



**Food and Agriculture Organization of the United Nations**

**Addressing high food prices:  
A synthesis report of FAO policy consultations at  
regional and subregional level**



Rome, October 2011

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## Acronyms

|         |  |
|---------|--|
| AAID    | Arab Authority for Agricultural Investment and Development   |
| ADB     | Asian Development Bank   |
| AECID   | Spanish Agency for International Development Cooperation   |
| AfDB    | African Development Bank   |
| AGN     | FAO Nutrition and Consumer Protection Division   |
| AGRA    | Alliance for a Green Revolution in Africa  |
| AGS     | FAO Rural Infrastructure and Agro-industries Division  |
| AMIS    | Agricultural Market Information System   |
| AOAD    | Arab Organization for Agricultural Development   |
| ASEAN   | Association of Southeast Asian Nations   |
| AU      | African Union  |
| CAADP   | Comprehensive Africa Agriculture Development Programme   |
| CARDI   | Caribbean Agricultural Research and Development Institute  |
| CARICOM | Caribbean Community  |
| CCCCC   | Caribbean Community Climate Change Centre  |
| CDB     | Convention on Biological Diversity   |
| CFA     | Comprehensive Framework for Action   |
| CFS     | Committee on World Food Security   |
| CIHEAM  | International Centre for Advanced Mediterranean Agronomic Studies  |
| CILSS   | Comité permanent Inter-Etats de Lutte contre la Sécheresse dans le Sahel<br>(The Permanent Inter-state Committee for Drought Control in the Sahel) |
| CNIRD   | Caribbean Network for Integrated Rural Development   |
| COMESA  | Common Market for Eastern and Southern Africa  |
| CSO     | Civil society organizations  |
| EAC     | East African Community   |
| ECCAS   | Economic Community of Central African States   |
| ECLA    | Economic Commission for Latin America  |
| ECOWAS  | Economic Community of West African States  |
| ESA     | FAO Agricultural Development Economics Division  |
| EST     | FAO Trade and Markets Division   |
| ESW     | FAO Gender, Equity and Rural Employment Division   |
| EU      | European Union   |
| FAO     | Food and Agriculture Organization of the United Nations  |
| FAPDA   | Food and Agriculture Policy Decisions Analysis tool  |
| FARA    | Forum for Agricultural Research in Africa  |

|           |   |
|-----------|---|
| FOMILENIO | Fondo del Milenio (Millennium Fund)   |
| FS        | Food Safety   |
| G20       | Group of Twenty (G-20) Finance Ministers and Central Bank Governors             |
| GDP       | Gross domestic product  |
| GIEWS     | Global Information and Early Warning System on Food & Agriculture               |
| GTZ       | German International Cooperation  |
| HLTF      | UN Secretary-General's High-Level Task Force on the Global Food Security Crisis |
| IADB      | Inter American Development Bank   |
| IFAD      | International Fund for Agricultural Development                                 |
| IFPRI     | International Food Policy Research Institute                                    |
| IICA      | Inter American Institution for Cooperation and Agriculture                      |
| IITA      | International Institute for Tropical Agriculture                                |
| ILO       | International Labour Organization   |
| IMF       | International Monetary Fund   |
| ISFP      | Initiative on Soaring Food Prices   |
| IUCN      | International Union for Conservation of Nature                                  |
| JICA      | Japan International Cooperation Agency  |
| MCV       | Minimum Customs Value   |
| MERCOSUR  | Mercado Común del Cono Sur (common market of the southern cone)                 |
| MGAP      | Livestock, Agriculture and Fisheries Ministry (Uruguay)                         |
| NAIP      | National Agricultural Investment Programme                                      |
| NENARNAP  | Near East and North Africa Regional Network for Agricultural Policies           |
| NEPAD     | New Partnership for Africa's Development  |
| NGO       | Nongovernmental organization  |
| OIRSA     | International and Regional Organization for Animal Health                       |
| PIC       | Pacific Island Country  |
| PPP       | Public-Private Partnerships   |
| R & D     | Research and development  |
| RESAKSS   | Regional Strategic Analysis and Knowledge Support System                        |
| REU       | FAO Regional Office for Europe and Central Asia                                 |
| RNE       | FAO Regional Office for the Near East   |
| RUTA      | Regional Unit for Technical Assistance (Central America)                        |
| SAARC     | South Asian Association for Regional Cooperation                                |
| SEGIB     | Iberoamerican General Secretariat   |
| SEUCO     | The South Eastern University College (Kenya)                                    |
| SFC       | FAO Subregional Office for Central Africa                                       |
| SICA      | Regional Integration System Central America                                     |

|         |   |
|---------|---|
| SIRS    | Système d'information régional sur la sécurité alimentaire (Regional information system on Food Security) |
| SNE     | FAO Subregional Office for North Africa   |
| TCI     | FAO Investment Centre Division  |
| TCP     | Technical Cooperation Programme   |
| TCS     | FAO Policy and Programme Development Support Division   |
| TCSP    | FAO Policy Assistance Support Service   |
| UEMOA   | West African Economic and Monetary Union  |
| UN      | United Nations  |
| UNECA   | United Nations Economic Commission for Africa   |
| UNESCAP | United Nations Economic and Social Commission for Asia and the Pacific                                    |
| UNICEF  | United Nations Children's Fund  |
| USAID   | United States Agency for International Cooperation  |
| USDA    | United States Department of Agriculture   |
| VAT     | Value Added Tax   |
| WB      | World Bank  |
| WFP     | World Food Programme  |
| WHO     | World Health Organization   |

## Executive summary

From the 1970s until the early 2000s, food prices on the international market remained relatively stable. However, in 2007, they began to soar, and by mid-2008, they had reached their highest level in 30 years.

The 2007-2008 food price crisis happened at a time when global food stocks were at their lowest level in decades. From 1960 to 2000, the growth rate of cereal yields had dropped by half, a by-product of 30 years of underinvestment in agriculture and general neglect of the sector. However, the demand for food continued to increase.

During the 2007-2008 food price crisis, some governments acted in haste, imposing export restrictions or engaging in panic buying and hoarding, which disrupted world markets and made an already difficult situation worse.

FAO had initially produced a policy guide for immediate country-level action to respond to high food prices in 2008. However, a survey conducted in August and September 2009 revealed that while 86 percent of the FAO Representatives were aware of the guide, fewer than half had shared it with their governments and fewer than 20 percent had shared it with their development partners. Furthermore, little is known to what extent governments actually used the guide.

In January 2011, as food prices soared for the second time in just four years, FAO, through its Initiative on Soaring Food Prices (ISFP), published an updated guide to assist policy makers in developing countries to address high food prices.<sup>1</sup>

To help countries draw on lessons learned from the 2007/2008 food price crisis and to ensure wider distribution and use of this guide, FAO decided to organize a series of two-day policy consultations throughout all the regions and subregions during 2011. The idea was to bring high-level government officials, key national and international stakeholders and development partners together in one forum to discuss the issues, share experiences and begin a process of mapping out sound policy measures to address high food prices.

FAO has organized 12 policy consultations. While discussions in the different consultations focused on specific regional issues, common threads did emerge. It was widely recognized, for example, that though high food prices negatively affect the food security of vulnerable households, they also provide opportunities for smallholder farmers to boost agricultural production and incomes, provided higher prices pass on to them.

Likewise, participants across the regions recognized that many factors contribute to high food prices, thus requiring a combination of policy responses. They underscored the importance of addressing the underlying causes of high food prices, including the impact of climate change on food production. They agreed that investments in agriculture and rural development – both public and private sector spending – need to increase and that agriculture must be given a higher priority in domestic and international policies.

They touched on the impact of trade policies, market access issues, land tenure, the creation of national and regional food reserves, the intensification and diversification of crop production and social protection systems.

And, they discussed the advantages and disadvantages of the diverse policy measures that countries had adopted, from responses more focused on trade, such as reducing tariffs and restricting exports, to ones more focused on consumers and producers such as safety net and producer subsidy programmes.

Feedback on the consultations has been positive, with governments and stakeholders commending the timeliness of such an initiative. However, the consultations are only as effective as their follow-up, particularly at country level. In this regard they have already helped to kick-start a dialogue with the

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<sup>1</sup> FAO (January 2011). *Guide for Policy and Programmatic Actions at Country Level to Address High Food Prices*. The guide is available in Arabic, English, French, Spanish and Russian at <http://www.fao.org/isfp/isfp-home/en/>

international donor community, which may help to mobilize funding for similar policy-oriented consultations in the future. Discussions are ongoing throughout the regions on how best to move forward.

Below are just some of the initial findings and suggested follow-up activities from the policy consultations:

- organize policy consultations at national level, as well as periodic consultations at regional/subregional level. Several countries in Asia, the Near East, North Africa, Europe and Central America have already taken steps in this regard. Early preparation is crucial for ensuring high-level government and broad stakeholder participation, including farmers' organizations, the private sector, NGOs and civil society;
- take into account specific local realities when addressing high food prices, as "no one size fits all";
- update FAO's guide for policy and programmatic action to include recent lessons learned from different countries in responding to food price volatility;
- create regional online fora to encourage continued discussion and information exchange on policy issues;
- promote greater collaboration and coordination within (and across) the regions on various issues including trade, markets, regulations;
- develop a common approach and methods for monitoring and analyzing the effects of policy measures within and across countries over time;
- strengthen capacity in policy development and implementation and institutional development;
- improve the timely sharing of information across the regions; and
- strengthen market and trade information systems to promote a better understanding of food price developments and to provide reliable information on market price changes.

Many of the initial outcomes from the policy consultations echo the recommendations laid out in the action plan on food price volatility and agriculture that the G20 Agriculture Ministers agreed on during their meeting in June 2011.<sup>2</sup> For example, both placed great emphasis on the need to increase public and private investment in agriculture to boost production and productivity and to build the resilience of smallholder farmers to market and climate shocks. They underscored the importance of having more effective agricultural policies at international and national level. They promoted targeted safety nets, with a focus on nutrition, to lessen the impact of food price volatility on the most vulnerable. And they pointed to the importance of timely, accurate and transparent market information and improved international policy coordination and governance.

With the world's population expected to top 9 billion by 2050, it is essential that actors at all levels – from national policymakers to regional economic communities to international organizations – work together to improve the availability of safe and nutritious food and ensure that people, especially the most vulnerable, have the means to buy the food they need.

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<sup>2</sup> G20 leaders at their summit meeting in November 2010 requested FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank and the WTO to work with key stakeholders "to develop options for G20 consideration on how to better mitigate and manage the risks associated with the price volatility of food and other agricultural commodities, without distorting market behaviour, ultimately to protect the most vulnerable." FAO and OECD coordinated a joint report, with contributions from many international organizations, entitled *Price volatility in food and agricultural markets: policy responses* for discussion at the June 2011 meeting of the G20 Ministers of Agriculture. The G20 Ministers of Agriculture agreed on an action plan on food price volatility and agriculture, taking up several of the recommendations from the report, including on increasing agricultural production and productivity; improving market information; transparency and international policy coordination.

## 1. Introduction

From the 1970s until the early 2000s, food prices on the international market remained relatively stable. However, in 2007, prices began to soar and by mid-2008, they had reached their highest level in 30 years.

These price hikes were driven by a number of factors, including:

- poor harvests in major producing countries linked to extreme weather events;
- declining food stocks (global stocks were at their lowest level in decades);
- high oil and energy prices raising the cost of fertilizers, irrigation and transportation;
- production of bio-fuels substituting food production;
- speculative transactions, including large commercial traders hedging in futures markets and small traders hedging and building up storage;
- export restrictions leading to hoarding and panic buying; and
- 30 years of underinvestment in agriculture and neglect of the sector,

The 2007-2008 food price crisis pushed an additional 80 million people into hunger. By 2009, as the world grappled with a financial downturn, the number of hungry people swelled to over one billion – roughly one-sixth of the world's population.

Food prices began to rise sharply once again during the second half of 2010. These surges were brought on by weather-related shocks in major producing countries. Drought in Russia, for example, followed by the country's decision to restrict grain exports, as well as flooding in Australia and the United States, caused shortfalls in food production and supplies. By February 2011, prices had reached a record high, averaging 236 points on the FAO Food Price Index, the highest level (both in real and nominal terms) since FAO started measuring food prices in 1990. The most marked price increases were for cereals (wheat and maize), oils and sugars.

