors led to a kind of panic: export restrictions by producer countries, re-stocking (richer countries importing more than usual, just in case), and perhaps, speculation on commodity futures markets.

Arguing that the basic problem is a lack of resilience in the global food system, he called for the system to be "loosened up", making space for us to better cope with harvest variability. Climate change makes it likely that future harvests will be more variable. Food stocks need to be rebuilt so that we have 30% or so in hand. But to do this, negotiations need to take place to determine which countries will hold the stocks, who pays, and how to co-ordinate their management in clear and transparent ways that do not undermine how the markets work.

He also advocated for greater efforts to increase the annual growth in agricultural production of staple crops – a 2% growth per annum should be sufficient. Finally, he recalled that the issue of hunger and malnutrition must be tackled.

Farmers are essential to address the food crisis

Renwick Rose from WINFA, the Caribbean Farmers Organisation, underlined the need of a frank and serious dialogue with the farmers from the ground.



Like the rest of the world, Caribbean region is reeling under the impact of steep and sharply rising food prices. This is exacerbated by the effects of the astronomical rise in fuel prices and the resultant impact on the general cost of living. This is negatively

affecting the attempts to address poverty and to achieve the Millennium Development Goals (MDGs). Interestingly, three decades ago (mid-70s) CARICOM first drew up a Regional Food Plan in similar circumstances (rising energy costs). It called for linking a regional programme of agricultural diversification to the oil and natural gas resources of Trinidad and Tobago, in order to achieve regional food self-sufficiency. During the 80s, the plan revived with the establishment of the Caribbean Food Corporation (CFC).

Today, another attempt has been made with the Jagdeo Initiative, and a special Summit of CARICOM Heads of Government on Food Prices and the cost of living (December 2007). None of previous initiatives has been successful. As a result, the Caribbean food import bill has risen sharply, reaching over USD3 billion, in a region with a population of less than 15 million inhabitants. All CARICOM countries, except Belize and Guyana, are net food importers, with major areas of imports being North America (over 50%) and the EU.

Contrary to the general assumption that farmers are benefiting from high prices, there are two or three layers between the producers and the final consumers, such as traders and retailers, who mainly profit from the rising prices. Previous initiatives have failed largely because they have relied on administrative and technical measures and have

generally ignored the role that the producers, farmers and farmer's organizations can - and must - play if such efforts are to succeed. Recent developments at the international level underlined the critical need for Food Security strategies in which Farmers Organizations and farmers must play a leading role.

Farmer organizations do not claim to have all the solutions. What is needed is an intensive capacity building for farmers to enable them to effectively respond to the problems, and duly participate in the planning of initiatives.

Commenting on questions from the audience, he pointed out that ignoring the farmers "leaves out an important part of the equation" and will not lead to a success.

Food prices: more than food production

Stineke Oenema from the CONCORD European Food Security Working Group, called for sufficient policy space for developing countries to make independent decisions concerning the protection of their markets.

While there seems to be a general consensus that smallholder agriculture needs a boost to increase its resilience against food crises and to eradicate hunger and malnutrition, Ms



Oenema pointed out some challenges. On the green revolution, research needs to address local needs, and not only export products. On trade policies, examples from Cameroon and Bolivia show that developing countries need some protection to strengthen their own production sectors. Countries need sufficient policy space to decide on their own food security strategies, independently from international advice. "Sufficient border protection is needed", she said. Besides opening a window of opportunity to cope with these challenges, she also identified opportunities in the current food crisis: it brings people together and takes into account trade, nutrition and agriculture. The right to food states that, she concluded, "every man, woman, child has the right to adequate food".

The chair of Panel 1, H.E. Mr Ouedraogo, Ambassador of Burkina Faso and Chair of the ACP Committee of Ambassadors concluded highlighting the crucial need for ACP countries to address the food prices crisis and calling for more support to the farmers organisations. Questions raised from the audience



included the R&D and the lack of capacity of Africa in this field, the link between the food crisis and the current financial crisis and particularly the role of speculation. The important theme of rural migration was also raised.

The EC response to food crisis

Philip Mikos, Head of the Environment, Food Security, and Rural Development Unit of the EC/DG Development set out how the Commission is responding to the food price crisis. The EC response runs through two recent EC communications.



The first ([Tackling the challenge of rising food prices - Directions for EU action](#)) elaborates on the causes and impacts of the crisis and sets out short term development actions in terms of humanitarian responses; medium term on safety nets and longer term responses based on revitalising agricultural production. The aim is to reduce the negative effects of food price increases on the poorest consumers in developing countries, while encouraging “positive supply responses” from farmers.

The second ([Proposal for a Regulation of the European Parliament and of the Council establishing a facility for rapid response to soaring food prices in developing countries](#)) outlines a new 1 Billion Euro ‘Food Facility’ - and is currently going through the EU legislative process, notably before the [European Parliament](#). The aim is to provide rapid and direct responses to increasing food prices in developing countries. The facility will sit somewhere between emergency and long term development instruments, it is planned for two years only (2009-2010), and will encourage ‘positive supply responses’ by the agricultural sector and provide ‘safety net measures’.

Mr. Mikos outlined three additional instruments that compose the EC response: humanitarian assistance through which the Commission is providing funds for food assistance (EUR 232 million in 2008); the Food



Security Thematic Programme (FSTP) through which the Commission has allocated some EURO 50 million to 12 countries to support safety nets,

social transfers, and agricultural production measures and the European Development Fund through which EUR 200 million has been provided to 30 highly vulnerable countries hit by food price increases.

Technology: the solution to the food crisis?

