

SUMMARY OF THE FSN FORUM DISCUSSION

FOOD PRICE RISE AS A MOTIVE FOR ACTION AGAINST HUNGER AND MALNUTRITION

26TH MAR. TO 18TH APR. 2008

I. ISSUES

- The sharp increase in food prices over the past couple of years has raised serious concerns about the food and nutrition situation of poor people in developing countries, about inflation, and, in some countries, about civil unrest (A. Asfaw, D. Molla and A. MacMillan).
- As never before, policymakers are being confronted by increasingly complex challenges occurring simultaneously - globalization, climate change, and rising energy and fuel prices - all in addition to increasing poverty and hunger in the developing world (C. Ahmadou).
- Difficulties in addressing the crisis include the fact that livelihood analysis models have no inbuilt tool which attempts to provide a forecasting element of prices (A. Asfaw)
- **FAO** has correctly proposed a *"twin-track" approach* to reducing chronic hunger. But both **FAO** and **IFAD** tend to see the main response to chronic food insecurity as lying in the **improvement of the performance of small-scale farming** (the first "track"), which will take time and will almost certainly not benefit many of the very poor who, if rural, have no land or live in urban areas. **WFP** supports the second *"track"* – that of **broadening access of the poor to food** - but tends to see the answer in terms of extra food aid, because that is what they are set up to deliver (A. MacMillan).

II. THE CAUSES OF SOARING PRICES

There is a multitude of reasons for the recent surge in food prices:

- Food supplies have become tighter over the past few years (IAAH Secretariat).
- Rise in oil and energy prices which affect the entire value chain of food production, from fertilizer to harvesting, storage and delivering (C. Ahmadou, E. f A. Ismail, F. Ali);
- Economic boom in nations such as India and China, creating increased demand for cereals (i.e. change in diet to include higher valued foods like meat) (C. Ahmadou);
- Climatic change and weather-related events meaning bad harvests, e.g. multiple Australia droughts (C.Ahmadou, E f A. Ismail);
- Competition between food and fuel -- shift to biofuels production leading to market speculation, eg food prices such as palm oil set at fuel prices.(E. Elamin, C. Ahmadou, R. Krell, E f A. Ismail, R. P. De Silva).
- Poor policy around the globe in terms of allocation of resources (more than 4.8 trillions to war against terror by US army) (E. f A. Ismail).
- Falling value of the dollar, which is the currency in which all major commodities are traded (C. Ahmadou)

- The globalization of the marketplace which favours those that are more powerful and is damaging to the food self-dependancy of the poorer (G. Kent)
- **A situation spiralling prices:** world market prices have risen sharply and swiftly -> domestic prices have gone below international ones-> the need for market stabilization shifted from shielding producers from excessively low world prices to warding off excessively high world prices to protect domestic consumers -> countries have resorted to export restrictions and import subsidies-> the upward pressure on world prices escalated (J. Schmidhuber)

III. EFFECTS ON POPULATION AND MARKETS

The soaring of food prices have a direct impact on people's **food security**:

- Push up the number of **chronically hungry and malnourished people** in the world and, therefore, the scale of the related disease burden and the number of people needlessly dying early (A. MacMillan).
- High prices of basic commodities are having an impact on people's purchase power, especially in countries depending on imports to feed. **Poor families are eating less food and specifically less nutritious food.** In certain countries, survival strategies are already at play such as reduced number of meals per day and sales of productive assets. (C. Ahmadou).
- The effects on domestic economy: effects will be felt for years in the form of longer-term poverty and lower economic growth (new IFPRI research shows that kids given proper nutrition up to the age of two earned 50% more wages thirty years later). (C. Ahmadou).
- Most affected groups include the rural landless, pastoralists and the majority of small-scale farmers and especially the urban poor (C. Ahmadou).
- Poor households are likely to allocate greater expenditure to food to the detriment of non-food expenditure. Thus the effects of price rises may first be seen in lower school attendance or asset depletion, rather than in decreased food consumption (C. Ahmadou).
- Higher food prices are already causing social unrest in a number of countries, with **food riots** reported on recent weeks in Burkina Faso, Ivory Coast, Cameroon, Senegal and Morocco (C. Ahmadou, A. MacMillan).

