

## SUMMARY OF THE FSN FORUM DISCUSSION

### IMPACT OF SOARING FOOD PRICES (SFP) AND POLICY MEASURES

18<sup>TH</sup> APRIL. TO 30<sup>TH</sup> MAY 2008

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#### I. ISSUES RAISED BY MEMBERS

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- Since farmers don't determine the cost of the produce, high food prices don't really have positive impact on their income. In many developing countries, agriculture is done by the least active group of poor farmers, with primitive farming methods, as the most energetic group has migrated to towns and cities (C. Kizza)
- Market opening, especially in agriculture, constitutes a considerable risk for developing countries (M. Ferry, M. G. Porchini). Poor countries don't have the same base to participate in the "free competition" with developed ones (M. G. Porchini)
- Looking only at the opportunities to which the crisis could possibly lead is to bypass the root of the problem and therefore to take a high risk of proposing solutions which don't look at the main issue: real food self-sufficiency (M. Ferry).
- Concerning responses to the crisis, the focus on country level action fits a long term pattern of evasion of global responsibility (G. Kent)
- There have been enough data on the biomarkers we need to monitor changing maternal and child nutritional status among the poor in urban areas- the WHO, WHAT, WHERE AND HOW. In fact, the African food and nutrition security early warning and surveillance systems tend to focus on rural areas (and in East and Southern Africa less dependant on imported food), since they tend to have twice a high malnutrition than urban areas (C. Teller)
- Agricultural potentials (e.g in Nigeria, Uganda, Mexico, etc.) are largely underutilized (B. A. Olunlade, C. Lagu, M. G. Porchini)
- Problems in food storage and transportation leading to waste of food (D. M. Castillo)

#### II. COUNTRY SITUATION AND POLICY RESPONSES

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- **Cameroon:** various measures have been taken improve production and reduce the prices of imported basic food items (up-to-date information is available in the national daily newspaper, Cameroon Tribune (<http://www.cameroon-tribune.net/edition.php?lang=Fr&oled=j02062008>) Main measures include:
  - Concerning the palm oil production: assistance to producers in the provision of planting material, fertilisers, 50% tax reduction on palm oil producing companies.

- Imposing wholesale and retail prices for some basic food commodities;
  - Standardising measuring units for retailers ( a standard measuring glass for the retail of rice was recently introduced into the market);
  - Reducing import taxes on basic commodities such as rice, wheat flour and cement
- **Ethiopia:** the Ethiopian Productive Safety Net Program providing predictable cash or food (or a mix) for more than 5 million chronically food insecure is being exercised since 2005.  
**Positive impact:** increase the income of the poor and it is believed to have a positive impact on effective demand of the food insecure.  
**Negative impact:** this injection of money was blamed to be one of the reasons for further escalation of prices both at a localized level and nationally in the years 2006/07. Even in some cases, the Government and donors were forced to revise the amount of money allotted for the poor due to further increase in prices. With the same reasoning, many poor households had also preferred food to cash at that point in time (A. Asfaw)
- **Caribbean region:** most of the countries of the region are trying to control food prices, avoiding speculation and decreasing taxes. Local governments are having difficulties coping with the situation. For instance, some high level authorities of the Government have resigned following the press publication about the situation in Haiti (G. R. Marques)
- **El Salvador:** different sectors of the society are raising their voices to propose solutions to high food prices. Two of the proposals, including (1) increase the national production of sorghum to substitute yellow maize as an ingredient to prepare concentrate for animals and (2) eliminate customs duty for imported wheat flour. have been approved and applied (B. Sánchez) (more details at [http://km.fao.org/fsn/resources/fsn\\_viewresdet.html?no\\_cache=1&r=411&nocache=1](http://km.fao.org/fsn/resources/fsn_viewresdet.html?no_cache=1&r=411&nocache=1))
- **Bangladesh:** in 2007, the rice price increased by 32% and wheat flour by 49%, with other food items registering increases to variable degrees, highest of which was 57% for palm oil. The price hike continued to persist well into the new year of 2008. **Main causes:** Loss of crops due to natural calamities compounded with flamboyant international rice market.  
**Effects:** the crisis primarily has pushed the poor households to virtual starvation, consuming only rice and almost no other foods. The consequence of this '**nutritional**' starvation will be evident in devastating form of severe malnutrition in several months time, especially in young children and pregnant and lactating mothers.  
**Policy responses:**
  - Increased the coverage and duration of social safety net programmes in the country, particularly in the Sidr and flood affected areas;
  - Launched the open market sales (OMS) with a price subsidy for rice @Tk.10 per kg, with increased emolument of 5 kg per person per day (previously it was 3 kg);
  - Started a Tk.150 crore (US\$22 million) cash-for-work programme throughout the country for jobless workers for light work like road repair, pond excavation etc.; and
  - Payment of the promised agricultural subsidies to the farmers affected by the floods and the Sidr. In addition, the Government has arranged import of 500,000 tonnes of rice from India over and above the rice imports in the private sector, the exact amount of which is not yet ascertained.
  - The Government is also considering all possible measures to promote maximum the national rice (H. K.M. Yusuf)
- **Sierra Leone.** Rice is 60% higher now than at the beginning of the year. **One of the impacts:** children are not being sent to school to save on school fees as prices go up. Switching to non-rice is not much cheaper because of transportation and transaction costs from the farm to city.  
**Policy response:** the Ministry of Finance lowered tariffs on rice from 15% to 10% and is using a fixed rate for rice cost no matter the actual cost so in effect, each metric ton of rice has a fixed tariff of US\$37.50 (approx). This represents **big loss to national**

