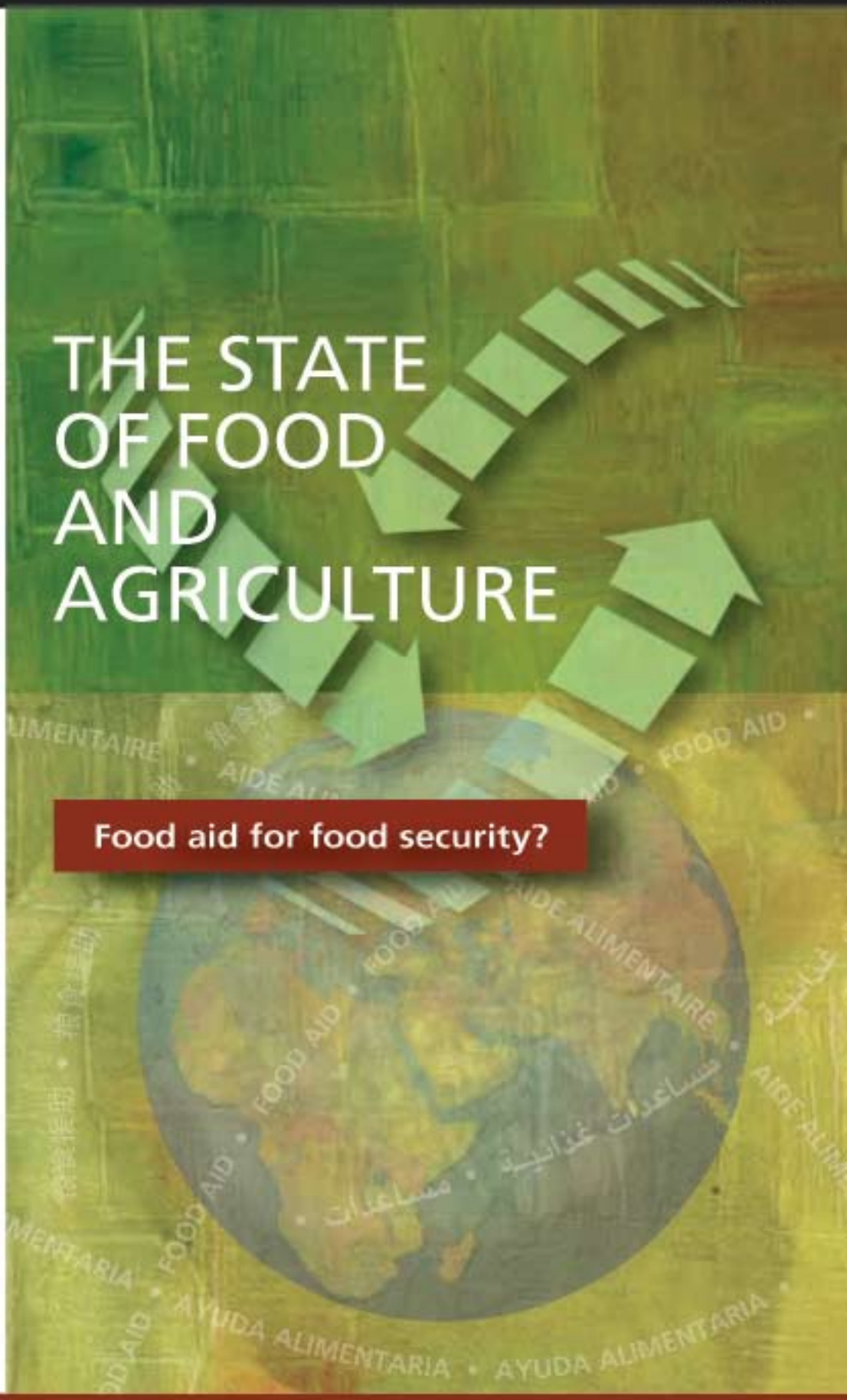
ISSN 0081-4539

2006

THE STATE OF FOOD AND AGRICULTURE



Food aid for food security?

Photos on page 3: *All photos are from FAO Mediabase.*

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Web site: http://www.fao.org/catalog/inter-e.htm

2006

FAO Agriculture Series No. 37
ISSN 0081-4539

THE STATE OF FOOD AND AGRICULTURE

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
Rome, 2006

Produced by the
Electronic Publishing Policy and Support Branch
Information Division
FAO

ISBN 978-92-5-105600-4

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Foreword

No person of conscience can deny the moral imperative to help people who are unable to feed themselves; indeed, one of the oldest forms of foreign aid is food aid. Yet many thoughtful observers question whether food aid effectively promotes food security or whether it may, in fact, do more harm than good. *The State of Food and Agriculture 2006* examines the issues and controversies surrounding food aid and seeks to clarify how food aid can – and cannot – support sustainable improvements in food security.

