



# Just Desserts?

## Securing global food futures

By Jane Midgley

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## About ippr north

ippr north, the Newcastle-based office of the Institute for Public Policy Research, produces far-reaching policy ideas, stimulating solutions that work nationally as well as locally. These are shaped from our research, which spans the northern economic agenda, public services, devolution, food policy and rural issues, as well as a strong democratic engagement strand which involves a wide range of audiences in political debates.

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## Executive summary

Since 2006 a food crisis has engulfed the world, a crisis typified by rapidly rising food prices causing millions of people to experience poverty and hunger. The crisis has become a global phenomenon and a global problem. It has become a symbol of continuing massive global inequalities between rich and poor, North and South, health and wealth. It has also been accompanied by an abrupt end to policy complacency about agriculture and food as it has become clear that what went before cannot continue if the world's food security is to improve.

Consequently, during 2008 a number of high-level recommendations, initiatives and commitments that proposed to end the food crisis and improve food security – mainly through increased food production – were presented by governments, international organisations and agencies. By summarising the proposals from a critical viewpoint this paper offers a fresh perspective on food security.

There is general agreement that emergency food assistance delivered by humanitarian aid is the most effective immediate short-term response to the crisis. However, it is the medium to longer term plans – international frameworks, global partnerships and global funds – that will be central to addressing the current crisis and future problems. In recognition of this, a new order of policy approaches to food security has been developed.

### Key developments and associated issues

- (i) **Social protection (income guarantee measures) has an increased role in developing countries:** This can create opportunities for greater household food security and local agricultural growth as the local population spending power is increased. However, the role of income guarantees for producers remains unclear.
- (ii) **There has been a resurgence of Overseas Development Assistance (ODA) commitments to invest in agriculture following decades of decline by the international community:** This engages with what the crisis is about – a global crisis in agriculture, not just food. However, currently missing from grand global plans is a considered debate about the type of agriculture and the systems being invested in, with regard to ecological sensitivity and sustainable production.
- (iii) **Policy coherence is lacking:** The growing consensus for action to support investment in agriculture is matched by calls for new initiatives and new funds, especially given the growing number of actors involved. This leads to duplication of activities, dilutes available funding, and reduces harmonisation or effective delivery and implementation. On current trajectories, disparities rather than coherence between government approaches to agricultural production for food or energy crops remain and will cause continued instability to food markets.
- (iv) **Food has risen in political importance:** Agriculture and food production remain truly political issues as they affect the use and control of resources that are necessary for life and act as the economic basis for many households and countries. Yet, the truly contentious issues surrounding food such as land tenure, biotechnology, intellectual property rights and the empowerment of women, remain overlooked by global solutions. A new internationalism can be detected in these debates incorporating new players in global politics and investment such as China and India.
- (v) **There is increased expectation for the role of the private sector:** This is the case both in terms of encouraging the sector's contribution to development directly and through initiatives that can help develop the private sector and trade in developing countries.

How 'new' this new order of food security policy is or will be is open to debate. The system has been adjusted but not necessarily overhauled, and radical change may be what is needed to reduce the inequalities surrounding food production, its distribution and consumption. Distribution and consumption, plus availability and affordability are vital to achieving food security, yet these are to an

extent ignored by current proposals at the expense of increasing production, even though better distribution of existing production is also needed to address food insecurity and the inequalities it produces.

It is essential that whatever approach is adopted, concerted action is taken otherwise responses to the food crisis may unintentionally spawn a new crisis in international trust, particularly between developed and developing countries. This also requires the involvement of civil society in supporting government activities and holding them to account, including the opportunity to participate in locally specific responses in developing countries.

Although the food crisis is being overtaken by the global economic crisis, this should not detract attention from food security issues. Food security needs to remain high on the political agenda.

### **Five guiding principles for responding to international food insecurity**

The following principles are presented to the international community and UK government to guide responses to the evolving priorities surrounding food security within a changing global environment. These are:

#### **i) Improving food and nutrition security**

The current food crisis and concerns over food insecurity were highlighted by rising food prices and greater numbers of people entering into poverty and going hungry. It is vital that we do not lose sight of this. Food and nutritional security must be given equal priority in all activities, whether humanitarian aid, overseas development assistance, national education or health policies.

#### **ii) Reforming the system**

Many of the longstanding international agencies were specifically set up in response to earlier food crises and have considerable experience and connections within partner countries. This should be amended and built on rather than ignored or avoided. To suddenly overlay a further funding programme or initiative only adds to the complexity of delivery, may risk conflict with other initiatives and affect gains already made (including trust of local groups and people).

Institutional reform is ongoing in the UN family and further coordination and coherence need to be achieved, particularly in agencies involved in securing agricultural development and reducing hunger. But the need for reform is not limited to the UN system. The recent difficulties in achieving a single undertaking at the Doha round of World Trade Organisation talks suggests reforming the organisation – to regional rather than global agreements – in order to make progress more quickly and effectively.

#### **iii) Policy coherence**

Greater policy coherence is needed – that takes into account the needs and interests of developing countries in a global economy so that mutually reinforcing policy actions are promoted and occur across government departments and agencies. There should be no avoiding issues that are contentious and that effectively underpin increasing food supply, and improving its distribution and accessibility. For example, security of land tenure for poor producers will be vital to improving their livelihoods and production capabilities; empowering women and their role in the food system needs greater attention. Other issues that need to be addressed include food sovereignty (the right to food, complemented by the right to determine how to grow and sell the food), support for food safety standard monitoring, biotechnology and intellectual property rights. Without a full discussion current actions risk being half hearted and ingraining current inequalities.

Complementary action to provide credit and risk management products to developing country growers and governments is needed and must be offered as part of greater infrastructure support to agricultural sector development.

#### **iv) Leading by example**

During 2009 the UK government will chair the G20 group of countries. It is imperative that the UK uses this opportunity to add the food economy to the list of matters to be addressed in securing economic stability and broader security. This group is vital to resolving many current tensions and

uncertainties in the food system, particularly those surrounding trade, as it includes China, Saudi Arabia, Australia, Argentina, Brazil and South Africa, who have a growing impact on the food system through their behaviours (whether their own production, aid or overseas investments).

The terms of the debate from the UK government's perspective must be what role can the UK play in sustaining a food-secure future for the world, rather than just what does food insecurity mean for the UK.

The UK government must continue to lead international development work and continue to push for reform of the Common Agricultural Policy and greater market orientation of some of the most highly supported producers in the world. The EC should lead and underpin commitments to reform and improve global production and trade.

The UK must ensure that food security remains on the international agenda even when domestic price pressures begin to ease and in turn counter calls for greater self-sufficiency and protectionism.

#### **v) Mutual accountability**

There is a need for continued mutual accountability in aid as well as greater involvement by civil society. A commitment to investing in agriculture in the least developed countries, particularly in Africa where the need is greatest, must be on mutual terms and respond to and align with local priorities.

To assist in greater accountability and good governance practice, aid donors must fulfil their commitment to provide full details of when the assistance will be delivered (how much, when and what it will cover) so that partner governments and agencies can plan and use the assistance more effectively and efficiently.

## 1. Introduction

This paper is the second in a series of three papers on food policy published by ippr. Its purpose is to provide a critical overview of the contemporary food security landscape and offer a fresh perspective on food security. The findings build on and take further those of *Best Before: How the UK should respond to food policy challenges* (Midgley 2008).

Since early 2007 there have been many headlines reporting rapid food price increases for UK consumers; by August 2008 UK food price inflation was double the overall rate. This is just part of the worldwide picture: rising food prices are a *global* phenomenon, affecting both rich and poor countries and their consumers, albeit unequally. Since 2006 world food commodity prices have more than doubled, with over 60 per cent of this increase occurring since January 2008 (World Bank 2008). At the same time, high food prices and rising costs of food imports add to existing and new pressures that face some of the world's most food-insecure countries – pressures such as conflict, refugees, extreme weather events, and existing low productivity further reduced by the impact of HIV/AIDS on the food producing workforce. By October 2008 36 countries were identified as food insecure and requiring help from the international community (Food and Agriculture Organisation 2008a; see the Appendix to this paper).

Increasing food costs and food insecurity impact on the poorest the hardest. The UN estimated that rising food prices during 2007 had increased the number of hungry people by 50 million (Food and Agriculture Organisation 2008d). Current estimates indicate that a further 73 to 103 million people are living in poverty worldwide due to world food price increases between 2005 and 2007 (World Bank 2008). For example, in Liberia the cost of a typical household's food basket increased by 25 per cent during January 2008 alone, with overall poverty rates increasing from 64 to 70 per cent of the population (*ibid*). On this basis the World Bank has stressed that the global gains made in reducing poverty over the last five to 10 years may be undermined in the short term (the next few years).

If the current situation and short-term outlook appear bad, medium-term forecasts are only marginally better. World food prices are expected to stay high for the next year or so and then fall but remain well above the low average levels that were enjoyed before the price hikes of the last two years (OECD-FAO 2008).

These figures are examples of the extent of the current food crisis. The background to the current crisis is discussed in more detail in Section 2, which outlines a number of factors that have together contributed to the crisis and summarises current short- to medium-term forecasts for world food prices and security.

The food crisis has affected the entire world in one way or another. Such global interdependence stresses the importance of the varied responses promoted by national governments and institutions in their attempts to secure stability to food markets, ensuring the basic human right to be free from hunger is achieved as well as reducing the potential for wider insecurity such as civil unrest resulting from food price rises.

There has been a concerted flurry of activity by institutions such as the United Nations' Food and Agriculture Organisation (FAO) and World Food Programme (WFP) and the World Bank, and by individual nations. This led to an international commitment to address global food security in June 2008 at an FAO conference, and also declarations to support food producers in Africa made at the Tokyo International Conference on African Development and G8 Hokkaido-Toyako summit in summer 2008. These commitments built on earlier pledges, such as the G7 Gleneagles agreement to reduce world poverty, but also created a worrying sense of *déjà vu*. A 1974 UN World Food Conference to counter food insecurity committed that in a decade no child would go to bed hungry; due to 'collective failure' on this pledge, a further international commitment was made at the 1995 World Food Summit (Shetty 2006), and the 1995 target to halve the number of malnourished people was subsequently incorporated into the UN Millennium Development Goals agreed by the 189 members of the UN in 2000. This track record raises questions as to the commitment of the international community to turn their words into action.

Fears that future food crises could loom longer and larger may mean that the imperative for action to improve global food security may exist. Section 3 considers the current efforts to tackle the food crisis by international institutions such as the World Food Programme and the World Bank. Tackling the food crisis is a necessary but complex process and national policies will also impact on this. Agriculture and global trade policies play key roles, and so too do broader macro-economic policies in ensuring food security and in turn greater global security.

The rolling back of the state may not necessarily be a global phenomenon as far as food security is concerned but the rise of the private sector and its power to respond to the crisis is. Recognition of the private sector's power and position in the contemporary global food security landscape by international institutions has come belatedly and foreign direct investment is now encouraged. However, as Section 3 discusses, this also brings its own problems and insecurities as different political interests are voiced.

Section 3 goes on to identify five key themes suggested by current international responses that are creating a new world order of food security:

- i) Increasing social protection
- ii) Changes in the types of aid offered and levels of investment
- iii) Policy coherence
- iv) The rising importance of food as a political issue
- v) The role of the private sector.

Section 4 presents a series of guiding principles for future food security actions to be taken by the UK government and international community.