The global food import bill, which earlier had surpassed a trillion dollars, is expected to reach new heights in 2011. For low-income food-deficit countries and least developed countries, this is likely to translate into much higher food import bills. Higher food prices hit the world's most vulnerable people the hardest, especially the urban poor and landless, who already spend more than two-thirds of their income on food, as well as smallholder farmers who are net food buyers.

For smallholder farmers, price volatility increases uncertainty and deters the investment that is needed for increasing food production and reducing vulnerability. At the national level, higher food import bills threaten exchange reserves, exert fiscal pressure on budgets and disrupt investment and spending on development. At the same time, high prices can be an incentive to farmers to increase production provided they have the means to respond to such opportunities and can access markets.

## 2. Rationale for policy consultations

Inadequate or unreliable information on global food markets, such as production, utilization, stocks and export availability, often make it difficult for countries to make informed policy decisions. In situations where there is a degree of urgency or intense political pressure, quick policy fixes, especially if taken without proper consultation of stakeholders or sufficient analysis of the consequences, do not necessarily result in the desired outcomes. They might appear useful in the short term, but they could have harmful, long-term effects and are often difficult to remove once implemented.

During the 2007-2008 food price crisis, some governments acted in haste, imposing export restrictions or engaging in panic buying and hoarding, which disrupted world markets and made an already difficult situation worse. In some countries, emergency distributions of seeds and fertilizers by public organizations undermined existing private distribution systems, thus weakening the services available to farmers once the crisis receded.

FAO had initially produced a policy guide for immediate country-level action to respond to high food prices in 2008. However, a survey conducted in August and September 2009 revealed that while 86 percent of the FAO Representatives were aware of the guide, fewer than half had shared it with their governments and fewer than 20 percent had shared it with their development partners. Furthermore, little is known to what extent governments actually used the guide.

In January 2011, as food prices soared for the second time in just four years, FAO, through its Initiative on Soaring Food Prices (ISFP), published an updated guide to assist policy makers in developing countries in addressing high food prices.<sup>3</sup>

To help countries draw on lessons learned during the 2007/2008 food price crisis and to ensure wider distribution and use of the updated guide, FAO decided to organize a series of policy consultations throughout all the regions and subregions during 2011.

The overall aim was to bring high-level government officials, national and international key stakeholders and development partners together in one forum to share experiences and discuss the pros and cons of various measures in order to develop sound policy responses for dealing with high food prices – and to continue the dialogue at national level.

### *Organization and design of the consultations*

FAO kicked off the first of 12 two-day consultations in March 2011. The first consultation took place in Asia, while the final one was held in West Africa in October 2011.<sup>4</sup>

In addition to government officials (ministries of agriculture, trade, finance), representatives from producers' organizations, the private sector (traders, importers, processors), regional integration organizations, development partners including the European Commission, the High Level Task Force on the Global Food Security Crisis (HLTF), International Fund for Agricultural Development (IFAD), World Food Programme (WFP), the World Bank and bilateral partners such as France, the Netherlands, Switzerland and the United States of America, attended several of the consultations.

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<sup>3</sup> FAO (January 2011). *Guide for Policy and Programmatic Actions at Country Level to Address High Food Prices*. The guide is available in Arabic, English, French, Spanish and Russian.

<sup>4</sup> **Asia and the Pacific** Asia region - Bangkok, Thailand; Pacific subregion - Nadi, Fiji

**Africa** Central Africa subregion - Libreville, Gabon; Eastern Africa subregion - Addis Ababa, Ethiopia; Southern Africa subregion - Lilongwe, Malawi; West Africa subregion - Dakar, Senegal

**Europe and Central Asia** Europe and Central Asia region - Istanbul, Turkey

**Latin America and the Caribbean** Caribbean subregion - Trinidad and Tobago; Central America subregion - San Salvador, El Salvador; South America subregion - Santiago, Chile

**North Africa and the Middle East** North Africa subregion - Tunis, Tunisia; Oriental Near East and Gulf Countries - Amman, Jordan

The consultations were largely financed by FAO, with resources available to the Policy and Programme Development Support Service (TCS) and the regional and sub-regional offices, including some ongoing Technical Cooperation Programme (TCP) projects and the FAO Multi-partner Mechanism (with contribution from the Netherlands and Sweden). The United States of America co-sponsored the first policy consultation in Asia, Switzerland provided funds for the consultations in West Africa and the Caribbean Investment Bank contributed to the consultation for the Caribbean in Trinidad and Tobago.

The consultations were co-organized by various Divisions within FAO headquarters and the regional and subregional offices, with support from the respective member countries as well as a number of regional and international organizations and other institutions and governments, including the African Union, the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), the Economic Community of Central African States (ECCAS), the Association of South East Asian Nations (ASEAN), the South Asian Association for Regional Cooperation (SAARC), UNICEF, the Arab Maghreb Union, the Economic Community of West African States (ECOWAS), the Economic Commission for Latin America (ECLA), the Inter-American Institution for Cooperation on Agriculture (IICA) and the French Government on behalf of the French G20 Presidency (see annex 2).

The consultations were carried out in line with the Comprehensive Framework for Action (CFA), prepared by the United Nations High-Level Task Force on the Global Food Security, which encourages a twin-track approach to the food price crisis: responding to the immediate needs of vulnerable populations while at the same time improving long-term food and nutrition security and resilience to shocks.

To ensure a level of consistency, the consultations were organized around a generic agenda, which followed the main themes of the policy guide:

- lessons learned from the 2007-2008 crisis
- macroeconomic and trade-related measures
- measures in favour of consumers
- measures in favour of producers
- proposed ideas for the way forward

Each subregion/region was encouraged to adapt the agenda to fit specific needs and interests. In most cases, this was done in collaboration with regional organizations, international partners and FAO headquarters.

The consultations generally featured presentations by keynote speakers on issues such as recent food price trends, experiences and policy lessons from the 2007-2008 food price crisis and measures mapped out in the policy guide. Most consultations included break-out group discussions on key issues and sessions for development partners to share their reflections.

The consultations also provided an opportunity to discuss FAO's work on food security and nutrition, including price and policy monitoring at country, regional and global level through its Global Information and Early Warning System on Food and Agriculture (GIEWS), the Food and Agriculture Policy Decision Analysis Tool (FAPDA), the Monitoring African Food and Agriculture Policies (MAFAP), the Agri benchmark, Food for the Cities (<http://www.fao.org/fcit/en/>) and rural employment initiatives with special emphasis on rural youth.<sup>5</sup> Short project descriptions of these tools are provided in annex 3.

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<sup>5</sup> **Rural employment**

Support to rural youth and young farmers have been part of FAO's work for the last four decades. To address the specific challenges faced by youth in rural areas, FAO's Gender, Equity and Rural Employment Division initiated the Junior Farmer Field and Life Schools (JFFLS) approach in 2004. This has been expanded to 16 countries in Africa, Asia and the Middle East. For more information please visit: <http://www.fao-ilo.org/fao-ilo-youth/fao-ilo-jffls/en/>

Each consultation produced a report highlighting the main outcomes, key messages and recommendations for the way forward.<sup>6</sup>

### ***Purpose of this synthesis report***

Food price volatility is on the agenda for the 37th Session of the Committee on World Food Security (CFS) in October 2011 in Rome. The CFS asked FAO to prepare a synthesis report on the policy consultations.

This report covers some initial findings from all of the policy consultations. Annex 1 provides highlights from the 12 policy consultations, including an overview of the regional characteristics, policy and programme responses by some member countries and various recommendations for the way forward.

By taking stock of the diverse issues raised and lessons learned throughout the different regions, this report aims to contribute to the overall policy debate for dealing with high food prices in the future.

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<sup>6</sup> Detailed reports from the subregional and regional consultations are available at [www.fao.org/isfp/isfp-home/en/](http://www.fao.org/isfp/isfp-home/en/)

### **3. Some initial findings**

Although it is beyond the scope of this report to provide a comprehensive account of the different ways national governments and international institutions responded to high food prices, this chapter gives an overview of some of the main outcomes and lessons learned from the policy consultations.

One of the main messages was that “no one size fits all” and that actions need to take into account specific intra-regional and national realities. Yet despite differences, a number of common threads did emerge.

In general, participants recognized that food price increases hurt the poor the most as they spend a large portion of their income on food. High food prices pose a threat to national, regional and global food security and political stability, making progress towards achieving Millennium Development Goal (MDG) 1 – halving hunger and poverty by 2015 – more difficult.

At the same time high food prices also provide smallholder farmers with an opportunity to boost production and increase their incomes, provided that price increases pass through to producers and that market signals are not distorted by major development gaps (e.g. insufficient infrastructure, information imbalances, remoteness etc.).

Participants across the regions also touched on many issues such as market access and marketing; the creation of regional food reserves; agro-insurance schemes and social protection systems; the intensification and diversification of crop production; land tenure; and the impact of climate change.

Countries applied a wide range of policy measures for dealing with high food prices. While some of these measures were already in place prior to the 2007/2008 food price spikes, most were introduced in response to the crisis.

#### ***Macroeconomic and trade measures***

Export restrictions in producer countries were generally considered to be the main cause of panic buying and hoarding by major importers, pushing up world prices. They were also seen as undermining long-term food security, as they disrupted price signals and dampened the supply response by local producers in exporting countries.

The Eastern Africa subregion called for the removal of export bans, taxes, duties and other impediments to cross-border trade. Cross-border trade has positively contributed to the region’s food security, but its smooth flow requires the removal of trade barriers, harmonized customs procedures, improved market infrastructure, sound market information, measures to ensure food quality and safety and good governance.

Several regions pointed to the need for a more integrated and coordinated approach in the formulation of macroeconomic, agriculture and social development policies. For example, the European and Central Asia region and Southern Cone subregion suggested that effective non-agricultural policies (e.g. stable conditions and sound fiscal policy) contributed to strengthening the agro-food sector.

#### ***Regional cooperation and coordination***

Cooperation and coordination are essential for sound governance – not only within different government ministries but with key stakeholders, including the private sector, civil society and regional organizations, and with other governments.

It was generally recognized that pooling production through trade helps to stabilize local markets. National decisions on strengthening food security should thus take into account their implications for food security in other countries, and regional cooperation should play an important role in harmonizing policies and finding solutions to common issues faced by countries.

The Oriental Near East and Gulf countries discussed, for example, strengthening regional cooperation by creating a regional research and development fund, setting up regional buffer stocks and strategic food grain reserves and developing an early warning system at regional level.

In Central America, the consultation helped to identify opportunities for collaboration between countries on inter-sectoral policies as a way to provide a complementary response to the opportunities and risks posed by soaring food prices. In addition, an inter-sectoral regional working agenda was identified that could contribute to the development of a regional strategic pact on food.

In her May 2011 address to FAO, Hillary Clinton, US Secretary of State, applauded the UN agency for launching such a timely initiative, noting that in Asia, where the first FAO consultation was held, major rice importing and exporting countries were now working together more closely to improve how they share information and to build a strong collaborative policy approach.

### ***Safety nets***

Countries carried out a wide range of safety net measures to help protect vulnerable households from livelihood risks caused by high food prices. These included providing country-wide subsidies to consumers, increasing social assistance payments and public sector wages and providing subsidized loans and fuel to farmers.

However, many safety net schemes are often untargeted and costly making it difficult for poor countries, already made more vulnerable by high food prices, to afford them. And in many cases, they also lack exit strategies.

Participants noted that while it is difficult for many governments to design effective safety net programmes, targeted measures (using either cash or direct food assistance) to assist the most vulnerable seem to be the most effective.

### ***Capacity development***

Many developing countries suffer from institutional weaknesses. They are unable to develop and deliver the public goods and/or commercial services needed for sustainable agricultural growth, rural development and food security.

All regions expressed the need for increased capacity development on policy formulation, implementation, monitoring and impact analysis, the generation of reliable price data, institutional development and improved extension services for smallholder producers, especially women farmers who often have less access to agricultural services and training.

Some pointed to the need for training on food security analysis as well as a deeper understanding of credit schemes, land tenure and land acquisition issues.

