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Globalization Commentaries

First published by the *Triple Crisis Blog* (www.triplecrisis.com)
January 18, 2012

Resolving the Food Crisis: Global leaders fail to make crucial reforms

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The spikes in global food prices in 2007-8 served as a wake-up call to the global community on the inadequacies of our global food system. Commodity prices doubled, the estimated number of hungry people topped one billion, and food riots spread through the developing world. A second price spike in 2010-11, which drove the global food import bill for 2011 to an estimated $1.3 trillion, showed that while global leaders may now be alert to the problems, our agricultural systems remain deeply flawed.

Various inter-governmental institutions responded with alacrity to the food price alarms. But the most powerful governments remain resistant to reform. In the final two months of last year alone, the G20, the WTO, and the Durban Climate Summit all turned big opportunities for action into small communiqués of little import.

In our new report, "Resolving the Food Crisis: Assessing Global Policy Reforms Since 2007," we find that the recent crisis has been a catalyst for important policy reforms, but governments have yet to address its underlying causes. By avoiding deeper structural reforms, the countries that dominate international agricultural markets leave the world at risk of another devastating food crisis.

The report, released today by Tufts University's Global Development and Environment Institute and the Institute for Agriculture and Trade Policy, is based on a comprehensive assessment of the policies and actions taken since 2007 by four international groups of actors: the UN, the G20, the World Bank and international donors.

There is a lot to applaud. The price crisis helped reverse a long-running decline in donor support for developing country agriculture. Much of the renewed support acknowledges the important role governments play in redressing the market failures that plague agriculture. Many developing country governments began to rethink the prevailing orthodoxy that they could import rather than invest in growing their own food. Many now emphasize domestic food production and the central role of small-scale farmers and women. We also saw encouraging attention to environmental issues, including climate change, in local and national plans.

But these reforms fall well short of what is needed to meet the world's current and future food needs in a sustainable way. New international funding is welcome, but only $6.1 billion of the G8's pledged $22 billion over three years represents new funding. Those pledges may not materialize and are anyway well short of what is needed. They also focus too narrowly on increasing production. This just encourages an expansion in industrial agriculture based on external inputs and ever-more expensive oil.

As the UN Special Rapporteur on the Right to Food said when accepting his second 3-year mandate in 2011, "Too much attention has been paid to addressing the mismatch between supply and demand on the international markets – as if global hunger were the result of physical scarcity at the aggregate level – while comparatively too little attention has been paid both to the imbalances of power in the food systems and to the failure to support the ability of small- scale farmers to feed themselves, their families, and their communities."

A structural shift in global markets is underway, caused by the deepening integration of agricultural, energy, and financial markets in a resource-constrained world made more vulnerable by climate change. Powerful multinational firms dominate these markets, and they slow, divert, or halt needed policy changes. This leaves international institutions promoting market-friendly reforms but resistant to imposing the regulations required to ensure well-functioning food and agricultural markets.

A paradigm shift in policies is needed as well. Governments need to discourage industrial biofuels expansion, regulate financial speculation, limit irresponsible land investments, encourage the use of buffer stocks to moderate price swings, reduce fossil fuel dependence, promote agro-ecological practices, and reform global trade rules.

Unfortunately, the institutions reviewed have shown little appetite for decisive action. The world's most economically powerful nations asserted leadership on food security at the G20, then backed away from reform. This has had a chilling effect on reform efforts elsewhere in the international system, most notably at the UN. (See earlier posts on this here.)

Three areas in particular demand decisive action. First, biofuels expansion must be slowed. It is widely recognized as one of the key factors behind rising agricultural commodity prices, driven by government incentives in rich countries. Second, the high levels of price volatility must be addressed. Financial regulations must limit speculation, well beyond the weak measures already enacted. Firewalls need to be put back in place between traders' risk hedging activities and speculative investment. Food reserves are also needed to cushion price swings. Third, land grabs by resource-constrained nations and speculative investors must be stopped. Such investments compromise the long-term food-producing potential of developing countries and violate the rights of those now on the land.

Fortunately, many developing countries are making changes. New agricultural development programs in Africa focus on small-scale farmers and women using low-input techniques and local resources while building climate adaptation. Bangladesh and other countries used food reserves to reduce the impact of the food price spikes, and food reserves are again on the agenda. As the African Union said in its rebuke to the G20's June Agricultural Action Plan, "we must rely on our own production to meet our food needs. In fact, importation is not Africa's goal."

Download the full report, "Resolving the Food Crisis: Assessing Global Policy Reforms Since 2007," online:
http://www.ase.tufts.edu/gdae/policy_research/resolving_food_crisis.html

Download the Executive Summary of the report:
http://www.ase.tufts.edu/gdae/Pubs/rp/ResolvingFoodCrisisExecSumm.pdf