## 2. The current food crisis

This section discusses how the current international food crisis arose – a crisis characterised by high food commodity prices and increased food insecurity experienced since January 2006. We summarise the current extent of the crisis, then analyse how this critical point has been reached, and summarise the published commodity price forecasts for the next 10 years based on current assumptions.

### What is the extent of the current food crisis?

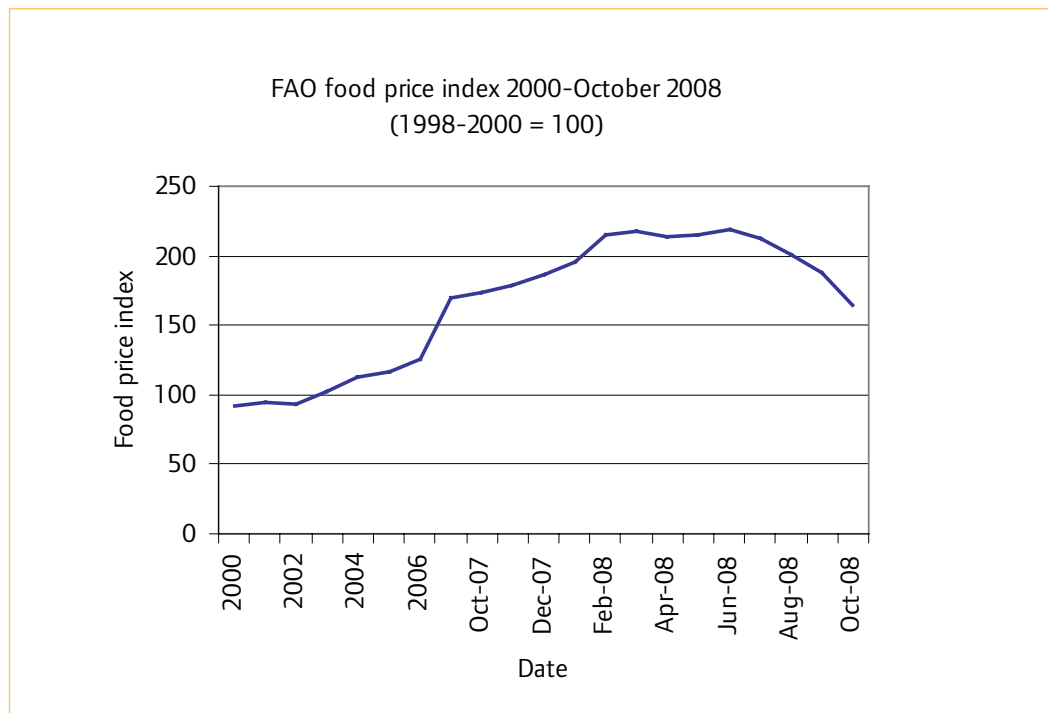
The fact that food prices are rising comes to the attention of the general public and policymakers when their spending power falls (whether for the household food shop or the import and export of food commodities). Food market prices continually fluctuate, something from which many consumers in the developed world are sheltered by competition between major food retailers. But it is the extremes of recent price changes that have proven to be particularly problematic.

The main measures of food price changes are consumer food price indices. The food price index of the UN Food and Agriculture Organisation (FAO) is shown in Figure 2.1. The index is an average of 55 commodities. Figure 2.1 shows the massive rises in food commodities since 2006. Despite a slight fall from the March 2008 peak, by June 2008 the index was 44 per cent higher than in June 2007. Contributing to this slight fall and subsequent stabilisation had been a decrease in meat and dairy prices, and a rise in cereal, sugar and vegetable oils. Further falls to the index occurred during summer 2008 as northern producers harvested cereals and increased supply to world markets, and reduced commodity prices, so that the October 2008 index averaged at 6 per cent below October 2007. However, this still left the index in October 2008 28 per cent higher than in October 2006 (FAO 2008b).

Within developed economies the component of food prices in their respective consumer price index often lies between 13 and 20 per cent, although in the United States it is under 10 per cent. In developing countries food can account for around one to two thirds of household spending, for example 28 per cent in China and 62 per cent in Bangladesh (OECD-FAO 2008).

**Figure 2.1. Food and Agriculture Organisation food price index 2000 – September 2008**

Source: FAO 2008b



The increased food prices are reflected in the world export prices of a number of cereals and grains (Table 2.1). Some differences are seen. With the exception of barley all cereals and grains have increased in price – and in some cases doubling – over the past year. However, by autumn 2008 export prices are falling back towards 2007, with the notable exception of rice.

**Table 2.1. World grain prices (US \$ per ton), September 2007 to October 2008**

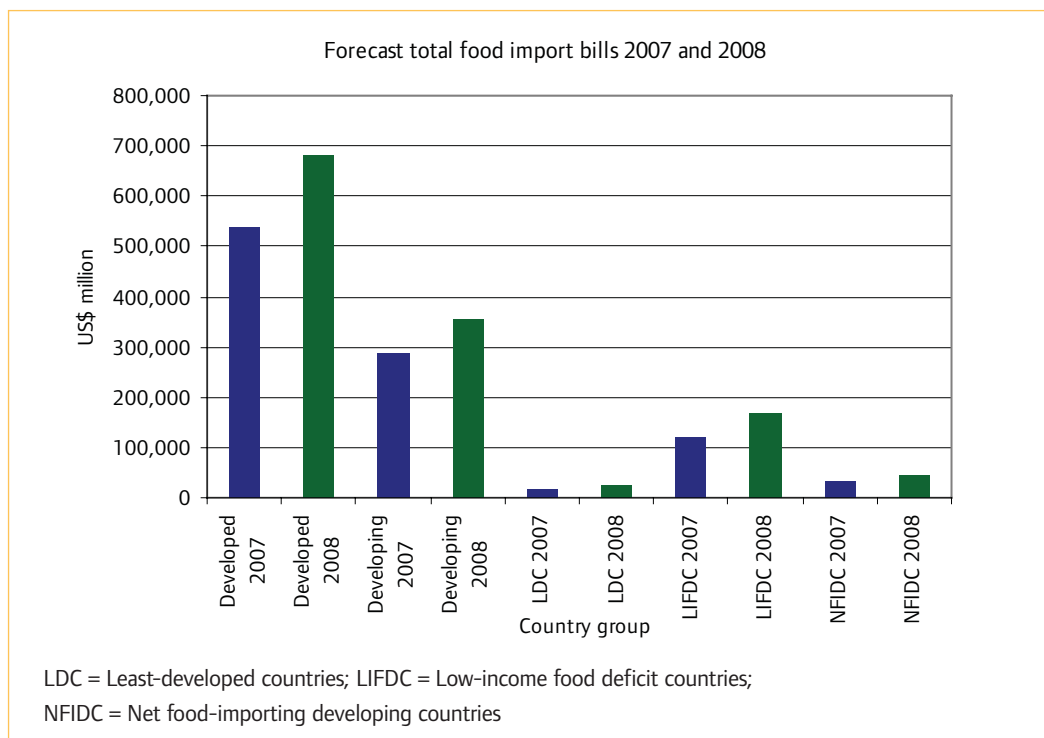
Grain type	Sept 2007	Oct 2007	25 Jul 2008	15 Aug 2008	5 Sept 2008	17 Oct 2008
Wheat (US HRW – Gulf)	263	354	336	351	320	253
Wheat (EU France Standard – Rouen)	308	359	299	301	258	155
Maize (US 3YC – Gulf)	151	178	242	229	237	183
Barley (EU France – Rouen)	275	347	249	248	231	176
Soybeans (US No2 – Gulf)	321	380	538	480	451	357
Soybeans (Argentina – Up River)	294	372	518	460	434	363
Rice (Thai 100% grade B – Bangkok)	337	340	788	710	725	658

Source: International Grain Council, latest export prices (weekly, August, September and October 2008) at [www.igc.org.uk/en/grainsupdate/igcexpprices.aspx](http://www.igc.org.uk/en/grainsupdate/igcexpprices.aspx)  
 (Abbreviations are producers' location, name of the breed/strain and market location)

High export prices lead to high food imports bills; Figure 2.2 shows how these have increased for all countries worldwide. This is of great concern for many low-income food deficit countries ('LIFDCs') that have limited foreign currency reserves to meet their food needs. Just as poorer households bear a greater cost burden in proportion of their income spent on food as prices increase (whether in the UK or in developing countries albeit in different relative circumstances), so too do poorer nations in comparison with the more affluent. By the end of 2008 the most economically vulnerable countries (that is, LIFDCs, who are eligible for international development assistance, and net food-importing developing countries, or 'NFIDCs') are expected to be spending four times as much on food imports as in 2000 (FAO 2008c). It is also expected that these countries will reduce food imports, but without increased domestic production this could add to further problems, such as increasing poverty and malnutrition rates.

**Figure 2.2**  
**Forecast total food import bills 2007 and 2008 for different country groups**

Source: FAO 2008c



Just as countries may struggle to afford the cost of food, so too do many of their citizens. An estimated 73 to 105 million people worldwide are now in poverty due to the rise in food prices (World Bank 2008). The food crisis has exacerbated the disparity between countries by increasing poverty rates in some countries. It has also exacerbated disparities within some of the poorest countries, particularly between urban and rural populations. Following greater urbanisation in developing countries, food price inflation hits urban populations hardest, as they are dependent on rural surplus produce sold within the country and food imports. As such, these urban populations have become termed the 'new face of hunger' (ibid).

How people cope in response to the crisis is equally important; for their wellbeing and to enable appropriate policies to be developed and realised. Reducing the quantity of food purchased and food consumed (to just one meal a day), selling assets and removing children from school to find work are just some of the coping strategies widely reported by international institutions and non-governmental organisations. Responses like this carry the real risk that gains made in the developing world over recent years in reducing poverty will be reversed, accompanied by a decline in health and wellbeing and hindering future economic development.

Several of the UN's Millennium Development Goals (MDGs), to which the 189 UN members signed up in 2000, will be negatively affected as a result. This will include the first and foremost of the eight headline goals: to eradicate extreme hunger and poverty (specifically, to halve the proportion of the population who suffer from hunger, and halve the proportion of people whose income is less than US\$1 a day, between 1990 and 2015).

The food crisis is also negatively impacting on education and health improvements, even though these areas receive the largest overseas development aid donations (discussed below and in Section 3).

High food prices have led to civil unrest in some places including Egypt, Indonesia, Pakistan, Thailand and Senegal where there have been riots. Civil unrest as a result of food prices and food shortages particularly in less politically and economically stable nations is cause for global concern as food insecurity becomes more strongly connected to broader civil and international insecurity.

## **Factors contributing to rising global food prices**

### **Adverse weather conditions**

Weather that causes flooding and drought reduces the amount of grain harvested. Pests and disease may follow and further reduce crop yields. In most cases bad weather creates a temporary reduction in supply, and if this occurs in major grain exporting countries this can produce a minor shock to world prices. For example, the droughts suffered by Australia in 2006 and 2007, and the adverse conditions that struck the United States, Germany, Ukraine and Russia in 2007, reduced overall cereal supply and increased prices for cereal products and for meat and dairy products as animal feed became more expensive.

The impact of the adverse weather conditions was greater than usual in these years as fewer countries held large reserves of grain than in previous years, and so no extra sources were available to release onto the market and meet global demand. Few major exporting countries now hold large reserves because of the costs involved in storing perishable goods, greater use of other less costly risk management tools, and a greater number of countries exporting produce and trading globally. So if bad weather occurs and stocks are low, more stocks are utilised, producing a price hike. This was the case in 2006, when world wheat stocks were low, which by 2008, following strong demand, saw stocks at their lowest for 25 years (FAO 2008d).