Many also underscored the importance of strengthening and promoting producer organizations so that they can fully participate in the policy debate and decision-making.

### ***Information collection and sharing***

There is a serious lack of reliable information on market conditions and on the real impact government policies have on mitigating high food prices. Early warning systems (weather and crop forecasts) and emergency preparedness at country and regional levels should be strengthened.

Information on prices at farm level is generally not available in many developing countries, which makes any attempt for a quantitative analysis of the effects of policies on producers difficult or impossible to carry out.

The Maghreb countries suggested setting up a regional entity responsible for monitoring the international market for basic foods. Likewise, FAO was called on to support the Economic Community of Central African States (ECCAS) in creating a regional information system on food security (SIRS), following the experience of the West African Economic and Monetary Union

(UEMOA) with its regional agricultural information system (SIAR), and to continue its technical and financial support to ECCAS member states and farmers' groups in the design and implementation of their programmes.

Additionally, the Southern Cone subregion stressed the importance of creating a monitoring centre to anticipate food price swings and to make the functioning of domestic markets more transparent. To do so would require: a) collecting price data at various levels of the value chain but primarily at farm gate; b) creating regional price indices for baskets of relevant agricultural products to complement FAO's global food price index; c) conducting pricing studies throughout the food chain to generate new statistics and introduce monitoring instruments; d) developing technical standards and marketing regulations; e) promoting new types of production linkages, including programmes for suppliers and inclusive business between agribusinesses and producers; f) having public procurement systems for small-scale farming; and g) providing incentives for the development of urban and peri-urban agriculture, which link directly to producers and consumers.

These initiatives should link up with the Agricultural Market Information System (AMIS). AMIS, whose creation was agreed on by the G20 Agricultural Ministers in their June 2011 meeting, seeks to coordinate the efforts of the world's main food producers to ensure greater transparency and information dissemination on agricultural markets, especially prices.

Most of the subregions/regions suggested creating regional online fora to discuss outcomes and food prices at country level, with consultation participants automatically included and other interested stakeholders invited to join. And, it was widely agreed that follow-up consultations should be organized at national level.

### ***Increased smallholder farmer food production***

It was generally agreed that producer targeted policies and programmes should promote the sustainable intensification of crop and livestock production systems and build the resilience of smallholder farmers to cope with climate and market shocks.

This means, among other things, improving farmers' access to quality seeds, including new drought-tolerant varieties, and fertilizers, as well as decent storage facilities to reduce post-harvest losses. It means improving rural infrastructure such as roads and irrigation systems and promoting better management of water and land resources. It means introducing new technologies, innovations and techniques to maintain agricultural biodiversity and promote eco-friendly agricultural production systems. And it means assisting farmers to increase the value and consumer appeal of their goods as well as to access markets and market information.

It is also important that agricultural development policies and programmes reflect the role women play in agriculture. Women make significant contributions to the rural economy and make many major decisions regarding household food needs. However, they often have less access to the types of opportunities and resources – land, training, technology, financial services – needed to boost their productivity.

Agriculture, food security and development programmes should integrate nutrition (and nutrition education) in order to address both the immediate needs of households while at the same time strengthening the resilience of vulnerable groups. In the Pacific, for example, the replacing of traditional foods with imported, processed food has contributed to a high prevalence of obesity and related health problems, in addition to a strong dependency on global food markets. Farmers should be encouraged to diversify crop and livestock production as a way to boost the local supply of nutritious food.

### ***Biofuels and food production***

The issue of biofuel production came up in a number of consultations. The growing demand in recent years for biofuel feedstocks has contributed to high food prices. It was one of many factors behind the 2007/2008 food price crisis, and will likely maintain pressure on food prices in the future. Therefore, it is important to reconsider biofuel policies, in terms of mandates and subsidies which may drive up

food commodity prices, or affect potential development of biofuels where they can be more efficiently produced. The Southern Cone countries, for example, contribute significantly to global food reserves, and food availability is not an issue in the subregion. However, energy production via food commodities has triggered a debate regarding sustainability and possible consequences to the environment. Brazil and Uruguay raised the issue about how to produce maize in a sustainable and environmentally friendly way.

### ***Investments in agriculture, research and support services***

Another common denominator was the recognition that long-term investments by both the public and private sector – and greater attention to agriculture in domestic and international policies – are important for increasing the productivity, sustainability, and resilience of agriculture, especially among smallholder farmers. Investments should be channelled to agricultural research for environmentally sound and sustainable crop intensification and diversification, as well as mitigation and adaptation measures to help farmers cope with a changing climate.

Investments should also go towards rehabilitating rural infrastructure, strengthening support services such as training, micro-credit and post-harvest management, promoting productive safety nets and improving marketing and market access.

The Comprehensive Africa Agriculture Development Programme (CAADP) is an African-owned programme designed to spark economic growth in Africa through agricultural development, with the aim of increasing public expenditure in agriculture to a minimum of ten percent of national budgets. CAADP is seen as strengthening the resilience of food systems by focusing on increased production and productivity, agricultural markets, investment through public-private partnerships, value chain development and enhanced opportunities for productive employment including decent work for women and youth. Many African countries have developed national agricultural investment plans in the framework of CAADP, which in turn have served as the basis for their applications to funding mechanisms such as the Global Agriculture and Food Security Program (GAFSP).<sup>7</sup>

The Near East and North Africa region hailed their Regional Investment Forum as a way to exchange best practices, develop effective policies, address food security challenges and ensure responsible investments.

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<sup>7</sup> The Global Agriculture and Food Security Program (GAFSP) is a multi-donor fund that was set up in early 2010 to funnel part of the USD 20 billion pledged for investment in sustainable agricultural development and safety nets by world leaders at the G8 Summit in L'Aquila in 2009.

## 4. Lessons learned and recommended follow-up activities

### Lessons learned on the organization of the consultations:

- Early preparation is essential for ensuring high-level government and broad stakeholder participation, as well as quality background papers and presentations. Greater efforts need to be made to involve the private sector, NGOs and civil society.
- A generic agenda developed by FAO headquarters, which was then adapted to fit the needs and interests of each region/subregion, ensured a level of consistency while allowing for specific regional issues to be addressed.
- Consultations should be facilitated by professional moderators.
- The comparative advantage and primary responsibility of the regional economic communities (RECs) in promoting and facilitating policy dialogue and exchange of experiences need to be encouraged and supported by the international community and FAO.
- Country-level follow-up is important for real impact. Policy and programmatic actions should take into account the specific context of the country and be developed in consultation with stakeholders. It is also important to get on board the various government ministries, agencies and stakeholders that did not attend the regional/sub-regional consultations, but whose support, cooperation and collaboration are crucial for the approval and successful implementation of actions taken to address high food prices. FAO could play an important role in designing and facilitating national consultations, drawing on experiences gained in organizing the regional/subregional consultations, in order to ensure continuing dialogue with key stakeholders.
- Regional and subregional consultations should be organized periodically to share information and experiences, including innovative ideas and good practices.

### Recommended follow-up activities

Since the consultations were recently held (March – October 2011), discussions on the way forward are still ongoing. However, the following are some concrete follow-up activities:

- **Follow-up regional and subregional consultations.** Several countries requested that regional consultations be held bi-annually.
- **Organize policy consultations at national level.** Due to time constraints, many of the issues raised during the consultations could not be discussed in detail. Several countries recommended having consultations at national level in order to deepen the discussion on policy issues of particular interest to the country in question. A national consultation was held in Mongolia in July 2011, the first national follow-up consultation in the Asia region. FAO has already received requests for follow-up consultations from Papua New Guinea, Cook Islands, Solomon Islands Vanuatu and Niue with the aim of raising awareness, facilitating stakeholder participation in identifying key issues and arriving at a broad consensus on policy and programmatic actions. National consultations are also under consideration in other countries in Asia, including Bangladesh, Cambodia and Lao People's Democratic Republic; in Latin America, including Honduras and Mexico; and in Southern Africa.
- **Create regional online fora.** FAO has established a network of electronic exchange fora to allow participants to continue discussing the issues raised during the consultations and to exchange information. Members are invited to use the forum to raise questions, report on experiences and post documents and other material dealing with food price policies. Initially, the fora will facilitate the exchange of e-mails between participants and others with an interest in food price development in a particular region. An internet site has been developed as a

repository for documents and as a medium for storing and summarizing the e-mail discussion. To date, three fora have been established – in Asia, Eastern Africa and the Pacific Islands. Other sub-regional networks will be established during the course of the year.

- **Improve the sharing of policy information.** Based on requests received, FAO is currently setting up – or reactivating – policy networks in the Near East and in Europe and Central Asia. Funding has been secured for these activities. The first such network meeting will take place the second week of October in Beirut, Lebanon for the Near East and North Africa Regional Network for Agricultural Policies (NENARNAP). These meetings will provide an opportunity for countries to exchange policy information and experiences and learn about FAO policy information management tools, as well as providing a venue for larger stakeholder involvement. The networks are also important for promoting greater use of the FAO information management tools, such as FAPDA, MAFAP, etc., at regional level and for encouraging countries to invest in information management to improve their decision-making capacity. For example in North Africa, FAO supports the implementation of several tools presented during the regional consultation on volatile food prices. Algeria, Morocco and Tunisia have all embarked on FAPDA, GIEWS and Agri benchmark and the Arab Maghreb Union has suggested setting up a monitoring mechanism at regional level.
- **Strengthen market and trade information systems.** This is designed to promote greater understanding of food price developments and to provide information on global, regional and sub-regional food market price changes. FAO's Global Information and Early Warning Systems (GIEWS) needs to be expanded and strengthened. FAO should consider fostering its policy monitoring and analysis as a public good for the international community. This role should be enhanced and supported by a variety of other international and regional organizations.
- **Update the FAO Guide for Policy and Programmatic Actions.** The guide should include lessons learned from countries in the region in responding to food price volatility.
- **Organize capacity development workshops and undertake studies.** FAO's Regional Office for the Near East and North Africa organized a regional capacity-building workshop in Beirut in July 2011 for government experts dealing with agricultural and food statistics. Central Africa (SFC) is planning to conduct a study on "High food prices in Central Africa, an analysis of responses and their consequences." The Regional Office for Europe and Central Asia is planning to produce a book on the wheat export economy in the Commonwealth of Independent States (CIS). It also intends to organize technical consultations on grain supply and demand balances as well as on the role of the CIS-3 (Kazakhstan, Russia and Ukraine) in world grain export markets.

## 5. Conclusion

These policy consultations are widely regarded as a timely initiative and important first step in a process of dealing with high food prices in a consultative and transparent way. They have emphasized the importance of improved regional cooperation and information sharing and of FAO assistance in the areas of capacity development in information collection and analysis, as well as policy analysis. The initial findings are in line with the recommendations laid out in the action plan on food price volatility and agriculture, agreed on by the G20 Agriculture Ministers during their June 2011 meeting: that is, the importance of increased agricultural investments from the public and private sectors and improved market information, international policy coordination, transparency and policy monitoring.

These policy consultations are only as effective as their follow-up, particularly at country level. It is essential to keep the momentum going.

Food prices are expected to remain high and volatile. Increased demand brought on by rising incomes and population growth in developing countries, surges in oil prices, the use of food crops to meet demands for biofuel and animal feed, climate challenges and market distortions are just some of the factors that could maintain pressure on food prices in the future.

Feeding the world's forecasted nine billion people by 2050 will require actors to step up their efforts at all levels to improve the availability of and access to safe and nutritious food and to embrace better policies that protect the most vulnerable, provide incentives for farmers to maintain or increase food production and improve people's ability to withstand shocks in the future.

## **Annex 1: Overview of regional and subregional consultations <sup>8</sup>**

### ***Asia***

The Asia regional consultation took place in Bangkok, Thailand from 9-10 March 2011. The countries that participated were: Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Lao PDR, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Timor-Leste and Viet Nam.

Participating countries were divided into four groups based on their geographic size and magnitude and direction of rice trade: i) small, land-locked, low-income countries (Bhutan, Lao PDR, Mongolia and Nepal); ii) large countries with a low proportion of food trade relative to consumption (Bangladesh, China, India, Indonesia and Pakistan); iii) small to mid-size rice-importing countries (Malaysia, Maldives, Philippines, Sri Lanka and Timor-Leste); and iv) small to mid-size rice-exporting countries (Cambodia, Myanmar, Thailand and Viet Nam).

