

The Global Food Crisis: Identification of the vulnerable and policy responses



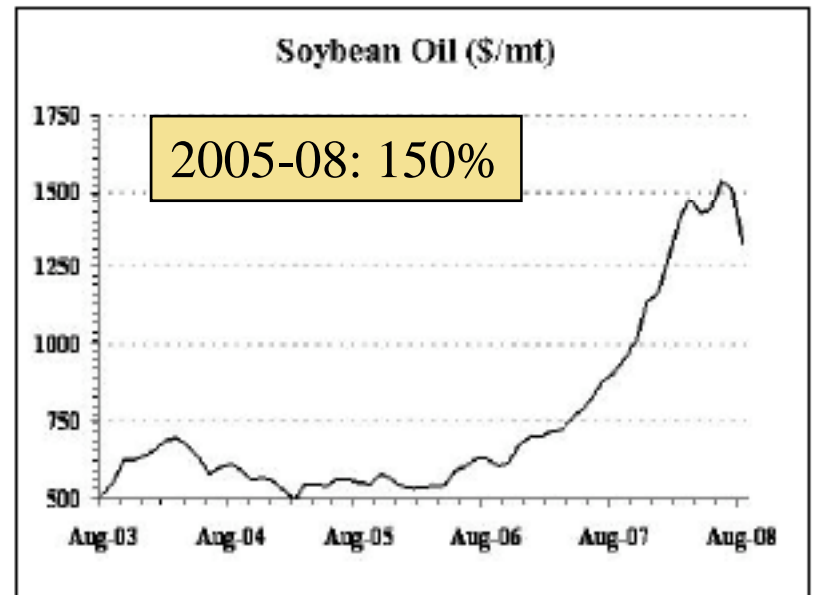
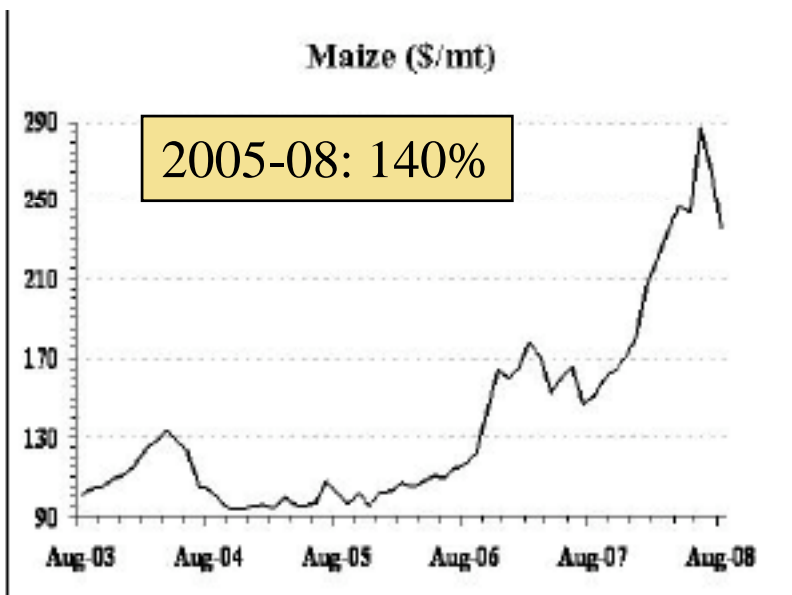
