The Food Crisis: A Survey of Sources and Proposals for Preventing A Global Catastrophe

Social Unrest

Rising Food Prices

Terence P. Stewart, Esq.
Managing Partner
Law Offices of Stewart and Stewart
2100 M Street, NW
Washington, DC 20037
www.stewartlaw.com
Acknowledgements:

Additional research and assistance provided by Stephen J. Norton, Carl P. Moyer, Keith Gabel, and Hanna Ella Stewart of Stewart and Stewart.

Cover photo captioned “Social Unrest” is courtesy of Reuters - Eduardo Munoz (Haiti).

All other photos from iStockphoto, www.istockphoto.com

For more information on the world food crisis see Silent-Tsunami.org

Copyright © 2008 Law Offices of Stewart and Stewart
SUMMARY

Food prices have been soaring, particularly in the last year. Economists, agronomists, development specialists, and other public policy analysts offer a wide array of distinct and yet interconnected reasons. Climate change might have contributed to a prolonged drought in Australia, which has resulted in less wheat on the global market and rising prices for that commodity. Climate change has also prompted governments to step up production of ethanol and other biofuels, further reducing the supply of corn and other commodities, and thereby raising those prices. Rising demand for meat among the increasingly prosperous and urbanized consumers of India and China has diverted more feed grains to livestock production. Rapidly rising energy prices and fertilizer prices, meanwhile, act in concert to drive up costs for farmers. Trade-distortive subsidies and barriers to market access continue to skew global prices and lead to imbalances of supply and demand. As prices increase, nervous governments have moved to secure diminished stockpiles of commodities for their citizens and limited exports. This has put yet additional upward pressure on prices. The resulting perfect storm has been catastrophic to millions of people and disruptive to the world’s political stability.

One obvious problem is that income for most of the world’s people is not keeping up with these rapid price escalations. This affects all consumers but the billions of people who are poor are hurt the most, and the world’s poorest are being pushed to the brink of starvation. In developed countries, the increase in gas and food prices have forced even middle class consumers to turn to food banks to feed their families in some cases. There has been civil unrest and riots from Egypt to Indonesia to Burkina Faso - even a “pasta strike” in Italy - as consumers express anxiety and frustration over soaring food prices and the government of Haiti collapsed amid public outrage. World Bank President Robert B. Zoellick has warned that as many as 100 million people who have been moving out of poverty thanks to economic growth in recent decades are at risk of slipping back into poverty, and more than 30 governments could be at risk under the ensuing public desperation.

MAP: Nations facing civil unrest due to soaring food prices, according to the Financial Times
Unlike natural disasters that strike with sudden, lethal drama, like the cyclone in Burma or the earthquake in China this spring, the escalation in food prices has occurred without one major event but could wreak greater havoc around the globe. Josette Sheeran, the head of the U.N. World Food Program, has characterized this incipient crisis as the “silent tsunami.”

The enormity of the crisis is directly related to the elusiveness of tidy solutions. As leaders from 181 countries gathered in Rome June 3-5 for an international conference on the food crisis, it became clear that finding a way out of the crisis that balanced a host of competing economic and political interests will be difficult and could take years to achieve. But as governments, policy experts, and economists grapple with solutions, tens of millions of the world’s poorest people face starvation and nations could fall into political upheaval.

This paper will survey briefly some of the causes of the problems identified by economists and policy experts and explore possible solutions. This paper does not advocate any particular option but merely looks ahead to some of the issues that policy makers in governments and multilateral organizations will have to grapple with in the coming months and years.

**A SNAPSHOT OF THE PROBLEM**

A report by the United Nations Food and Agriculture Organization (FAO), produced in conjunction with the Rome summit, stated that the prices of all major commodities have reached their highest levels in nearly 50 years (prices in real terms were at a 30-year high). There has been a notable spike that began in 2007 and continues with no end in sight. The FAO price index rose, on average, eight percent in 2006 in comparison to 2005, but then 24 percent from 2006 to 2007. Based on the first quarter of 2008, food prices are shooting up a remarkable 53 percent. Unlike previous price escalations, the

---

current trends have affected nearly all food and feed commodities.\(^5\) Perhaps more disturbing, the confluence of factors from climate change to increased production of biofuels to changing consumer demand could mean a fundamental change is occurring in the dynamics of food production, distribution, and consumption. The FAO and Organization for Economic Cooperation and Development (OECD) warned in a May 2008 study that the changes occurring could take ten years or more to address and to reestablish market equilibrium needed to make food affordable to millions of people.\(^6\)

![FAO Food Price Index](chart.png)

Source: FAO Crop Prospects and Food Situation (June 2008); available at [http://www.fao.org/docrep/010/y5685e/y5685e00.htm](http://www.fao.org/docrep/010/y5685e/y5685e00.htm)

### A SURVEY OF CAUSES

**Weather-related factors**

According to the FAO, cereal production among major exporting countries has been on the decline since 2005. One reason for this has been a drought in Australia, a major supplier of grain. The recent cyclone in Burma, a producer of rice, put additional upward pressure on the price of that commodity, which has risen 130 percent or more since 2007.

\(^5\) FAO Report at 3-4.

While climatic events have always been a factor in determining food prices in specific areas, climate-related drops in production could have broader and deeper effects in a time of diminished stocks and as demand for food grows. For example, while Australia accounts for only 15 percent of world grain trade, it is the 4th largest exporter in the world. So when stocks are low, Australia’s exports are particularly important. As climate change is changing or threatens to disrupt growing patterns around the world in the coming decades, experts warn prices could continue to go up. For example, the International Panel on Climate Change, in a 2007 report, warned that melting glaciers in the Himalayas could have serious ramifications for farmers in China and India during the dry season in those countries. On the other hand, climate change could allow for the cultivation of crops in areas now inhospitable for agriculture. The challenge is how quickly the world’s growing population can adapt to these changes in areas for cultivation. The challenge of shifting climate affects not only the ability to maintain production levels but to increase production to address growth in income in many developing countries and feed the more than 80 million people a year who are added to the global population. This increase in population is already putting new demands on water supplies and tracts of arable land.