#### **Regional characteristics**

Rising and volatile food prices are a matter of great concern to Asia and the Pacific where over 60 percent of the world's undernourished population lives. Net food importing countries are the hardest hit by increases in international food prices.

Domestic markets in some Asian countries have witnessed a steep increase in rice prices. Prices continue to remain high for other important food items, such as sugar, cooking oils, vegetables and spices like onion and garlic. The extent to which high food prices benefit small farmers, who comprise 70 percent of farmers in Asia, depends on whether they are net food buyers or sellers; their access to financial resources; competitiveness of markets; and the specific national context. Past surveys have shown that even in agricultural areas termed as grain baskets of the country, the majority of small farmers are net buyers of food.

Recent increases in food prices in Asian countries are associated with rising prices in international markets as well as shortfalls in domestic production due to extreme weather events. In response to the global financial crisis, several governments launched economic stimulus packages during 2009 and 2010 to boost domestic demand in the face of declining exports to industrialized countries. While some countries in the region managed to insulate prices from international markets, particularly cereals through domestic marketing and trade policy measures, other countries suffered from food price inflation.

Domestic rice and wheat prices in many developing Asian economies followed the rise in international prices. With some variation across countries with respect to specific commodities, food prices tended to increase, contributing to overall inflation in the region.

International wheat prices in capital cities rose by nearly 100 percent in the eight months prior to February 2011, but domestic price increases in the region have generally not exceeded 70 percent during the period. Since mid-2010, the price of wheat has been on the rise in Bangladesh, India and Pakistan.

#### **Some policy and programme responses**

The main focus of the policy decisions in response to high food prices in most cases has been to maintain/achieve a greater degree of self sufficiency in main food staples by boosting production and/or trade policy measures. Given that the agriculture sector employs about half of the population in the region, rural employment schemes and productive safety nets played a critical role in providing employment, income and/or food to the poor.

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<sup>8</sup> These overviews contain just some of the highlights from the consultations. More detailed reports can be found on the FAO Initiative on Soaring Food Prices (ISFP) website: <http://www.fao.org/isfp/isfp-home/en/>

Notwithstanding the importance of long-term policies and programmatic actions, national governments have implemented mainly short-term policy measures to address high food prices, due to social and political reasons. The majority of the short-term policy measures aim to raise food production through distribution of high-yielding seeds and fertilizers and expansion of irrigation infrastructure.

Many Asian countries provided food subsidies, food assistance in kind and cash transfers. Others initiated income generating activities and/or income guarantee schemes in order to increase disposable income and shield consumers from high food prices. A few countries provided assistance through fair price shops and food-for-work programmes.

Policy measures implemented by small and land-locked countries mainly focused on increasing food production through improved access to credit. With a more long-term perspective, they initiated increasing quality of soil. Bhutan approved a draft nutrition policy. Few interventions were observed in trade areas given the nature of their geographical location.

Within the group of large countries with a low proportion of trade relative to consumption, most policy measures were intended to raise food production. In this vein, price support policies and strategic stockpiles have been implemented. In a longer-term perspective, countries stepped up investment in rural public infrastructure (irrigation and roads) and agriculture extension services. The trade policy orientation of these countries tended to discourage food exports and encourage food imports. Overall, safety nets were expanded and price subsidies continued. Regarding food entitlements, India is going through a legal process to approve the Right to Food.

Small mid-size rice importing countries shared concerns about the role of speculators in triggering high food prices and emphasized the need to become self sufficient in basic food staples. Short-term responses included expanding availability of better quality seeds and fertilizers at subsidized prices and investment in enhancing the quality of soil. Several countries also imposed price controls and open market operations in food to influence the market price. Trade-oriented measures included reduction/elimination of import tariffs. Food assistance (in-kind and through price subsidies) coverage was extended. The One Million Home Garden Programme in Sri Lanka provided technical assistance and training to selected low-income households.

Producer oriented measures remained the focus of government interventions in small to mid-size rice exporting countries. Such measures included improving farmers' access to credit, increasing investments in irrigation schemes and supporting value chain development through public-private sector partnerships. Some governments introduced risk management instruments (crop insurance schemes, income guarantee schemes) and increased investment in agriculture research and extension services.

## **Some conclusions and recommendations**

### *Regional cooperation and coordination*

The consultation expressed the need to explore international and regional coordination mechanisms to strengthen the role of world food markets to enhance stability rather than create instability in the food supply. The suggestions for regional rice reserves should also be explored, keeping in mind the political context and incentives for breaking agreements during times of crisis. National decisions on strengthening food security should take account of their implications for food security in other countries.

### *Information collection and sharing*

The consultation also called for more frequent collection and sharing of reliable food price and market information, built on existing mechanisms and databases, for both producers and consumers. This would facilitate timely policy decisions and avoid unnecessary speculation.

### *Biofuels and food production*

On the issue of biofuels, the consultation pointed to the need to prevent the conversion of agricultural land to biofuel production.

*Investments in agriculture, research and support services*

The participants called for new investments in agricultural research for environmentally sound and sustainable intensification, rural infrastructure development and the strengthening of support services, institutions and safety nets.

## ***Pacific***

The consultation for the Pacific subregion was organized in collaboration with interested multilateral and bilateral partners and took place in Nadji, Fiji from 14-15 April 2011. Twelve of the fourteen FAO member countries in the Pacific subregion were represented: Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. Representatives of regional intergovernmental organizations, development partners and civil society organizations also participated.

### **Regional characteristics**

The Pacific region has a strong subsistence sector and hunger is thus rare. Poverty usually means hardship, which includes a lack of access to basic services, lack of access to adequate nutritional food, lack of economic opportunities, and a lack of resources to meet the basic household needs and customary obligations.

The social impact of recent economic shocks on vulnerable families in selected Pacific islands has been monitored by UNICEF and other partners. The initial results in 2010 showed that vulnerable families suffered increased economic stress in trying to meet the higher cost of food. The vulnerability to increased food and commodity prices varied between and within countries. The more remote and import-dependent Pacific island economies, especially the Federated States of Micronesia, Kiribati, Marshall Islands and Tuvalu, are particularly exposed to the economic costs of higher world food and fuel prices.

All Pacific Island Countries (PICs) are net food importers except Fiji, due to Fiji's sugar exports and re-exports of wheat products. The PICs are vulnerable to global food and commodity price fluctuations due to their reliance on food imports and primary exports.

The traditional social systems are still the most important safety net in the Pacific for ensuring welfare and food security, and complement the safety nets provided by governments, community groups and other stakeholders.

### **Some policy and programme responses**

For discussions on policy and programme responses to high food prices, the countries divided into groups based on perceived levels of vulnerability:

Group 1 (Fiji, Papua New Guinea, Solomon Islands and Vanuatu) found that while high food prices applied in particular to imported food, the prices for staple local foods remained stable or declined in some cases. There was some price fluctuation for imported foods, e.g. rice, although the main supply issues were related to transportation and freight costs. The countries recognized the need to increase local food production and productivity to improve their food security. Tariff and trade measures include duty concessions on major imported foods such as rice. The countries offered a range of safety nets, including food vouchers and bus fares or allowing food in exchange for school fees, targeted to vulnerable groups. Price controls are also applied to selected food items.

Group 2 (Cook Islands, Federated States of Micronesia, Palau, Samoa and Tonga) considered the supply of staple foods to be seasonal but prices are relatively stable. There is a continuing need to encourage farming in general as well as sustainable farming practices. A common constraint is the lack of capacity for the implementation and the monitoring of programmes, a lack of information or awareness about the options available and a lack of political will to support programmes.

Group 3 (Kiribati, Niue and Tuvalu) noted some price rises for selected food items although the use of government subsidies, especially in Kiribati, kept these prices relatively stable. The collection of trade data is good, particularly for exports, but there is limited statistical information on local food production and the subsistence sector. The capacity for local food production is generally good except in Kiribati, especially for outer islands due to limited transport links and relatively high freight costs. The policy and programme responses have included tariff reductions and/or subsidies, selected tax increases and price controls.

## **Some conclusions and recommendations**

### *Macroeconomic and trade measures*

The consultation identified the need for governments and other stakeholders to invest more to improve agricultural infrastructure, including better transport links and the development of local market places. Farmers need markets for their products to maintain their interest in farming and in food production.

### *Regional cooperation and coordination*

The Pacific subregion countries called for additional financial resources for the Food Security and Sustainable Livelihoods Programme in the Pacific Island Countries (FSSLP) in order to maximize the programme. They also noted that intra-island trade offers opportunities to address issues such as food security, market development, income generation and economic growth.

### *Safety nets*

The consultation confirmed that the community-based social systems in the Pacific islands are the most important safety net for ensuring welfare and food security, and complement the safety nets provided by governments and other stakeholders. This needs to be factored into policy and programme responses so that they do not undermine the social systems. They also called for the promotion of safety nets such as cash vouchers and other targeted approaches. It was noted that the use of subsidies for selected food items will have short-term benefits but is not generally useful in the long term for the development of agriculture.

### *Information collection and sharing*

Countries noted that food price information at country level is available in hard copy but not at the regional planning level, making it harder to coordinate or assess joint initiatives. Support is needed in the area of consumer price index information which is not disaggregated by food crop items. More investment is needed in capacity development for data collection and analysis in order to facilitate informed policy decisions and the delivery of programmes.

### *Increased smallholder farmer food production*

The participants pointed to the need to make farming attractive to young people as a career choice, where they can earn a living, by changing mindsets and building skills. The agriculture sector generally has a declining and aging population and farming needs to be promoted more vigorously by government and other stakeholders. They also noted the importance of the role of women in agriculture and urged that this be reflected in the policy and programmes approaches for promoting agriculture and food security. Women often make the major decisions regarding household food needs including the work involved in putting food on the table.

Other needs identified include: improvements in the productivity, production and consumption of local nutritious food in order to promote food security and reduce the impacts of high imported food prices; crop and agricultural diversification to increase supply of nutritious food such as vegetables, fruits, meat and milk at an affordable price; and processing of local food for more convenient use.

The consultation noted that the biggest factor affecting prices of local products is seasonality. The opportunities for meeting demand and stabilizing prices through different seasons include the use of technologies such as hydroponics, using a mix of crop varieties to extend the harvesting period, and growing crops under cover. A better understanding of the value of traditional crops and the importance of preserving resilient local crop varieties is important for future adaptation programmes.

Participants called for partnerships with the media and other avenues for public awareness and nutrition education to help promote local nutritious foods for consumers and address the shift in consumer preferences for imported foods.

### *Follow-up*

Participants called for further dialogue at national level that would involve government, development partners, private sector and other key stakeholders.

## ***Central Africa***

The subregional consultation for Central Africa took place in Libreville, Gabon from 30-31 May 2011. The Central Africa subregion comprises: Burundi, Central African Republic, Chad, Congo Brazzaville, Democratic Republic of the Congo and Gabon.

### **Regional characteristics**

The countries of Central Africa are heavily dependent on imported foodstuffs. Consequently the current food crisis has had a major impact on the subregion, with severe effects on nearly 60 percent of the population. Rising food prices have sometimes reached 300 percent in some countries. A reduction of overall rice production in the world, due to urbanization and recent natural and nuclear disasters in Asia, could lead to a decline in the availability of this commodity in Central Africa. This would lead to further price rises.

Because Central Africa does not have a strong price monitoring or information sharing system, it was not possible to discuss the price situation of the subregion in detail.

### **Some policy and programme responses**

The major focus of policy and programme responses in the Central Africa subregion was on measures to protect consumers. The most commonly used instruments were the reduction or suspension of the value added tax (VAT) and other taxes, and the introduction of structures for monitoring the cost of living. Some countries have also reduced import tariffs and introduced other measures to encourage food imports.

Producer oriented measures include input subsidies, free advisory services, introduction of farming villages, and the establishment of veterinary pharmacies.

### **Some conclusions and recommendations**

#### *Regional cooperation and coordination*

The consultation called for member countries to speed up the process of signing the Comprehensive Africa Agriculture Development Programme (CAADP) of the New Partnership for Africa's Development (NEPAD), National Agricultural Investment Programme (NAIP) and food safety. The Economic Community of Central African States (ECCAS) should ensure effective implementation of the CAADP at national and regional levels as well as support regional integration policies and institutional capacity in countries.