### **Oil prices**

Rises in the price of oil have meant that the energy costs of producing, processing and transporting food (including everything from fertilizer production, farm machinery fuel and international freight) have increased. These rises are ultimately reflected in higher food prices. One estimate suggests higher energy costs contributed between 15 and 20 per cent higher food commodity production and transport costs in the US between 2002 and 2007 (Mitchell 2008).

### **Freedom to follow the market**

Agricultural policies in developed countries have reduced state support and subsidies to food production as farmers are encouraged to follow the market. This is typified by recent European Commission changes to the Common Agricultural Policy (CAP) and the move from direct to indirect support to producers, decoupling payment from the amounts produced (crop harvests or livestock numbers) to encourage production of broader public goods (such as climate change mitigation and water management), in line with World Trade Organisation ideals.

However, 'following the market' does not leave producers free from government interference. For example, to summer 2007 CAP support payments to arable farms were conditional on 10 per cent of arable land (for each European farmer) being set aside (left fallow) each year. This was brought in through the Agenda 2000 reforms to reduce over-production and associated over-payment. Following the continued global cereal price hikes the EC lifted the compulsory set-aside requirement. But there was still a time lag between set-aside ending and the land being brought back into production, crops harvested and increasing supplies to the world market and this being reflected in falling global food prices.

### **Support for environmental policies**

A further factor affecting prices is agricultural policy support for bio-energy crops and other environmental policies, particularly by the EC and US who have set targets to increase the production of fuel from renewable sources. Farmers receive support from programmes such as the UK's energy crop scheme to plant crops such as maize, soybeans and in the EU oilseeds that can be used for biofuels (ethanol and biodiesel). In some cases farmers producing food crops switch to supply the energy markets. In 2007 an estimated 26 million tonnes of wheat production were lost due to the switch to oilseeds in the eight largest wheat-exporting countries and regions – the United States, Canada, European Union, Russian Federation, Australia, Argentina, Kazakhstan and Ukraine, where climatic conditions are appropriate for growing both crops (Mitchell 2008). According to 2007 figures, 8 per cent of world grain production and 9 per cent of vegetable oil production is used in biofuel production (OECD 2008c). There is also concern that changing to biofuel production can impact on greenhouse gas emission rates given the energy used to produce these crops, which may actually negate their role in tackling climate change (Searchinger *et al* 2008).

In the US and EU tax credits are offered to the biodiesel industries to encourage the industry's expansion and offset the relatively higher costs of biofuel production over food production. This enables the biofuel industry to continue to buy the crops at higher prices and stimulate demand, which creates higher prices still, with knock-on effects in other food commodity markets such as vegetable oil, as more oilseeds are diverted to energy use. For example, less land has been planted with soybeans as producers switch to planting maize in response to the market and government policies. This has increased demand for soybeans (through reduced supply, leaving market demand unmet) and their price has risen (shown by Figure 2.1; Mitchell 2008). As such, biofuel production, and the support offered – more than US\$11 billion over the last year by developed country governments (UN 2008) – has been a driver in food price rises.

### **Changes in development assistance**

The activities that governments invest in and support has had a further important effect on food prices, as have international development commitments and overseas development assistance (ODA). Since the 1980s, despite nominal increases from developed nations, there has been a marked real decline in ODA, specifically in the amount of aid given as assistance to agriculture as a share of total aid commitments. In 1980-81 approximately 12 per cent of all ODA was given to agriculture; by 2005-06 this figure was less than 4 per cent (OECD 2008b).

The decline in the amount of ODA given to agriculture has been mainly due to:

- A loss of confidence in agriculture by donors. Many evaluations doubted the sustainability and cost-effectiveness of support to agriculture, and so enthusiasm from both donor and recipient countries for investing declined. This was exacerbated by developing countries, particularly African governments, spending less of their own resources on agriculture.

- Moves to more market-led solutions rather than state intervention in agriculture, with many donors failing to agree on the state's role. For example, less money has been spent on research and development of agricultural crops, and so more control of crop development, sale conditions, and so on lies in private sector hands.
- High transaction costs and complexity of food governance systems. More than one ministry is usually involved and there is no simple route through which to channel resources, unlike in health and education, where greater spending now occurs.
- Indirect support for agriculture through other sectoral and infrastructure development such as road and information networks is more common (Department for International Development 2004).

### Country responses

Individual country policy responses have also increased the extent and insecurity of the food crisis. The World Bank (2008) and UK government (HM Treasury 2008) are among those highlighting this problem. The World Bank argues that unilateral policy responses, such as stopping exports, by exporting countries prompt other countries to respond quickly, reduce trust in international markets and lead to higher prices as supplies are reduced. This has the severest impact on countries that import a large amount of their food. For example, in October 2007 India banned all rice exports (except basmati); other rice-producing countries such as Vietnam followed suit, which caused a steep hike in rice prices. In response to the reduced availability, large contracts were placed with the former rice-exporting countries by rice-importing countries such as the Philippines, which led to further price increases as reduced supply and further market insecurity prevailed (World Bank 2008; reflected in Table 2.1).

Individual country responses range from consumer-orientated actions (such as food assistance, subsidies and price controls) to more producer-orientated actions (such as offering production supports and guaranteeing minimum producer prices), while other actions are trade-orientated (such as imposing export controls and taxes). These are illustrated by the actions taken by Egypt last year. Egypt has a ration card registration system which supports two thirds of the country's population (50 million people) but the registry had not been added to since 1988. In May 2008 the government opened the system to new entrants to register before the end of June that year and doubled the amount of rice each person was allowed to buy, with other increased provisions for sugar, oil and tea. It has also extended its rice export ban to April 2009 (FAO 2008e). As such, what may be introduced and thought of as discrete actions have led to a chain of responses, impacting on market insecurity and subsequent price increases.

Taking action is costly. A recent survey by the International Monetary Fund (IMF) calculated that 28 countries used food subsidies. Of these, subsidies in Burundi, Egypt, Jordan, the Maldives, Morocco and Timor-Leste were likely to exceed 1 per cent of their country's Gross Domestic Product (IMF 2008).

### Other factors that have complicated the crisis

#### Economic downturn

Accompanying the food crisis has been the financial downturn in developed economies, including the credit crisis fuelled by the US sub-prime credit market crash. With the weakening of the US dollar and its devaluation against the Euro and Asian currencies, real (rather than nominal) global price rises have not been to the same extent as quoted commodity prices initially suggest, as most food commodities are quoted in US dollars. The weakening dollar has not necessarily helped developing nations and net-food importing countries to buy more food. Indeed, some countries with fixed exchange rates or that are members of currency unions cannot use the exchange rate to absorb the shocks of higher food prices and in many cases this brings about a worsened balance of payments.

The credit crisis has stimulated greater speculation in food commodity trading, particularly in futures markets. Traders were speculating and hedging other risks in their portfolios against future price changes through the purchase of futures and options; producers hedge against future falls and

buyers against future hikes, with most traders selling on the contract to real buyers or paying cash (see HM Treasury 2008, OECD-FAO 2008). The Chicago Board of Trade, the world's largest exchange for commodity futures, saw trading in wheat futures increase in 2008 to four times 2002 levels (Mitchell 2008). Other data from the US shows that open interest (non-commercial trade) in wheat increased from 28 to 42 per cent, and for maize increased from 17 to 43 per cent from February 2005 to February 2008 (OECD-FAO 2008).

Financial speculators may not have directly contributed to food price increases – at worst together they may have increased short-term market pressures for options and futures contracts – but they have responded to the crisis and reflected continued uncertainty in global markets. The speed at which this happens, and its effect on short-term pressures, is illustrated by responses following the US Department of Agriculture (USDA)'s announced prediction that greater amounts of US wheat would be available in 2008. This led to wheat future prices at the Chicago Board of Trade falling by over \$150 per ton from March 2008, back to their January 2008 levels (FAO 2008c). All of these activities preceded the global financial crisis that has since emerged.

Use of financial instruments to manage risk – such as futures contracts or insurance – is something that is increasingly used by governments and producers in developed nations. Those in developing nations do not use these instruments to the same extent as they may not be available domestically and/or economic vulnerability may mean a country cannot spare the money or bear the risk of engaging in this type of behaviour.

### Changing diets

The take-up of Western-style diets in Asia has increased demand for foods rich in protein (mainly pork and poultry) in those countries. This requires more grain to be used for animal feed to meet the new demand, with associated demands on available grain supplies. This also has implications for the future, particularly if countries such as China cannot continue production to meet new demand, due, for example, to water scarcity (Kearns and Gude 2008).

### What does the future hold for food prices and security?

Food prices fell during the latter part of 2008 as supply increased (stimulated by earlier high prices and demand and helped by more favourable weather). However, prices will remain higher than past averages for the medium term and the era of relatively cheap food has ended. The short and medium term forecast of real food prices by the World Bank is shown in Table 2.2, while Table 2.3 (next page) shows the joint forecast of the Organisation for Economic and Cooperation and Development and the Food and Agriculture Organisation.

**Table 2.2 Index of projected real food crop prices (2004 = 100)**

Year	2007	2008	2009	2010	2015
Maize	139	175	165	155	148
Wheat	154	215	191	166	140
Rice	130	243	208	183	160
Soybeans	119	156	147	139	115
Soybean oil	136	187	173	160	110
Sugar	133	157	167	176	182

Source: World Bank 2008

**Table 2.3 World food commodity price projections (prices US\$ per ton)**

Years	2002/03- 2006/07 av.	2007/08 estimate	2008/09	2009/10	2014/15	2017/18
Wheat	167.8	318.6	267.0	233.6	230.2	230.6
Rice	262.3	361.0	390.6	367.9	335.6	334.5
Vegetable oils	587.5	1015.1	986.9	1017.9	1050.9	1055.1
Sugar (raw)	237.1	229.3	216.0	228.0	307.1	301.7

Source: OECD-FAO 2008, extract from Table A.2

The change is anticipated to occur for a number of reasons.

First, current biofuel support measures are expected to increase average wheat prices by 5 per cent, maize by 7 per cent and vegetable oil by 19 per cent over the next 10 years (OECD 2008c). Taking into account stated US and EU policy, 13 per cent of world grain production and 20 per cent of world vegetable oil production could shift to biofuel production over the next 10 years (*ibid*). This means that biofuel support policies and packages rather than the use of biofuel will remain important in future. The exception here is Brazil: its sugar plantations supply domestic ethanol production, and as all the ethanol is consumed domestically it has not impacted significantly on world prices.

The World Bank argues that if macro-economic policy is tightened and growth slows in the US and Europe, as current economic predictions suggest, then this could have severe spillover effects for developing countries. This reduces the available policy options to developing countries and risks generating further spillovers among countries. Worst hit will be countries with high current account deficits, rising and high inflation and extensive commitments to food (and fuel) subsidy programmes (World Bank 2008).

As the credit crisis has become a global financial crisis the knock-on effects for food security are considerable, and go beyond issues predicted during summer 2008. According to the Food and Agriculture Organisation (FAO), on the demand side, despite falling food prices, it is not generally sufficient to compensate consumers for falling household incomes, so for non-staple food products demand is likely to fall. In turn this reduces the incentive for producers to invest in future food production, particularly as the cost of inputs such as fertilizer and oil fall more slowly than prices for food commodities (FAO 2008b). Furthermore, the financial crisis reduces the amount of available credit to producers in developing countries, one of the longstanding problems that producers in these countries face. This could mean a reduction in new planting which, if followed by a poor harvest when global stocks are still low, could increase food insecurity (*ibid*).

