



European Food Security Group  
October 2008

# The Food Price Crisis: What needs to be done

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*The food prices crisis requires policy change, especially in the field of agriculture, based on the human right to food as well as short term and long term efforts in terms of aid governance.*

## 1. Introduction

World food prices have increased significantly in the past two years, reaching record highs at the beginning of 2008. Staple food crops such as wheat, rice and maize experienced price increases of between 40 and 100% compared to two years ago<sup>1</sup>. Worst hit by the price increases are net food importing countries, due to their dependency on external markets and international prices. It is estimated that food imports could cost developing countries 25% more than in 2008 than 2007 and that their food import bills will have doubled since 2000<sup>2</sup>.

The dramatic increase of food prices means that millions of poor people can no longer afford or access the food they need, thereby increasing global hunger and malnutrition. According to the latest figures from the FAO, 923 million people live in extreme poverty. Only in 2007, the number of people living in poverty has increased by 75 million worldwide. This represents a real challenge in the fight against hunger and a step back in the progress towards the achievement of the MDG 1 of halving the number of hungry people by 2015.

Besides providing a short analysis of the causes of the current food price crisis and the impact they are having on the lives of the poorest, **this document provides a critical outlook on the international responses already underway and sets out the main short, medium and long term policy responses** necessary to tackle the crisis. The final part of the document details the calls to action by the EFSG regarding this crisis.

## 2. The causes of the crisis

The current situation is not the result of a sudden emergency, but rather the outcome of cumulative effects of long term trends and more recent factors, including demand and supply dynamics and responses that have caused further price increases and higher price volatility.<sup>3</sup>

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<sup>1</sup> World Bank commodity price data

<sup>2</sup> FAO, Food Outlook, November 2007

<sup>3</sup> High level task force on the global food crisis, Comprehensive framework for action, July 2008

Longer term factors include income and population growth (especially in industrialising countries), whereas public and private investment in agriculture significantly lagged behind. Urbanisation and low farm gate prices led to disengagement of agriculture. Recent factors include: rising energy prices (e.g. oil), which prompted demand for biofuel (e.g. in the EU and US), and significant investment in agricultural derivatives (as investors look for alternatives). These factors led to speculation on food markets, leading to even more price volatility. Yet, changes in the food demand affects also the prices, especially the changes in the food regimes in emerging countries, where the percentage of meat is growing and drives the demand for animal feed, in addition to the overall demographic increase.

Prices are expected to remain above the 2004 level due to land and water constraints, donors' and governments' underinvestment in rural infrastructure and agricultural innovation (water constraints and lack of infrastructure will constrain African farmers in reacting to the price increases by increased production), low inventories of global food stocks, lack of access to inputs, markets and weather disruptions (climate change issues are especially pertinent to any proposed agricultural response by small farmers).

While it is difficult to assess which factors contribute the most to the crisis, it is clear that the crisis is the result of failures of past policies related to the international food governance that have weakened people's ability to exercise their right to food.

For the past thirty years, the dominant policy mix for agriculture has involved highly supported agriculture in developed countries with subsidised export disposals; in developing countries underinvestment in agriculture accompanied by deregulation and the dismantling of the main agricultural instruments promoted by the Bretton Woods institutions; and trade liberalisation at international level implemented by the WTO. In many developing countries this has led to a weakened and uncompetitive agricultural sector and accelerated an exodus from rural areas.

The failure of the past international food system and governance has been recognised by French President Nicolas Sarkozy at the recent FAO high level conference on world food security when he said that: "[the strategy of the past], the one that failed, consists in providing developing countries with food at the lowest world market price. [...the strategy of the future] must lie on the development of local agricultures".

### ***3. The response of the international community***

The international community has responded to the severity of the food price crisis with a number of statements and initiatives. We have seen the constitution of the special High-Level Task Force on the Global Food Security Crisis led by the UN Secretary General which produced the Comprehensive Framework for Action (CFA, see details below), the FAO High-Level Conference in Rome in June, and the declaration by the president of the World Bank at the G8 Summit among the others. The European Union has been active: the European Commission (EC) issued a Communication in early May<sup>4</sup>, followed by a European Parliament resolution<sup>5</sup> and most recently the EC's €1 Billion initiative ("facility for rapid response to soaring food prices in developing countries") is currently being negotiated<sup>6</sup>.

The European Parliament resolution on the food crisis issued in May, states that "850 million human beings go hungry each day demonstrates systematic violations of the right to food, as enshrined in international human rights law" and urged the Council "to ensure coherence of all food-related national and international policies with obligations under the right to food"<sup>7</sup>;

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<sup>4</sup> EC COM(2008)321, Tackling the challenge of rising food prices. Directions for EU action, 5 May 2008

<sup>5</sup> P6\_TA(2008)0229.