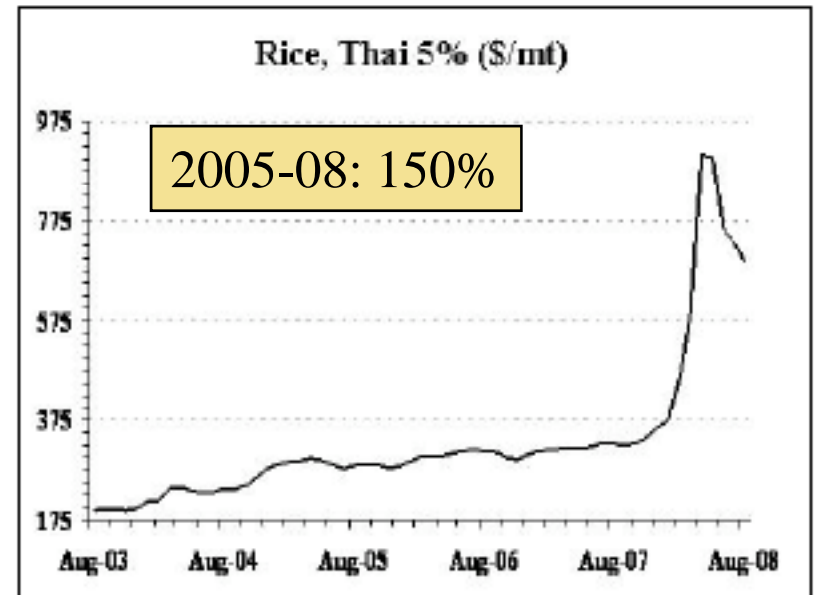
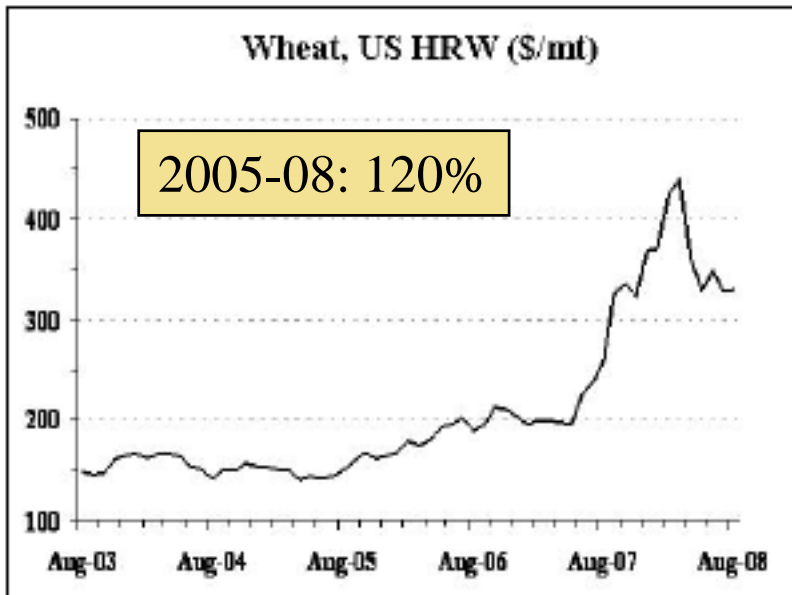
Giannini Foundation Symposium, October 10, 2008