Other factors affecting food commodity supplies and prices are:

- Uncertainty over commercial investors, who may or may not continue to play a role in agricultural commodity markets as overall financial conditions change
- Less responsive consumer demand to price changes as food bills fall
- Oil price changes
- Agriculture and trade policy, including the extent of reinvigoration of domestic agriculture in developing countries to increase supply domestically and internationally. (OECD-FAO 2008)

The OECD-FAO also recognises weather as a significant factor. However, it is climate change and its impact on weather systems, temperature and water resources that will have the greatest impact in crop harvests and food production. This will be particularly the case in fragile physical environments, particularly in Asia and Africa. An additional risk is of population displacement as a result of climatic extremes and civil unrest, which impacts on availability of land and populations present to grow food.

The role of developing country economies will also be significant in terms of food trade. World trade is expected to grow for all food commodities, which will be dominated by developing countries, except

in the case of vegetable oils (OECD-FAO 2008). Asian countries will be large importers of dairy products as their demand for these continues. An anticipated increase in rice consumption and imports of other foods is expected in Africa. Developing countries will also experience considerable export growth (except in rice and vegetable oils).

Global trade is predicted to change to reflect the growing importance of African exports of food (and energy). However, this may be curtailed by the way the intellectual property (IP) rights system works. IP rights are growing in importance as there is greater use of biotechnology and associated patents: they affect the use of seeds and agro-chemicals and in turn producer and trade practices. This is in part due to the greater reliance placed on the private sector to conduct agricultural research and development, rather than looking to the public sector for innovation. This may, in turn, leave control of food production and trade outside of developing countries (Tansey and Rajotte 2008).

Therefore, while global food prices are likely to fall in the medium term, albeit to higher average rates than have been experienced for a number of years, overall global food security should in theory improve as the cost of food imports fall. However, food security is about more than just the balance of global demand and supply: it is about food's relative affordability and how available food is distributed and accessed. Increasingly these concerns in developing countries are being discussed in terms of 'food sovereignty': the right to food complemented by the right to self-determination to produce food (production for local and national markets, controlled locally and with investment in local systems such as building knowledge and skills and respecting environmental limits). Unless these issues are addressed then global food security remains an ideal. Debates over food sovereignty go beyond consideration of current inequalities and poor distribution of food, to the processes and systems that will need investment to increase food supply. Unfortunately these more difficult questions are receiving less attention in the quest to increase food production (De Schutter 2008), as the next section shows.



### 3. Food security in a changing world

This section examines the policy actions that have been taken in response to worsening global food security and the factors that led to their development. It considers the actions of a range of governments and international institutions such as those of the UN family and World Trade Organisation. Issues that have been overlooked by policy actions, such as broader human rights issues and more context-specific responses, are also considered, along with current issues that will implicitly affect the global agri-trade and wider policy environment.

#### **Current responses by the international community**

International community and institutional responses to the food crisis typically call for greater international and regional cooperation, and are for the first time explicitly beginning to consider the role of the private sector. Most responses approach the issue of food security on two temporal bases:

- (i) immediate – to reduce impacts of the food crisis on the most vulnerable
- (ii) medium to longer term – to improve overall food security.

Both kinds of response are discussed below. To achieve improved food security and a lessening of the current crisis, actions from both need to be taken together.

#### **Immediate responses**

A further 50 million people went hungry during 2007 as a result of the food crisis, in addition to the existing 854 million estimated to be undernourished before its onset (UN 2008). Provision of humanitarian aid (emergency food assistance) is the first and foremost response that the international community can and must take to deal with the humanitarian disaster. To an extent this has taken place but there is room for improvement.

The UK government in 2006/07 gave £484 million in humanitarian aid (down £70 million or 12 per cent on 2005/06 levels). Of this amount £336 million was spent bilaterally and £148 million multilaterally (through civil society organisations). The largest recipients of UK bilateral assistance were Sudan (£84 million), Democratic Republic of Congo (£52 million) and Indonesia (£19 million) (Department for International Development 2007). The UK is the biggest donor to the UN's Office of the Coordination of Humanitarian Affairs and Central Emergency Response Fund, contributing £163 million for 2006-9.

One of the key international organisations delivering humanitarian aid is the World Food Programme (WFP), the UN's global food aid sector lead since 1962. The WFP is reliant on international donations, both financial and food. It distributes food to the most vulnerable, worldwide.

Recent food price increases have effectively halved the WFP's budget: only half the amount of food, particularly grain, can now be bought for the same amount of money as previously. This has led to food aid deliveries falling to their lowest levels as programmes have been cut back and prompted the WFP to call for a further US\$500 million to meet its shortfall in April 2008. This was met by Saudi Arabia, with a further US\$250 from the wider international community. By mid August 2008, over US\$1,158 million had been donated by the US, most given as food purchased from – and so supporting – US producers rather than cash to enable purchase elsewhere. This in-kind assistance has been signalled to be reduced in future; the US administration recently approved a US\$60 million pilot to purchase local food rather than provide in-kind assistance (HCIDC 2008b). This is still comparatively less than the US\$112 donated by the UK and US\$192 million from the EC to meet the WFP's 2008 budget of US\$6 billion.

In June 2008 the WFP published a new four-year strategic plan. The plan builds on the WFP's approach of responding to emergencies with food aid and building local infrastructure (physical and human) and purchasing local food to stimulate local production and markets. The WFP plan also takes forward a new 'safety net' approach, through which targeted cash and vouchers are provided in cases where there is enough food locally but is not affordable or accessible to local people. The plan aims to

stimulate and support local economic development and food production by giving immediate help and gradually building longer term resilience (HCIDC 2008a, UN 2008).

A crucial part of the WFP work focuses on reducing hunger and improving nutrition and is therefore crucial to achieving the first Millennium Development Goal of halving global poverty and hunger. Improving nutrition is vital as without it, general health improvements will not occur (therefore jeopardising other MDGs such as those for maternal and child health). A recent report by the House of Commons International Development Committee criticised the Department for International Development (DFID), along with the rest of the international community, for viewing nutrition as an indirect aspect of interventions (HCIDC 2008a). For example, only US\$250 million was spent on nutrition aid globally compared with US\$3 billion on HIV/AIDS, but spending on the latter can have more successful outcomes when it is accompanied by good nutrition. Each day 25,000 people are killed by hunger and under-nutrition, more than the number killed by HIV/AIDS, malaria and tuberculosis combined; as such, the UN argues that hunger and under-nutrition are the greatest threats to human health (UN 2008).

This oversight is worrying as food security, according to internationally recognised definitions, necessitates access to an affordable, safe and healthy diet. Therefore without improvements in nutrition standards current commitments offer hollow benefits. Only now – as a response to high food prices – is nutrition becoming a higher priority for government departments such as DFID, who are now reviewing the role of nutrition within their strategies (HCIDC 2008b). They now need to go further, to call for food and nutrition security, following the recent precedent of the UN Human Rights Council Special Rapporteur on the right to food (De Schutter 2008).

In July 2008 the UN announced a High Level Task Force (mainly composed from the UN system) to respond to the food security crisis, of which the WFP forms part. The Task Force identified four main outcomes with an accompanying menu of options that, it argues, must be undertaken or scaled up immediately in order to stabilise the food situation. The outcomes it is designed to achieve, as outlined in its Comprehensive Framework for Action (CFA), included:

1. **Provide emergency food assistance, nutrition interventions** (such as therapeutic feeding and school feeding programmes), and enhancement and improved accessibility of safety nets.
2. **Boost smallholder farmer food production.** This would be achieved through a number of possible approaches: providing productivity-enhancing safety nets (improved supply of seeds, fertiliser, feed, veterinary services, and irrigation and improved market information and facilitation, especially for women farmers and farmers from minorities); improved storage techniques to reduce post-harvest loss; removal of artificial barriers to domestic trade (such as costly processing, transport and contract facilitation); and rehabilitation of rural and agricultural infrastructure (such as irrigation, soil conservation and rural roads).
3. **Adjust trade and tax policy.** Immediate review of trade and tax policy and their impacts on the poor, farmers, implications for government revenues and international food markets should be undertaken. Generalised food subsidies should be avoided as they are difficult to phase out and better targeted mechanisms could be used. Food-exporting countries are urged to minimise export restrictions, Food-deficit and -importing countries are urged to reduce import tariffs and temporarily reduce VAT and other taxes on food if these are playing a large part in retail price rises, but these must be balanced with potential impacts on lost revenue, poverty alleviation and economic development measures.
4. **Manage macro-economic implications.** This includes measures to hold down inflation and inflation expectations. All measures taken in response to food prices, including impacts on balance of trade should be costed, and if needed mobilise external support to finance extra food imports (UN 2008).

The recommendations in the UN Task Force's Comprehensive Framework for immediate action takes food into the bigger policy picture by suggesting specific actions with food security at their heart rather than as part of general public policy considerations. The Task Force's framework of necessary

actions is primarily, but not solely, aimed at developing and transitional economies. The CFA is comprehensive and aims to improve food and nutritional security at all scales, from national to regional to global. The CFA suggests policy changes to avoid future food crises, including longer-term responses, to which discussion now turns.

### Longer-term responses

The UN Task Force's CFA also listed a number of action points to be undertaken over the longer term, building on from and running parallel to the immediate recommendations listed above. Just a few weeks earlier the World Bank (also a member of the Task Force) published its own 10-point plan which it termed 'A New Deal for Global Food Policy' (World Bank 2008). Considerable overlap is seen between the two documents' contents, which are summarised in Table 3.1.

**Table 3.1. Summary of UN and World Bank long-term strategic approaches to improved food security**

UN Comprehensive Framework for Action	World Bank
<p><b>Social protection systems expanded.</b> Capacity for government to design and implement social protection policies and programmes are strengthened, programmes become more efficient, and alternatives to unconditional assistance are identified moving towards conditional/targeted approaches. The nutritional quality and diversity of foods provided through interventions is improved.</p>	<p><b>Support immediate needs and dampen the worst effects of the crisis on vulnerable populations.</b> This includes better financing of the World Food Programme and support to expand <b>safety net approaches</b> in poor and capacity constrained governments.</p>
<p><b>Growth in smallholder farmer food production sustained.</b> This includes actions that improve the enabling policy framework to encourage public and private sector investment in food supply, stimulate investment in agricultural research and promote technology dissemination. Enforce better management and access to natural resources, and improve rural infrastructure to stimulate private investment and remove market bottlenecks.</p> <p>A further aspect of this action is to improve the <b>functioning of competitive and private sector led markets</b>. It also encourages more structural change by developing producer organisations. A further component is to strengthen access by smallholders and other food chain actors to <b>financial and risk management tools</b> (such as insurance, overdraft facilities).</p>	<p><b>Provide financial and technical support to stimulate an agricultural supply response</b> and help ensure that small-scale farmers in low-income countries are able to plant for the next harvest. For example, offer targeted support to overcome current problems such as fertilizer subsidies so farmers are not forced to reduce their planting.</p> <p><b>Launch a new commitment to agriculture in developing countries</b> to lay the foundations of a long-term solution. This suggests a doubling of agricultural aid to support investment in rural infrastructure, irrigation, agricultural extension services and post-harvest support. Increase the <b>funding going to global agricultural research and development</b>, including the Consultative Group on International Agricultural Research (CGIAR) to improve crop yield and disease resistance. Other components include the <b>development of risk management instruments and crop insurance for small farmers</b>, and to stimulate and enable <b>private-sector-led investment in agri-business across the entire supply chain</b>.</p>
<p><b>International food markets improved.</b> This would be achieved by <b>reducing trade distortions</b> such as subsidies and market restrictions in higher income countries. Completion of the Doha round of world trade talks, which should take into account food security. Implement 'Aid for trade' and provide assistance such as meeting international quality standards that preclude access to international markets.</p>	<p><b>Take leadership at the highest political levels to improve coordination across major exporting and importing countries</b> and break the price spiral for key staples. For example, agree on immediate elimination of taxes or restrictions on food purchased for humanitarian aid; promote a timetable for relaxation of export restrictions and release current large stocks onto the world markets (e.g. China currently holds stocks of 18-20 per cent of its total consumption).</p>

*cont. next page*

**UN Comprehensive Framework for Action**

Further development of international financial markets to support the needs of low-income countries through providing **appropriate risk transfer instruments**; further strengthen food commodity markets so they are one of the main ways that food markets manage their own risks.