The Food and Agriculture Organization of the United Nations (FAO) estimates that 854 million people in the world lack sufficient food for an active and healthy life, a number that has hardly changed since the early 1990s. The World Food Programme (WFP) provides emergency food aid to millions of people each year – 73 million in 2005 alone – and the number is rising rapidly with the increasing scale and frequency of natural and human-induced disasters.

Despite the magnitude of the global food-security challenge, food aid is relatively small in relation to global production and trade, averaging about 10 million tonnes per year. This amounts to less than 2 percent of global cereal exports and less than 0.5 percent of global production. Food aid has changed significantly in recent years. Until about a decade ago, most food aid was provided bilaterally on a government-to-government basis and was sold on the open market in recipient countries. But, currently, about 75 percent of all food aid is now targeted directly to hungry people through emergency operations or projects addressing chronic hunger.

Food aid has rightly been credited with saving millions of lives. Indeed, food aid is often the only thing standing between a starving child and death. It may be the only resource available to prevent an earthquake or a hurricane from plunging an entire community into a humanitarian crisis. In some cases, food aid distributed through school feeding programmes provides the small inducement necessary to keep a young girl in school, helping to break the vicious cycle that passes poverty from generation to generation.

Food aid, however, is frequently criticized as a donor-driven response, serving the interests of donors rather than the food security needs of recipients. As evidence, critics point to the fact that the quantity of food aid available from year to year varies inversely with world prices, rising when supplies are plentiful and prices low, but falling when supplies are tight and prices high – just when it is needed most.

Some critics charge that food aid creates "dependency" on the part of recipients, allowing them to neglect their own responsibility of achieving food security. Empirical studies find that food aid flows are generally too unpredictable and small for recipients to depend on, and that concerns about such "dependency" are often misplaced. Yet people ought to be able to rely on the availability of assistance when they are unable to secure adequate food on their own.

Development specialists have long been concerned with the risk of imported food aid undermining local agricultural development. Food aid can depress and destabilize local market prices if it is not well managed, potentially threatening the livelihoods of local producers and traders upon whom long-term food security depends. Studies show that these destabilizing effects of food aid are most severe when it arrives at the wrong time or when it is not targeted at needy households.

While the effects of food aid on local prices are well-documented in the literature, there is little evidence to suggest that food aid significantly reduces food production in recipient countries. This is due to the fact that production in many of these countries is currently more dependent on the vagaries of the climate and other factors than on a response to potential demand. In addition, those consumers who can buy food would

prefer locally produced foods when food aid is available at similar prices. In some cases, food aid may actually help affected producers hold onto their essential assets during a crisis, thereby enabling them to resume production more readily when the crisis passes.

The risk of food aid displacing commercial trade has also been recognized for a long time. Although food aid can be beneficial to recipient countries, enabling them to save scarce foreign exchange, many commercial exporters consider it to be a form of unfair competition. This has been one of the most contentious issues discussed in the Doha Round of World Trade Organization (WTO) negotiations. Studies find that food aid partially displaces commercial imports by recipient countries. The trade displacement effect of food aid when it is a short-term phenomenon may actually promote commercial trade in the longer term, perhaps by stimulating consumer demand for a wider variety of foods. Food aid that is well targeted to insecure households and needy people can minimize the trade displacement effect.

Procurement of food aid within the country or region where it is needed has been offered as a possible solution to the problems associated with bringing food commodities directly from donor countries. In 2005, about 15 percent of all food aid was procured locally or regionally. This clearly has the potential of reducing the transaction costs – in money and time – of food aid deliveries, and may support the development of local production and distribution channels; but due attention must be paid to the potential of such transactions to distort local markets, raising food prices for poor consumers who do not receive food aid.

Food aid is often essential in responding to humanitarian emergencies, but considerable controversy surrounds the management of food aid in such circumstances. Food aid tends to dominate the emergency response, even when food supplies remain plentiful, because it is often the only available resource. Greater flexibility in the financing and programming of emergency response, combined with better information, needs assessment and monitoring, could be enormously beneficial in reducing human suffering and saving scarce resources. More prompt responses with appropriate resources could alleviate many food insecurity problems before they become full-scale emergencies requiring huge and very expensive interventions.

Finally, it must be remembered that more than 90 percent of the world's undernourished people are chronically hungry. For them, hunger is a daily burden, an emergency for no one but themselves. Food aid may form an essential part of a social safety net that ensures the fulfillment of the right to food for people who are too poor or too ill to achieve food security on their own. Food aid can be uniquely helpful in some situations – such as supplemental nutrition programmes or food-for-education initiatives – but it is not always the most effective or most appropriate intervention.