Changes in World Cereal Production


---

7 See Alex Evans, *Rising Food Prices: Drivers and Implications for Development*, CHATHAM HOUSE BRIEFING PAPER (April 2008) at 4 and fn. 27.
The Food Crisis: A Survey of Sources and Proposals for Preventing a Global Catastrophe

Year to Year Change in Selected Cereal Price Indices


Increasing fuel and fertilizer costs

The price at the gas pump provides a dramatic daily illustration of high energy costs for millions of drivers. Less obvious, but no less significant to consumers, is the link between fuel prices and food prices. It takes a lot of fuel to run the tractors and combines to plant and harvest crops and then to ship those products over rail, sea or air to markets. Rising fuel prices have been coupled with rapid increases in prices for fertilizers, such as triple superphosphate and muriate of potash, going up more than 160 percent in the first two months of 2008 compared to the same period of 2007, according to the FAO. This means economic opportunities for potash producers in Canada, urea producers in Baltic countries, or ammonium sulfate producers in Eastern Europe but higher food prices for all of the world’s consumers.

Photo: Courtesy World Bank Ray Witlin
Biofuels

With crude oil prices soaring, concerns about the environmental impact of fossil fuels, and uneasiness about dependence on unstable parts of the world, a number of governments have stepped up their interest in producing substitutes, such as ethanol. Policy analysts agree that the emerging biofuels markets are leading to price increases for many foods. Basically, with a variety of commodities being used to produce fuel instead of food.
products, there is less available for food products. With less supply, prices rise. Higher demand for sugar, maize, cassava, oilseeds, and palm oil, just to name few, have made these products more expensive and caused upward pressure on a variety of foods. There is disagreement on how much biofuels have contributed to the food price escalation but it is clear these energy policies have affected food supplies. Government support for the biofuels industry, in the form of consumption mandates, tax credits, import barriers, investment subsidies, and other policies can be substantial in some cases, accelerating the shift in usage for some commodities from food and feed to fuel, thereby driving up prices for food. The OECD-FAO Agricultural Outlook 2008-2017, noted that ethanol production tripled from 2000 to 2007, with the United States and Brazil accounting for the majority of that growth. But Europe also represents a major contributor as the European Commission has set a goal of having ten percent of its transport move with such fuels by 2010. Ethanol production could double again by 2017, pointing to a continuation of the market dynamics that have contributed to the higher food prices the world has seen over the last few years. Of course, any review of biofuel policies and their effect on prices must account for the effect on energy prices reduced production of biofuels would have.

**Ethanol production 1975 - 2007 (billion liters)**

![Graph showing ethanol production from 1975 to 2007](image-url)

Changing Structure of Demand

Economic development, expanded trade, and commercial relationships have created growing and more prosperous middle classes and also more urbanization in many countries. These hundreds of millions of people are moving away from starchy foods and increasing their intake of a variety of more costly meat and dairy products. This phenomenon also intensifies demand for feed grains needed to raise the livestock, as the FAO report explains. While the FAO report cautions against overestimating the role changing diets are playing on food price spikes, Joachim von Braun, the director general of the International Food Policy Research Institute, estimates that changing demand could account for half the of recent price hikes.\[^{8}\] Changing dietary patterns could become more important in determining food prices in the years to come. According to the World Bank, higher incomes will mean better diets and more demand for foods that require a lot of grain, energy, and fertilizer to produce. China exemplifies this phenomenon. Between 1990 and 2006, per capita meat consumption grew by 140 percent. Consider that it takes seven pounds of grain to produce one pound of meat, then duplicate China’s experience in many other developing countries and it is easy to see how demand for grain could grow much faster than population.

![Photo: Courtesy World Bank, Scott Wallace.](image)

Trade

Trade certainly plays a role in determining access to food. Free market advocates argue that the subsidies European, Japanese and American farmers receive lead to oversupply of various commodities on home and global markets, making it difficult if not impossible for farmers in developing countries to succeed. These farmers’ plight is further exacerbated by market access barriers they face in some wealthy countries and in most developing countries, and the non-tariff barriers and infrastructure problems that impede robust trade between developing countries. Proponents of trade argue that it is more urgent than ever to complete the World Trade Organization Doha Development Agenda. They argue market forces would better ensure the right level of production and distribution.

However, as negotiators work toward a multilateral agreement, the food crisis presents new and unique questions that must be considered. One question has to do with

\[^{8}\] See Alex Evans, Rising Food Prices: Drivers and Implications for Development, CHATHAM HOUSE BRIEFING PAPER (April 2008) at 2.
trade-distortive subsidies. While there is general agreement that export and amber-box subsidies create distortions in the trading system and lead to imbalances and inequities, eliminating such subsidies in the short and medium-term will likely result in higher prices on some food products. Not surprisingly, net food importing countries are concerned about further price increases. Solutions will need to include increased short-, and medium-term increases in food aid for countries in need.

Another question has to do with export restraints imposed on agricultural products. The historic approach pursued by the United States and other countries for expanded trade liberalization in the trade of goods has an implicit assumption that countries will be able to obtain the goods they desire from trading partners if they do not continue to produce them themselves. Yet, in the last year, with rapid increases in food prices, more than two dozen nations sharply curtailed or barred exports of selected agricultural products (including rice, wheat, and soybeans) to preserve supplies for their own populations and hopefully dampen inflationary pressures. Such actions, of course, only exacerbated the spikes in food prices experienced by food importing countries and have caused many countries to express concern about the rights of countries who have become dependent on imported food products. Under global trading rules established in the General Agreement on Tariffs and Trade after World War II, nations retain the right to restrict exports in certain situations. Specifically, GATT Article XI:2(a) permits “Export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting” country. When such rights are used simultaneously by many countries, as was done earlier this year, the implications for the trading system and for net food importing countries are significant.

Photo: Courtesy World Bank, Quy-Toan
Governments who have applied export restraints have been encouraged by the World Bank and others to eliminate the restraints as quickly as possible. Some countries have taken action to eliminate the restriction or at least to loosen the restriction. Such actions are obviously helpful to food importing countries. However, the lack of disciplines on countries’ ability to close their borders to exports has raised the concerns of food importing countries about trade liberalization. They are uneasy about becoming dependent on sources of supply that can be cut off without warning and without rights. Not surprisingly, some countries are focusing on maintaining domestic supplies, even if they are internationally uncompetitive, to avoid the potential problem exemplified by recent events. Ongoing WTO Doha negotiations include, within the agriculture area, discussions of what steps should be taken by countries invoking export restraints. However, the realities of collective barriers in 2006 will make a successful resolution of an ambitious liberalization program in agriculture in this round more difficult.