**revenues**, and potentially makes rice cheaper anybody, rich or poor. There is **no data showing if the lower tariff is passed on to consumers** - especially to poor consumers which should be the target beneficiaries - and there is some protection lost to local producers of rice (and the stimulating signals that might encourage them to produce more).

### III. SUGGESTIONS FOR THE WAY FORWARD

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- Developing countries should opt for a real **self-sufficiency in food** (M. Ferry, Harun K.M. Yusuf)
- Options of **non-agriculture** looks to be **very difficult to use as quick solutions** since that warrants a more structural shift in the LDCs Governments' thinking. Governments while using relatively rapid solution should simultaneously start a more medium to long term solutions (A. Asfaw)
- The first step to solve the crisis is to have a **consensus on understanding the underlying causes of soaring food prices**, a concurrence that soaring food prices are significantly affecting the **net buyers** (and consumers) and **resource poor** in developing countries, and understand and contextualise the **confluence of factors** at country level. The next important **strategy** will be two fold (A. Asfaw):
  - Firstly, **donors and Governments must attempt to provide some quick interventions so as to contain prices** before we witness another astronomical impact, without waiting for official statistics or outcome indicators (like GAM rates to escalate).  
The **immediate solutions of blanket approach** of humanitarian aid, subsidies, social safety nets and trade policies, continue to be relevant as far as we're lacking precise info in addressing this core issue. Hence, in the absence of any additional targeting information, errors of inclusion and exclusion are acceptable at a specified geographic location, though with some more extra costs.
  - Secondly, **understand who are the resource poor net consumers (rural and urban)?** Where are they? What is their number? What is the magnitude of the current impact? What are their sources of food, their sources of income and expenditure? What other shocks are currently prevailing in their localized context? And what kind of coping mechanisms do they traditionally use and what kind are they currently exercising as a result of soaring food prices or other shocks? Blanket approach may not help when we have enough information to act and hence resources will be effectively utilized for selected poor.... The mid term and long term solutions will continue to be relevant in tackling the underlying issues (weather and climate change; increase in demand from the world emerging markets etc.)
- Policy measures should encompass the entire galaxy of human societies at all levels, beginning from international and regional to national and to households (H K.M. Yusuf, L. Bhattacharjee):
  - **International level:** supply alone doesn't explain the crisis. The global rice price situation was aggravated by government imposition of ban on export of rice in several rice exporting countries. It is important for the world community to look back and **ask** if a food commodity like rice which is the staple of more than half of the world's population should be regarded as a commodity of the share market. **Famine is not really due to shortage of food supply, but due to a seriously distorted market management. This should be an agenda for discussion for the international community when it sits next** (e.g. FAO meeting in early June).
  - **Regional level:** regional cooperation bodies in the SAARC (South Asian Association for Regional Cooperation) region haven't shown their active role in the food crisis.