New York Times

The global food crisis: Storyline for presentation

- 1. The global food crisis: Uneven price transmission
- 2. The most vulnerable countries
- 3. The most vulnerable people
- 4. Policy responses: What is being done?
- 5. Policy proposals: What could be done?
- 6. What conditions for success?

I. The global food crisis: Uneven price transmission



The global food crisis: Uneven price transmission

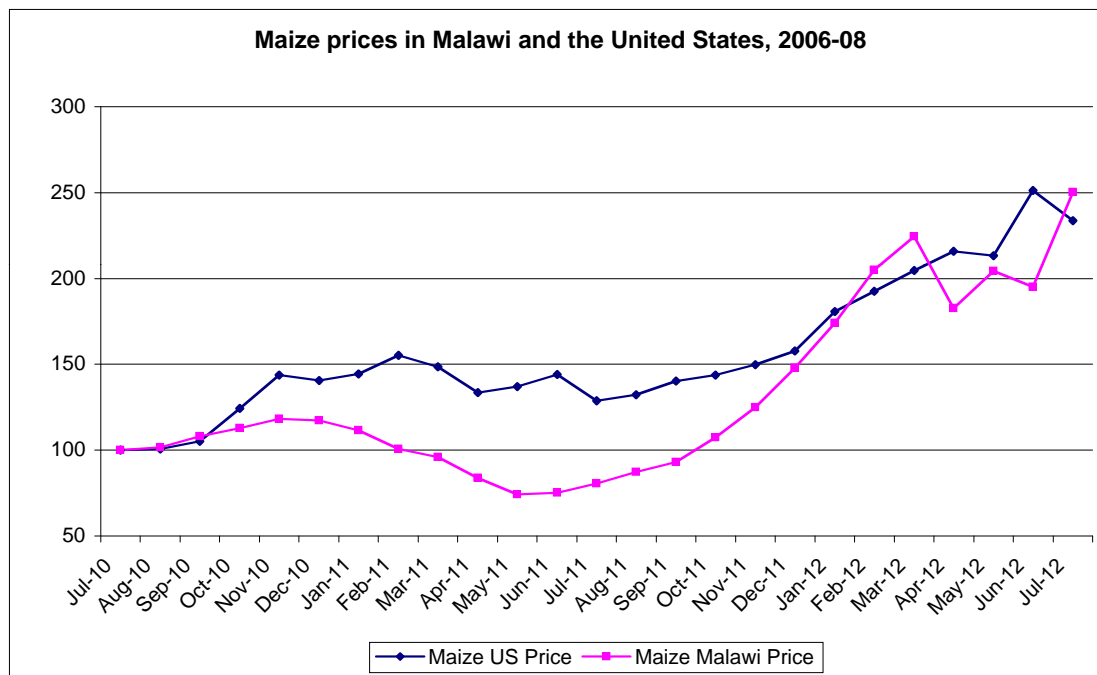
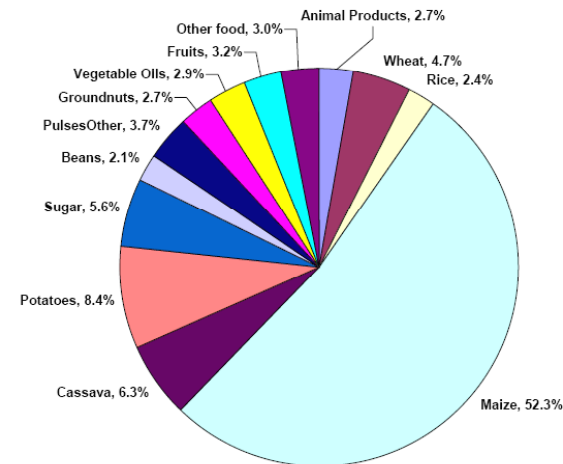


