

**Launching the State of Food Insecurity in the World (SOFI) 2008
High Food Prices and Food Security: Threats and Opportunities**

Speech of the Director General

Ladies and Gentlemen, our dear friends from the media,

Welcome to FAO and to the launch of the 2008 edition of *The State of Food Insecurity in the World* (SOFI). This year's issue examines the threats and opportunities to world food security resulting from the sharp increases in food prices that started to rock the world in 2006.

The causes of the global food crisis have been discussed at length. But the consequences are dramatic. In 2007 alone, 75 million people were pushed into chronic hunger, bringing the total number of malnourished people in the world to 923 millions. This trend has continued in 2008, dragging an additional 40 millions into hunger, according to our preliminary estimates. This sad reality should not be acceptable at the dawn of the 21st century, at a time when our efforts are focussed on liberty and human rights.

Many may be thinking of the impact of the recent declines in the prices of food commodities on international markets. But the crisis is no where to be over. In fact, despite the price falls, the FAO Food Price Index in October 2008 was 28 percent higher than its level two years ago. Un-replenished food stocks, volatility of food prices and the evolving financial and economic crises continue to threaten food security. Further, food prices in local markets are still at unprecedented high levels.

In addition, while high food prices aggravated the world food insecurity situation, there were 848 million people in the world suffering from hunger and malnutrition, even before the price increases. For many countries, the World Food Summit goal of reducing by half the number of undernourished people is becoming increasingly difficult to achieve. Unfortunately, as this Organization and this very publication strongly pointed out over and over, not enough has been done to reduce hunger and not enough is being done to prevent more people becoming hungry.

Any progress made by countries or regions towards the achievement of the internationally agreed goals of hunger reduction has been put in reverse because of high food prices. Such progress had indeed been recorded. In the African region: Ghana, Congo Republic, Nigeria, Mozambique and Malawi have achieved some of the steepest reductions in the proportion of undernourished people. Ghana had actually reached both the hunger reduction targets of the World Food Summit and the Millennium Development Goal – growth in agricultural production, peace and political stability has been key in this successes.

FAO's analysis of household data shows that the poorest, landless and female headed households are the worst affected by the food crisis. Poor households in both urban and rural areas are in their vast majority net buyers of food. In the short-run these households are forced to eat less and lower the quality of their diets, while in the longer-term they cut-down on health and education expenditures. Sudden and sharp increases in food prices, can therefore have long term impacts. They reduce the chances for poor people to pull out of poverty even after prices decline.

High food prices could represent an incentive and an opportunity to stimulate production by farmers in the developing world. In fact, in response to better prices, developed countries boosted their cereal production in 2008 by 11 percent, while developing countries have only recorded a marginal increase of 0.9 percent. And if China, India and Brazil are excluded, production by the rest of the developing world has actually fallen by 1.6 percent

Lack of access to essential inputs, such as seeds and fertilizers whose prices increased by much more than output prices, have made it almost impossible for small farmers in developing countries to take advantage of higher prices. Structural constraints facing agriculture, such as poor rural infrastructure and lack of access to water, markets, technology and credit, hinder the expansion of production and productivity by small farmers and also their competitiveness and capacity to manage risks. This year's SOFI report shows how those constraints are particularly damaging for smallholder farmers.

The recent financial and economic crisis presents world food security with new threats and challenges. Forecasts of growth rates have been revised down worldwide. Export volumes are projected to grow by 4.9 percent in 2009, down from 6.3 percent in 2007. Reduced demand for what developing countries produce threatens exports, foreign exchange receipts and incomes. Private flows of financial resources to developing countries such as remittances, private credit and foreign direct investment are also put in danger as a result of the combined effect of world recession and a credit crunch. Pledges made by many donor countries to increase development aid especially to agriculture and food security may be put in danger.

As stressed by the SOFI report, a comprehensive twin-track approach is needed to meet the challenges of food price hikes and the adverse impact of the financial crisis and economic slowdown on hunger in a world of increasing volatility. We all know that the only sustainable solution to combat hunger is to increase food production and productivity in poor countries. Governments, donors, the United Nations system, regional and international organizations, financial institutions, NGOs, civil society and the private sector must immediately join forces to (i) enable the agriculture sector, especially smallholders in developing countries, to overcome supply-side constraints and increase their production and productivity; and (ii) target safety nets and social protection programmes to the most needy and vulnerable.

It has become clear at this juncture that we must revisit the way we do business. We must correct the international system which results in hunger and poverty. Sustainable agricultural development policies need to be developed, together with rules and mechanisms that will ensure not only free but also fair international trade. We need to ensure that the funds needed to revive agriculture and eradicate hunger from our planet are effectively made available. We know what to do, but we lack the means and the right setting to do the work. In brief, a new system of world food security must be established.

Such objectives will require coherent action over the longer term, by coordinating appropriate public policies. Governance of the fight against food insecurity needs to be consolidated at the international level. We must draw and build upon existing structures and programmes by strengthening them. We should not waste our time and resources in re-inventing the wheel.

I thank you for your kind attention.