**Improve stock sharing** between countries and regions. But stock building is discouraged as this can lead to further market pressures and is a costly response to insecurity.

**International biofuel consensus developed.** A common reference framework for sustainable biofuel development and enforcement mechanisms should be developed. Biofuel guidelines should take into account impacts on the global food security and the environment and take steps to mitigate these. Targets, subsidies and tariffs should be reassessed. More research and development needs to be undertaken including knowledge exchange and capacity building, and private sector investment in developing countries should be encouraged.

Sources: UN 2008, World Bank 2008

**World Bank**

Build the foundations of a **better functioning international trading system** that avoids the recurrence of future food crises. This requires agreement to be reached on the Doha round (reduce unneeded protection for countries in developed world, and reduce import tariffs) to reduce burden on consumers.

A code of conduct on **stock management** should be created to avoid unilateral actions, and help improve management of grain stock levels and governance arrangements to help ensure future food market stability. Further consideration to be given to building a virtual internationally coordinated strategic food reserve system for humanitarian purposes.

Commit to **revising policies towards biofuels in the G8 countries** in light of the tensions between competing food security and energy security priorities. This includes a need to agree action in the US and EC to ease subsidies, mandates and tariffs on biofuels and accelerate the development of second generation products (to reduce policy tension and land-use competition). This would encourage private investment in developing countries for biofuel where they may have a comparative advantage in production, such as climatic conditions for growing bioenergy crops (e.g. second generation fuels from sugar cane residue).

Both plans outline a **new order of policy approaches to food security**. This can be said to include the following five themes (directly and indirectly), which are critically discussed in more detail below:

- i) Increasing social protection
- ii) Changes in the types of aid offered and levels of investment
- iii) Policy coherence
- iv) The rising importance of food as a political issue
- v) The role of the private sector.

**Increasing social protection**

Both the UN Task Force's and the World Bank's strategies suggest greater use of targeted social protection measures through expansion of targeted safety net programmes (that is, voucher-for-work programmes). In addition to social assistance, social protection can take the form of social insurance and services such as health programmes. There has been growing interest in social protection particularly in Africa; not just in response to the food crisis and nutritional programmes but also in connection to the HIV/AIDS epidemic and wider education programmes aimed at reducing the intergenerational inequalities that persist and stimulate economic growth and political stability (Adato and Hoddinott 2008). Given that 80 per cent of the world's population does not have access to social protection this is a considerable step change in the expectation of national and global welfare systems and their provision.

One move towards greater social protection focuses on guaranteeing and improving incomes throughout the population. Income guarantees have been a longstanding characteristic of agricultural

policies worldwide whether in developed or developing nations. So if incomes are raised through non-agricultural policy measures, this leaves scope for agricultural policies to address market failures and invest in agriculture more cogently.

Agricultural growth can also offer social protection by providing volume and stability in food supplies, helping keep food prices low and providing employment to the landless, which in turn stimulates growth and multiplier effects in other sectors of the economy (Farrington *et al* 2007). However, as the current food crisis has shown, agricultural growth is vulnerable to shocks such as poor weather, poor producer health and limited access to financial services such as credit or insurance. This means that further careful planning is required by policymakers (as well as international agencies and institutions) to balance and manage the relationship between agricultural growth and social protection. This would ensure, for example, minimal disinvestment by the poor, stronger demand for local produce, and would build household resilience (ibid).

Most targeted social protection provision is likely to be delivered by international institutions, particularly where governance systems are weak or expertise limited and financial resources poor. Critics argue that if safety net support is given by agency donors rather than the national government the lines of accountability are broken (HCIDC 2008). Further problems concern how such schemes should be targeted, and the potential contributions to inflationary pressures in countries that have experienced high food price inflation (ibid).

The costs involved in providing safety-nets and social protection are a disincentive to their establishment. Indeed, the food crisis highlights the stress that would have, and has, been placed on programmes as greater proportions of the population need assistance. However, social protection programmes, whether delivered by governments directly, through ODA or through international agencies, to counter financial pressures, can ‘transform relations between citizens and the government when they work together in targeting, monitoring and service delivery’ (Adato and Hoddinott 2008: 1). Even in countries with high levels of poverty and low institutional and financial capacities, social protection measures can start with very simple actions, prioritised to the most vulnerable groups, and then expand or refine their programmes as they gain experience (ibid). Moreover, the UN Special Rapporteur on the Right to Food has suggested a global reinsurance fund to support such programmes so that when countries face greater public demand for help they can provide this without drastically increasing their costs (De Schutter 2008).

A more complex safety-net procedure is to link targeted transfers to productive activities, as social protection has protective, preventative, promotional and transformative functions (Adato and Hoddinott 2008). For example, Ethiopia’s Productive Safety Nets Programme links beneficiaries to agricultural extension workers, development workers and access to credit. Evaluations suggest that the transfers and complementary activities have increased food security and use of seeds and fertilizers (ibid).

One challenge remains: even with greater acceptance of the role of social protection and safety net measures, how does this work to secure agricultural growth? On the one hand, general income guarantees can secure incomes for all with multiplier effects to stimulate demand for local agricultural growth. On the other, the need to support smallholders, as mentioned by the CFA, for example, is still part and parcel of wider social protection measures. To artificially separate these two aspects – non-agriculture and agriculture – may lead to policy incoherence and deter different departments and agencies from working together. Therefore it is vital that policies can coordinate to reduce food insecurity and poverty.

### **Changes in the types of aid offered and levels of investment**

Overseas development assistance (ODA) and possible changes to its quality and quantity (actual and relative) will be crucial for achieving greater food security in future. It is clear that agricultural ODA is on the resurgence. When we talk of global food security we are effectively talking about the capability of global agriculture. Agriculture has always been the issue, but new global awareness of high food prices offers a means to galvanise action in the international community towards this sector.

Overall ODA has fallen since 1980, particularly assistance to agriculture (see Section 2). While aid to Africa has increased, international donors are still falling short of the agreement made at a UN council meeting in 1970 to provide at least 0.7 per cent of gross national income (GNI) as official aid. Only Denmark, Luxembourg, the Netherlands, Norway and Sweden consistently meet and provide assistance above this target level. The UK in 2007 provided 0.36 per cent of its GNI as ODA (down by nearly one third on the previous year) and the US 0.16 per cent (OECD 2008a).

The G7 group of nations (Canada, France, Germany, Italy, Japan, UK and US) agreed at the 2005 Gleneagles meeting to increase the amount of ODA provided to developing countries to US\$50 billion per year, of which US\$25 billion would go to Africa. Current assistance is still falling well below the levels needed to meet this commitment (OECD 2008a); there is a further risk that due to the global financial crisis governments may reassess their ODA commitments downwards (FAO 2008f). The gap between commitment and reality means there is an estimated further US\$14.3–28.5 billion needed to be spent globally, including in agricultural investments, to meet the Millennium Development Goal of halving the world's poor and hungry by 2015 (Fan and Rosegrant 2008). Moreover, by October 2008 only 10 per cent of the US\$22 billion pledged at the June 2008 World Food Summit had been delivered (Diouf 2008).

Developing country governments have also reduced spending to agriculture, in part responding to the general lack of ODA flowing to this sector, given donor preferences towards health and education spending. In 2003 at the African Union Summit a declaration (the Maputo Agreement) was made by African leaders to spend 10 per cent of national budgets on agriculture to increase agricultural production by an average of 6 per cent per year and help combat poverty. Questions still remain over how to meet the 6 per cent target. For example, should this be achieved through public investment in infrastructure? Can policies increase take-up without crowding out the private sector? Should public-private sector partnerships be developed? Again, there is a shortfall here between what is committed and what is needed. Recent estimates by the International Food Policy Research Institute suggests that annual growth of 7.5 per cent (investment of US\$13.7 billion each year) is needed in Sub-Saharan Africa alone, but of course there are large variations in the levels and types of investment needed by each country in the region (Fan and Rosegrant 2008).

The G8 (G7 countries plus Russia) has continued its commitment to Africa and agricultural development. In May 2008, prior to the G8 Hokkaido-Toyako summit, a special conference was held on African development which led to a declaration supporting increased agricultural production in Africa through rural entrepreneurship, technological development and education.

The world summit on food and biofuel security held by the FAO in June 2008 also focused attention on Africa and calls for a 'second green revolution' for the continent, beyond the adoption of new technology and with better social and economic outcomes than the Asian green revolution decades before. A new organisation, the 'Alliance for a Green Revolution in Africa', is leading debate and stimulating investment in agriculture (crop research, development of sustainable agriculture and food policies, resource management and so on).

Whether investment in sustainable livelihoods will occur is questionable. There are many commitments but less information for recipient countries on what will happen when and in what way. This makes it difficult for ODA recipients to plan even one or two years ahead, and so assistance of this type can be 'self-defeating' (Sachs 2007). The UK government, for example, is now focusing on low-income countries promoting social protection to enable local support to small producers. Only in September 2008 did developed and developing country governments sign an agreement (known as the Accra Agreement) to commit to provide partner governments with medium-term (three to five year) expenditure and implementation plans as part of improving aid effectiveness (HCIDC 2008c).

Due to the food crisis many food deficit countries are turning to inter-country investments in food. There has been growing interest in investing in food production (including land purchase and lease) by the Gulf States in African and Asian countries such as Kazakhstan, and China in other Asian countries, including increasing interest from the private sector (Blas and England 2008). This could generate income and improve the livelihoods of local workers for those countries that have the

potential to increase food production and exports. However, the terms of such agreements have to be looked at carefully (in terms of price, whether they are exploitative and profiteering, the levels of local involvement and impacts) as well as possible outcomes such as the possibility of food being exported overseas to investor countries leaving locals hungry – an unacceptable situation. A further complication is that some of the countries potential overseas investors may be looking at based on land productivity may not have good governance infrastructures in place; Sudan is one example.

There is limited action that can be made by any one country or institution external to these agreements. Warning calls have been given by the World Bank and FAO who no longer wholeheartedly endorse these arrangements and stress the need for sustainability and benefits reaching all parties and stakeholders. However, if the UK government and others in the international community are serious about the MDGs being achieved and combating food insecurity, they may need to show greater concern about the functioning of global food markets if other possible negative impacts, such as continued food export restrictions through private arrangements, are to be avoided. The Accra Agreement encourages all development actors – whether or not they are engaged in cooperation between developing countries – to use the 2005 Paris Declaration on aid effectiveness through which countries and international organisations committed to increase their efforts to harmonise, align and manage aid for outcomes that had a clear set of monitorable actions. The Accra Agreement also encouraged new donors such as China, India, Brazil and South Africa to adopt the terms of this declaration and also to become observers at the OECD's Development Assistance Committee (DAC), which is charged with monitoring the Paris Declaration outcomes (HCIDC 2008c).