- **Country level:** countries should become self sufficient in food. In Bangladesh, agricultural inputs (seed, fertilizer, irrigation etc.), electricity supply for motor pumps, subsidies, good governance, well targeted social safety net programmes, stocking capacities, internal procurement, balance between producers' and consumers' interests, are all now high on the agenda of the government policy measures for the years to come. **Good government policy is thus the key factor** in deciding the fate of food security, notwithstanding the linkages with external factors in the international arena.
- **Household level:** the households also have a role to play in ensuring their own food security, taking into cognizance the issue of **dietary diversity and nutrition**. For instance, in rice eating countries, people should be encouraged to eat more of the locally produced energy giving nutritious foods at times when rice is dearer. E.g. in Bangladesh, people of all strata should be encouraged to eat potato in increased amounts.
- The crisis is complicated but some sectors push for **simple solutions** (reduce tariffs, ban exports) **without good analysis of winners and losers**. This analytical aspect, especially among NGOs, would be a **useful area for capacity building**. A tool kit of analytical tools would be especially helpful. This might be a **good topic** for IFAD-FAO-WFP-World Biodiversity Centre supported International Alliance Against Hunger (K. Gallagher)
- When there are rapid increases in food prices, it may be **more sensible to provide funds rather than foods**. Those who want to improve infant and young child feeding should provide funds to responsible local agencies for that purpose, and let them decide how the funds should be used. **Funding may come from outside, but to the extent feasible, the control over how it is used should be localized** (G. Kent)
- Restate a global approach where without denying legitimate business interests, **higher goals, such as the preservation of culture and food self-sufficiency which ensure health and education for all**, are established (M. Ferry, M. G. Porchini, C. Lagu)
- Implement ideas of '**small town development**' as part of the overall government rural development package (A. Asfaw)
- Most of the Governments in the developing countries still see food and nutrition as Welfare rather than a developmental issue. It's important to look at food and nutrition at a **human right perspective** during this food crisis (F. Adetunji)
- Venture into wide range of agricultural production with the view to making food available and affordable even for the poor (E. Chris)
- Emergency regulations must be established to guarantee food supply, including subsidies, taxes, fees, etc. Those measures should be combined with medium and long-term one, such as make the best of the agricultural potentials (land, climate), ensure that resources be allotted to develop farmlands to effectively increase production... (M. G. Porchini)
- Actions aimed at tackling **under-nutrition to change actual practice in terms of nutritional or food assistance** are needed (S. Doyon)
- As important as global policies are, **national policies should be given more emphasis**. It's because firstly states are usually more committed to internal (national) policies more than they ever are to globally laid policies. Secondly, the diversities of political, social, ecological, (etc) aspects of each individual country calls for different measures and policies, both short and long term (S. Salim)
- "**Good Governance**" is one of the most important factors in resolving the rising food prices crises. Mismanagement by government officials has been mainly responsible for uneven-

distribution, import / export of cereals in developing countries (S G Abbas)

- **Agriculture should be considered a protected national (or regional) sector.** Small-scaled family farming can be as competitive as the best industrial farming and even better, taking into account the social and environmental externalities (M.Ferry)
- For **Nigeria** which has an unstable political landscape, the priority is to stabilize politically and then develop the national agrarian economy. (T. Olunlade).
- In **Uganda**, food production has been decreasing due to inappropriate policies. The Government doesn't pay enough attention to agriculture for a long time. Government's inaction and failed policies are compounding with the debilitating effects of corruption in all areas/ sectors. Uganda should learn from other countries and apply **farm input subsidies** to boost agriculture production (C. Lagu)
- **For Sierra Leone:** apply "**smart subsidies**": raise tariffs on rice but then use tariffs to support the schools in the hardest hit neighbourhoods, create work programmes and enhance productivity/marketing of local production (K. Gallagher)

#### IV. FAO'S GUIDE FOR COUNTRY LEVEL ACTION AND COMMENTS BY MEMBERS

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FAO has started the Initiative on Soaring Food Prices, through which it is offering technical and policy assistance to the developing countries to advance efforts to increase food supplies in the upcoming agricultural seasons. A draft Guide for Country Level Action is being prepared ([http://km.fao.org/fsn/resources/fsn\\_viewresdet.html?no\\_cache=1&r=418&nocache=1](http://km.fao.org/fsn/resources/fsn_viewresdet.html?no_cache=1&r=418&nocache=1) ).

The Guidelines aim to provide some guidance to those involved in designing country level action plans to address high food prices.

Comments on the draft Guidelines by C. Lagu and R. Best, F. Leonardi can be found in the summary table at

[http://km.fao.org/fileadmin/user\\_upload/fsn/docs/FAO\\_FoodPricesGuide\\_DraftISFPGuide\\_withComments.doc](http://km.fao.org/fileadmin/user_upload/fsn/docs/FAO_FoodPricesGuide_DraftISFPGuide_withComments.doc)

- **Other comments by F. Leonardi:**
  - A column reflecting short term/medium and long term would be welcome, as many measures can be added for the long term but not necessarily needed at this stage – Market or production. –Rural roads, markets places, irrigations, or shifting crops...
  - On the policy side, some ideas on price mechanism are developed –floor price, max price- however it is difficult to advice in general as these mechanisms are very linked to domestic market size, geographical constraints, imports/exports share...
  - On the opposite, community mechanism like seed bank or cereal banks could help mitigate local situation. Bulk buying /organized purchasing –through government or not- to have a better bargain in input supply as well as major commodities can as well be mentioned.
- Other comments by G. Kent: the current surge in food prices is a global problem, one that cannot be treated adequately through a series of uncoordinated country level actions. If there is some sort of plan or guide for global action to deal with soaring food prices, we need to have that side by side with the guide for country level action, so that we can see how the two mesh together.

## V. REFERENCES

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- **Rediscovering Agriculture for Human Development** (C. Lagu) <http://hdr.undp.org/en/reports/nationalreports/africa/uganda/name,3409,en.html>
- **Rising food prices in developing countries: causes, consequences and solutions** <http://www.cirad.fr/en/actualite/communiqu.php?id=920>
- **Rising Food Prices, What Should Be Done?** <http://www.ifpri.org/pubs/bp/bp001.asp>
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