IV. EFFECTS ON FARMERS

- The food price rise should have a positive effect for primary producers, however, farmers are not benefiting from these price increases by getting more money for their exports, due to the following:
 - Price structures are systematically patterned to hurt **the poor**. In the global marketplace, the poor are in effect employees of the rich, and they have **little power to demand higher wages** (G. Kent). Besides, poorer and politically weaker producers are paid less per unit than richer, more powerful producers. There may well be discrimination in the recent price rises, which makes the increase in prices to rich producers has been far higher than those to poor producers. (G. Kent, E f. A. Ismail).
 - The food price rise in majority of the cases tends to **benefit the middlemen** who are secondary in the food chain. They buy the whole harvest at farm gate prices and pay the farmers very low prices, and release the stocks gradually to maintain exorbitant

prices (C. Lagu, R. P. De Silva).

- In many developing countries, farmers are subsistence in nature and mostly **net consumers**. Furthermore, the recent shift in urbanization has changed the consumption patterns of many rural communities implying that the increase in all consumable items will be affecting their consumptions significantly (A. Asfaw).

V. RESPONSES OF GOVERNMENTS AND DEVELOPMENT ORGANIZATIONS

- Many developing countries started to reverse the traditional stabilization measures (tariffs, levies, quotas, etc.) and moved to export taxes, export restrictions or outright export bans. Some importers even started to subsidize imports (J. Schmidhuber).
- WFP and its partners, together with governments, have sent several teams to different countries to determine exactly the impact of high food prices on vulnerable households, to identify people, their locations and tailor the appropriate response to their needs. (C. Ahmadou).
- **Senegal:** Government is implementing a **Rice program to reduce rice importation**, the project aims to develop rice production in Senegal river basin, by giving some facilities as seeds, machineries, and develop Public Private Partnership, for larger production (C. Ahmadou).
- **West Africa:** Governments have already taken measures to prevent a sustained increase in food prices, such as reconstituting cereal stocks in at-risk zones before the rainy season begins, providing price subsidies, and increasing the purchasing power of vulnerable populations by supporting off-season cash-crop agricultural production. (C. Ahmadou).
- **Mauritania:**
 - **WFP**, and the **NFSO**, are currently assessing food needs of the most vulnerable linked to the impact of increased prices through a joint WFP/Government/National Office of Statistics Survey (C. Ahmadou).
 - The **Government** has taken some measures: there are already no taxes on cereal imports since 2007. In addition, it has allocated USD 3.2 million budget, equivalent to 4,500 MT, to the replenishment of the National Food Strategic Reserve (NFSR) and is also reinforcing 1,200 Community-based Food Security Stocks put in place by WFP since 2005 (C. Ahmadou).
- **Burkina Faso:**
 - The **Government** has already implemented a mechanism of subsidized sales, which is activated every year where and when market supplies are reduced and/or prices too high. At present the Government has also some 30,000 tons of cereals as food security stock (C. Ahmadou).
 - **WFP** in Burkina Faso in 2008 will assist 600,000 beneficiaries (through school feeding and MCH) if resources are available (C. Ahmadou).
- **Ethiopia: Ethiopian Productive Safety Net Program** of providing predictable cash or food (or a mix) for more than 5 million chronically food insecure is being exercised since 2005 (A. Asfaw)
- **Bangladesh:**

- **Government** is providing price subsidy for the poor households' members. The price of rice is about Taka 40 per kg which is very high for the poor. Government opened the OMS (Open market sale) for the poor households for Taka 25 per kg but only for 3 kg per person (A. Al Mamun).
- The National Food Policy Capacity Strengthening Programme (**NFPCSP**) being implemented by **FAO** in collaboration with the **Government** of Bangladesh (GoB) is presently conducting a 2 week training course on "*Income, Price and Nutrition*". It is aimed to provide an understanding of the links between income, price and nutrition in the context of development (L. Bhattacharjee)