#### *Information collection and sharing*

Because of the lack of a strong price monitoring and information sharing system in the region, the participants underlined the need to support ECCAS to establish a regional system of information on food security. FAO should support ECCAS in this endeavour. A regional Technical Cooperation Programme (TCP) could help to combine the tools to monitor prices and policies.

#### *Increased smallholder farmer food production*

Local products (livestock products and fish, bananas, roots and tubers, market gardening and non-timber forest products) should be promoted and enhanced. FAO should continue its technical and financial support to ECCAS member countries and farmers' groups in the design and implementation of their programmes.

## ***Eastern Africa***

The subregional consultation for Eastern Africa was held in Addis Ababa, Ethiopia from 16-18 March 2001. The Eastern Africa subregion includes: Burundi, Djibouti, Ethiopia, Kenya, Rwanda, Somalia, Sudan and Uganda.

### **Regional characteristics**

Most countries in the East African subregion are import-dependent. Global food prices are expected to affect domestic markets in countries that import more of their food requirements. Djibouti gets almost all its main staple, wheat, from the international market and flour prices in July 2011 were 67 percent above those of a year earlier. This was similar to the peaks of July 2008 during the global food price crisis, following trends in international markets. In Burundi, contrary to developments in the international markets, domestic rice prices in December 2010 increased by 41 percent. This may be due mainly to the devaluation of the country's currency. Sudan depends on the international markets for its wheat supply, one of the main staples for the urban population. Prices in July 2011 were 36 percent higher than a year earlier.

The subregion has been experiencing a severe drought since the end of 2010 that has particularly affected pastoral and agro-pastoral areas of the Horn of Africa. Prices of cereals have reached record levels in several countries and in July 2011 were in general well above their levels a year earlier. This substantially reduced access to food by large numbers of the population and aggravated the food insecurity in the subregion. The high level of prices is the result of a combination of factors including: drought reduced secondary season harvests earlier in 2011; sharply increased fuel and transport costs; high international prices of imported wheat; insecurity; and concerns over the performance of the 2011 main cereal harvests in some countries.

In Somalia, the worst affected country, prices of domestically produced staples, sorghum and maize, have been on a sustained increase since November 2010, associated with the sharply reduced 2010/11 secondary *Dyer* season crop and poor prospects for the 2011 main *Gu* season crop. Red sorghum and maize prices in the capital city Mogadishu, in Baidoa market, located in the sorghum belt, and in the southern maize growing area of Marka remained at very high levels in July 2011, up to 150 and 200 percent higher than in July 2010. Contributing to the rise in food prices were: higher fuel import prices, the depreciation of the Somali shilling against the US dollar and general hyperinflation, together with a volatile security situation and the start of the monsoon season that hampers trade activities.

The grain market situation in Burundi is also a concern. Prices of staples in Burundi are showing significant increases owing to shocks in supply due to weather calamities. Beans and cassava are being traded at record prices while the price of rice has increased by 41 percent.

### **Some policy and programme responses**

Kenya reduced import tariffs on wheat from 35 to 10 percent in 2008; then increased the duty again to 25 percent in 2009 because of larger domestic wheat production and falling international prices. The Government then reduced hard wheat and barley tariffs to 10 percent 2010, effective until June 2011.

Rwanda decreased taxes on food products in 2008, but in 2009 imposed higher taxes on agricultural products that are produced in sufficient quantities within the East African Community (EAC) to encourage local markets and discourage import from non-EAC countries.

Burundi, Ethiopia, Kenya, Sudan and Rwanda, provided subsidized inputs such as chemical fertilizers and improved seeds, to small producers. On the side of consumer oriented measures direct food assistance (food stamps, vouchers, school feeding) were the most preferred instruments.

## **Some conclusions and recommendations**

### *Macroeconomic and trade measures*

The consultation called for the removal of export bans, taxes and duties and other impediments to the smooth flow of cross-border trade. Cross-border trade has positively contributed to the region's food security, but its smooth flow requires the removal of trade barriers, harmonized customs procedures, improved market infrastructure and market information, measures to ensure food quality and safety and good governance.

### *Regional cooperation and coordination*

Participants considered that coordination and cooperation within the different ministries and departments of the governments and between governments, the private sector, civil society and other stakeholders to be crucial for sound governance.

### *Increased smallholder farmer food production*

To stimulate the rapid growth of agricultural productivity, more attention needs to be given to measures that support producers. Farmers' associations should be promoted at all levels, including the national level. More attention should be given to programmes for pastoralists and the livestock subsector, land and water management and demographic issues.

## ***West Africa***

The consultation for the subregion of West Africa was held in Dakar, Senegal from 6-7 October 2011. It brought together about 150 participants including member countries of the Economic Community of West African States (ECOWAS), through the ministries of agriculture, ministries of commerce and structures responsible for food safety, and representatives of regional organizations of agricultural producers, NGOs, international organizations and technical and financial partners.

*The following is based on the policy consultation's final communiqué. Because the consultation was just recently held, the final report of the proceedings is not yet available.*

### **Some conclusions and recommendations**

#### *Macroeconomic and trade measures*

The consultation noted that export bans have the double disadvantage of violating the commitments of member states of ECOWAS, and have negative impacts on both producers and consumers (higher prices). On the other hand, efforts to make national and regional markets more flexible can play a decisive role in their stabilization.

#### *Regional cooperation and coordination*

In West Africa, the regional agricultural policy (ECOWAP) deals with long-term issues related to price volatility. ECOWAP works to: increase production and productivity for food and nutrition security and sovereignty; create an enabling environment in the areas of the market, supply chain and marketing of products; and promote social safety nets, including measures to tackle the causes and consequences of price volatility.

#### *Safety nets*

The consultation noted that safety nets play a positive role, especially when they are based on food stamps or other forms of intervention that use local products. Social safety nets should target the most vulnerable people in both rural and urban areas.

#### *Information collection and sharing*

Information systems play a crucial role in anticipating risks and defining the best instruments for intervention.

#### *Increased smallholder farmer food production*

The consultation noted that excessive price control can discourage local production and that the elimination of duties and taxes on imports disadvantage local products. More attention should be given to improving the processing of local products. Public-private partnerships could help meet the challenges of increasing production and processing local agricultural products.

#### *Investments in agriculture, research and support services*

A broad consensus emerged on the importance of reviving massive investment in agriculture. Investment is needed in research and training in agricultural productivity, processing, preservation and other areas. It is also important to strengthen storage strategies at local, national and regional levels in order for countries to have the means to intervene in a food crisis.

## ***Southern Africa***

The Southern Africa subregional consultation took place in Lilongwe, Malawi from 6-8 June 2011. This region comprises both the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). Participating countries spanned both the East and Southern Africa subregions and included: Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe and the island countries of Mauritius and Seychelles.

### **Regional characteristics**

Among participating countries, Malawi, Tanzania and Zambia were categorized as self-sufficient or food exporting countries. Although these countries produce surplus staples for export (Malawi and Zambia) or meet their own needs for staples (Tanzania), they have been affected by recent price trends. Maize prices declined in Malawi and Zambia, while they increased in Tanzania, largely due to difficulties in moving grain from surplus to deficit areas within the country. The price of rice increased in all three countries, in line with regional trends but contrary to global price stability. The price of wheat also increased in all three countries and was in line with global increases. Cassava prices remained stable in all three countries, reflecting the fact that this is a substitute food rather than a main staple.

Local maize prices in Southern Africa were relatively stable during 2010 and have tended to follow normal seasonal trends. The import prices for rice in Southern Africa have increased, contrary to global trends. A 50 percent increase in the price of maize in Malawi resulted in increased expenditure of 15 percent on maize in Malawi compared to about 3 percent in Zambia.

The group of importing land-locked countries consisted of Botswana, Lesotho, Swaziland and Zimbabwe. Botswana faces weather-related challenges such as drought and imports most of its food and is thus vulnerable to exogenous price fluctuations. Lesotho is a net importer of food, importing 60 percent of its requirements from South Africa. Swaziland experienced high food prices in the recent past but these have started to decline.

The non-landlocked importing countries were Angola, Democratic Republic of Congo (DRC), Kenya and Sudan. Angola experienced low prices for cereal staples (maize, millet and sorghum) but high prices for imported rice, while in DRC food prices increased slightly due to transport problems and speculation. In Kenya, retail prices for maize became more stable during the period 2009-2011 following a 42 percent increase in production in 2009, although there was a 36 percent dip in wholesale prices. Sudan experienced low maize prices following good rains, while wheat prices were stable due to government imports. The prices of tubers and root crops were stable in Angola, DRC and the Sudan, while oil products had begun to increase in Kenya due to the high cost of imported raw materials.

The participating island countries of Mauritius and Seychelles are small in terms of population, land size and market size. They are isolated and highly vulnerable to the effects of climate change, as well as susceptible to both financial and commodity external shocks. They import 75 to 90 percent of their food and have supply-side constraints.

### **Some policy and programme responses**

Policy responses in Malawi, Tanzania and Zambia included maize price regulation and the control or ban of maize exports. There were no controls for rice and cassava in these countries, while two of the countries imposed import controls for wheat. Programmatic responses for producers were dominated by input support programmes. Consumer support was provided through the management of strategic maize grain reserves in two of the countries and food subsidies in the other. All three countries have concluded their Comprehensive Africa Agriculture Development Programme (CAADP) formulation.

Policy responses in Botswana, Lesotho, Swaziland and Zimbabwe included input subsidies to smallholder farmers, the removal of import tariffs on basic food commodities, de-control of grain marketing, operation of a strategic grain reserve, close price monitoring and import restrictions or bans

for specific commodities to support domestic producers. Three of these countries have embarked on the CAADP process as a way to boost agricultural investments.

Policy and programmatic responses in Angola, Democratic Republic of Congo, Kenya and Sudan have included input support programmes, export restrictions, infrastructural development, commodity exchange programmes and redistribution of food to food deficit regions.

The responses of Mauritius and Seychelles to high and volatile food prices have targeted both producers and consumers: the operation of a trust fund to boost agricultural production, farm consolidation to improve economies of scale, and concessionary loans to support the fisheries sector, consumer price subsidies for staples, the operation of a price stabilization fund and the removal of taxes on targeted food staples.

### **Some conclusions and recommendations**

#### *Macroeconomic and trade measures*

The consultation identified the need to: subject imported staples to quality control to encourage, e.g., the importation of whole milled maize flour instead of the highly milled, less nutritious type, which is often higher priced; promote market based quality standards along different product value chains; and encourage public-private partnerships along different commodity value chains by strengthening farmers' organizations.

#### *Safety nets*

The consultation found that risk management programmes such as insurance schemes, product diversification and warehousing systems could be useful in protecting smallholder farmers from different shocks. In the short term, targeted agricultural subsidy initiatives with built-in exit strategies are effective. A long-term option for vulnerable groups is the promotion of alternative and diverse staple foods.

#### *Capacity development*

Building the capacity of producers in marketing skills, packaging, post harvest handling and value addition can help ensure access to lucrative markets.

#### *Increased smallholder farmer food production*

The consultation pointed out that smallholder farmers need improved access to climate change adaptation technologies, including drought tolerant varieties. In addition, land ownership and tenure issues should be addressed to encourage farmers and other investors to channel resources into agriculture.

## ***Europe and Central Asia***

The consultation for the Europe and Central Asian region was held in Istanbul, Turkey from 20 - 22 June 2011. The representatives of the following countries participated: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan, Ukraine and Uzbekistan.

### **Regional characteristics**

Food price increases in 2010/11 threatened vulnerable populations in the region with an increase in poverty. This marks a setback to very successful poverty reduction efforts in this region over the past 15 years. Simulation results for poverty increases from higher food price inflation in 2010 and 2011 showed that food price spikes would push up poverty levels in Armenia, Georgia, Kyrgyz Republic and Tajikistan (World Bank, 2011, *Rising Food and Energy Prices in Europe and Central Asia*).

Some importer countries in the region faced two sources of commodity price increases during this period. On top of the general increase in commodity prices seen worldwide, these countries also faced increased commodity prices due to higher transportation costs associated with switching source countries away from Russia and Ukraine. The switch in import sources was caused by export restrictions imposed by these countries in 2010 through June 2011.