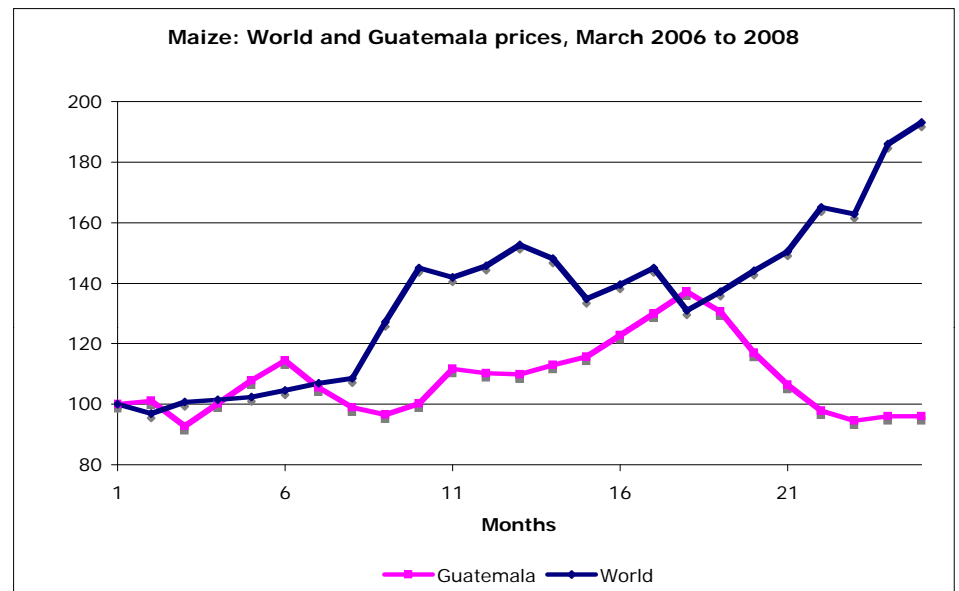
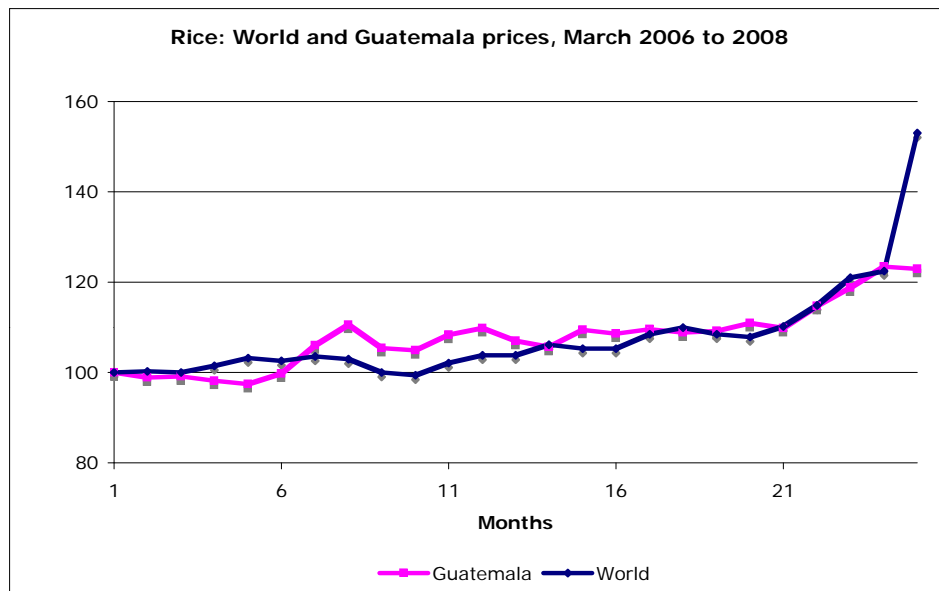
Figure 2 Food composition of per capita calorie intake in Malawi, 2002