Expressing concern over countries investing in others and whether international standards may or may not be being met is one thing, but the international community should also be asking itself why foreign investment is more appealing than receiving ODA. Is it because ODA suits the donor rather than the recipient or because of the possible conditions attached? As such this leads to bigger questions and issues for the international community to grapple with, which in many cases come back to overarching issues – such as food sovereignty and control of resources that are not being addressed.

### **Policy coherence**

The discussion on ODA highlights a need for policy coherence between partner countries and the wider international policy community. The OECD defines policy coherence for development as:

'...taking account of the needs and interests of developing countries in the evolution of the global economy. It involves the systematic promotion of mutually reinforcing policy actions across government departments and agencies creating synergies towards achieving agreed objectives...' (2003: 2)

The UN is of course a key component of the international community, and its FAO and World Food Programme are key players in responding to food insecurity. However, the UN system was heavily criticised for its lack of coordination by a high-level panel co-chaired by the Prime Ministers of Mozambique, Norway and Pakistan in 2006. The panel's report stressed that inefficient and ineffective governance and unpredictable funding were undermining the UN's actions and contributing to policy incoherence, duplication and ineffectiveness. Consequently, until its agencies can act as one within each country, the UN risks failing the most vulnerable.

UN reform continues and is high on many individual countries' political agendas, including those of the UK, France and US. Some change has happened and increased joint working is seen between the FAO, WFP and the International Fund for Agricultural Development (IFAD), one of the largest sources of development funding to agricultural and rural development in the developing world. This is taking place, for example, through lending to poor farmers and responding to structural failures. Most of the collaboration between these agencies is on a country basis and mainly through policy formulation, capacity building and emergency response rather than agricultural investment (FAO/IFAD/WFP 2008).

Some tensions still exist. The World Food Programme in its new plan has stressed that it will try to provide support to local agricultural markets rather than crowding out local producers. In itself this is a

progressive step but it also expands the WFP's reach beyond emergency food aid and distribution, which it excels at, and adds to the list of funders and actors engaged in safety-net, social protection activities and general ODA activities (akin to other UN and international donors). This risks returning to the earlier situation of duplication, as criticised by the high-level panel, and raises the question of how this mission creep developed.

Indeed the mission creep of the WFP has been subtly criticised by the UK Government. While the Government supports local purchasing of food – as it is usually quicker, cheaper and encourages local producers – this could risk disrupting and distorting local markets if the WFP becomes the dominant buyer (HCIDC 2008b). The Government also notes that the WFP practices are weakly integrated into partner country strategies and are often implemented without clear objectives or handover mechanisms (ibid).

Policy incoherence also exists outside the UN. Over 230 international organisations including private foundations, funds and sector-specific programmes exist, which add and generate complexity to the international policy arena (International Development Association 2008). One key issue is the role of vertical programmes – generally defined as international initiatives outside the UN system that deliver significant funding at the country level in support of focused thematic objectives. Two well-known examples are the Global Fund to fight AIDS, Tuberculosis and Malaria, and the US President's Emergency Plan for AIDS Relief (PEPFAR). Recently UN adviser Jeffrey Sachs called for a 'global agricultural fund' to be created to respond to the food crisis, so that funds go to supporting poor farmers to gain access to inputs in order to raise production (Sachs 2008). Similarly, at the Hokkaido-Toyako summit in July 2008, G8 leaders supported a call from the UK Government to its proposed International Partnership for Agriculture and Food (originally proposed at the FAO June summit).

The Global Partnership claims to build on the UN's Comprehensive Framework for Action so that buy-in from all stakeholders (donors and developing country governments, civil society and the private sector) will act as a catalyst for funds to support effective national agricultural development policies. This would include the building of regional partnerships and greater mutual accountability between donors and partners for their actions. The key aims of the Partnership are to double agricultural production in Africa, double agricultural growth rates in Asia and double the amount of funding going to international agricultural research. Headline targets are given but the level of effectiveness of agricultural policies is unclear. For example, developing monocultures for export would potentially raise production but be far from sustainable. Similarly, external investors may exert further pressures on the security of land tenure on poor producers and local land users who may have no statutory right over the land (such as landless labourers) and could also prevent small producers from purchasing more land; one option here would be to improve the security of land tenure for small producers, and for investment to be made through contract farming to improve their livelihoods (De Schutter 2008). Despite good intentions it is still far from clear in whose interests 'global' actions will be taken; moreover, without addressing issues of distribution raising productivity and investment may not improve the situations of the food-insecure.

The idea of a global fund for agriculture has been criticised due to the complexity of the sector and the need for coordination at country level (Eurodad 2008). While greater strategic leadership on agricultural funding may be needed, given the multiplicity of funds available the key is to enable partner countries to meet their priorities, not just the priorities of the donor. Indeed, fulfilling donor policy aims is a key criticism of existing vertical programmes in health; it may result in spending being directed to areas that may not be the most pressing for a country. It may also add to greater incoherence as funding is given to a range of NGOs and so side-steps existing country systems (ibid).

Therefore, a global fund may be an appealing idea, particularly to politicians, but would only add to the incoherence and duplication currently seen and risk reducing further accountability between partner countries/organisations. The proposed Global Partnership is subject to the same risk. Statements surrounding the Global Partnership have stressed the need for international cooperation to mitigate the consequences of food insecurity. Even if this does not divert existing funds and/or add to further complexity for partner countries, it is clear that there is a need for mutual accountability and



clear leadership rather than a statement of intent. During the French presidency of the EU in the latter half of 2008 this was to be taken forward; it was crucial that the components of the Paris Agreement on aid were adhered to during this time. In addition to bringing true added value rather than re-enforcement of the existing agencies, the UN Special Rapporteur has argued that the potential should exist for accountability to be improved and encompass the right to food as well as education, health, trade and environment (De Schutter 2008).

Another area in which policies conflict rather than provide a coherent basis for action is that of agriculture and biofuel. As discussed above, the policy and associated supports for greater biofuel production have been contentious and counterproductive, summarised as the 'food versus fuel' debate. The recent Gallagher Review (2008) on the future of biofuels in the UK suggested that their introduction should be slowed until effective and adequate controls could be put in place to address their adverse effects, such as changes to biodiversity and greenhouse gas emissions. Gallagher argued that the current EC target that 10 per cent of all energy should be met from biofuels by 2020 was unlikely to be met sustainably and so expansion of biofuels should be slowed globally. Any expansion in biofuel crop production should be made using marginal or idle land rather than cropland. The slowdown could also reduce the impact on high food prices on the world's poorest, the report argued.

These recommendations have been adopted by the UK government, while further debate over the adoption of a more precautionary approach to biofuel is due in the EC. The UK government through the Department for International Development will be working with the EC and other member states to ensure that the impacts of EU biofuel policies in developing countries, on food security for example, are monitored and action taken to address them (DFID 2008). However, support for the biofuel industry elsewhere, notably in the US by the recent Farm Act 2008, continues apace and in direct contention with food security issues.

### **The rising importance of food as a political issue**

At times of crisis food becomes increasingly politicised, however morally unappealing that is. Calls for International Partnerships on Agriculture and Food and a Global Fund for Agriculture in themselves show that food is political. At another extreme, the world has recently seen the tyrannical control exhibited by the Zimbabwean leadership, which by limiting humanitarian aid is dominating a beleaguered population.

In the last year food has become an acceptable face of modern political discourse. However, the real issue at hand, which the food crisis and this report's discussion make clear, is agriculture. As a topic agriculture is far more political than food and hence less attractive for politicians and leaders to get involved in, even if by doing so they would achieve greater global food security and wider security more generally. Agriculture is political because it concerns the use of resources, who has the right to use them and for what purpose.

There has been a re-engagement with agriculture by the international community that has been facilitated by the food crisis. As a result of the momentum brought about from the growing political interest in food, there are an increasing number of debates surrounding investment in the sector. Yet other debates over issues such as land rights and reform, gender and wider equality of access to inputs (including finance), intellectual property rights, and the use of biotechnology are being overlooked, perhaps in some cases purposefully. The one exception is the International Assessment of Agricultural Knowledge Science and Technology for Development (IAAKSTD) Panel report (2008) which raised these issues. Without including these issues in tandem with agricultural or food discussions then it is doubtful that much progress towards increasing food security can be made.

The IAAKSTD Panel (equivalent to the International Panel on Climate Change) argued that 'despite significant scientific and technological achievements in our ability to increase agricultural productivity, we have been less attentive to some of the unintended social and environmental consequences of our achievements' (2008: 3). It also said that there was an urgent need to recognise the differences in agro-ecologies (local ecological conditions of agricultural systems), and social and cultural conditions under which agricultural knowledge and science and technology are undertaken in order to improve

the livelihoods of the poor. The Panel proposed a range of policy options around eight cross-cutting themes: bioenergy, biotechnology, climate change, human health, natural resource management, trade and markets, traditional and local knowledge and community-based innovation, and women in agriculture.

The IAAKSTD Panel observed that biotechnology research and development attracts investment in agriculture but can concentrate resource ownership, which may drive up costs in developing countries or undermine local practices that support food security and economic sustainability such as seed saving and exchange. As such more emphasis needs to be placed on participatory research, paying attention to local priorities. The Panel also stressed the role of nutrition in agricultural production, the quality and transparency of governance in the agricultural sector in terms of decision-making particularly in the area of trade, and the importance of giving women access to education, information, science and technology and extension services so they can gain better access to, ownership and control of economic and natural resources. This is particularly important given that women's current involvement in agricultural production and post-harvest activities ranges from 20-70 per cent of all women in many developing countries, and these proportions are rising (IAAKSTD 2008).

The UN's Comprehensive Framework for Action also mentioned increasing land tenure and access to land rights for marginalised groups – including women – but did not go beyond this. The difficulty with the CFA (and Global Partnership) is that it is largely devoid of local contexts or situations in which its suggestions for actions would operate, to the extent that it seems to suggest a one-size-fits solution and to be ahistorical.

The major governments and proposals for the Global Partnership have remained silent about the IAASTD findings. If the IAASTD report is not taken as a departure point, particularly for any scientific panel associated with the Global Partnership, this 'would raise the suspicion that the conclusions reached by the Assessment have been set aside because they are inconvenient' (De Schutter 2008: 24).

The Doha round of World Trade Organisation talks is being played out against a backdrop of increasing food insecurity. The Doha Development Agenda was built on an agreement made in the preceding Uruguay round to reduce agricultural support and protection and move towards a freer agricultural trade system. The Doha round began in earnest in 2002 and was accompanied by an increase in agricultural ODA and brought agricultural trade and sanitary and phytosanitary measures (food-safety and animal and plant health) to the WTO table for the first time. However, the WTO works on the principle of 'single undertaking' (nothing is agreed until everything is agreed); thus, the round will only conclude once there has been agreement on agriculture, services, environmental goods and so on.

In July 2008 the WTO trade talks broke down over an issue that reveals just how political agriculture is and how without resolving such political tension, any other global action to improve food security is likely to be secondary in importance at best. The talks broke down primarily due to disagreement on the special safeguard mechanism (SSM) which is available to developing countries (other actions to protect poor farmers in small and vulnerable economies have already been agreed). The SSM states a level at which world prices would have to change before a country could take temporary action such as changing tariff rates. The issue was not the existence of the SSM as this had already been agreed, but the level of the SSM: for older/pre-Doha members of the WTO (generally developed countries) there was a large gap between levels before action could be taken and for newer WTO members (generally developing countries) there was a small gap.