MAP: Countries with export restrictions, as listed by the World Bank

Related to the concerns about export restraints is the concern about the effect of liberalization on some developing countries’ ability to bring their farming sector along to become more competitive over time in global markets. Some skeptics of trade liberalization policies have voiced concerns over forcing developing countries to open their markets to more food products from developed countries and certain developing countries prematurely. They say this will make it more difficult for farmers to get a foothold and compete effectively in the global market. Sandra Polaski, a senior associate and director of the Trade, Equity,
and Development Program at the Carnegie Endowment for International Peace, warned in a recent paper that a Doha agreement that fails to take into account the unique circumstances of individual countries would hurt many developing country farmers.\(^9\)

In a time of escalating food prices and limitations on access to imported food, the trading system has a lot of challenges to convince the vast majority of nations that the current agenda promotes their short-, medium-, and long-term interests in agriculture.

**Reduction in Agricultural Research**

Another factor that has contributed to the current price situation and which could be an important part of a long-term solution to stabilizing prices is agricultural research.

Paul Minot of the International Food Policy Research Institute explained at a June 5 briefing before the U.S. House Hunger Caucus that national agricultural research institutes in developing countries have experienced declining budgets since around 1990, and international agricultural research centers have suffered budget cuts as well. The reason is that the international community had interpreted falling food prices as a sign that food shortages were a thing of the past. He urged a revival of support for agricultural research and development that includes short- and long-term training for agricultural scientists, competitive grants for research, funding to evaluate impact, and assistance with management and organization of research institutes.

A New York Times story from May 18, 2008, “World’s Poor Pay Price as Crop Research Is Cut,” chronicled how the food supply grew faster than the world population from 1970 to 1990 but then, after 1990, food supply’s growth rate fell below population growth.\(^10\) By that time, however, food research had begun to decline and emerging problems, such as a pest that obliterates rice crops, were not adequately addressed. The story reported that, adjusting for inflation and exchange rates, the world’s wealthy countries, cut donations to agricultural research centers roughly in half from 1980 to 2006, to $2.8 billion a year from $6 billion. The United States cut its support for agriculture in poor countries to $624 million from $2.3 billion in that period.

What we can learn from this is that agricultural research and development work is never done, especially in a time of climate change. Insects could migrate, plants must be developed to adapt to changing conditions, and new varieties of plants must be developed to meet growing demand. This cannot be done overnight. In essence, the future is now.

---


The UN FAO/OECD 2008-2017 Outlook suggested reversing the trend in agricultural research could help stimulate economic growth and reduce poverty. Part of the $770 million boost in food aid President Bush announced on May 1 is intended for agriculture research, but scientists will find themselves in a race against pests and climate change to reverse the trend of a disconnect between agricultural production and demand.

**Financial Markets**

Financial markets and the use of sophisticated instruments and the efforts of commodity speculators have also played a role in determining the decisions of farmers, traders, and processors of agricultural commodities, according to the FAO report. A recent story by the Globe and Mail explained how pension and index funds that many Americans and Canadians depend on for their retirements have plowed tens of millions into agricultural commodities. As this trend increases, it could mean large institutional investors could control futures of wheat and other commodities, there could be new spikes in demand, and therefore even higher prices.

There are other forces at work in corporate decision making that affect prices as well. A June 7, 2008 cover story in the National Journal explained how the concentration of market share among a small number of agrochemical companies for example impact the price and availability of seeds. In addition, in some products such as coffee, middlemen reap far greater financial rewards than small farmers.

**THE IMPACT**

There have been vivid and heartbreaking reports on how this "silent tsunami" is engulfing people in every corner of the globe. The Washington Post chronicled the desperate struggle of a father in Mauritania who was forced to sell one of his family's few remaining possessions of any value - a small goat - which could have also been one of his remaining sources of a more sustainable income. CNN has captured the plight of Ethiopia, where drought and food prices have made food unattainable to millions. In fact, six million people are said to be at risk of starvation in that country alone. One relief worker, noting that the famine is affecting adults as well as the traditionally more vulnerable infants and children, lamented, "Everyone is starving."

Just over one billion people live on a dollar a day, according to the World Bank measurement for poverty. Consider that the poorest spend a large portion – 50-70 percent –

---

13 Sinclair Stewart & Paul Waldie, Feeding frenzy, GLOBE & MAIL (May 31, 2008).
of their income on food and it is easy to see that a price hike in staples when income remains flat could mean dire consequences, particularly for the urban poor.

These bleak choices were summed up by the UNWFP's Sheeran, who was quoted in an April 17 cover story in the Economist saying, “For the middle classes, it means cutting out medical care. For those on $2 a day, it means cutting out meat and taking the children out of school. For those on $1 a day, it means cutting out meat and vegetables, and eating only cereals. And for those on 50 cents a day, it means a total disaster. The poorest are selling their animals, tools, the tin roof over their heads — making recovery, when it comes, much harder.”

Rising fuel costs have been particularly difficult on the 22 countries the FAO has identified as most vulnerable to food insecurity. As these nations import near all their oil, there is little left for food and their already-vulnerable citizens suffer a double blow.

