

# Resolving the Food Crisis

## Assessing Global Policy Reforms Since 2007

### Executive Summary

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The recent spikes in global food-prices in 2007-08 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 is expected to drive the global food import bill for 2011 to an astonishing \$1.3 trillion, only deepened the sense that the policies and principles guiding agricultural development and food security were deeply flawed. There is now widespread agreement that international agricultural prices will remain significantly higher than pre-crisis levels for at least the next decade, with many warning that demand will outstrip supply by 2050 unless concerted action is taken to address the underlying problems with our food system.

The crisis certainly awakened the global community. Since 2007, governments and international agencies have made food security a priority issue, and with a decidedly different tone. They stress the importance of agricultural development and food production in developing countries, the key role of small-scale farmers and women, the challenge of limited resources in a climate-constrained world, the important role of the state in “country-led” agricultural development programs, the critical role of public investment. For many, these priorities represent a sea change from policies that sought to free markets from government policies seen as hampering efficient resource allocation. Now that those

policies and markets have failed to deliver food security, the debates over how countries and international institutions should manage our food system are more open than they have been in decades.

The purpose of this report is to look beyond the proclamations and communiqués to assess what has really changed since the crisis erupted. While not exhaustive, the report looks at: Overseas Development Assistance, both in terms of how much and what is funded; Multilateral Development Banks’ policies and programs; selected U.N. agencies and initiatives, notably the Committee on Food Security (CFS); the G-20 group of economically powerful governments; and the U.N. Special Rapporteur on the right to food, who has injected a resonant “right to food” approach to the issue.

We seek to identify substantive changes from prevailing practices. In particular, we look for changes that challenge the following trends:

- low levels of investment in developing-country agriculture in general and small-scale agriculture in particular;
- reduced support for publicly funded research and development and increased reliance on private research and extension;

- a reliance on international trade to meet domestic food needs in poor countries that can ill-afford the import dependence and declining local production;
- a bias toward cash crops for export over food production for domestic markets;
- increasing land use for non-food agricultural crops such as biofuels for industrial uses;
- support for high-input agricultural methods over more environmentally sustainable low-input systems;
- inadequate attention to the linkages between climate change and food security;
- deregulation of commodity markets and increasing financial speculation in agricultural commodities, including staple food crops as well as land.

## Findings

Our review suggests that on the positive side, the food crisis was an important catalyst for change. As high prices persisted and public protest mounted, many governments were confronted with “moments of truth,” the cumulative result of which was to question some of the assumptions that had driven food and agriculture policy over the past few decades. This prompted renewed attention to agricultural development, reversing the long-standing neglect of agriculture as a vital economic sector. It also brought some important new funding, though at levels still far short of what is needed.

The stated priorities for much of that funding suggest distinct improvement over the policies of the past few decades. The needs and political voices of small-scale farmers and women; environmental issues, including climate change; and, the weaknesses of international markets now receive more attention. The additional funding for these important areas is also driven by greater openness to country-led programs with strong state involvement, a marked change from past priorities.

Our review suggests areas of great concern, though. We see neither the necessary urgency nor the willingness to change policies that contributed to the recent crisis. New international funding is welcome, but only \$6.1 billion of the G-8’s pledged \$22 billion, three-year commitment represents new money, and those pledges have been slow to materialize and are now threatened with cutbacks as developed countries adopt austerity measures. The overwhelming priority is to increase production. There are reasons to focus on this, specifically within low-income net-food importing countries.

The setting of production targets at the global level, however, encourages an expansion in industrial agriculture and the consolidation of land holdings, including land grabs, and ignores environmental constraints and equity issues.

Beyond funding, we find that the policies that contributed to the recent food-price crisis have gone largely unchanged, leaving global food security as fragile as ever. The world needs policies that discourage biofuels expansion, regulate financial speculation, limit irresponsible land investments, encourage the use of buffer stocks, move away from fossil fuel dependence and toward agro-ecological practices, and reform global agricultural trade rules to support rather than undermine food security objectives.

