Imagine

Achieving food security in times of crisis

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World Food Day

Food and Agriculture Organization of the United Nations

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At a time when the global economic crisis dominates the news, the world needs to be reminded that not everyone works in offices and factories. The crisis is stalking the small-scale farms of the world too, where 70 percent of the world's hungry live and work. The situation in rural areas in developing countries is dire, coming in the wake of the surge in food and fuel prices in 2007–2008.

This second crisis is hitting the poor while they are down. Money sent home from relatives working in the city or abroad has declined as unemployment bites. In small agricultural villages, the poor have already exhausted their savings to buy food.

The global economic crisis dominates the news and dominates government agendas. Trillions of dollars are being spent to resuscitate wealthy economies, but who will bail out the poor?

This paper explores how the economic crisis is affecting developing countries, how they can protect the most vulnerable from hunger and how investment could shockproof the agriculture sector against future crises and even enable poor farmers to profit from higher food prices. This is not the world's first recession. There are lessons to be learned from how countries defended food security during past shocks in order to be better prepared for tomorrow (*see boxes* Cash augments food handouts in Ethiopia *and* Juggling prices, production and food security in Indonesia).

Food crisis and financial crisis

The FAO food price index rose, on average, by 52 percent from mid-2007 to mid-2008. The number of hungry in the world increased by 75 million in 2007. Then, in July 2008, food prices began to decline. The downward trend should not be interpreted as the end of the food crisis. Global cereal prices are still more than 63 percent higher than they were in 2005, according to the International Monetary Fund. The same factors that caused the food crisis in the first place are still present:

- Agricultural productivity is low.
- The population growth rate is still high in many of the most food insecure countries.
- Water availability and land tenure are significant problems.
- The frequency of floods and droughts is above long-term averages.
- Investments in agricultural research and development are much lower than what is recommended by experts, and are not directed toward the most important crops for the poor.

After the food price crisis came the global economic slump. Because the slump led to reduced wages and employment, the poor are now facing two simultaneous crises.

To make matters worse, many of the coping mechanisms used by the poor to deal with the food crisis have already reached their limits. For example, selling assets to moderate a fall in consumption is now difficult because many assets have already been sold. Migration is more difficult because the developed countries are facing their own slump. Borrowing to finance consumption is hampered by tighter credit markets.

A slowdown in foreign direct investment and declining exports of primary commodities are expected to increase unemployment in poor countries. The economic outlook of the rich countries is such that development support and humanitarian assistance are expected to decline.

In 2008, officially recorded remittances accounted for around US$300 billion, or two percent of the Gross Domestic Product of developing countries as a group, according to the World Bank. The economic slowdown, particularly in the construction and manufacturing sectors – traditionally major employers of immigrant workers – means a sharp decline in remittances sent home to poor families in both rural and urban settings.

Protecting the most vulnerable

Apart from longer-term development assistance to agriculture, which will be examined below, it is clear that the most vulnerable members of society need help now. The following review of public policy interventions illustrates that even in times of crisis, people can be saved from the worst effects of hunger and malnutrition.

- The first step in reaching the hungry is to know their identity, location and situation. Food price monitoring helps governments to keep tabs on hunger hotspots both within countries and communities. Safety nets can then catch the most vulnerable. Options include food distribution programmes, cash transfer schemes, various feeding programmes and employment schemes (*see box* Brazil spreads safety net as crisis deepens).
- Social programmes for the hungry must be designed carefully to suit the circumstances. For example, cash transfers or food stamps improve access to food where food markets work and where improved ability to purchase food is the objective. If food markets are not working well, as in remote or war-torn areas, direct food aid or "food for work" might be more appropriate.
- "Productive safety nets" can also play an important role. For example, in Malawi and Ethiopia, subsidies for seeds and fertilizer and innovative approaches to crop insurance have become part of social protection (*see box* Cash augments food handouts in Ethiopia).
- A country that experiences a growth slowdown of 4 percent due to the crisis can expect up to a 2 percent increase in child malnutrition. In order to fight micronutrient deficiencies in children and other vulnerable groups like pregnant or lactating women, food programmes should try to maintain or improve dietary diversity, or even distribute micronutrient supplements or fortified foods. Older children may need school feeding programmes. Longer-term measures include supporting small-scale food industries to produce quality weaning food; supporting and promoting breastfeeding; providing adequate nutrition education and monitoring children's growth.



Investing in agriculture

Global cereal production in 2008 reached a record high of an estimated 2 245 million tonnes, enough to cover annual projected needs and to allow a modest replenishment of world stocks. However, the increase was accomplished by the developed countries. In response to more attractive prices, they increased their cereal output by 11 percent. The developing countries, by contrast, only recorded an increase of 1.1 percent. In fact, if we exclude China, India and Brazil from the group, production in the rest of the developing world actually fell by 0.8 percent.

The poorest and most food-insecure farmers, who most needed to profit from higher cereal prices, could not respond to the opportunity and expand production because of lack of access to inputs or marketing opportunities.

FAO calculates that agriculture in developing countries needs US$30 billion a year in investment to help farmers. Such a level of investment is needed to achieve the 1996 World Food Summit goal of reducing the number of hungry people by half by 2015. That amount is low when contrasted with US$365 billion spent in 2007 to support agriculture in the rich countries, US$1 340 billion spent by the world each year on armaments and trillions of dollars found in short order in 2008–2009 to prop up the financial sector.