### Countries Identified as Most Vulnerable to Food Insecurity

<table>
<thead>
<tr>
<th>Country Name</th>
<th>Population</th>
<th>GDP / Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eritrea</td>
<td>5,028,475</td>
<td>$1,000</td>
</tr>
<tr>
<td>Burundi</td>
<td>8,691,005</td>
<td>$800</td>
</tr>
<tr>
<td>Comoros</td>
<td>731,775</td>
<td>$600</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>7,211,884</td>
<td>$1,600</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>6,294,774</td>
<td>$800</td>
</tr>
<tr>
<td>Liberia</td>
<td>3,334,587</td>
<td>$500</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>12,382,920</td>
<td>$500</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>70,254,090</td>
<td>$700</td>
</tr>
<tr>
<td>Haiti</td>
<td>8,924,553</td>
<td>$1,900</td>
</tr>
<tr>
<td>Zambia</td>
<td>11,669,534</td>
<td>$1,400</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>4,434,873</td>
<td>$700</td>
</tr>
<tr>
<td>Mozambique</td>
<td>21,284,701</td>
<td>$900</td>
</tr>
<tr>
<td>Tanzania</td>
<td>40,213,162</td>
<td>$1,100</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>1,503,182</td>
<td>$600</td>
</tr>
<tr>
<td>Madagascar</td>
<td>20,042,551</td>
<td>$1,000</td>
</tr>
<tr>
<td>Malawi</td>
<td>13,931,831</td>
<td>$800</td>
</tr>
<tr>
<td>Cambodia</td>
<td>14,241,640</td>
<td>$1,800</td>
</tr>
<tr>
<td>Korea, DPR (North Korea)</td>
<td>23,479,089</td>
<td>$1,900</td>
</tr>
<tr>
<td>Rwanda</td>
<td>10,186,063</td>
<td>$1,000</td>
</tr>
<tr>
<td>Botswana</td>
<td>1,842,323</td>
<td>$14,700</td>
</tr>
<tr>
<td>Niger</td>
<td>13,272,679</td>
<td>$700</td>
</tr>
<tr>
<td>Kenya</td>
<td>37,953,838</td>
<td>$1,600</td>
</tr>
</tbody>
</table>

**Total Population 22 Most Vulnerable** 344,909,529


---

The problem has been felt by consumers in every country in the world. The Washington Post on Sunday, June 8, 2008 ran a story on the experiences of individuals in countries whether rich or poor including Japan, Germany, Pakistan, Peru and others. The BBC has on its website a series of stories on problems being experienced in many countries (http://news.bbc.co.uk).\(^{16}\) In January, the shortfall in grain supply forced the EU to take the unprecedented step of eliminating tariffs on all cereal imports. Consumers are struggling here in the U.S. as well. Newspaper accounts from communities from the Washington, DC area to Montana to Arizona are reporting sharp increases in the number of people seeking assistance from food pantries and charitable organizations. Many of them are working people who can simply no longer fill the gas tank and their cupboard week to week.

Photo: Courtesy World Bank, Curt Carnemark

**WHAT CAN BE DONE? WHAT TO EXPECT**

The factors that contributed to higher prices could also contribute to reducing prices but most factors cannot be predicted with any certainty—oil prices, how population and income growth will change dietary patterns, how climate change will affect global production of major commodities. Given these changing variables, the FAO/OECD outlook estimated it could take at least a decade to restore prices to their pre-crisis equilibrium.\(^ {17}\)

---


\(^{17}\) *OECD-FAO Agricultural Outlook 2008-2017*. 

Terence P. Stewart
In the short term, it is clear that there will be a need for much greater food aid to the world’s poorest people. The UN World Food Program had announced earlier this year that its normal efforts would fall short this year by some $755 million because of rising food prices. This shortfall has now been met with a $500 million donation from the Kingdom of Saudi Arabia and donations from another 30 donors totalling $460 million. These donations will enable the UNWFP to assist in a variety of food and nutrition programs in many African countries facing the most critical situations, according to Sheeran.

On May 29, the World Bank Group announced it would create a $1.2 billion facility to address immediate needs by supporting safety net programs, getting cash to people who need it, and supporting school feeding programs. Longer term, the new facility would provide seeds, fertilizer, and irrigation assistance to small-scale farmers. It would also create a Multi-Donor Trust Fund to facilitate policy cooperation among donor countries and leverage financial support to promote food production activities.

Coming out of the Rome summit, the FAO was able to catalog significant additional pledges of support from governments.

This is against the backdrop of estimated increased food aid needs of $15-20 billion/year for the next decade. There is an obvious role for private contributions to supplement aid from governments.

Of course, increased food aid is needed to fill the gap between current policies and the shifting landscape of higher energy costs, changing diets, climate change, and new demands on land and water resources which will require a reexamination and modification of many policies to restore a sustainable supply-demand situation for food in the future.

**Zoellick’s 10-point plan**

On the eve of the Rome summit, World Bank President Zoellick offered a ten-point plan for tackling the food crisis. Among his proposals were the following: fully fund the World Food Program’s emergency needs, and support of humanitarian efforts. He also proposed getting seeds and fertilizer to poor countries in time for the planting season, more spending on research, and more investment in agribusiness. This would help spur private sector initiatives across the supply chain from developing sustainable lands and water to infrastructure and logistics, and innovative instruments for risk management and crop insurance for small farmers.

Zoellick also urged the United States to scale back subsidies, mandates and tariffs on biofuels that are derived from corn and oilseeds. He asserted that the United States’ use of corn for ethanol has consumed more than 75 per cent of the increase in global corn production over the past three years. He suggested developing what he called “safety

---

valves” that ease these policies when prices are high. “The choice does not have to be food or fuel. Cutting tariffs on ethanol imported into the US and European Union markets would encourage the output of more efficient sugarcane biofuels that do not compete directly with food production and expand opportunities for poorer countries, including in Africa,” Zoellick wrote in a proposal published in the Financial Times on May 31.

He also called for removing export bans 28 countries have imposed. These have led to even higher world prices. More broadly, he urged the conclusion of the WTO Doha Round that would remove the distortions of agricultural subsidies and create a more adaptable, efficient and fair global food trade. Finally, he urged more global coordination on food, energy, and water challenges to counter global risks.

**Lamy**

Pascal Lamy, the director general of the World Trade Organization, in remarks delivered at the Rome summit, also urged a successful conclusion to the WTO Doha Round. Lamy noted that international trade can ease shortages of getting food to where it is most urgently needed. Lamy said a Doha agreement could be part of the medium-to-long-term response to the food crisis in that it would reduce trade-distorting subsidies he claimed have held back the world’s productive capacity in agriculture.

He also stressed the importance of improving the trade capacity of developing countries, noting that 22 countries listed as most vulnerable to food insecurity were also among the least integrated economies in agriculture. Without adequate roads, ports, and administrative infrastructure needed to import and export goods, countries could end up having to import food from a country on another continent instead of a country next door.

**Rome Summit Declaration**

Among the medium- and long-term solutions participants discussed in the June 3-5 meeting in Rome agreed to were policies to help the poor help themselves with more investment in agriculture. The conventional wisdom among many economists over the last few decades about subsistence farming is now being tested. If the market-based trading system cannot deliver food to where it is needed efficiently, then local farmers need to be able to grow more of their own food.