VI. SUGGESTIONS FOR THE WAY FORWARD

- The **top priority** should be to **assess the magnitude of the problem** and discuss **ways to minimise the negative impacts** that these soaring prices are having on the poor and their nutritional impacts, and not to spend too much time on analysing the causes of the problem (A. Asfaw).
- Look for solutions which combine immediate protection of the poor (whether rural or urban) from the disastrous impact of food price rises with the maintenance of food prices levels that encourage farmers to expand their production to meet growing demand, making sure through good market information that producers of all sizes can benefit from upward price movements (E.g the Bolsa Familia component of the Zero Hunger Programme and Zambia ,Kalomo District) (A. MacMillan)
- Immediate action must be taken by governments of all developing countries to provide all susceptible families with the means to acquire the food they need for survival. This means putting in place, at the very least, targeted cash transfer or food stamp programmes, possibly supplemented by school feeding programmes, ideally based on local purchases. The impact of such programmes will be heightened if they are linked to nutrition education (A. MacMillan)
- Avoid looking too much for agricultural solutions to problems of household food insecurity and to ignore the need for "reverse taxation" (A. MacMillan)
- **Knowledge exchange:**
 - Make available all information and package: price, market flows, transportations, warehouses, seasonality, etc. it in such a way that it is useful to build a market information system. FSN group could share some of their experiences in evaluating tools used (both in times of depressed prices and galloping prices) (A. Asfaw).
 - Share experiences with welfare programmes, targeted on poor households, that provide them with a predictable cash transfer that enables them to buy the food they need for healthy survival – effectively giving them the means of translating their need into demand (A. MacMillan)
- Find measures to better balance both low consumer prices for the neediest and higher prices for the farmers. E.g where **domestic food support schemes** (food stamps, etc) are already in place, it would be better to beef up these (specific) schemes **and keep prices low only for the most needy**. This would allow keeping prices high for farmers and affording them with an extra incentive to step up production for the next season (R. Krell, J. Schmidhuber).
- Do research on possible discrimination in the recent price rises, which benefit poor producers less than rich ones. It's important to explain sustained poverty and hunger and thus to find appropriate measures (G. Kent)

- **Improve national agriculture production**, for instance by **continued and persistent investments** in agriculture and rural development in poor countries, with a particular emphasis on small farmers, by developing irrigation etc (C. Ahmadou). Localized suggestions for Tanzania's Coast Region would be (E. S. Mwashu)
 - Intensifying cassava cultivation and sorghum on the highland;
 - Planting water tolerant food crops such as some varieties of taro.
- Countries producing oil have received super **profits from oil prices increase** which affect directly food prices. Part of those profits shall be **used to regulate the food market**, by putting a duty on oil benefits. (C. Ahmadou).
- The **biofuels** shall be only produced with non food crops like jatropha curcas or similar. (C. Ahmadou).
- Options for international community are to turn the tune of struggle from war against terror to war against poverty, resources to war go for development of poor countries (E A. Ismail).
- Correct market structures and discrimination in pricing across the globe (G. Kent; C. Lagu).
- Target the way the WTO negotiations are being conducted so that there are more protection of the developing countries agri- food supply systems (R. Best). Formulate binding constraints on export restrictions to avoid a situation spiralling prices as it is happening now (J. Schmidhuber)
- In the **short run**, some of the advises may include (A.Asfaw):
 - Support or **encourage farmers** or producers (mechanized large scale or small scale) to **increase their production** so as to hold the escalating price trends for the next season/ or year).
 - Support small processing industries
 - **Avoid or minimize** some of the imposed **taxes on imported food items** and also minimize local tariffs on local production
 - **Support the transport and warehouse facility sector**
 - **Release** some of the **grain** to the market **from government reserves**
 - **Subsidize selected food items** rather than providing food aid (programs or non-programmed ones)
 - Increase **transparency of information provision**. (E.g. Monthly Market Update in Sudan to inform decision makers on regular basis (
 - Food subsidy approach makes the people dependent and should be replaced by a long-term solution
- Immediate actions to preserve political stability in some countries (C. Ahmadou).
- One medium/long term measure implement could be implementing '**small town development**' as part of the overall government rural development package (A. Asfaw)

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