Investments of US$30 billion a year would generate an overall annual benefit of US$120 billion. This would:

- improve agricultural productivity and enhance livelihoods and food security in poor rural communities;
- develop and conserve natural resources;
- expand and improve rural infrastructure and broaden market access;
- strengthen capacity for knowledge generation and dissemination;
- ensure access to food for the most needy through safety nets and other direct assistance.

Both public and private investment are needed, more specifically through targeted public investment to encourage and facilitate private investment, especially by farmers themselves. For example, a new public road in a fertile region makes private investments profitable in that same region.

With an estimated increase of 105 million hungry people in 2009, there are now 1.02 billion malnourished people in the world, meaning that almost one sixth of all humanity is suffering from hunger.

On the occasion of World Food Week and World Food Day 2009, let us reflect on those numbers and the human suffering behind them. Crisis or no crisis, we have the know-how to do something about hunger. We also have the ability to find money to solve problems when we consider them important. Let us work together to make sure hunger is recognized as a critical problem, and solve it. The World Food Summit proposed by FAO for November 2009 could be fundamental for eradicating hunger.

Juggling prices, production and food security in Indonesia

In Indonesia, millions of poor rural families are vulnerable to fluctuations in the price of rice, on which they spend 20 percent of their income. On the other hand, 25 million small-scale farmers, many of them food insecure, grow the staple food and want to profit from any increase in price. International rice prices soared from US$325 per tonne in October 2007 to US$1 000 per tonne in May 2008, setting the stage for the following scenario:

In April 2008, the private sector held larger than normal rice stocks, hoping to profit from the imminent announcement of what the government would pay for rice for subsidized distribution to poor families. Wholesale rice prices were rising, increasing the government's bill for purchases. Because of high international rice prices, the private sector was lobbying the government to allow it to export rice. High international prices also increased fears that rice would be smuggled out of the country. The government needed to buy even more rice than usual because it had increased the allocation to poor households.

The government calmed nerves by announcing that BULOG, the state agency responsible for procurement and distribution of food, would buy rice at an increase of only 7.5 percent, about the rate of inflation. Only BULOG would be allowed to export, and then only after larger than normal stocks had been accumulated. Meanwhile, rice production in 2007 increased by 5 percent and in 2008 by 5.5 percent, driven by good rains, subsidized fertilizer and distribution of high yielding rice varieties. BULOG bought up surpluses so that prices to farmers would not fall during the peak of the harvest. In other words, the government acted boldly to support increased farmer productivity and provide rice to the most vulnerable without running up huge budget deficits by scaling up a safety net that was in place before the crisis started.

Brazil spreads safety net as crisis deepens

In Brazil the economy began to slow down only in the last three months of 2008, led by a decline in industrial output. Various analysts estimate that the national economy will only grow between zero and one percent in 2009. In December 2008, 655 000 workers were laid off, mostly in the industrial sector but including over 130 000 in agriculture.

In order to ensure that the economic downturn does not increase hunger, the government acted as follows:

- A family farm programme that guarantees prices paid to farmers was expanded from 15 to 29 crops.
- To give added protection to 421 000 small farmers in case of natural disaster, an income insurance scheme for drought was expanded to cover floods and excessive rain.
- *Bolsa Família*, the most important cash assistance programme in the country, added 1.3 million families.
- Specific workers who have lost their jobs since December 2008, about 104 000 according to government figures, can receive unemployment insurance benefits for seven months instead of only five.
- The minimum wage was increased by 12 percent, benefiting the 35 million Brazilians who earn it.

Brazil's determination to protect its most vulnerable citizens from hardship and hunger can be considered as part of the pledge of leaders attending the Ibero-American Summit of Heads of State and Government in Montevideo, Uruguay in 2006 to eradicate hunger from Latin America and the Caribbean altogether by 2025.

Cash augments food handouts in Ethiopia

Ethiopia seemed always to have a food crisis. Even in years of good rains, the mountainous country could not produce enough to feed itself and had to ask for food aid. A new approach is trying to overcome that dependence.

Through the Productive Safety Net Programme – the largest such programme in Africa – the government injects cash into the fragile agrarian economy. The cash or food goes to some eight million Ethiopians for six months each year, either through employment in public works such as rural roads and bridges, or direct payments. Farm families live off what they grow for the other six months. The programme's primary goal is to enable chronically food insecure households to acquire sufficient assets and income in order to "graduate" out of food insecurity.

The government also encourages poor farmers to sell a larger proportion of their home-grown crops. It promotes exports, for example, of such products as livestock, pulses, bee's wax and honey.

The country's new direction, begun in 2005, was put under pressure from soaring food prices in 2007–2008 and a drop in foreign investment and remittances. However, a recent survey of nearly 1 000 households participating in the programme found that almost all food transfers were consumed while most cash was used to purchase food. Participants were also less likely to sell their assets, especially livestock, to buy food, leaving them less prone to destitution.

Within the programme, there have been problems like the low value and erratic disbursement of cash and food transfers. A limited number of households have been able to free themselves permanently from hunger and assets creation has been quite low. Nevertheless, the government and donors have pledged even more funding for the programme, which will be expanded to include such agricultural support as extension and education.

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