The summit’s formal declaration (See Annex 3) called for more concerted action to respond to challenges presented by climate change, and a focus on maintaining biodiversity through wise stewardship of fisheries, and forests. The Rome declaration also urged the international community, including the private sector, to “decisively step up investment in science and technology for food production.”

Participants also called for continued trade liberalization in agriculture by reducing trade barriers and market distorting policies as a way to give farmers, particularly in developing countries, new opportunities to sell their products on world markets and support their efforts to increase productivity and production.
On the issue of biofuels, the Rome declaration acknowledged the importance of addressing the challenges and opportunities and urged in-depth studies on ways to ensure that production and use of biofuels is sustainable. The declaration said it must take into account the need to achieve and maintain global food security and more coordination among intergovernmental organizations, including FAO, national governments, partnerships, the private sector, and civil society.

More recently, at this week’s US-EU summit, the President gained support from EU countries for his strategy for addressing the increase in global food prices, which includes providing assistance to target countries vulnerable to food price increases, assisting countries capable of rapidly increasing staple food production. It also called for advancing trade liberalization and increased use of advanced agricultural technologies to increase the supply of food.

A common theme in these high-level pronouncements is the need for more coordination among nations. With a population of over well over 6 billion people, more connected than ever through globalization, the world must shepherd its resources more thoughtfully. There must be more food harvested, meaning better land use, training for small farmers, and commerce between nations. The world can also no longer afford to let food be wasted by inefficient delivery systems. Individually, we can all help be reducing our own waste in food use.

**CONCLUSION**

There is no single cause of the international food crisis and no one solution. Policies designed to meet one challenge can create new sets of challenges. An ever more interconnected world requires more coordination and cooperation among governments and international organizations. While world leaders and policy experts recognize this challenge, meeting it will require a careful balancing of interests to minimize chances for creating additional problems, and unintended consequences. United Nations organizations, the World Bank, and most policy experts agreed it could take years to put these policies in place. Governments need to act decisively to move forward on the structural changes needed. In addition, there is an imperative for governments and individuals to respond now and for the foreseeable future to the humanitarian crisis with generosity, decisiveness, and speed.
ANNEX 1
French original at:


Your Excellency, the President of the Italian Republic,
Excellencies Heads of State and Government,
Mr Secretary-General of the United Nations,
Distinguished Ministers and Heads of Delegation,
Excellencies, Ladies and Gentlemen,

We are gathered here in the eternal city of Rome for a *de jure* High-Level Conference that has become a *de facto* Summit. We have before us a world food crisis that has recently had tragic social and political consequences in different continents, with riots and deaths that can endanger world peace and security.

Those sad events are however but the chronicle of disaster foretold. In 1996, in this very chamber, 112 Heads of State and Government and the representatives of 186 Members of the Organization solemnly pledged to reduce by half the number of hungry in the world by the year 2015 and adopted a programme to achieve that target. But already in 2002, we had to convene a second world summit to draw the international community’s attention to the fact that resources to finance agricultural programmes in developing countries were decreasing, instead of rising. With such a trend, the Summit target would not be reached in 2015, but in 2150. An “anti-hunger programme”, with financial requirements estimated at 24 billion dollars per year, had been prepared for that meeting.

Today, the facts speak for themselves: from 1980 to 2005, aid to agriculture fell from 8 billion dollars (2004 basis) in 1984 to 3.4 billion dollars in 2004, representing a reduction in real terms of 58%. Agriculture’s share of Official Development Assistance fell from 17% in 1980 to 3% in 2006. The international and regional financial institutions saw a drastic reduction in resources allocated to the activity that constitutes the principal livelihood of 70% of the world’s poor. In one telling case, the loan portfolio to agriculture of one institution plummeted from 33% in 1979 to 1% in 2007.
In cooperation with FAO, the developing countries did in fact prepare policies, strategies and programmes that, if they had received appropriate funding, would have assured world food security.

Global food production must be doubled to feed a world population currently standing at 6 billion and expected to rise to 9 billion by 2050.

Thus following a meeting of African experts in December 2001 in Rome, the Ministers for Agriculture met at the FAO Regional Conference for Africa in Cairo in February 2002, and again in Maputo just before the July 2003 African Union Summit. On that occasion, the Heads of State and Government adopted the Comprehensive Africa Agriculture Development Programme (CAADP) and its companion documents prepared with the support of FAO. The Programme requires an investment of 25 billion dollars per year for water control, rural infrastructure, trade capacity, increased crop production and reduced hunger, agricultural research and the dissemination of technology, animal production, forestry, fisheries and aquaculture.

In this context, 51 African countries, with the support of FAO, prepared National Medium-Term Investment Programmes (NMTIPs) and Bankable Investment Project Profiles (BIPPs).

The Regional Economic Communities - UEMOA, ECOWAS, SADC, COMESA, IGAD and AMU - have, with FAO’s support, also prepared regional food security programmes. They focus on intra-regional trade and WTO sanitary and phytosanitary standards, based on the rules established by FAO and WHO for consumer protection in the framework of the Codex Alimentarius and the International Plant Protection Convention.

Following implementation of the pilot phases of national and regional food security programmes in the countries of CARICOM, Central and South America, the Ibero-American Summit approved in November 2006 in Montevideo, Uruguay, the Initiative “Hunger-Free Latin America and the Caribbean by 2025”.

Similar regional programmes were prepared, in cooperation with FAO, in Eastern Europe and Central Asia for the Organization of the Black Sea Economic Cooperation and the Economic Cooperation Organization.
Plans, programmes and projects - well and good - therefore exist to address food security, even though they may require further refinement and updating.

But regrettably the international community only reacts when the media thrusts the painful spectacle of world suffering into the homes of the wealthy countries.

Based on world agricultural statistics and the projections that FAO is responsible to prepare, already last September, I alerted public opinion to the risks of social and political unrest due to hunger. On 17 December 2007, to avoid jeopardizing the 2008 agricultural season, I launched an appeal for the mobilization of 1.7 billion dollars in grants to enable the farmers of poor countries to have access to the fertilizer, seeds and animal feed that had risen in price by 98, 72 and 60 percent, respectively. All in vain, despite broad press coverage and correspondence to the Member Nations and the financial institutions! Some few countries did offer their immediate support to agricultural production. I should like to pay tribute to those countries.