On balance, the report finds that food aid can support food security both in emergencies and in cases of chronic hunger *if it is properly managed*. Most of the concerns and controversies regarding food aid – dependency, production disincentives and trade displacement – are closely linked to programming and management decisions. When food aid is poorly timed or poorly targeted, the risk of adverse consequences increases. In many cases, food aid is used because it is the only available resource, not because it is the best solution to the problem at hand. Increased and more flexible resources are needed to address food insecurity. More work is needed to design and implement food security interventions that more effectively and efficiently address the problem, while minimizing the risk of harm. But, whenever possible, it is always "better to teach and help people to fish rather than to give them fish". In the long term the focus should be on preventive measures aiming at an increase in the security of production and in productivity, instead of waiting for crises to rush food aid which by then would be the only option to save starving children and mothers.

Food aid is never sufficient, on its own, to address the root causes of chronic hunger and malnutrition: lack of investment in rural infrastructure (particularly small-scale water control, rural roads, storage facilities, etc.),

low agricultural and labour productivity that limit poor families' purchasing power, poorly functioning markets that drive up the real cost of food for the poor, insufficient access to credit and insurance among the poor, social exclusion and various forms of discrimination, etc. These fundamental problems must be addressed if the world is to achieve the set World Food Summit target and Millennium Development Goals of reducing by half hunger and extreme poverty by 2015.

Jacques Diouf
FAO DIRECTOR-GENERAL

Acknowledgements

The State of Food and Agriculture is prepared by FAO's Agricultural and Development Economics Division under the overall supervision and guidance of Prabhu Pingali, director of the division. The core team for the 2006 report was led by Terri Raney, senior economist and editor, and included: Colin Andrews, André Croppenstedt, Emilia Rinaldi, Slobodanka Teodosijevic and Mette Wik. Stella di Lorenzo and Paola di Santo provided secretarial and administrative support.

Part I, "Food aid for food security?" was written by Terri Raney with assistance from Colin Andrews and Mette Wik, and with contributions from many people in FAO, other international organizations and several independent experts. Background papers were prepared by Titus Awokuse of the University of Delaware, Christopher Barrett of Cornell University, and Sarah Lowder, now of the United Nations Economic and Social Commission for Asia and the Pacific. The contributions of WFP in the preparation and review of this report are gratefully acknowledged.

The report drew heavily on material prepared for the "International Workshop: Food Security and Crisis in Countries Subject to Complex Emergencies", organized by the Agricultural and Development Economics Division, 23–25 September 2003, Tivoli, Italy. The report also benefited from work prepared for an informal consultation of experts on food aid in the context of the WTO Doha Round, organized by the FAO Commodities and Trade Division, on 27–28 January, 2005 at FAO in Rome, Italy. Papers on social safety nets and food aid prepared for the FAO "Intergovernmental Working Group for the Elaboration of a Set of Voluntary Guidelines to Support the Progressive Realization of the Right to Adequate Food in the Context of National Food Security" provided additional background material for the report.

The following individuals drafted sections of the report and/or contributed background research: Luca Alinovi, Colin Andrews, Titus Awokuse, Christopher Barrett, Sumiter Broca, Benjamin Davis, Margarita Flores, Ali Gurkan, Günter Hemrich, Panos Konandreas, Yasmeen Khwaja, Sarah Lowder, Prabhu Pingali, Terri Raney, Jacky Sutton and Mette Wik.

The report benefited greatly from advice, critical comments, analytical reviews and substantive editing from: Abdolreza Abbassian, Petros Aklilu, Luca Alinovi, Kym Anderson, Richard China, Alessandro deMatteis, Walter Falcon, Margarita Flores, Kisan Gunjal, Daniel Gustafson, Günter Hemrich, Henri Josserand, Panos Konandreas, Dennis Latimer, Ellen McCullough, Jennifer Nyberg, Prabhu Pingali, Luca Russo, Shahla Shapouri, Andrew Shepherd, Kostas Stamoulis, Randy Stringer, Patrick Webb and Sonali Wickrema. Their contributions are gratefully acknowledged.

Part II, "World and regional review: facts and figures", was prepared by Slobodanka Teodosijevic with the assistance of André Croppenstedt and Emilia Rinaldi. Contributions and data for Part II were made by the Animal Production and Health Division, the Commodities and Trade Division, the Statistics Division, the Fisheries Department and the Forestry Department.