<sup>6</sup> COM(2008)450/5.

<sup>7</sup>

The UN Task Force's "Comprehensive Framework for Action" provides the following figures:

- "WFP is in the process of allocating an extra US\$ 755 million to operations in more than 60 countries to meet existing needs, following the generous response to its recent emergency appeal. WFP's voluntary budget and newly assessed needs must be fully met.
- The FAO Emergency Initiative on soaring food prices has called for US\$ 1.7 billion in funding to provide low income food deficit countries with seeds and inputs to boost production over the next 18 months.
- IFAD is making available US\$200 million in loans to poor farmers in the most affected countries to boost food production by providing essential inputs.
- The World Bank is implementing a \$1.2 billion Global Food Crisis Response Program to support agriculture, social protection and policy responses to the crisis.
- OCHA has announced it is reserving \$100 million of the Central Emergency Response Fund (CERF) for food crisis related needs this year."

The response to the current crisis rests on a mix of short term solutions to respond to the immediate needs of an increasing number of vulnerable people going hungry, medium term solutions aiming to increase the production capacity of small-holder farmers and long term solution to support agriculture, particularly targeting small scale farmers with appropriate and locally adapted solutions, agricultural markets regulation and the right of developing countries to protect their agriculture and producers.

There are in essence three prongs to the international community's plan of action:

- Boost agricultural production by "small farmers" in poor countries.
- Rapid liberalisation measures aimed at bringing food prices down (lowering customs tariffs, prohibit export restrictions, VAT reductions, etc.) and measures to improve the functioning of world markets.
- Provide food assistance and improve social safety nets for vulnerable populations.

The EFSG wishes to highlight some of the risks related to these three areas.

#### ***4. Challenges arising from the food prices crisis***

The mobilization of substantial funds and the increasing interest of the international community in agriculture are certainly to be welcomed. At the same time, they call for additional efforts in terms of governance, in order to ensure that real changes are delivered to tackle hunger in a way that reduces people's dependency and vulnerability to externalities.

In this regard, addressing the current food prices crisis is not just about providing more funds. We need to take in due consideration some of the risks deriving from the increased attention and injection of funds and manage them in an appropriate way.

Furthermore, the increased interest in agriculture is also driving an increased demand and pressure on land. The quest for higher productivity could lead to a regrouping of plots and a restructuring of the farming industry that might intensify rural exodus. The scramble for land is already perceptible in the context of biofuel production and the new high prices.

Another challenge derives from the combination of increased production with trade liberalisation measures. There are questions regarding the compatibility of focusing support on small scale farmers –a key objective- with that of greater liberalisation. Lack of local market protection may result in a failure to compete with the influx of subsidised exports from developed countries and elsewhere and inhibit small producers to increase their production. Since increased production by small scale producers is a central objective, the potential

effects of liberalisation on the market position of these farmers should be seriously taken into account. The second market-related danger is that increased price volatility will make most investments extremely risky, particularly for vulnerable small scale farmers.

The fact that the agricultural sector is receiving the attention it deserves is an excellent development, but the question of “what agriculture” to promote is still open. The proponents of a technology-driven “new green revolution” pin their hopes on production, by large-scale enterprises, of commodities for which Africa can “hope” to become “competitive” on the world market. On the other side of the fence are the advocates of the thesis that “Africa can feed itself!”<sup>8</sup> if the millions of small farmers on which the continent’s economy, food security and social cohesion depend are provided with the policy and program support they require. This option would require prioritising agro-ecological smallholder food production for local and regional markets that are protected from products dumped on their markets at artificially low world market prices with which African producers cannot possibly compete.

The recently published UN International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) report “acknowledges that industrial agriculture has failed and GM crops do not present a solution for poverty, hunger or climate change” and confirms that “biologically diverse agro-ecological practice, especially those that are practiced sustainably by small-scale food producers, in particular women, makes agriculture more resilient, adaptive and capable of eliminating hunger and rural poverty”.

Another challenge relates to the way how the call for increased food assistance can be successfully combined with measures to support small-scale farmers.

## **5. Responses to address the crisis: Concord EFSG recommendations**

The EFSG believes that policy responses to the food price crisis should cover three broad areas:

### 5.1 Measures relating to trade and agriculture policies that address some of the structural causes of the crisis

5.1.1 Countries should be afforded sufficient policy space to apply strong regional border protection measures in order to protect their agricultural sector from too much price volatility and heavy import fluxes. Developing countries should be encouraged to use additionally the existing mechanisms “special products” and special “safe guard mechanisms” in order to protect their agricultural sectors.