Unfortunately, we find that the international institutions reviewed have shown too little resolve to address these issues. Although at the G-20 the world’s most economically powerful nations have asserted leadership on food security, their actions have been tepid if not counterproductive. This has had a chilling effect on reform efforts elsewhere in the international system, most notably at the United Nations. This raises important governance issues. The U.N.’s CFS is formally recognized by most institutions as the appropriate body to coordinate the global response to the food crisis, because of both its mandate and its inclusive, multi-stakeholder structure. Yet in practice the G-20 has systematically constrained the reform agenda. Similarly, the WTO’s recent efforts to give the Doha Agenda more relevance by including food security issues in the form of restrictions on exporting countries’ use of export tariffs have failed, because many of the exporters (most of the G-20 members) refuse to surrender that policy space. Not surprisingly, importing countries’ wish for the same policy space with regard to their imports are now more determined than ever to insist on their rights.

The recent food-price crisis exposed the fragility of the global food system. A paradigm shift 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. Many benefit from current policies and practices and their interests are a dominant influence in national and global policies—slowing, diverting, or halting needed action. This leaves international institutions promoting market-friendly reforms but resistant to imposing the concomitant regulations required to ensure well-functioning food and agricultural markets.

Three areas in particular demand decisive action:

- **Biofuels expansion** – There is a clear international consensus that current policies to encourage biofuel expansion, particularly in the United States and Europe, are a major contributor to rising demand, tight supplies and rising prices. Yet international institutions, from the G-20 to the U.N. High-Level Task Force to the CFS, have diluted their demands for actions to address this problem.
- **Price volatility** – High spikes in prices remain a major problem for poor people worldwide, and for food-importing developing countries in particular. The policy goal, for effective market functioning and for food security, should be relatively stable prices that are remunerative to farmers and affordable to consumers. We find few concrete actions toward this goal. There is strong evidence that financial speculation contributed to recent food-price volatility, though there remains considerable debate on the subject. As an FAO report on the topic noted, there is no demonstrated benefit to the public of allowing such speculation, and the potential costs are huge. Precautionary regulations are warranted but few have been taken. Similarly, the lack of publicly held food reserves contributes to the shortages that make speculation possible while leaving vulnerable countries at risk. Reserves should be explored more actively than simply as emergency regional humanitarian policy instruments.
- **Land grabs** – The scale and pace of land grabs is truly alarming, driven by financial speculation and land-banking by sovereign wealth funds in resource-constrained nations. The consensus is that such investments are not good for either food security or development. As laudable as recent efforts are to promote “responsible agricultural investment,” these initiatives risk being “too little too late” for a fast-moving phenomenon. Meanwhile, international institutions, such as the World Bank, must do more to protect small-scale producers’ access to land.

Fortunately, many developing countries are not waiting for international action or permission to more aggressively address the problems that can be dealt with at a national or regional level. Many of the Comprehensive Africa Agriculture Development Program (CAADP) projects in Africa, for example, emphasize the kinds of changes that are needed. CAADP has four pillars: land and water management, market access, food supply and hunger, and agricultural research.

Bangladesh and other countries used food reserves to reduce the impact of the food-price spikes in far more ambitious efforts than the G-20 is proposing to support in West Africa.

Developing-country governments will be central to bringing about such changes. They need the policy space to pursue their own solutions and they need the support of the international community to demand deeper reform in developed-country policies. The evidence discussed in this report suggests the paradigm shift has started but is incomplete. Many developing-country governments have chosen to step away from the prevailing orthodoxy of the last several decades and are again exploring a larger role for the public sector in governing agriculture and food. Donors, too, have shown some willingness to re-order priorities and to give greater space to agriculture, and to changing priorities within agricultural spending to acknowledge the need for more inclusive and sustainable outcomes. But they still resist more fundamental reform and continue to promote private investment and liberalized markets, relying on humanitarian aid and social safety nets to try to help those who are displaced by the policies.

Perhaps not surprisingly, developed-country governments have yet to make the needed changes to their domestic policies. Comfortable with re-ordering development priorities, governments of rich countries have proved unwilling to look at their domestic agricultural economies to see what changes are needed there. If the most powerful countries are not willing to make the changes at home that would help international markets perform better, they should at a minimum stop undermining international efforts, at the U.N. and within and among developing countries, to address the fundamental causes of the food crisis.