Source: FAOSTAT data, 2004

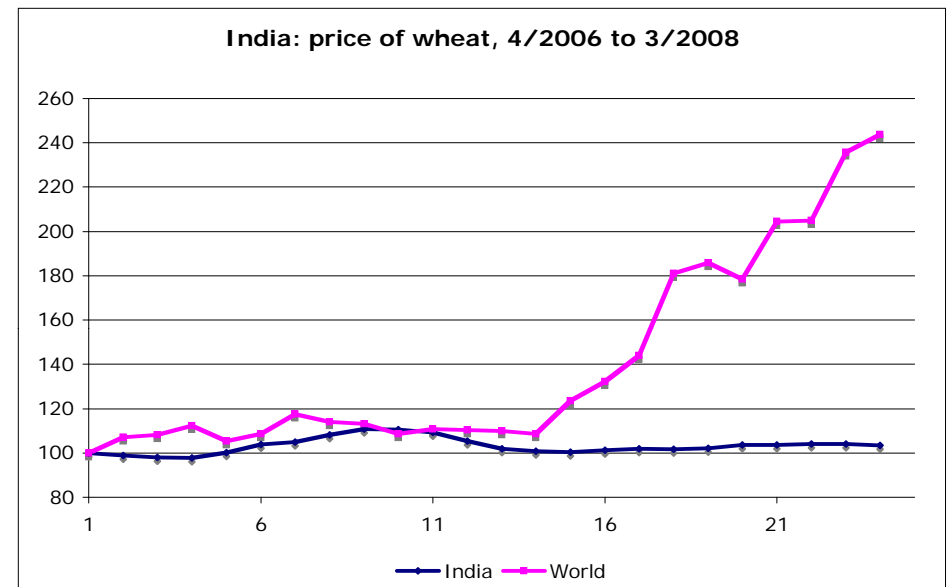
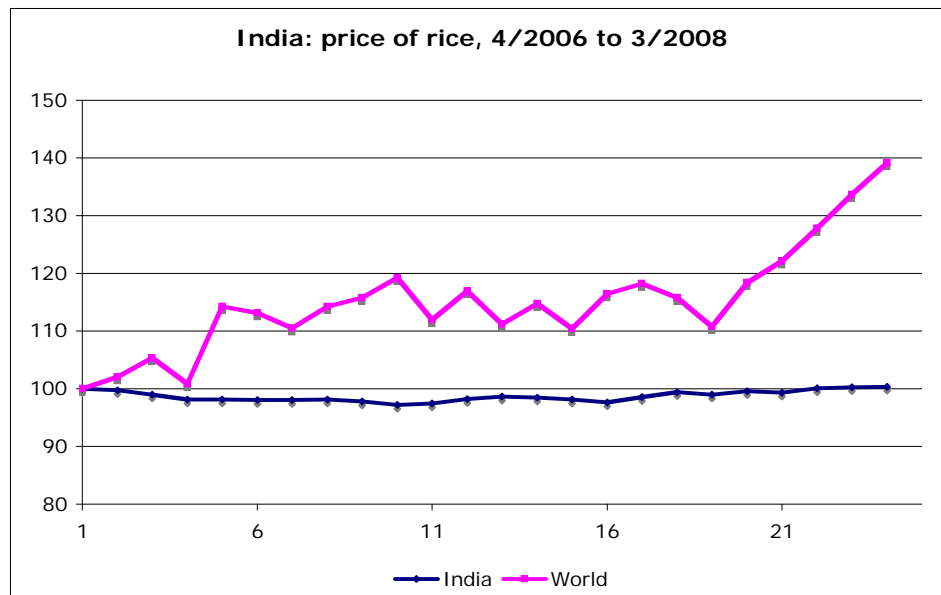
Sub-Saharan Africa: Malawi, high transmission and it matters for consumers

The global food crisis: Uneven price transmission



Central America: Guatemala, uneven transmission and it partially protects consumers, but not producers (maize/bean low transmission; rice/wheat high transmission but not produced)

The global food crisis: Uneven price transmission



India: Little trade and little price transmission

Conclusion: Greater transmission in more vulnerable countries with weak policy instruments

The global food crisis: The vulnerable countries

Food dependency Cereal imports/Cereal consumption	Food import burden Cereal imports/Total imports	Vulnerability to food crisis	Low income countries (GNI per capita in 2006 <\$905)	Lower middle income countries (GNI per capita in 2006 \$906-\$3,595)
High	High	Most vulnerable	CongoDR, Cote d'Ivoire, Eritrea, Gambia, Guinea-Bissau, Haiti, Liberia, Mauritania, Mongolia, Papua New Guinea, Senegal, Tajikistan	Azerbaijan, Egypt, Jamaica, Morocco, Peru, Swaziland, Tunisia
Low	High	Highly vulnerable	Afghanistan, Bangladesh, Benin, Burkina Faso, Burundi, Central Africa Rep, Ethiopia, Ghana, Guinea, Kenya, Kyrgyzstan, Madagascar, Malawi, Mali, Mozambique, Niger, Nigeria, Rwanda, Sierra Leone, Sudan, Tanzania, Togo, Uganda, Uzbekistan, Yemen, Zambia, Zimbabwe	Bhutan, Bolivia, Cameroon, Sri Lanka, Suriname, Syria
High	Low	Somewhat vulnerable	Somalia, Timor, Yemen	Angola, Cuba, Dominican Rep, El Salvador, Guatemala, Honduras, Jordan, Namibia

The vulnerable low income countries

Population: 900 million

Rural population: 630 million (70%)

Rural poverty rate: 84% at \$2/day

Poor population: 530 million rural, 200 million urban

Share of rural in total poor: 73%

The global food crisis: The most vulnerable people

- ❑ Smallholders are the majority of the poor in vulnerable countries
- ❑ Most poor smallholders are in fact net buyers
- ❑ They are the majority of losers from the food crisis