It was only when the destitute and those excluded from the banquets of the rich took to the streets to voice their discontent and despair that the first reactions in support of food aid began to emerge.

Mr President,
Excellencies, Ladies and Gentlemen,

The causes and consequences of the present crisis have been explained at length so I shall not return to them.

What is important today is to realize that the time for talking is long past. Now is the time for action.

The UN Secretary-General has set up and chairs the Task Force of the United Nations system, the Bretton Woods institutions and other international organizations to bring a coordinated response to the food crisis. He saw fit to appoint the Director-General of FAO as Vice-Chair
of that Task Force. I should like to take this solemn opportunity to thank him profoundly for that expression of confidence.

The Comprehensive Framework for Action prepared by the Task Force provides guidelines on the needs that will be specified, country by country, with assistance of the local representatives of FAO, WFP, IFAD and the World Bank, in cooperation with the governments. In this connection, on 29 April the Secretary-General of the United Nations presented to the press the communiqué approved by the United Nations Chief Executives Board (CEB) for coordination on immediate needs to deal with the food crisis. We must therefore mobilize the necessary resources now.

Of course, there was a pressing need, despite escalating prices, to maintain the volume of food aid for 88 million people. We must thank those countries that contributed so generously to meet the required 755 million dollars in this regard.

But there are 862 million people in the world who do not have adequate access to food. They need to enhance their living conditions in dignity, working with the means of their generation. They need high-yield seeds, fertilizer, seed, animal feed and other modern inputs. They cannot continue to toil as in the Middle Ages in conditions of uncertainty and of exposure to the whims of the weather. Investments are therefore needed: in rural infrastructure, especially for water control with irrigation and drainage, considering for example that 96% of arable land in sub-Saharan Africa depends on rainfall. They need storage facilities to avoid harvest losses that can amount to 60% for certain crops. Rural roads are essential to bring in modern factors of production and enable harvests to reach domestic and regional markets at competitive prices.

Mr President,
Excellencies,
Ladies and Gentlemen,

The current food crisis goes beyond the traditional humanitarian dimension, which has an eminently ethical foundation. This time it also affects the developed countries. Rising inflation is 40 to 50% the result of higher food prices. In a context of high and accelerated
growth of gross domestic product of the emerging countries, we must seek sustainable and viable global solutions that will narrow the gap between global food supply and demand.

If we do not urgently take the courageous decisions that are required in the present circumstances, the restrictive measures taken by producer countries to meet the needs of their populations, the impact of climate change and speculation on futures markets will place the world in a dangerous situation. Whatever the extent of their financial reserves, some countries might not find food to buy.

The structural solution to the problem of food security in the world lies in increasing production and productivity in the low-income food-deficit countries. That calls for innovative and imaginative solutions, besides aid for development. Partnership agreements are needed between countries that have financial resources, management capabilities and technologies and countries that have land, water and human resources. Only in this way will it be possible to assure balanced international relationships for sustainable agricultural development.

The challenges of climate change, bioenergy, transboundary animal and plant diseases and agricultural commodity prices can only be met through frank dialogue based on objective analysis devoid of partisan and short-term interests. In the coming days, the interactive roundtables on these issues and information from the preparatory technical meetings will provide an appropriate framework for dialogue leading to consensus.

Yet, obligation to truth already compels me to note certain facts:

- Nobody understands how a carbon market of 64 billion dollars can be created in the developed countries to offset global warming but that no funds can be found to prevent the annual deforestation of 13 million hectares, especially in the developing countries whose tropical forest ecosystems act as carbon sinks for some 190 giga tonnes.

- Nobody understands how 11 to 12 billion dollars in subsidies in 2006 and protective tariff policies have had the effect of diverting 100 million tonnes of cereals from human consumption, mostly to satisfy a thirst for fuel for vehicles.
- Nobody understands how in a time of globalization of trade that, with the notable exception of avian influenza that could lead us to human calamity, there has been no significant investment in the prevention of Newcastle disease, foot-and-mouth disease, Rift Valley Fever, contagious bovine pleuropneumonia, the pest of small ruminants, bluetongue disease, African swine fever, tropical bont tick and the New World Screw-worm, but also wheat stem rust that since 1999 has spread from Uganda to Iran and could reach India, Pakistan and China, the fruit fly and finally desert locusts, a scourge familiar since the time of the Pharaohs.

- But above all, nobody understands how: first, the OECD countries have created a distortion of world markets with the 372 billion dollars spent in 2006 on supporting their agriculture; next, that in a single country food wastage can amount to 100 billion dollars annually; that the excess consumption by the world’s obese costs 20 billion dollars annually, to which must be added indirect costs of 100 billion dollars resulting from premature death and related diseases; and finally that in 2006 the world spent 1,200 billion dollars on the purchase of arms.

Against that backdrop, how can we explain to people of good sense and good faith that it was not possible to find 30 billion dollars a year to enable 862 million hungry people to enjoy the most fundamental of human rights: the right to food, and thus the right to life. It is resources of this order of magnitude that would make it possible definitively to lay to rest the spectre of conflicts over food that are looming on the horizon.

In fact, the problem of food insecurity is a political one. It is a question of priorities in the face of the most fundamental of human needs. And it is the choices made by Governments that determine the allocation of resources.

Mr President,
Excellencies,
Ladies and Gentlemen,

I should like to thank most sincerely the Heads of State and Government and the other participants at this conference who have travelled thousands of kilometres so that, together and in a spirit of solidarity, appropriate solutions to the serious problems of world food security in a multilateral context may be found. I should like to conclude by expressing my
infinite gratitude to the Government and to the people of Italy for the generous hospitality that they have always displayed at these landmark moments in human history.

Thank you for your kind attention.
ANNEX 2
A 10-point Plan for Tackling the Food Crisis

Robert Zoellick

As leaders gather in Rome to discuss the global food crisis, our task is clear, but not simple: to help those in danger today and ensure that the poor do not suffer this tragedy again.