As such the WTO Director General called for an 'early harvest' of already agreed actions such as Aid for Trade, and duty-free quota-free access for least developed countries (Lamy 2008a). In September the Director General suggested a possible recall for negotiators so that the Doha round could be concluded in 2009 (Lamy 2008b). He stressed the urgency of ensuring that trade works for development, given the need to redress 'the systemic distortions in agricultural trade that have stifled food production and investment in agriculture for years in many developing countries', and also of

making progress on the MDGs, particularly in the current economic and financial climate (ibid). There were many calls for the conclusion of the Doha round before the July breakdown as a key issue for responding to food insecurity, and an 'early harvest' is not a substitute for successful completion (Panitchpakdi 2008). It is still essential that they are successfully concluded as they will have considerable impact on the basis of agricultural policy for countries worldwide and also the basis of a global trading framework.

The WTO will stay central to the global trading system regardless of whether a single undertaking is reached and the Doha round concludes successfully due to its trade regulation and dispute resolution role. However, the Secretary General of the UN Conference on Trade and Development (and former WTO Director General) has raised the question as to whether the time has now come for a new approach (Panitchpakdi 2008). Given the vast numbers of issues and positions that must be accommodated to reach a single understanding, some adjustment may be necessary such as acceptance of plurilateral approaches and greater flexibility in the WTO's decision-making procedure (ibid). Indeed if the current talks fail or continue to be delayed this may place greater emphasis on regional and bilateral negotiations.

The regional or bilateral approach has credence as a large amount of food trade is done on a regional basis: for example, in 2006 nearly 45 per cent of the UK's food and drink exports were to four key EU partners – France, Germany, the Irish Republic and Spain, and nearly 48 per cent of imports were from France, Germany, the Irish Republic, the Netherlands and Spain (DEFRA *et al* 2008). Moreover, many trade agreements are made regionally; the EU Economic Partnership Agreements (EPAs) are being negotiated with less developed countries that have in the past received preferential trade with the EU but this preference contravenes WTO rules.

The basis of the EPAs is that they are intended to integrate developing countries into the world economy with an economic development dimension and are negotiated in regional blocs such as the African, Caribbean and Pacific (ACP) states. However, they are contentious. They have been criticised for threatening development as they separate development and trade agendas (whereas Aid for Trade brings them together). EPAs also have the potential to undermine regional integration as countries can sign at different times and there are difficulties involved in acting in the 'regional' interest. The most recent example is the emergence of 'two Caribbeans' as some countries, such as Jamaica and Barbados, approach development through tools that support opening up the economy to the wider world, while others, such as Guyana and eastern Caribbean nations, wish to develop a single market economy in the region and build solidarity and leverage in the developing world so that it integrates into the global economy on its own terms (Jessop 2008). In cases like this there may still also be a role for global or multilateral discussions so that the least powerful have the opportunity to check the actions of more powerful regions.

As part of the WTO negotiation the EU proposed a 60 per cent cut in subsidy to its producers through the Common Agricultural Policy (CAP), although there was contention over whether or not there was common agreement for this level or an earlier level of 54 per cent. Whatever the case, the continuing reform of the CAP will have a large impact on global food security. The recently concluded 'health check' of the CAP (November 2008) will be crucial as a basis for support to the agricultural industry and subsequent food production.

The health check proposed by the EC sought to ensure the competitiveness of farming in the EU. It proposed to simplify the direct support system paid to producers with emphasis on cross compliance and provision of public goods, market instruments (so there is a common organisation of agricultural markets, including an end to intervention buying for the sake of it), and enhancing rural development (argued as a way the agricultural sector can adapt to challenges such as climate change and water management) (EC 2007). The UK government has responded by arguing for further decoupling from those schemes that saw payments linked or partially linked to production, whereas the EC has proposed to end most of these by 2010 with the exception of certain livestock payments, for which any decision will remain at the discretion of the member state. The UK argues that this does not ensure a level playing field within Europe for producers (DEFRA 2008). Overall, the UK wishes to see

less support offered to producers that create inefficiencies in the market – whether this affects producer responses to demand and prices or risk management. Indeed, in the face of calls for greater self-sufficiency to maintain food security there will be a need for government to maintain a strong line against protectionism creeping in by the back door.

The agreed health check has been called ‘a missed opportunity to speed up the process of change’ by the UK’s Environment Secretary Hilary Benn (Benn 2008). How far the health check could have produced more radical future reform is debateable – it is not supposed to pre-empt the next round of budgetary discussions beginning in 2009. In addition, neither the French nor British leaders have the full confidence of their respective agricultural communities. If domestic interests, rather than what the UK and France for example can do for global food security, are the motivating basis, the health check may not lay the foundation for more radical reform.

The recent passing of the US Farm Act by the US Congress, overturning a presidential veto, is also a key influence on the global situation. The Act brings together agricultural support, conservation programmes, biofuel support, ODA and rural development commitments in the US for the medium term (approximately seven years). Many see the passing of the Act as a lost opportunity as support for the largest farmers remained (which caused the veto), and substantial supports were also provided to the biofuel industry. Therefore, nothing really changes domestically despite the big international statements. And despite signing up to improved investments in agriculture, the US has threatened to reduce its contribution to the Consultative Group on International Agriculture Research (CGIAR).

The US Farm Act’s policies will continue under the new President and change in administration. It will therefore be vital that the EC leads the agenda after the health check and international orientation in providing a supportive environment for food producers at home and in the least developed nations.

The roles of emerging economies, particularly in Asia, also have to be added to the political equation. Developing economies are part of changing global trade patterns, between developing and developed countries and also between intra-developing country trade. How India’s agricultural policy will change and how the sector develops is to a large extent unknown – in recent years it has become a major exporter of rice and grain and so even small changes can have significant results on global markets (MAP 2007). Likewise China’s economic growth and changing dietary demands will have considerable influence over world agricultural markets over the next decade as most of the new demand will be met through food imports (MAP 2008). Recent scares over the safety of food in China and exports also stress the importance of a global political food discourse and safety standard setting and monitoring by international organisations.

Overall this means that agriculture and food are of increasing global political significance and more and more, new players are emerging. It would therefore probably make most sense to incorporate the range of interests at an early stage and make more plural negotiations. For example, rather than just the G8 it would make sense for agreement and action to be taken at G20 level (including India, China, Australia, Brazil and South Africa), incorporating some of the world’s largest agricultural producers and exporters. Indeed as the UK chairs the G20 in 2009 this would mark a key point at which leadership and the UK’s own role in supporting global food security could be made (in terms of food and nutrition as well as production and distribution). This may be even more important given the current global financial crisis and if the current Doha round fails to ensure that development and security remain at the top of the international agenda.

### **The role of the private sector**

Private sector investment and involvement – whether by multinational corporations or individual small business – are crucial to ensuring a secure food future. Under the eighth Millennium Development Goal, ‘develop a global partnership for action’ the UN has attempted to include a broader range of players beyond government such as the private sector (but also civil society and trades unions, for example) to build a shared momentum. This came together under the MDG ‘Call to Action’ made in July 2007 which saw the UK Government in association with the UN ask the world’s corporate leaders to endorse the Call: ‘...we are asking companies to implement concrete initiative that apply their core business, skills, and expertise in a transformative and scalable manner that will enhance growth and

wealth creation to help meet the MDGs. This is not about encouraging more philanthropy or corporate social responsibility, but producing business ideas that are both commercially viable and help to achieve the MDGs' (DFID 2007b). This may mean action to generate employment opportunities or improve supply chains so they help local businesses, or technological advancement.

The Call is perhaps one of the earliest ways in which the private sector has been included into development agendas in an open way. However, it has been commented that the Call is a reaffirmation of state obligations under international law: where states should respect, protect and fulfil the right to adequate food in their territories and help shape the international environment so other governments can achieve this. An obligation to ensure that third parties – including private actors – do not interfere with the enjoyment of this right is included within that obligation (De Schutter 2008). However, it is clear that the private sector is still frequently overlooked despite agriculture in most countries being an industry made up of many private businesses, from the poorest producer to some of the largest multi-national companies, and despite the sector playing an important part in the global economy, to the tune of over US\$464 billion in 2005 in food exports (FAO 2008).

Furthermore, the role of Foreign Direct Investment (FDI) in developing economies is significant and may expand if profits are harder to generate in the developed economies and given the predicted growth of trade in the least developed countries (Midgley 2008). FDI can help developing country producers meet and navigate the growing amount of international food safety and product standards necessary for trade.

A more common association made with multi-nationals is the exploitation of resources, human and environmental, which brings the issue of corporate social responsibility (CSR) to the fore. Despite the apparent rejection of CSR in the Call for Action, the UK government has done much to increase the level of CSR reporting and activity by major companies. CSR was also included in the Accra Agreement. However, if growing expectations are to be placed on the expanded role of the private sector in ensuring food security and broader development objectives then it is hoped that current standards, in labour and sustainable development for instance, are met. The UN Special Rapporteur has argued that the buying practices of agri-business and global retailers can help support labour rights and fairer forms of trade and are part of the solution to the food crisis as well as more private sector investment (De Schutter 2008). Such measures should be viewed as a minimum requirement, not a maximum, however. And additional help in stipulating CSR should be offered to developing country governments, otherwise the relationship could become skewed.

A further component of improving trade and private sector capacity is Aid for Trade (AFT). The AFT initiative was launched in 2005 by the WTO and aims to help the least developed countries by developing trade-related skills and infrastructure to expand their trade; it is not solely related to the private sector but is directly linked. AFT is most commonly delivered through ODA to support requests for trade-related capacity-building from the developing country.

AFT can be broadly interpreted as incorporating:

1. Trade policy and regulation activities (to help build local capacities, develop national trade policies, participate in trade negotiations and implement trade agreements)
2. Building productive capacity
3. Economic infrastructure spending (help to countries in producing, transporting and exporting goods; can include road building, communications and energy)
4. Trade-related structural adjustment. (OECD 2007)

It is estimated that between 2002 and 2005 approximately 34 per cent of all ODA could be classed as AFT, although the actual percentage rates fell from 35 per cent in 2002 to 32 per cent in 2005 due to greater spending on social sectors in health and education, reflecting the MDGs and corresponding movement away from tackling poverty through economic growth, trade, investment and employment (OECD 2007). A further reason for the decline in ODA was the inclination of developed economies during the 1990s to express unswerving support for the private sector and public-private partnerships

in public service and utility provision rather than public ownership. This belief that the private sector would be able to fill any gap in economic infrastructure was replicated in ODA decisions but was misplaced as it has not occurred. The majority of AFT spending goes on building economic infrastructure, and half of this goes to agriculture and fisheries, stimulated by the higher world food prices. Most AFT goes to Asian countries (51 per cent), nearly double that provided to Africa (30 per cent) (ibid).

An important component of AFT is its mutual accountability between partner countries (donor and beneficiary) as well as their respective publics. This brings an interesting clash between the public sector, the public good and the private sector. Some donor strategies explicitly state what AFT will support and achieve, such as the UK support to enhance inter-ministerial consultation, and strengthen economic and institutional fundamentals affecting private sector development. Other countries explicitly state the contribution that will be made to the MDGs and reducing poverty, improving market access for the least developed countries and achieving successful conclusion of the Doha round, increasing capacity for countries to identify trade-related needs and formulate policy, and implementing environmental and social standards within trade. Other donors are more implicit in their donor strategies, expressing general support for the initiative.