Small importer countries such as Armenia, Georgia, Kyrgyzstan or Tajikistan face a variety of risks that make for exceptionally high food insecurity in this region, including: weather risks such as crop losses due to weather or natural disasters; price risks, such as international price variability beyond their control that can lead to substantial retail food price increases; and political risks such as: border closures from neighbouring countries; unpredictable changes in imported food availability from exporter countries due to export restrictions; and unpredictable government policies that implicitly tax producers and/or exporters.

### **Some policy and programme responses**

In reaction to price spikes, the exporter countries of Kazakhstan, Russia and Ukraine imposed export restrictions, including export quotas and the introduction or increase in export tariffs.

Some of the countries responded to the price spikes through social safety nets. For instance, Kyrgyzstan increased social assistance payments, distributed wheat reserves to poor households, imported wheat and flour in an attempt to depress domestic prices for bread, subsidized credit and fuel for farmers, and monitored processor and retail profit margins more closely. Ukraine has a developed social assistance payments system targeting poor families.

### **Some conclusions and recommendations**

#### *Macroeconomic and trade measures*

Many countries inside and outside the region were concerned about the impact of export barriers practiced by some of the countries in the region on world price volatility.

The slowing yield growth in developed countries has created concern that middle and lower income countries will have to meet a larger portion of the growing demand for commodities. For instance, 21 percent of total world wheat exports in 2007-2011 came from Russia, Ukraine and Kazakhstan. FAO projects that in ten years this portion will increase to 30 percent. In order to increase production incentives, price increases must be allowed to pass through to producers in these exporter countries. Higher production in the future should ultimately lead to a moderation of high prices, but only if producers are allowed to receive higher market prices.

The consultation considered restrictions on exports and imports to be ineffective policy measures for the protection of food security of the countries in the region. Retail price regulations were found to create market imbalances, lead to unsustainable budget pressures and create obstacles to market price transmission to producers.

Participants called upon governments of the region to ensure harmonization of normative documentation related to customs, transportation, trade and food quality and safety.

#### *Regional Cooperation and coordination*

The consultation expressed the need for countries of the region to develop a network for information exchange and knowledge sharing on agriculture, food processing and trade issues to support better policy decisions. It called upon FAO to improve its cooperation with regional organizations (e.g. Organization for Eurasian Economic Cooperation, Commonwealth of Independent States) in the area of agriculture and food security.

#### *Safety nets*

The consultation pointed to the need for governments of the region to take measures to ensure workable and effective targeted social safety nets in support of poor and vulnerable groups, using vouchers or cash.

#### *Information Collection and Sharing*

Countries expressed the need for governments of the region to take measures to improve crop assessment and forecasting at the country level, and to establish a regular food price monitoring system. They called upon governments of the region to pursue transparent and open dissemination of policies on food and agriculture issues, including data on current country commodity stocks, balances, crop forecasts, import, export, retail and farm gate prices (including for grains). These indicators should be public information, made available to market participants and shared with international organizations.

The consultation also called upon FAO to work out a standard methodology for the assessment of food insecurity, to include: crop forecasting methodology in consultation with countries; definition of food security indicators; and a regional approach for implementing the standard methodology on crop forecasting and food insecurity assessment.

## ***Central America***

The subregional consultation for Central America was held San Salvador, El Salvador from 15-16 June 2011. The subregion of Central America comprises: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

### **Regional characteristics**

The countries of Central America are both net food importers and net oil importers. Although Mexico is part of North America, it shares both similarities (food consumption patterns) and differences (the size of the economy and their trade partners) with Central American countries. Food security has been more affected by issues of food access than by any shortfall in the supply of food or any erosion of agricultural productivity.

Central American countries rely on food imports; 42 percent of the food grains consumed are imported. Food grain consumption per capita has increased from 148 kg per year to 161 kg per year in the past four decades. Maize markets and prices are particularly important for the region. Maize prices have increased by 71 percent since April 2010. In 2008, the subregion food imports reached US\$ 740 million. Maize markets have close links to both oil and financial markets. Recent emerging bioenergy markets have posed a challenge for food production. At present, 35 percent of the maize harvest is dedicated to bioenergy purposes. A significant amount of the maize is also used as animal fodder.

In general, high food prices have affected overall inflation, consequently reducing the buying power of households and restricting access to food. Among the 3.4 million rural households that produce food, 60 percent produce only food grains. Of these households, 75 percent are considered poor in that nearly 70 percent of their income goes to food expenses.

Smallholder farming, known as *Agricultura Familiar*, has become particularly vulnerable in this situation. During the past two years, smallholder farmers have suffered from repeated natural disasters, higher input costs (oil, fertilizer), significant reductions of agro-credit availability and restricted access to risk management instruments such as insurance schemes. In contrast to the Southern Cone region, Central America has not had significant investments in agriculture extension services or technological innovation. This has impeded the development of smallholder farming.

### **Some policy and programme responses**

Production-oriented responses showed the need to support smallholder farmers and to switch from short-term interventions towards longer-term ones; to stop providing cash transfers and/or subsidies (*asistencialismo*) alone and balance these interventions with strategies that develop human capital in the long run. El Salvador has recently launched a new safety net to support *Agricultura Familiar* using this approach.

Consumer-oriented policies point towards more balanced schemes that simultaneously promote market efficiency and consumer protection. Since the food crisis in 2007/08, social policies in Central America have moved towards a rights-based approach. These include: guaranteed minimum wages, basic access to goods and services and decent work conditions.

Costa Rica, Nicaragua and Panama have been implementing a combination of policy measures that affect producers and consumers differently in order to improve food availability in domestic markets. For example, the Government of Panama created permanent fair price shops called *Jumbo Tiendas*. The government buys food directly from smallholder farmers; it is then sold at prices accessible to consumers.

### **Some conclusions and recommendations**

#### *Macroeconomic and trade measures*

Central American countries face a major fiscal challenge given their low tax burden (fiscal revenues as a percentage of GDP), possibly their greatest obstacle to tackling the food crisis regardless of the existence of well-intended policies.

### *Regional cooperation and coordination*

The consultation concluded that food and nutritional security transcend the separate actions of each country and much can be gained by approaching them from a regional perspective. In particular, participants identified the need to involve jointly governments (including subnational bodies), the private sector and international assistance in defining concrete actions in the framework of a state policy of regional reach, with a long-term perspective. Such an undertaking would build on the advances achieved on the level of regional bodies and other existing cooperation activities, but better tailored to current challenges. One such activity could be an assessment of the potential of making consolidated purchases of inputs and developing irrigation projects with a regional approach.

The consultation expressed the need to place an agenda of regional working priorities for consideration with the Central American Integration System (SICA) through its Sectoral Bodies: Central American Agriculture Council (CAC); and Council on Central American Integration (CISCA).

### *Safety nets*

Countries pointed to the need for a balance between consumer protection and the profitability of the agricultural sector, consolidating consumer protection legislation and harmonizing the different government interventions. Social protection programmes should move beyond a model of assistance to a model of social promotion with a productive focus.

### *Capacity development*

The consultation identified a fundamental need to raise greater consciousness about the priority of food and nutritional security in national development.

### *Increased smallholder farmer food production*

The consultation considered that support for family agriculture must be a priority in any agri-food developmental strategy. Production of food for self-consumption is important for the food and nutritional security of households and rural communities, but it is also important to take advantage of the productive potential of this sector to go beyond self-consumption. To meet the need for capital, the Central American Bank for Economic Integration could provide venture capital and offer loans at good rates as well as insurance in case of crop loss.

### *Investments in agriculture, research and support services*

The consultation expressed the need to analyse both the adverse impacts of higher prices and the opportunities for agricultural production opened up by those same prices to ascertain whether the higher prices go to agricultural producers or remain in the intermediary chain.

Participants also expressed the need for governments and the private sector to share the burden of research and technology transfer; as well as the need for investments in technological development and in human capital, infrastructure, research, market and informational management, and knowledge management.

## *Southern Cone*

The consultation of the Latin American Southern Cone subregion was held in Santiago, Chile from 17-18 June. Latin America's Southern Cone subregion comprises: Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay. Peru and Ecuador also participated in the consultation.

### **Regional characteristics**

The countries of Latin America's Southern Cone subregion (Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay) are all net exporting countries. In April 2003, the Ministers of Agriculture of these countries signed the Convention of the Southern Agricultural Council (CAS), as a ministerial mechanism for consultation and coordination on regional agricultural issues. CAS countries are actively involved in the production of grains, oilseeds and livestock. The region generates 48 percent of world soybean production. Agricultural trade of CAS countries represented 10 percent of world agricultural trade in 2009. CAS countries' exports of coarse grains increased 31 percent from 2007 to 2008.

Prices of wheat flour and maize in Southern Cone countries remained high during 2011. In Brazil the price of wheat flour increased 38 percent from August 2010 to March 2011. In Uruguay, the national average price of wheat flour increased 31 percent in the same period. Higher food prices have fostered agricultural production in the region. In Argentina, cereal production increased from 26.3 million tonnes in 2009 to 46 million tonnes in 2010. Overall coarse grain production in South America increased 19 percent from 2009 to 2010. Preliminary estimates for June 2011 place South America aggregate coarse grain output at 100.7 million tonnes, slightly lower than last year's near-record production but still above the average of the previous five years.

Rice production is estimated at 26 million tonnes, ten percent higher than in 2010. In Brazil, the largest producer of the subregion, where harvesting of the main season crops was well advanced in June 2011, the 2011 aggregate maize output is forecast at nearly 58 million tonnes, three percent above the level of last year.

These figures show that farmers, overall, have positively responded to the increase in grain prices; for some of them, the price hike has represented an opportunity and they have taken advantage of it.

The possible causes of the new episode of rising prices include: diversification of energy sources, which has increased the demand for biofuels; the impact of climate change and natural disasters on food supply; underinvestment in the agricultural sector; financial speculation; lower grain and oilseed stocks; and increased demand for food in large emerging countries.

Food price hikes have affected the macro economy (inflation, balance of trade, exchange rate and fiscal deficit), consumers (increase in poverty levels, food insecurity and malnutrition) and farmers (large commercial farmers have benefited, but a large proportion of small farmers have not because of high transaction costs, inefficient markets, and/or net-consumer status). Hence price hikes could represent a benefit or a threat for farmers depending on factors such as type of production, farm size, cost and composition of inputs, level of self-sufficiency, and input and output market failures at the local, regional and national levels.

Food price volatility presents challenges, including: the interrelationships of markets and their potential knock-on (i.e. domino) effects; variability in returns on agricultural investments; market overreactions to bad news; growing demand for food products; climate change; and the increasing scarcity of water and land. Another issue deserving particular attention is the trend of declining rates of growth in agricultural yields, particularly since the end of the 1980s.

The region also faces the challenge of promoting greater export diversification through the use of technology. The real exchange rate is key to closing the competitiveness gap and allowing countries to compete in foreign markets. In the short term, the main policy challenges for the region are how to control the inflow of capital, evaluate the macroeconomic impacts of long-term problems and reform microeconomic or sectoral policies (learning processes, supply side and diversification of the productive structure).

## **Some policy and programme responses**

The countries of Latin America's Southern Cone have undertaken and/or strengthened a number of initiatives in response to food price volatility in various policy domains. The Government of Argentina has put greater effort into strengthening public institutions related to family farming, creating a Deputy Ministry of Family Farming. Bolivia has implemented a mother-child bonus, which gives pregnant women and mothers 2 080 bolivars (US\$300) for each child under two years of age. This measure aims to reduce mother-infant mortality rates. The Government of Brazil is implementing a strategy that seeks to reduce poverty and eliminate extreme poverty through a multi-sectoral approach, including programmes in place such as *Bolsa Familia*.

The Government of Chile has implemented various programmes aimed at fighting poverty including the Chile *Solidario* programme, the *Puente* programme and nutrition programmes in rural and urban schools. Ecuador is working on revitalizing local markets and establishing a programme of public procurement and inclusive businesses (PRONERI), which seeks to eliminate middlemen and improve the conditions of sale for products of small-scale agriculture. The Government of Paraguay is working to increase the domestic food supply for local populations, establishing links between production-oriented and social policies.