	India	Guatemala
Share of smallholders in total poor (%)	81	48
Share of net buyers among poor smallholders (%)	62	93
Share of smallholders among all poor losing from the food crisis	82	57

	Bolivia	Ethiopia	Bangladesh	Vietnam
Share of smallholders in total poor (%)	60	64	80	88
Share of net buyers among poor smallholders (%)	67	44	62	51

While policy responses have been mainly urban, poor smallholders have to be seen as a critical target population for the food crisis

Policy responses: What is being done for most vulnerable countries & people?

□ (1) Price policy: reduce consumer prices

- Reduce import tariffs
- Increase export taxes, export bans

But very limited scope for poor countries that have largely already liberalized and are net food importers

□ (2) Access to food programs: safety nets

- Price controls, import subsidies
- Cash and food transfers, school feeding

But weak fiscal and administrative capacity

□ (3) Supply response in agriculture

- Resource commitments, but low disbursements
- What conditions for success relative to the last 25 years?

Agriculture is the main instrument for poor countries & poor rural people to confront the food crisis

The global food crisis. Policy responses: What is being done?

□ Conclusion on diagnostic

- Prices are up, and mostly in poor vulnerable countries
- Poor people are suffering
- Hunger and poverty are up, with short and long term consequences (health, school, asset decapitalization)
- Resources have been committed, but delivery lagging
 - Decline in aid to poor countries -4.7% in 2006, -8.4% in 2007
 - \$4B donated of \$25B pledged for Africa for 2005-2010
- Responses in progress (WFP, UN, WB), but insufficient and inadequate for critical countries and critical social groups
- Insufficient attention given to the structure of poverty and the incidence of the food crisis: most poor hurt by the crisis are rural and smallholders

The global food crisis. Policy responses: What could be done?

□ What could be done that is feasible?

- In critical countries: weak fiscal and administrative capacity
- For critical groups: rural poor, especially smallholders

□ Immediate actions: two responses

▪ (1) Increase emergency food assistance

- WFP budget, school feeding programs: use existing institutions
- But limited and will not solve the food crisis

▪ (2) Organize “next-harvest” food production programs

- Focus on market failures for subsistence and smallholder farming
- Subsidies to seeds, fertilizers, tools, technical assistance, credit
- Need be well designed: vouchers, exit options
- Opportunity cost is other approaches to relief

The global food crisis. Policy responses: What could be done?