What has been described as a silent tsunami is not a natural catastrophe, but is man-made. The nexus between high energy and food prices is unlikely to be broken, and will be exacerbated by global climate change. The results have been rising production and transport costs for agriculture, falling food stocks and land shifted out of food production to produce energy substitutes. This is a 21st century food-for-oil crisis.

In April, ministers from 150 countries, meeting at the World Bank, endorsed a new deal for global food policy. The United Nations summit next week in Rome, the Group of Eight leading industrialised nations' finance ministers meeting in June and the Group of Eight (G8) summit in July offer opportunities for action. We need co-ordinated steps on policy, backed by resources. Let me suggest a 10-point plan.

First, we should agree in Rome to fund fully the World Food Programme's emergency needs, support its drive to purchase food aid locally and ensure the unhampered movement of humanitarian assistance. Second, we need support for safety nets, such as distributing food in schools or offering food in return for work, so that we can quickly help those in severe distress. The World Bank, working with the World Food Programme and the Food and Agriculture Organisation, has already made rapid needs assessments for more than 25 countries. In Rome we should agree on co-ordinated action.

Third, we need seeds and fertiliser for the planting season, especially for smallholders in poor countries. Together, the FAO, the International Fund for Agricultural Development, regional development banks and the World Bank can expand this effort by working with civil society groups and bilateral donors. The key is not just financing, but fast delivery systems.

Fourth, we need to boost agricultural supply and increase research spending, reversing years of agricultural underinvestment. We must be neither Luddite nor advocates of a single scientific fix. The Consultative Group on International Agricultural Research has been receiving about $450m a year. We should double this investment in research and development over the next five years.

Fifth, there needs to be more investment in agribusiness so that we can tap the private sector's ability to work across the value chain: developing sustainable lands and water; supply chains; cutting wastage; infrastructure and logistics; helping developing country producers meet food safety standards; connecting retailers with farmers in developing countries; and supporting agricultural trade finance.
Sixth, we need to develop innovative instruments for risk management and crop insurance for small farmers. Next week the World Bank’s board will consider weather derivatives for developing countries, with Malawi being identified as a likely first client. Should Malawi suffer a drought it would receive a payout to offset the price of imported maize.

Seventh, we need action in the US and Europe to ease subsidies, mandates and tariffs on biofuels that are derived from corn and oilseeds. The US’s use of corn for ethanol has consumed more than 75 per cent of the increase in global corn production over the past three years. Policymakers should consider “safety valves” that ease these policies when prices are high. The choice does not have to be food or fuel. Cutting tariffs on ethanol imported into the US and European Union markets would encourage the output of more efficient sugarcane biofuels that do not compete directly with food production and expand opportunities for poorer countries, including in Africa. We need to find ways to advance to second-generation cellulosic products.

Eighth, we should remove export bans that have led to even higher world prices. India has recently relaxed its restrictions. But 28 countries have imposed such controls. Removing these could have a dramatic effect. With only 7.0 per cent of global rice production traded on markets, if Japan released some of its stocks for humanitarian purposes and China sold 1.0m tons of its rice, we could damp the price immediately.

Ninth, we should conclude a Doha World Trade Organisation deal in order to remove the distortions of agricultural subsidies and create a more adaptable, efficient and fair global food trade. The need for rules that are agreed multilaterally has never been stronger.

Tenth, there should be greater collective action to counter global risks. The interconnected challenges of energy, food and water will be drivers of the world economy and security. We might explore an agreement among the G8 and key developing countries to hold "global goods" stocks, modelled on the International Energy Agency, governed by transparent and clear rules. This would act as insurance for the poorest people, offering affordable food.

To support this agenda, the World Bank is launching a global food crisis response facility. We will fast-track $1.2bn to address immediate needs arising from the crisis, including $200m of grants for especially vulnerable countries such as Haiti, Djibouti and Liberia for seeds, fertiliser, safety net programmes and budget support. Overall, the World Bank Group will expand assistance for agriculture and food-related activities from $4.0bn to $6.0bn over the coming year.

The danger is now clear to everyone. The Rome and G8 meetings need a clear plan to overcome it. (The writer is president of the World Bank Group. Under syndication arrangement with FE.)

Published in the Financial Times May 29, 2009
DECLARATION OF THE HIGH-LEVEL CONFERENCE ON WORLD FOOD SECURITY: THE CHALLENGES OF CLIMATE CHANGE AND BIOENERGY

WE, the Heads of State and Government, Ministers and Representatives of 180 countries and the European Community, have met in Rome at this High-Level Conference convened by the Food and Agriculture Organization of the United Nations, together with the United Nations World Food Programme, the International Fund for Agricultural Development and Biodiversity International on behalf of the CGIAR system, to seek ways of achieving world food security and, in this context, to address challenges of higher food prices, climate change and bioenergy.

1. We reaffirm the conclusions of the World Food Summit in 1996, which adopted the Rome Declaration on World Food Security and the World Food Summit Plan of Action, and the objective, confirmed by the World Food Summit: five years later, of achieving food security for all through an ongoing effort to eradicate hunger in all countries, with an immediate view to reducing by half the number of undernourished people by no later than 2015, as well as our commitment to achieving the Millennium Development Goals (MDGs). We reiterate that food should not be used as an instrument for political and economic pressure. We also recall the Voluntary Guidelines to Support the Progressive Realization of the Right to Adequate Food in the Context of National Food Security. We reiterate that it is unacceptable that 862 million people are still undernourished in the world today.

2. We are here to address the challenges of bioenergy and climate change, and the current situation of soaring food prices that is having adverse impacts on food security, particularly in developing countries and countries in transition, all the more because the indications are that food prices will remain high in the years to come.

3. We are convinced that the international community needs to take urgent and coordinated action to combat the negative impacts of soaring food prices on the world’s most vulnerable countries and populations. We are further convinced that actions by national governments, with the support of the international community, are required in the short, medium- and long-term, to meet global and household food security needs. There is therefore an urgent need to help developing countries and countries in transition expand agriculture and food production, and to increase investment in agriculture, agribusiness and rural development, from both public and private sources.

In adopting this Declaration, we pledge to embrace food security as a matter of permanent national policy, renew our commitment to achieving the World Food Summit objectives and the Millennium Development Goals, and commit ourselves to the following measures.