Peru set the goal of reducing poverty by 20 percentage points and chronic malnutrition in children less than five years of age in rural areas by nine percentage points. To this end, Peru has implemented several programmes under its Food Security and Rural Development Strategies, following a results-based approach. The Government of Uruguay created the Food Security Monitoring Agency, the Food Security Commission, and network of social protection schemes, such as the Family Farming Board, which has allowed the country to be better prepared to face food price volatility.

## **Some conclusions and recommendations**

### *Macroeconomic and trade measures*

The consultation expressed the need for a monitoring centre or an observatory to anticipate swings in food prices as well as to render the functioning of domestic markets more transparent. It was considered important that such an initiative be coordinated with equivalent global-level initiatives under consideration by the G-20, especially the creation of an Agricultural Market Information System (AMIS).

### *Regional cooperation and coordination*

The consultation called for the study of the creation of two new mechanisms that take advantage of synergies between the Southern Cone countries: i) a price-setting mechanism, e.g. for soybean, given that the region is the world's largest producer; and ii) a system of weather insurance at the regional level in order to reduce premiums.

### *Safety nets*

Although countries already have various safety nets in place, the participants considered that the development of social protection networks should be strengthened.

### *Increased smallholder farmer food production*

The consultation considered the need for improving post-harvest technologies in order to reduce food losses. The introduction of silo bag technology in Argentina, for instance, has allowed better management of both crops as well as of producers' marketing strategies. The use of food banks to collect food not consumed by companies prior to its disposal can also reduce food losses.

### *Biofuels*

The consultation called for strengthening research in biofuels and energy efficiency programmes, while rethinking production models in terms of post-harvest losses, increased value of by-products, and adaptation to climate change.

*Investments in agriculture, research and support services*

Participants pointed to the need for investment in biotechnology, in particular the development of drought, pest and salinity-resistant varieties; as well as for greater attention to good agricultural practices.

## ***Caribbean***

The Caribbean subregional consultation was held in Port of Spain, Trinidad and Tobago, 13-14 June 2011. The countries of the subregion include: Antigua, Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago.

### **Regional characteristics**

Higher international food prices are causing general price inflation in many Caribbean countries where food carries a large weight in the consumer price index. Food accounts for about 20 percent of total household expenditure and poor households in particular spend a large share of their income on food. Most of the Caribbean countries are net food importing and are finding it difficult to meet increased food import bills.

Soaring food prices in the Caribbean subregion have created significant surges in domestic food price inflation, leading to increases in poverty levels and the number of chronically hungry and malnourished people. The negative effects have been felt especially by the urban poor who are likely to be pushed more deeply into poverty. This raises the likelihood of social unrest. The erosion of consumer purchasing power has increased the need for social safety net programmes and, consequently, increased social expenditures. High food prices have also had a negative impact on the food trade balance and balance of payments, especially in the resource poor countries that are net food importers.

At the same time, high food prices have benefited some farmers in the Caribbean, including the regional rice producers. Caribbean Community (CARICOM) food producers offer a wide range of foodstuffs, and have moved towards producing the higher value-added and processed goods increasingly demanded by consumers. However, the region's producers face multiple handicaps that increase both the cost and risk of production, placing them at a price disadvantage vis-à-vis larger overseas competitors. Consequently, there is concern that food imports are crowding out domestic production.

### **Some policy and programme responses**

Policy options to mitigate the effects of the global food crisis and enhance food security include safety nets and cash transfers to vulnerable groups. These increase purchasing power without distorting domestic incentives to produce more food and without reducing the incomes of farmers and marketers. These measures include: increase in wages and salaries for workers; cost of living adjustments for workers at the lower end of the salary scale; increase in the income tax threshold; increase in old age pension; and increase in public assistance to vulnerable individuals.

Some Caribbean countries have also lowered domestic prices by reducing tariffs and taxes on key staples as well as on production input along the entire food chain. Measures include: subsidization of basic food commodities such as flour and rice; reduction in the value added tax on certain food items; and reduction in the duty and excise tax on fuel and energy related products such as gasoline, kerosene and cooking gas.

Caribbean countries have also taken measures to stimulate a medium-to-long-term food supply response. While higher grain prices are a burden on countries, they also present an opportunity to stimulate food production and enhance the contribution of agriculture to medium-and-long-run growth. Higher grain prices may present viable investment opportunities, and therefore help to reverse the generally declining trend in government, private sector and donor investment in the agricultural sector. Some Caribbean countries have identified and are promoting priority commodities for production to enhance food security. Work on selected priority commodities is being aggressively pursued in Guyana, Jamaica and Trinidad and Tobago.

Caribbean countries have embarked on programmes to strengthen agricultural institutions and entities, including ministries of agriculture and rural development, agribusiness organizations, marketing

institutions, research and development agencies, and the agricultural health and food safety systems. In addition, Jamaica has established an investment unit in the Ministry of Agriculture.

Countries have also strengthened their support services to farmers. For example, the Dominican Republic has established a Presidential Council on Food Security, while Guyana and Trinidad and Tobago have established Inter-Ministerial Councils. Most countries have implemented land reform programmes and strengthened credit programmes.

Guyana has launched a Grow More Food campaign, while Jamaica launched a similar programme under the theme Eating What We Grow and Growing What We Eat. Similar programmes have been launched in Suriname and Trinidad and Tobago. Countries are also promoting urban backyard gardens and school garden programmes, distributing seeds and other planting materials, chemicals and fertilizers, and mobilizing resources for enhancing agricultural production. Member countries have strengthened their agricultural incentive regimes as well as their agricultural insurance programmes.

### **Some conclusions and recommendations**

#### *Macroeconomic and trade measures*

The consultation noted that some of the short-run policy options may limit the scope for long-term solutions. For example, policy responses that seek to distort markets through controlled prices, export restrictions, or direct government involvement in marketing activities are likely to lower the food supply response over the medium term. While reductions in tariffs and taxes can provide some relief to consumers, it will be at a fiscal cost. The revenue loss can be significant and combining this measure with additional social protection expenditures may require cutbacks in lower priority public sector investment areas. The participants recommended that the response to rising food prices take a more proactive approach based on risk analysis and forecasting, aggressive mobilization of external resources, and exploitation of the opportunities for South-South cooperation.

#### *Regional cooperation and coordination*

The consultation called for the establishment of a Regional Technical Working Group on Monitoring/Managing global and domestic food prices that would recommend policy actions and mobilize resources, as part of improved information and policy coordination.

#### *Increased smallholder farmer food production*

Countries expressed the need for promoting local foods as a way of reversing the taste and preference for imported food; and strengthening social safety nets and school feeding programmes as part of purchase agreements with domestic producers to stimulate the development of profitable agricultural enterprises. They also called for measures to: develop a legal framework for the protection of consumers; strengthen inland transport links; and improve transport capacity.

## *North Africa*

The subregional consultation for North Africa was held in Tunis, Tunisia from 2-4 May, 2011. The participants were from the Maghreb countries of northwest Africa: Algeria, Libya, Morocco, Mauritania and Tunisia.

### **Regional characteristics**

All Maghreb countries (Algeria, Libya, Morocco, Mauritania and Tunisia) are net food importers. The price volatility of basic food commodities on international markets exacerbated the problem of food security in the region. The countries were not spared by the global food price crisis of 2007/2008 and are also suffering from the recent price hikes. Once again, the crisis has unveiled the structural fragility of the Maghreb countries in terms of dependence on supplies and hence their lack of food sovereignty.

Poverty in the Maghreb is twice as high in rural areas as compared to urban areas, contributing to an accelerated urbanization rate of 1.5 to 2.9 percent per annum. At present, the share of the urban population in the region is over 60 percent. It is estimated that this will climb to 80 percent in 2020 if the process of rural exodus, due to unemployment and poverty, continues at the same rate. The share of food expenses is between 40 and 50 percent of the total household income. The share of cereals in these expenses is significant (14 to 25 percent). Therefore the impact of food price increases on the total budget of a household is strong and the willingness of governments to intervene in the markets is high.

Over the past decades the region has undergone rapid socio-economic change with increasing incomes as well as income disparities. Both have led to changes in consumption patterns with an overall negative impact on health (e.g. obesity, diabetes, cardiovascular disease). Moreover, in combination with population growth and limited land and water resources, the increased food demand has resulted in an increase of cereal imports. On average, about 50 percent of cereal requirements for human consumption and animal production are imported in the Maghreb countries. In 2008, the Maghreb countries, together with Egypt, captured almost one-fifth of the volume of grain traded on world markets.

The agricultural sector continues to employ a significant proportion of the workforce (30 percent in Morocco and nearly 20 percent in Algeria and Tunisia). Local agricultural production depends on arable land that accounts for a small share of the total area. In Algeria and Tunisia this is only three percent. Cereal production is based mainly on rainfed agriculture with very unpredictable and unreliable annual rainfall patterns, and can only partially meet the needs of the growing population. In future, this pattern will intensify with continued unfavourable weather conditions due to climate change. The countries of the region therefore continue to be highly vulnerable and increasingly net importers of food with limited resources to pay for it.

### **Some policy and programme responses**

For many years a number of policies have been in place in most Maghreb countries that aim to keep consumer prices low. In addition, governments of the countries of North Africa have taken steps to address the urgent nature of the crisis in food prices since 2007/2008. With increasing food prices, these mainly untargeted measures become excessively expensive.

The consumer price level of the Maghreb countries has been stabilized through a number of policies that have been in place for many years. As a consequence, countries face a major drain on public budgets and an increasing disequilibrium in the agricultural and food trade balance. While some countries can compensate the excessive public spending through revenues stemming from oil reserves, others do not have such resources available to cope with the situation.

Some of the policies in place to protect consumers and producers from price shocks have put a strain on the countries. In Tunisia, for example, the higher prices of imported food have created an additional bill of around 300 million US dollars for the first five months of 2011, an increase 44.5 percent compared to the previous year, despite good harvests in 2011.

## **Some conclusions and recommendations**

### *Safety nets*

Member countries pointed to the need to diversify the products subsidized in order to achieve nutritional balance.

### *Capacity development*

The Maghreb countries called for FAO assistance to develop national and regional capacity to forecast and monitor the international market as well as national capacity to develop rural employment, taking due account of gender equality and youth. The consultation also called on development partners in the subregion to help analyze costs and benefits of different measures; provide capacity for rapid response in times of crisis; strengthen quality control systems; and formalize access to credit and training in the food sector.

### *Information collection and sharing*

The consultation identified the need for a Maghreb observatory to monitor the international market for basic foods. They called upon FAO to assist in its establishment.

## ***Oriental Near-East, Gulf Cooperation Countries and Yemen***

The subregional consultation for the Oriental Near East and the Gulf Cooperation Council countries and Yemen was held in Amman, Jordan from 9 - 10 May 2011. Nine of the twelve countries in the two subregions were represented in the consultation: Bahrain, Egypt, Iran, Iraq, Jordan, Lebanon, Saudi Arabia, Syria and Yemen. Representatives of international financial institutions, regional intergovernmental organizations, development partners, and civil society organizations were also present.

### **Regional characteristics**

The region lags behind other regions in terms of agricultural productivity. Investments in agriculture, both public and private, have been low in the past with more than 90 percent of all international agriculture investment in the region coming from other countries. Recent evidence shows that agricultural investments will continue to grow in the next few years, not only by large international companies but also by small domestic investors. Most countries in the region need policies and strategies to ensure that investments continue to increase in a manner that can effectively address the long-term challenges and help overcome food insecurity in the long run.

### **Some policy and programme responses**

Land acquisition abroad to produce food is one strategy adopted by many of the oil exporting countries in the region to improve national food security. Some countries have established funds to encourage and support investments abroad. Saudi Arabia plans to phase out wheat production by 2016 and is supporting foreign investment abroad. Qatar is also supporting investments abroad. Grains stockholding in Syria was seen to have assisted substantially in dealing with food price volatility in 2007-08.

Among the trade-related measures taken were: ban on grain exports and exports of other foodstuffs such as tomatoes and live animals; elimination of export subsidy programmes; and reduction of import duties on basic foods.