Dr Mike Bushell from Syngenta provided a private sector perspective on how to feed the world. He argued that good technologies to increase yields already exist, but these technologies have to be deployed safely and sustainably in local agricultural systems.

In the past, four major technologies helped to meet increasing demand for food: mechanization of agriculture including irrigation, synthetic fertilizers, crop protection chemicals, and better seeds. He provided examples on how they contribute to sustainable food production - which he defined as “strategies and practices that promote the long term

wellbeing of the environment, society and the farming economy.”

Wrapping up, Bushell stated that new technologies are a critical part of the solution. The technology we need already exists; the challenge is to integrate it into sustainable agricultural systems at the local level.



Challenges we face include, above all, climate change, but also technophobia, the lack of infrastructure and finance, and extension services that need to be reinvigorated. In his view public private partnerships are appropriate instruments to help overcome the difficulties.

Regional cooperation: a solution to Africa’s food crisis?

Cris Muyunda presented how COMESA aims to improve food security in Eastern and Southern Africa. He argued that the current high food prices pose a heavy burden on COMESA Member States. Studies show that a 10% increase in food prices lead to a 2.3% increase in poverty. Further, the high prices could affect the political situation, and endanger peace and security. On the other hand, the high food prices could lead to an overall economic growth in agricultural led economies (agriculture accounts for 32% of COMESA’s GDP) where just 15% overall growth could take six million people from poverty.

Since 2004, the food security situation in the 19 COMESA has improved. In 2006/07, only two Member States experienced food deficits, while the whole region had a food surplus. Malawi can be seen as a particular success story. Since the serious food deficit in 2004/05, the government has implemented a programme with three key measures:



fertilizer subsidies, an increased budget for agriculture, and a comprehensive focus not only on food security, but including irrigation, fertilizer and marketing. This led to a food surplus in 2006/07.

In general, COMESA has responded in various ways to the rising food prices. First of all, the regional economic integration has been accelerated and COMESA is expected to become a Customs Union in December 2008. Secondly, COMESA is focused on the implementation of the Comprehensive Africa Agriculture Development Programme (CAADP), with its four pillars: land and water management, trade and marketing infrastructure, food and nutrition security, and agricultural research and technology adoption. Together with SADC, EGAD, the Indian Ocean Commission and the East Africa Community, COMESA agreed a joint regional plan against the food crisis, articulated in three axes: supply of inputs to accelerate food commodity production, improved risk management and vulnerability analysis and enhanced regional market access. COMESA also put in place an

independent institution, ACTESA that will focus on expanding trade in the major staple crops.

Further, Mr Muyunda underlined some of the challenges to food security in Eastern and Southern Africa: many Member States are landlocked and island countries, which is why transport corridors are central. However, the region suffers from a lack of diversified transport and poor physical connectivity. There are only 60 kilometers of paved road per million people, whereas India has 1000 kilometers, and Western European countries 20.000.

Unstable energy supply is also an obstacle, which is why he advocated that countries "aggressively explore" alternative energy sources such as hydro-power, biofuels, and nuclear energy.

Summing up, is regional trade the answer to food security problems? Mr Muyunda is convinced that it is only part of the answer. Africa needs a comprehensive response, including regional trade, services to farmers (e.g. financial assistance or market information), and commercial integration of producers by, for example, strengthening producer associations, and educating and training farmers.



Questions from the audience stressed the need for a social dialogue on the type of agriculture and on the investments in agriculture. The audience also wondered whether the concern of Northern partners about the food

crisis is real, given the growing prices of goods imported from the North into the South. An eventual mechanization of agriculture was discussed, linked to the issue of the rural exodus. The Ambassador of Malawi, H.E. Mrs Brave R. Ndisale, further elaborated on the success story of her country, underlining that it implies the importance of good national policies, complemented by a committed and active leadership and a special target on education. She also emphasized the impacts of fertilizers and transportation costs on food prices.



What solutions?

In his concluding remarks, Professor Eric Tollens from the Catholic University of Leuven underlined that this crisis is an urgent wake-up call. Agricultural supply has proven to have low price elasticity: huge price increases only led to a lower increase in production. Governments must now play a major role to stimulate



agricultural production, in order to profit of the opportunity.

Most developing country governments only spend around 4% of their budget on agriculture (and some even less, such as Congo at around only 1%), while 10% of the total budget is an absolute precondition to really develop the agricultural sector, as Malawi is doing. Agriculture is the backbone of most developing economies, and it is essential that these countries stop being net importers of food.

Representing FAO, Luca Alinovi stressed that high food prices are just a symptom of the structural problem facing millions of undernourished people. On one hand, industrial countries have to wonder how committed they are, since most of them still do not spend the promised 0,7% of their GDP on development aid. On the other hand, developing countries have to ask themselves if they really believe in agriculture, since they invest such small percentages of their budget to it. He argued that the



well-known couple of options - free market versus protectionism - do not properly describe the situation. The solution lies in between: protective measures sometimes have adverse effects on an

economy; sometimes liberalization may be the wrong decision.

CTA director Dr. Hansjörg Neun stressed some issues which were not raised in the discussions such as the potential of irrigation to extend rain fed agriculture in many developing countries; the key issue of post-harvest losses; the need for effective strategies to increase food security by encouraging crop storage at the farm level. In his words, diversifying the crop supply could be a promising strategy: we currently depend on only five staple crops out of hundred of thousands.

In conclusion, Dr Neun recalled the technology issue. It may not always be the best solution for small-scale farmers since they could rather look at composting, bio-gas and other techniques not requiring big external inputs that are often themselves affected by rising prices.

The next Briefing will take place the 11th December 2008 on "*Does international migration affect ACP rural development?*"

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