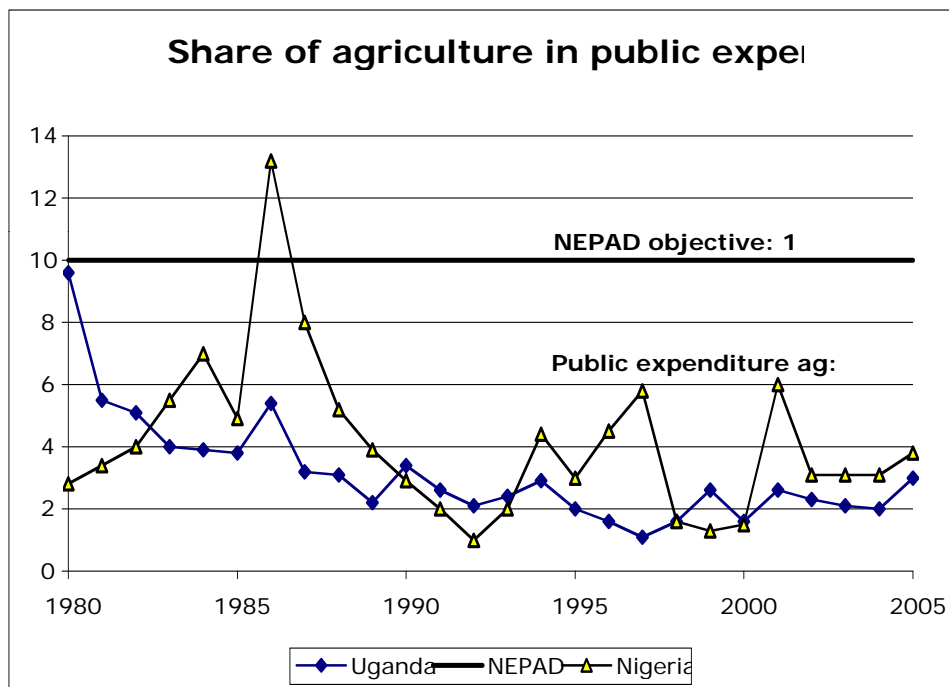
□ Medium term actions: two responses

- **(1) Increase productivity in agriculture:** WDR program
 - Develop participatory national “agriculture-for-development” agendas
 - Reverse the neglect of agriculture: government and donors
 - Pursue a Green Revolution for Africa: heterogeneity/multiple constraints/small countries/innovate and learn
 - High value crops and rural non-farm economy
- **(2) Expand social protection programs,** especially toward rural areas, within fiscal constraints
 - Conditional cash transfers, guaranteed employment programs

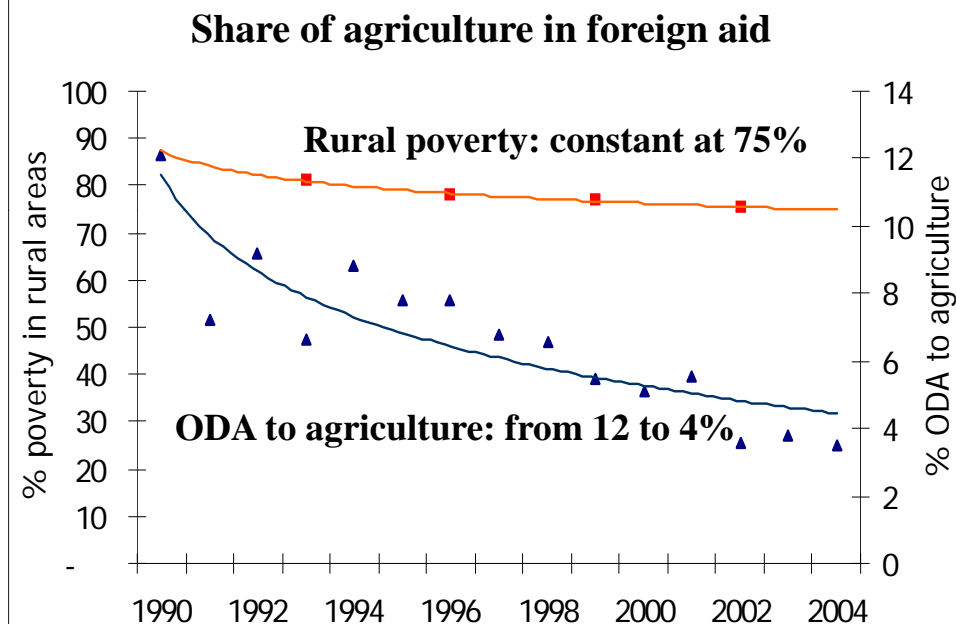
Conclusion: The main solution to the food crisis for the most vulnerable countries and most vulnerable people has to come from agriculture, both through short and medium term responses

The global food crisis: Agriculture has been neglected over the last 25 years

By governments



By international donors



If the solution to the food crisis is in agriculture for the most vulnerable countries and people, how can the neglect of agriculture be reversed?

This is the objective of the WDR 2008.

Four conditions for success.

The global food crisis: What conditions for success?

Four conditions for success in using agriculture to address the food crisis (WDR)

- ❑ **(1) Increase awareness** of what agriculture can do to reduce hunger and poverty: research, teaching, information
- ❑ **(2) Identify options** for effective investments: new approaches to ag-based projects; experiment and learn
- ❑ **(3) Develop capacities** to use agriculture for development at the individual, collective, national, and international levels
- ❑ **(4) Mobilize political support** to elevate agriculture in government and donor priorities: organizations,