Most countries in the region implemented social safety nets and other measures to address the immediate impacts of the food crisis. Safety nets for consumers included: fixed consumer prices for bread; distribution of sugar and rice to poor households; direct cash payments to all consumers; and ceilings on profit margins for wholesale and retail sales. Other measures included increased public sector wages.

Subsidies to producers were implemented by most countries in the region and included: cash payments to farmers; minimum guaranteed prices for farmers; distribution of seed and fertilizer; input subsidies; land rent ceiling. Agricultural credits included rescheduling of loan repayments and subsidized interest loans.

### **Some conclusions and recommendations**

#### *Macroeconomic and trade measures*

The consultation expressed the need to tackle long-term challenges to food security such as declining availability of water and heavy dependence on imports to ensure reduced vulnerability to high and volatile prices in the long run.

Participants pointed to short-term measures that could improve national food security, including modernizing procurement systems with the help of electronic tendering or bidding; mitigating price risks through the use of futures contracts and options; reducing supply risks using strategies such as bonded warehouse (warehouses in which dutiable goods such as grain are stored without paying duties pending their re-export or release and payment of import duties); signing bilateral agreements with exporting countries; and improving information on crop supply, demand, stocks and export availability.

Other measures include: reflection and discussion with relevant government ministries on necessary adjustments that can be made in ongoing policies and programmes; identification of key priority areas

needing technical assistance and organizations that can provide this; identification of project and investment needs; identification of additional funding needs and ways of enhanced cooperation with the international donor community; assessment of areas of regional and subregional cooperation; and identification of capacity building needs.

#### *Regional cooperation and coordination*

Strengthening regional cooperation was seen as a crucial long-term strategy in dealing with internal food price volatility. The consultation expressed the need for: sharing information and exchanging experiences in the field of agricultural policies; organizing a forum on agricultural investment in the region; enhancing intra-regional trade and improving trade integration; creating regional buffer stocks /strategic food grain reserves; and establishing an early warning system at the regional level. Participants also pointed to the need to activate the Near East and North Africa Regional Network for Agricultural Policies (NENARNAP), seeking funding from Arab and International funds.

#### *Safety nets*

The participants noted that at household level, short-term measures are commonly used, such as country-wide consumer support schemes in the form of food and fuel subsidies as well as tariff and tax reductions on food items. However, universal subsidies are costly, and often distort the market and benefit the well-off. Safety net programmes, such as targeted cash transfers, do not distort commodity markets, have lower administrative costs and allow beneficiary sovereignty over what is purchased. Cash transfer programmes could also be contingent on school attendance to address education and nutrition problems simultaneously.

#### *Capacity development*

The consultation considered that human and institutional capacities to deal with food price volatility could be built by organizing national consultations, using existing consultative mechanisms if available. These would also raise awareness among stakeholders. Participants called upon FAO to update the FAO Guide for Policy and Programmatic Actions to include lessons learned from countries in the region in responding to food price volatility.

#### *Investment in agriculture, research and support services*

The consultation expressed the need for strengthening research and development (R&D) and studying the possibility/feasibility of creating a regional R&D fund.

## Annex 2: Participants

|                                    | Subregion   | Workshop dates and location            | No of countries from the regions | Representatives from countries outside of the region | Regional or Sub Regional Organizations   | UN Organisations                         | Other INGOs and Institutions   | Private Sector & CSOs | No of participats: F/Total * |
|------------------------------------|---|--|----------------------------------|--|--|--|--|-----------------------|------------------------------|
| Asia                               | Subregional Office for the Pacific Islands - SAP  | 14-15 April; Nadi (Fiji)               | 12                               | EU   | SPC                                      | UNICEF                                   |  |                       | 7/30                         |
|                                    | Regional Office for Asia and Pacific (RAP)  | 9-10 March; Bangkok (Thailand)         | 19                               | France,Norway, USA, Canada, Australia, Belgium, UE   | ASEAN, SAARC                             | ILO, UN HLTF, UNDP, UNICEF, WFP, UNESCAP | GTZ, IUCN, OXFAM, WORLD VISION, ADB.   | 4                     | 35/136                       |
| Europe and Central Asia            | Subregional Office for Central Asia - SEC   | 20-22 June; Istanbul (Turkey)          | 9                                | France, US The Netherlands                           |  | UNDP                                     | IMF, WB  |                       | 7/51                         |
|                                    | Subregional Office for Central and Eastern Europe - SEU   |  |                                  |  |  |  |  |                       |                              |
| Sub-Saharan Africa                 | Subregional Office for Central Africa - SFC   | 30-31 May; Libreville (Gabon)          | 6                                | China, Japan, EC                                     | ECCAS                                    |  | WB, ADB  |                       | 8/42                         |
|                                    | Subregional Office for Eastern Africa - SFE   | 16-18 March; Addis Abeba (Ethiopia)    | 8                                | EU, France, Brazil, USA                              | AU                                       | UNDP, WFP,OCHA, ECA, UN HLTF,            | USAID, IFPRI, SEUCO (Nairobi). NMK (Nairobi),  | 2                     | 10/61                        |
|                                    | Subregional Office for Southern Africa - SFS  | 6-8 June; Lilongwe (Malawi)            | 13                               | EU, France, South Africa, Sudan                      | COMESA, SADC,AU,                         | WFP, ILO, UNIDO, WHO,                    | Care, Oxfam, World Vision, Muzuzu University, USAID, Chancellor Collage (Malawi), CISANET, Farmers Union (Malawi), ZCFU, ADB   | 1                     | 28/99                        |
|                                    | Subregional Office for West Africa - SFW  | 6-7 October; Dakar (Senegal)           | 16                               | France, USA, Switzerland, Japan                      | ECOWAS, CILLS, UEMOA                     | WFP, IFAD, UNDP, UNHLTF                  | AGRA, Cathlic Relief Services, OXFAM, National Alliance against Hunger, IFPRI, Action Aid, Afica Rice Center, FARA, IITA, WAMIS-NET, WAF Commodities, RESAKSS, USAID | 5                     | 18/128                       |
| Latin America and the Caribbean    | Subregional Office for the Caribbean - SLC  | June 13-14; Trinidad and Tobago        | 16                               | The Netherlands                                      | CARDI, CCCC, CNIRD, CARICOM, IICA, CARDI | ECLAC                                    | CDB, University of the West Indies,  | 14                    | 24/88                        |
|                                    | Subregional Office for Central America - SLM  | 15-16 June; San Salvador (El Salvador) | 8                                | EU, France, Spain                                    | IICA,SICA, RUTA, CAC, SISCA, OIRSA       | ECLAC, UNDP, HLTF,WFP                    | USAID, USDA, AECID, BMI, FOMILENIO, IADB, SEGIB, Chilean Universities (Austral and Universidad de Chile)   | 8                     | 36/141                       |
|                                    | Regional Office Latin America and Caribbean (RLC)   | 7-8 June; Santiago (Chili)             | 9                                | France, US, EU                                       | IICA, MERCOSUR, EU, France, Us           | ECLAC, WFP,UNDP                          | Action Aid, Food Network, IDB  |                       | 15/82                        |
| North Africa and Near East         | Subregional Office for North Africa - SNE   | 2-4 May; Tunis (Tunisia)               | 4                                | The Netherlands, EU, USA,                            | AMU                                      | IFAD, ILO, WFP, UNECA                    | ISDB, CIHEAM, WB   |                       | 12/56                        |
|                                    | Subregional Office for the Gulf Countries - SNG and Multidisciplinary Team for Oriental Near East (Cairo) - SNO | 9-10 May; Amman (Jordan)               | 11                               | France   | ESCWA, AAAID, AOAD                       | UNIDO, IFAD, UNDP                        | IMF, AMF, USAID, JICA, Mutah University (Jordan), Cairo University (Egypt), Arab Planning Institute, Arab Peasants& Agricultural Cooperatives                        | 2                     | 9/72                         |
|                                    |   |  | <b>131</b>                       |  |  |  |  | <b>36</b>             | <b>209/986</b>               |
| <i>* Female participants/Total</i> |   |  |                                  |  |  |  |  |                       |                              |

## **Annex 3: Brief description of some FAO tools**

### ***Food and Agriculture Policy Decision Analysis (FAPDA)***

FAPDA is the process of collecting, registering, classifying and analyzing country policy decisions.

The overall policy decision monitoring exercise started in 2008 within the framework of the Initiative on Soaring Food Prices (ISFP) in order to provide technical advice to FAO member countries for mitigating the food security crisis. This work is led by FAO's Policy and Programme Development Support (TCS) and GIEWS in the Trade and Markets (EST) Divisions and the FAO Regional Office for Latin America and Caribbean (RLC). A policy classification was subsequently developed and used as a basis for designing a policy decision monitoring system. This system was used to monitor the decisions taken by governments as an immediate response to the food security crisis. The publication titled "Country Responses to the Food Security Crisis Nature and Preliminary Implications of the Policies Pursued" was an outcome of this. In 2009, the scope of work was expanded to include medium to long-term policy decisions as well as the food security and nutrition aspects that were further developed by RLC.

Since 2008, all policy decisions related to food and agriculture were gathered in a centralized database covering more than 80 countries. Aiming to have a sustainable system to track food and agricultural policy decisions, in 2010/2011 FAPDA developed a web-based tool and consolidated all the information gathered to allow direct and more effective recording and analysis of policy decisions. The FAPDA tool also allows users to identify policy trends and the needs of harmonized policies at national, regional and global levels.

In 2011, FAPDA presented country policy briefs as well as a paper on "Food and Agricultural Policy Trends after 2008 Food Security Crisis". The publication reviews the policy decisions taken from October 2008 to mid-2010 with the aim of analyzing the policy trends during the period that followed the 2008 peak of the food price crisis. The paper seeks to identify possible changes in the policy orientation adopted by selected FAO member countries.

FAPDA could serve as an input for:

- policy advice
- information exchange and enhanced policy dialogue
- analysis of trends and countries' policy priorities
- comparisons between countries and assessment of conflicts in policies at national, regional or global level
- consultation for the harmonization of actions for common benefits
- assessment of achievements of policy objectives through indicators, which could be linked to other FAO programmes and activities

FAPDA was implemented and established in most of the regional/subregional offices of FAO.

### ***Agri benchmark***

*Agri benchmark* is a global network of farm economists, advisors and producers generating sustainable, comparable, quantified information about farming systems, their economics, their framework conditions and perspectives world-wide. The network is jointly coordinated by the Johann Heinrich von Thünen Institute (vTI) and the German agricultural Society (DLG).

The main goals of this project are to:

- establish a sustainable cooperation between farm economists and farmers in the participating countries,
- develop powerful tools for a worldwide analysis of agricultural branches;
- compare typical farms (production systems, production costs, competitiveness, future development);
- understand the impact of the major driving forces on agricultural branches; and
- provide relevant information for all clients who want to strengthen their position in a global agricultural economy.

*Agri benchmark* is a network where participants jointly work towards a common result on an annual basis, such as on the “Cash Crop” and “Beef & Sheep” conferences, reports and country analysis. Results are easily comparable between countries by applying harmonized methods and approaches for collecting, processing and disseminating data and results.

### ***Monitoring African Food and Agricultural Policies (MAFAP)***

The fundamental vision of the MAFAP project is to provide information and analysis to help policymakers and other stakeholders ensure that policies and financial investments are fully supportive of agricultural development, the sustainable use of natural resources and enhanced food security.

To achieve this vision, the project’s main objectives are to:

- undertake a broad review of food and agricultural policies in Africa to facilitate dialogue and promote more informed decision-making at the national, regional and international levels;
- conduct in-depth policy reviews to facilitate dialogue and promote more informed decision-making at the national level; and
- evaluate lessons learned and explore options for resource mobilization to support capacity building and institutionalization of policy monitoring and analysis in participating countries, as well as expanded country coverage.

### ***GIEWS (Global Information and early Warning System)***

Established in the wake of the world food crisis of the early 1970s, the Global Information and Early Warning System (GIEWS) remains a very important source of information on food production and food security for every country in the world. In the past 25 years, the system has become a worldwide network which includes governments, non-governmental organizations and numerous trade, research and media organizations. GIEWS comprises a unique database on global, regional, national and subnational levels. GIEWS continues to provide policy-makers and other agencies throughout the world with the most accurate and up-to-date information. The system supports national- and regional-level initiatives to enhance food information and early warning systems.