A broad range of donor countries supporting AFT are emerging, particularly in Asia – such as China, India, Korea, Kuwait, and Thailand – but also in Africa. However, their reporting and accountability mechanisms are in some cases far from ideal.

AFT is the policy of the moment, being pushed forward by the WTO and seeing increased global support. The EC has adopted an Aid for Trade Strategy, making €1 billion available for spending on trade-related technical assistance and capacity-building by 2010 (OECD 2007). In addition to increased spending on trade, investment and private sector development, the UK government has developed a new Trade Policy Unit to bring together the Department for International Development, the Department for Business, Enterprise and Regulatory Reform and other parts of government working on trade-related matters.

A key aspiration of current debates is for a financial revolution to support the current resurgence in agriculture in the developing world. Of course this is a difficult issue as speculation in the financial markets potentially exacerbated the current food crisis, and given the current crisis in global financial markets this may not look like the most opportune time to develop this. However, it is clear that access to credit is needed to ensure investment in future food supply (FAO 2008f). It is also clear that a new market for financial products exists, whether this is affordable access to credit or insurance for crops and so on for individual farmers or governments. How this can be achieved is open to question. One possibility is via the development of commodity exchanges. Alongside greater market information more stable trading environments can lead to more efficient production and investment. Other provision may be made through AFT.

Investment in the financial sector will be necessary to ensure that gains in agricultural production can be sustained. For example, investment is needed in storage facilities and communications so that surpluses can be sold or stored locally so that stock is available in times of shortages. It will also be necessary to ensure that more financial products are made available to producers in developed and developing countries to support risk management activities otherwise there could be additional public costs for governments, tax payers and consumers. For example, the UK government has recently argued in the case of reform to the Common Agricultural Policy that ‘Unless there is a market failure in the provision of private sector risk management, then we do not see a justification for using public money to provide risk management for farmers’ (DEFRA 2008: 5).

The World Bank is currently looking at ways in which risk management tools might be developed. However, it seems likely that the World Bank’s role will be to act as a guarantor; for example, if a developing country wants to hedge so it can afford to cover poor harvests and the subsequent costs this would incur but it has a poor credit rating. Why it may be necessary for an intermediary to do this, and why private sector financial institutions are not making more effort in this market area, remain pertinent questions, however.

## Summary

The crucial aspect for many will be how food security can be ensured over the longer term and a number of proposals are on the table.

The key changes discussed include:

- (i) **The increased role of social protection in developing countries.** This can create opportunities for greater household food security and local agricultural growth as the local population spending power grows. However, the role of income guarantees for producers remains unclear.
- (ii) **A resurgence of Overseas Development Assistance (ODA) commitments to invest in agriculture following decades of decline by the international community.** This engages with the nature of the crisis – agriculture, not just food – but a considered debate about the type of agriculture and the systems being invested in is missing from the grand global plans.
- (iii) **Lack of policy coherence.** Activities are duplicated and calls for different actions thins the available funding, particularly given the growing number of actors, such as private foundations, involved in international responses in addition to international agencies and governments. Disparities between government approaches to agricultural production for food and energy crops remain and will cause continued instability to food markets.
- (iv) **Food's rise in political importance.** Agriculture and food production remain truly political issues as they affect the use and control of resources that are necessary for life and act as the economic basis for many households and countries. Yet, the truly contentious issues surrounding food such as land tenure, biotechnology, intellectual property rights and the empowerment of women remain overlooked by global solutions. A new internationalism can be detected in these debates incorporating new players in global politics and investment such as China and India.
- (v) **An increased expectation of the private sector's role.** This is seen both in terms of its contribution to development directly or through initiatives that can help develop the private sector and trade in developing countries.

How the international community makes good on its pledges at home or overseas will be crucial; otherwise the food crisis may unintentionally spawn a new crisis in international trust, particularly between developed and developing countries.

## 4. Conclusions and recommendations

The current food crisis has shown the importance of international food security and its link to wider social, economic and environmental wellbeing. The crisis has generated international commitments to respond to the threat of continued and future food insecurity. However, it is crucial to try to turn these commitments into concerted actions, particularly if trust between international institutions is to play a central role in the future. The involvement of civil society is also crucial, in supporting governments' activities and holding them to account, as well as participating in locally specific responses to improve food security in the future.

The debates in this paper exemplify the huge inequalities that still exist within society, and become shorthand for inequality of access and affordability which in their worst extremes lead to poverty and hunger. They also highlight market instability, policy complacency, and both the positive and negative aspects of globalisation (global political community and action versus the exertion of corporate power over developing countries and their populations at the expense of employment, social and environmental standards).

The domination of food in debates means that discussion is focused on the end point of the process rather than issues throughout the food system. Some key issues have had only belated attention, such as structural difficulties and under-investment in agriculture, particularly in the least developed countries. And despite many high level solutions being offered, there is still some uncertainty as to what type of food system(s) they intend to produce.

As food prices begin to fall it is even more crucial that global food security remains high on the political agenda. Below we present some principles for the international community and UK government as a guide to enable policymakers to adapt to the evolving priorities of food security within a changing global environment.

### **Improving food and nutrition security**

The current food crisis and concerns over food insecurity were highlighted by rising food prices and the greater number of people entering into poverty and going hungry. It is vital that we do not lose sight of this. Humanitarian aid is crucial to counteract food and nutritional insecurity. Food and nutritional security must be given equal priority in all activities whether humanitarian aid, overseas development assistance, national education or health policies, if the Millennium Development Goals to reduce poverty and hunger and improve health outcomes are to be met.

### **Reforming the system**

Many of the longstanding international agencies were specifically set up in response to earlier food crises and have considerable experience and also connections within partner countries, which should be amended and built on rather than ignored. To suddenly overlay a further funding programme or initiative only adds to the complexity of delivery, may risk conflict with other initiatives and affect gains already made (including trust of local groups and people).

Institutional reform is ongoing in the UN family and further coordination and coherence need to be achieved, particularly surrounding the World Food Programme and other agencies involved in securing agricultural development and reducing hunger. But the need for reform is not limited to the UN system. The recent difficulties in achieving a single undertaking at the Doha round of World Trade Organisation talks suggests reforming the organisation – to regional and plurilateral rather than global agreements – in order to make progress more quickly and effectively.

### **Policy coherence**

Greater policy coherence is needed, between different international agencies, within individual countries and regions, and how they respond to agriculture. Clear policy surrounding food and biofuel production is required, for example.

To achieve greater policy coherence surrounding food security and an end to the food crisis, issues such as nutrition, which have been overlooked in the past, must be discussed. Furthermore, there



should be no shying away from other more contentious issues. These include security of land tenure to poor producers; empowering women and their role in the food system; food sovereignty; support for food safety standard monitoring; biotechnology and intellectual property rights. Without a full discussion of these issues current actions risk being half-hearted and ingraining current inequalities.

Complementary action to provide credit and risk management products to developing country growers and governments is needed, otherwise progress from agricultural investment may be slower than anticipated and not as effective as it could be. Greater risk management must be offered as part of greater infrastructure support to agricultural sector development.

### **Leading by example**

During 2009 the UK government will chair the G20 group of countries. It is imperative that the UK uses this opportunity to add the food economy to the list of matters to be addressed in securing economic stability and broader security. This group is vital to resolving many current tensions and uncertainties in the food system, particularly those surrounding trade, as it includes China, Saudi Arabia, Australia, Argentina, Brazil and South Africa, all of which have a growing impact on the food system through their behaviours (whether their own production, overseas development assistance, or foreign investments).

The terms of the debate from the UK government's perspective must be what role can the UK play in sustaining a food-secure future for the world, rather than just what does food insecurity mean for the UK.

The UK government must continue to lead international development work – particularly on food security and successful achievement of the MDGs – building on its sustainable livelihoods work and greater involvement of the private sector in this agenda. It must also continue to push for reform of the Common Agricultural Policy and greater market orientation of some of the most highly supported producers in the world. The EC should lead and underpin commitments to reform and improve global production and trade.

The UK must ensure that food security remains on the international agenda even when domestic price pressures begin to ease, and in turn counter calls for greater self-sufficiency and protectionism.

### **Mutual accountability**

There is a need for continued mutual accountability in overseas development assistance, as well as greater involvement by civil society. A commitment to investing in agriculture in the least developed countries, particularly in Africa where attention is focused, must be on mutual terms and respond to and align with local priorities, as there is no reason why these should be mutually exclusive.

To assist in greater accountability and good governance practice aid donors must fulfil their commitment to provide full details of when the assistance will be delivered (how much, when and what it will cover) so that partner governments and agencies can plan and use the assistance more effectively and efficiently.

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## Appendix: List of food insecure countries\* at October 2008

Country	Main reasons
Lesotho	Low productivity and HIV/AIDS pandemic leading to exceptional shortfall in aggregate food production/supplies
Somalia	Conflict and economic crisis leading to exceptional shortfall in aggregate food production/supplies
Swaziland	Low productivity and HIV/AIDS pandemic leading to exceptional shortfall in aggregate food production/supplies
Zimbabwe	Deepening economic crisis and adverse weather conditions leading to exceptional shortfall in aggregate food production/supplies
Eritrea	Internally displaced persons and economic constraints leading to widespread lack of access to food
Liberia	War-related damage leading to widespread lack of access to food
Mauritania	Several years of drought leading to widespread lack of access to food
Sierra Leone	War-related damage leading to widespread lack of access to food
Burundi	Civil strife, internally displaced persons and migrant returnees leading to severe localised food insecurity
Central African Republic	Refugees, insecurity in parts leading to severe localised food insecurity
Chad	Refugees and conflict leading to severe localised food insecurity
Dem. Republic of Congo	Civil strife and returnees leading to severe localised food insecurity
Republic of Congo	Internally displaced persons leading to severe localised food insecurity
Côte d'Ivoire	Conflict related damage leading to severe localised food insecurity
Ethiopia	Insecurity in parts and localised crop failure leading to severe localised food insecurity
Ghana	After-effects of drought and floods leading to severe localised food insecurity
Guinea	Refugees and conflict leading to severe localised food insecurity
Guinea-Bissau	Localised insecurity leading to severe localised food insecurity
Kenya	Civil strife, adverse weather and pests leading to severe localised food insecurity
Sudan	Civil strife (Darfur) and insecurity (southern Sudan) and localised crop failure leading to severe localised food insecurity
Uganda	Localised crop failure leading to severe localised food insecurity
Iraq	Conflict and insufficient rainfall leading to exceptional shortfall in aggregate food production/supplies
Afghanistan	Conflict and insecurity, and inadequate rainfall leading to widespread lack of access to food
Democratic People's Republic of Korea	Economic constraints and effects of past floods leading to widespread lack of access to food
Myanmar	Cyclone leading to widespread lack of access to food
Bangladesh	Past floods and cyclone leading to severe localised food insecurity
China	Earthquake leading to severe localised food insecurity
Iran, Islamic Republic of	Past drought leading to severe localised food insecurity
Nepal	Poor market access and drought and floods leading to severe localised food insecurity
Philippines	Typhoons leading to severe localised food insecurity
Sri Lanka	Conflict leading to severe localised food insecurity
Tajikistan	Winter crop damage, poor market access and locusts leading to severe localised food insecurity
Timor-Leste	Internally displaced persons and high food prices leading to severe localised food insecurity
Bolivia	Past floods leading to severe localised food insecurity
Cuba	Hurricane leading to severe localised food insecurity
Haiti	Hurricane leading to severe localised food insecurity

\*A food insecure country is one defined as being in crisis and requiring external assistance due to lack of resources to deal with reported critical problems of food insecurity

Source: FAO 2008a