

# The Global Food Crisis and Beyond

*Jacques Diouf, Ph.D.*

Director-General, Food and Agriculture Organization of the United Nations

In recent weeks, the focus of international attention shifted from the plight of the poor and hungry to the financial and economic meltdown threatening the world's rich countries.

But this should not divert the international community from the priority of resolving the continuing global food security crisis caused by soaring food prices in 2007-2008. The situation remains profound and requires an immediate, comprehensive, coherent and coordinated global response.

Last year, mainly because of rising food prices, 75 million people tumbled below the breadline and millions more have probably joined them in 2008. This means that there could be now nearly one billion people in the world suffering from chronic hunger—one in every six human beings.

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

Obviously, this does little for the credibility of the international community. But this is no time for finger-pointing or recrimination. It is instead time to take the steps required to honor the promises of the past to meet the challenges of the future and to seize the opportunities that the present may offer.

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

But that doesn't mark the end of the crisis. In shops and markets around the world, food prices remained out of reach for poor people, with the FAO food price index registering twice its 2002 level. One reason was that retailers were still selling supplies purchased at maximum prices earlier in the season, but also the fact that the cost of food reflects margins of the local intermediaries and the impact of high transportation costs. Food is expected to remain expensive for years to come.

It wasn't the end of the food crisis also because smallholder farmers, especially in developing countries, could not afford to buy fertilizers whose prices had doubled and

tripled, nor the greatly increased prices of seeds and other inputs. Without assistance, it would not be possible for them to grow enough food for their families and generate incomes for their livelihoods.

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

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

But to my mind, the single most important reason for the food crisis, which has affected the world's rich and poor peoples very differently as the latter spend proportionately much more on food, is the world's neglect of agriculture over the past 30 years.

During the Green Revolution fifty years ago, investment in developing countries' agriculture gave rise to a sustained and impressive expansion of production. In 1961, the world used about 1.4 billion hectares of land for crops to feed itself while three decades later it grew twice as much food on 1.5 billion hectares. Far-sighted public investment in agricultural research and rural infrastructure, particularly irrigation, storage and roads, in the 1960s and 1970s was the backbone of the Green Revolution and the main reason for the rapid expansion of agricultural output in many developing countries.

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

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

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

A lasting solution to the current food crisis and future similar crises can only be achieved through a sustained increase in the level of investment in agriculture, with a focus on enabling smallholders and peasant farmers in developing countries, especially in low-income food-deficit countries, to produce enough food for their own growing populations and for export.

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

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

It is thus critical that the share of agriculture in total ODA is increased to its level of 1980, and that the resources allocated to agriculture from national budgets are boosted in developing countries. It is also important to ensure a favorable environment to attract private investment in agriculture.

The FAO High-Level Conference on World Food Security, which was held in Rome from June 3-5, 2008, clearly stated that investment in agricultural production was the basis for any sustainable solution to the global food crisis and that adequate resources were needed. Although it was not a pledging conference, some US\$ 11 billion was promised at the time. If other announcements made before and after the Conference are added, the total pledges reach US\$ 22 billion. This is clearly a very encouraging figure, but these are only promises that still need to be fulfilled.

The High-Level Task Force on the Global Food Security Crisis (HLTF), set up by UN Secretary-General Ban Ki-moon under his chairmanship and the vice-chairmanship of FAO, recently completed a Comprehensive Framework for Action (CFA) detailing both the short and long term measures for resolving the present crisis and preventing new ones. The HLTF brought together the heads of the United Nations specialized agencies, funds and programs, Bretton Woods institutions and relevant parts of the UN Secretariat. The

CFA proposes two sets of actions, the first aimed at meeting the immediate needs of vulnerable populations, the second designed to build resilience and contribute to long-term global food and nutrition security. The CFA was presented by the UN Secretary-General to the G-8 Leaders at their last Summit in Hokkaido, Japan, in July 2008.

The cost of implementing the CFA is estimated at between US\$ 25 billion and US\$ 40 billion—about one third of which for the short term and the rest for building longer-term resilience. Accordingly, developed countries, on their side, need to increase their ODA to 0.7 percent of gross national income (GNI) and to increase the share of agriculture therein from the current three percent to the 17 percent level of 1980. Developing countries, from their part, need to allocate additional resources to agriculture from their national budgetary expenditures.

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

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