Part III, "Statistical annex", was prepared by Kristian Jakobsen and Emilia Rinaldi with assistance from André Croppenstedt largely on the basis of data provided by the Statistics Division. The CD-ROM was prepared by the Statistics Division.

The team is particularly grateful to *The State of Food and Agriculture* External Advisory Board, comprising Walter Falcon (Chair), Bina Agarwal, Kym Anderson, Simeon Ehui, Franz Heidhues and Eugenia Muchnik, who provided valuable guidance on the scope and focus of the report.

The report benefited from the work of the editors, designers and layout artists of the FAO Electronic Publishing Policy and Support Branch.

Two regular members of *The State of Food and Agriculture* team left the organization this year: Randy Stringer, former chief of the Comparative Agricultural Development Service, and Stella di Lorenzo, former secretary to the chief. Their contributions will be greatly missed.

Glossary

CAP	(United Nations) Consolidated Appeals Process
CERF	Central Emergency Response Fund
CFA	Committee on Food Aid Policies and Programmes of WFP
CFSAM	Crop and Food Supply Assessment Mission
CFS	Committee on World Food Security of FAO
CSO	Civil society organization
CSSD	Consultative Sub-Committee on Surplus Disposal (FAO)
DAC	Development Assistance Committee of the OECD
DDA	Doha Development Agenda
EFNA	Emergency Food Needs Assessment
EFSA	Emergency Food Security Assessment
ENA	Emergency Needs Assessment
ERC	Emergency Relief Coordinator
ESA	Agricultural and Development Economics Division (FAO)
EU	European Union
FAC	Food Aid Convention
FEWSNET	Famine Early Warning System Network
FFW	Food for work
FIAN	Foodfirst Information and Action Network
FIVIMS	Food Insecurity and Vulnerability Information and Mapping System
FSAU	Food Security Analysis Unit
GIEWS	Global Information and Early Warning System
GHD	Good Humanitarian Donorship
IEFR	International Emergency Food Reserve
IFPRI	International Food Policy Research Institute

IFRC	International Federation of Red Cross and Red Crescent Societies
IGA	International Grains Arrangement
IPC	Integrated Humanitarian and Food Security Phase Classification
LDC	Least-developed country
LIFDC	Low-income food-deficit country
NAF	Needs Analysis Framework of CAP
NGO	non-governmental organization
ODA	official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
SENAC	Strengthening Emergency Needs Assessment Capacity
SIFSIA	Sudan Institutional Capacity Programme: Food Security Information for Action
SMART	Standardized Monitoring and Assessment of Relief and Transitions
SPLM	Sudan People's Liberation Movement
UMR	Usual Marketing Requirement
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UN RC/HC	UN Resident Coordinator & Humanitarian Coordinator
UNICEF	United Nations Children's Fund
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization

Explanatory note

The statistical information in this issue of *The State of Food and Agriculture* has been prepared from information available to FAO up to October 2006.

Symbols

The following symbols are used:

– = none or negligible (in tables)
... = not available (in tables)
$ = US dollars

Dates and units

The following forms are used to denote years or groups of years:

2003/04 = a crop, marketing or fiscal year running from one calendar year to the next
2003–04 = the average for the two calendar years

Unless otherwise indicated, the metric system is used in this publication.
"Billion" = 1 000 million.

Statistics

Figures in statistical tables may not add up because of rounding. Annual changes and rates of change have been calculated from unrounded figures.

Production indices

The FAO indices of agricultural production show the relative level of the aggregate volume of agricultural production for each year in comparison with the base period 1989–91. They are based on the sum of price-weighted quantities of different agricultural commodities after the quantities used as seed and feed (similarly weighted) have been deducted. The resulting aggregate therefore represents disposable production for any use except seed and feed.

All the indices, whether at the country, regional or world level, are calculated by the Laspeyres formula. Production quantities of each commodity are weighted by 1989–91 average international commodity prices and summed for each year. To obtain the index, the aggregate for a given year is divided by the average aggregate for the base period 1989–91.

Trade indices

The indices of trade in agricultural products are also based on the base period 1989–91. They include all the commodities and countries shown in the *FAO Trade Yearbook*. Indices of total food products include those edible products generally classified as "food".

All indices represent changes in current values of exports (free on board [f.o.b.]), and imports (cost, insurance, freight [c.i.f.]), expressed in US dollars. When countries report imports valued at f.o.b., these are adjusted to approximate c.i.f. values.

Volumes and unit value indices represent the changes in the price-weighted sum of quantities and of the quantity-weighted unit values of products traded between countries. The weights are, respectively, the price and quantity averages of 1989–91 which is the base reference period used for all the index number series currently computed by FAO. The Laspeyres formula is used to construct the index numbers.