Immediate and Short-Term Measures

4. The global food situation calls for a strong commitment from governments as well as from all other stakeholders. We call upon all donors and the United Nations System to increase their assistance for developing countries, in particular least developed countries and those that are most negatively affected by high food prices. In the immediate future it is essential to proceed along two main lines.
5. The first line of action is to respond urgently to requests for assistance from affected countries.

   a) The relevant United Nations agencies should be assured the resources to expand and enhance their food assistance and support safety net programmes to address hunger and malnutrition, when appropriate, through the use of local or regional purchase.

   b) The appropriate regional organizations which have emergency food security arrangements should enhance their cooperation with a view to effectively cope with soaring food prices.

   c) All efforts by governmental and non-governmental organizations to strengthen immediate humanitarian and development assistance should be synergized with those of the multilateral organizations, and made coherent, to deal with the continuum from urgent to longer term assistance.

   d) All national and international efforts should be made to ensure that international emergency food assistance is delivered as quickly and efficiently as possible to populations in distress.

   e) To facilitate adjustment to higher food prices, donors and international financial institutions, in accordance with their mandates and in consultation with recipient countries, should provide in a timely manner, balance of payments support and/or budget support to food-importing, low-income countries. Other measures should be considered as necessary to improve the financial situation of the countries in need, including reviewing debt servicing as necessary. We also call on the relevant international institutions to simplify the eligibility procedures of existing financial mechanisms to support agriculture and environment.

6. The second line of action is immediate support for agricultural production and trade.

   a) All relevant organizations and cooperating countries should be prepared to assist countries, on their request, to put in place the revised policies and measures to help farmers, particularly small-scale producers, increase production and integrate with local, regional, and international markets. South-south cooperation must be encouraged.

   b) Development partners are invited to participate in and contribute to international and regional initiatives on soaring food prices and, in particular, under the FAO initiative launched on 17 December 2007, in support of country-led measures to give farmers in low-income food-deficit and the most affected countries access to appropriate locally adapted seeds, fertilizers, animal feed and other inputs, as well as technical assistance, in order to increase agricultural production.

   c) Development partners are called upon to undertake initiatives to moderate unusual fluctuations in the food grain prices. In particular, we call on relevant institutions to assist countries in developing their food stock capacities and consider other measures to strengthen food security risk management for affected countries.

   d) Members of WTO reaffirm their commitment to the rapid and successful conclusion of the WTO Doha Development Agenda and reiterate their willingness to reach comprehensive and ambitious results that would be conducive to improving food security in developing countries. Implementing an aid for trade package should be a valuable complement to the Doha Development Agenda to build and improve the trading capacity of the developing countries.
e) We will strive to ensure that food, agricultural trade and overall trade policies are conducive to fostering food security for all. For this purpose we reaffirm the need to minimise the use of restrictive measures that could increase volatility of international prices.

Medium and Long-Term Measures

7. The current crisis has highlighted the fragility of the world’s food systems and their vulnerability to shocks. While there is an urgent need to address the consequences of souring food prices, it is also vital to combine medium and long-term measures, such as the following:

a) We urge national governments, all financial institutions, donors and the entire international community to fully embrace a people-centred policy framework supportive of the poor in rural, peri-urban and urban areas and people’s livelihoods in developing countries, and to increase investment in agriculture.

b) It is essential to address the fundamental question of how to increase the resilience of present food production systems to challenges posed by climate change. In this context, maintaining biodiversity is key to sustaining future production performance. We urge governments to assign appropriate priority to the agriculture, forestry and fisheries sectors, in order to create opportunities to enable the world’s smallholder farmers and fishers, including indigenous people, in particular in vulnerable areas, to participate in, and benefit from financial mechanisms and investment flows to support climate change adaptation, mitigation and technology development, transfer and dissemination. We support the establishment of agriculture systems and the sustainable forest management practices that positively contribute to the mitigation of climate change and ecological balance.

c) In addition, we reaffirm the Mauritius Strategy for the sustainable development of small island developing states and call for its implementation in the context of the challenges of climate change and food security.

d) We urge the international community, including the private sector, to decisively step up investment in science and technology for food and agriculture. Increased efforts in international cooperation should be directed to researching, developing, applying, transferring and disseminating improved technologies and policy approaches. We urge member states, to establish in accordance with the Monterrey Consensus, governance and policy environments which will facilitate investment in improved agricultural technologies.

e) We encourage the international community to continue its efforts in liberalizing international trade in agriculture by reducing trade barriers and market distorting policies. Addressing these measures will give farmers, particularly in developing countries, new opportunities to sell their products on world markets and support their efforts to increase productivity and production.

f) It is essential to address the challenges and opportunities posed by biofuels, in view of the world’s food security, energy and sustainable development needs. We are convinced that in-depth studies are necessary to ensure that production and use of biofuels is sustainable in accordance with the three pillars of sustainable development and takes into account the need to achieve and maintain global food security. We are further convinced of the desirability of exchanging experiences on biofuels technologies, norms and regulations. We call upon relevant inter-governmental organizations, including FAO, within their mandates and areas of expertise, with the involvement of national governments, partnerships, the private sector, and civil society, to foster a coherent, effective and results-oriented
international dialogue on biofuels in the context of food security and sustainable
development needs.

Monitoring and Review

8. We request the Food and Agriculture Organization of the United Nations, in close
partnership with WFP and IFAD and other relevant international organizations, including those
participating in the High-Level Task Force on the Global Food Crisis and in collaboration with
governments, civil society and the private sector, to monitor and analyse world food security in all
its dimensions - including those addressed by this Conference - and to develop strategies to
improve it.

9. In realizing the contents of the measures above, we stress the importance of the effective
and efficient use of the resources of the United Nations system, and other relevant international
organizations.

* * *

We firmly resolve to use all means to alleviate the suffering caused by the current crisis, to
stimulate food production and to increase investment in agriculture, to address obstacles to
food access and to use the planet’s resources sustainably, for present and future generations.

We commit to eliminating hunger and to securing food for all today and tomorrow.

Rome, 5 June 2008

This Declaration was adopted by the High-Level Conference on World Food Security: the
Challenges of Climate Change and Bioenergy, on 5 June 2008. On the adoption of the
Declaration, statements were made by Argentina, Cuba and Venezuela, which will be
included in the Report of the High-Level Conference.