5.1.2 Local market development should be emphasised in trade policies, by better integrating local and regional agricultural supply and food demand and improving the fluidity of intra-regional markets.

5.1.3 Establishment of appropriate buffer stocks to prevent too much price volatility.

### 5.2 Increase capacity of smallholder agriculture

5.2.1 Governance of agricultural recovery programmes. It will at the very least be essential to ensure that the “agricultural expansion” programmes are drawn up in conjunction with farmers’ organisations, and that the latter are be involved in the monitoring and follow-up of these programmes’ implementation.

5.2.2 Aid to sustainable Agriculture. The recent report of the International Assessment of Agricultural Knowledge, Science and Technology for Development [IAASTD], endorsed by 60 countries, says, “Modern agriculture has brought

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<sup>8</sup> The slogan of a campaign promoted by the West African farmers’ platform, ROPPA.

significant increases in food production. But the benefits have been spread unevenly and have come at an increasingly intolerable price, paid by small-scale farmers, workers, rural communities and the environment". Support has to be directed at a different model of agriculture that can sustainably meet the needs of a growing population. Equally, what is needed are new efforts in terms of governance to ensure that the resources will benefit the farmers but also empower them. The report confirms that "biologically diverse agro-ecological practice, especially those that are practiced sustainably by small-scale food producers, in particular women, makes agriculture more resilient, adaptive and capable of eliminating hunger and rural poverty".

5.2.3 In the short term there needs to be an emphasis on providing appropriate inputs for the next harvest.

### 5.3 Expand social protection and safety nets to support people that are worst hit from the food crisis

5.3.1 Providing emergency food assistance. The World Food Programme (WFP) has received additional funds this year to facilitate its additional needs in light of the increased prices of the food stocks it must purchase. Since this price crisis looks to continue for some time, continued and additional willingness is needed in order to facilitate the provision of food assistance to the most vulnerable. WFP performs an important role here, but should not be the sole channel to provide this assistance. At the same time, farmers' organisations and their partners should also be closely involved in the design and the running of the institutional food aid purchase programmes and other purchase programmes for institutions such as schools, armies, hospitals, etc.

5.3.2 Expanding social protection and safety nets to support people that are hit worst by the food crisis. Support should be provided to governments of developing countries so that they can provide social protection systems to ensure that the very poorest in these countries can access their basic needs in a budgetary predictable and reliable way that should be provided in a timely manner. This might require reforming the aid architecture to support early and appropriate responses.

5.3.3 Community resilience and capacities must be strengthened so that people are better prepared for cyclical shocks like droughts and price increases by diversifying livelihoods, mitigating risks as part of development strategies and providing long term, flexible funding.

#### 5.3.4 Scale up nutrition interventions

The food price crisis has a severe impact on vulnerable groups including the nutrition status of children under-2 years old, for example. Investment in the improvement of the nutritional status of under-2 years old is a very cost-effective way to improve not just the health of these children, but also to enable them to grow up to their full physical and mental potential and thus (indirectly) improve the economic potential of these people and help to prevent food insecurity later in their life. Nutritional surveillance in developing countries by Ministers of Health and other institutions needs to be supported and scaled up to achieve the necessary coverage and quality so that policymakers and other can identify the impacts of the crisis at a more local level, given geographical variations in food availability, access and quality. This being done as part of the strengthening of health systems but will require prioritization in particular countries. International policies can only enable and facilitate national policies once these have been developed.

5.3.5 Currently only a fraction of malnourished children is being treated. Sufficient funds should be made available in order to rehabilitate these children.

## **6. Conclusion**

The current surge of food prices and its consequences should serve as a warning signal, reminding us that food is an elementary need, and that agriculture is its only source.

Strong political will is central to review and change policies undermining the human right to food, mobilise resources for immediate assistance such as the EU food facility proposal, and undertake more structured and longer term responses. This requires international efforts, which should then be tailored to respond to local needs. In this respect, all “agricultural expansion” and institutional food aid purchase programmes should be designed and monitored in conjunction with farmers’ organisations and their partners, which are key stakeholders, in these countries.

To prevent future challenges to food security, a new international food system needs to be established. Governments, parliaments, civil society and the private sector should work together to jointly review and address a variety of issues, including: research, trade, food safety and nutrition, climate change adaptation, risk reduction, water and natural resource management.