



Chapter IV

The global food crises

When the global financial and economic crisis hit, a large number of developing countries were still reeling from the economic and social impacts of the earlier global food crisis. In 2008, the cereal price index reached a peak 2.8 times higher than in 2000; as of July 2010, it remained 1.9 times higher than in 2000 (Food and Agriculture Organization of the United Nations, 2010a; 2010b).

Prior to the global financial crisis, concerns about the spikes in food and energy prices were at the centre of public and media attention. Global leaders and policymakers were concerned about the potential welfare impacts of the sharp increases in the prices of food commodities, such as rice, corn (maize), wheat and soybeans, as well as global food security. There was concern about how higher food prices were adversely affecting low-income consumers and efforts to reduce poverty, as well as the political and social stability of poor countries and food-importing countries. These concerns have subsequently heightened with the social tensions, unrest and food riots that have broken out in several countries.

However, attention to the fragile and unsustainable global food security situation was pushed off the centre stage of international concerns and replaced by the global financial and economic crisis and the later push towards budget cuts and fiscal austerity in most major industrialized countries. Unfortunately, the food crisis is still far from over as prices have been rising once again since 2009 (Johnston and Bargawi, 2010). The poor remain especially vulnerable, as the Food and Agriculture Organization (FAO) has warned repeatedly. The FAO's world food-price index had risen to a record high at the time of writing in early 2011, topping the previous all-time high set in June 2008. As a result, rising food prices have driven an estimated 44 million people into poverty (World Bank, 2011). Furthermore, the food riots in Mozambique in September 2010 and recent protests in several North African countries seem to reflect the continued impacts of high food prices on the poor and other vulnerable groups.

In this chapter, the global food crisis is revisited, and four basic issues are addressed. First, recent trends in food prices are reviewed, with particular focus given to the peaks in early 2008. Second, the social impacts on the poor and other vulnerable groups of the sudden spikes in food prices are examined. Third, an in-depth look focuses on the key underlying causes of the global crisis in food prices. Lastly, the policy options facing national Governments and their international development partners are discussed. The effectiveness of the policy responses at these levels has short- and long-term implications for food (and nutrition) security as well as for poverty eradication in poor countries.

Food prices remain volatile and high

Beginning in 2006, international prices for basic agricultural commodities rose to levels not experienced in nearly three decades (see figure IV.1). Corn prices began rising in the third quarter of 2006 and soared by some 70 per cent within months. Wheat and soybean prices also rose to record levels during this time. Cooking oil—an essential foodstuff in many poor countries—is mainly produced from soybeans and other plant sources; as a result the price of this item shot upward as well. Rice prices had also more than doubled in the year ending in the first quarter of 2008 (Bradsher, 2008). In many countries, the prices of most food staples remain volatile and are still at least 50 per cent above the average for the period 2000-2004. For example, in Lahore, Pakistan, wheat prices rose by 24 per cent in the year prior to February 2010 while the maize price in Zimbabwe's capital, Harare, went up by 36 per cent between October 2009 and February 2010. The spike was even worse in Burundi; in Bujumbura, the price of beans went up by 58 per cent during the same period (see table IV.1). The food crisis has not abated as most food prices are rising again and have exceeded the peaks recorded in 2008. The Food and Agriculture Organization food-price index rose to a record high in February 2011, topping the previous all-time high set in June 2008, following unexpected shortfalls in major cereals owing to bad weather in 2010.

Social impacts of the food crisis

As the prices of food and energy soared to new heights between 2007 and 2008, many countries were confronted with major social and political crises. Food riots and protests threatened Governments as well as social stability in Africa, Asia, the Middle East and Latin America and the Caribbean. Massive public protests in response to higher food prices erupted in very diverse countries, such as Burkina Faso, Cameroon, Egypt, Guinea, Haiti, Indonesia, Mauritania, Mexico, Morocco, Nepal, Peru, Senegal, Uzbekistan and Yemen (Baker, 2008; Food and Agriculture Organization of the United Nations, International Fund for Agricultural Development and World Food Programme, 2008). The number of people in need of emergency food aid in low-income food-deficit countries also increased. According to the Famine Early Warning Systems Network of the United States Agency for International Development, an estimated 2.7 million people in Niger were likely to be highly or extremely food insecure in 2010 and an additional 5.1 million people were at risk of moderate food insecurity. Altogether about 60 per cent of the population would face food shortages. In the Horn of Africa, the serious food insecurity situation is expected to continue in 2011 in the face of persisting rainfall deficits, high prices for staple foods at local markets, poor livestock production and lower agricultural wages.

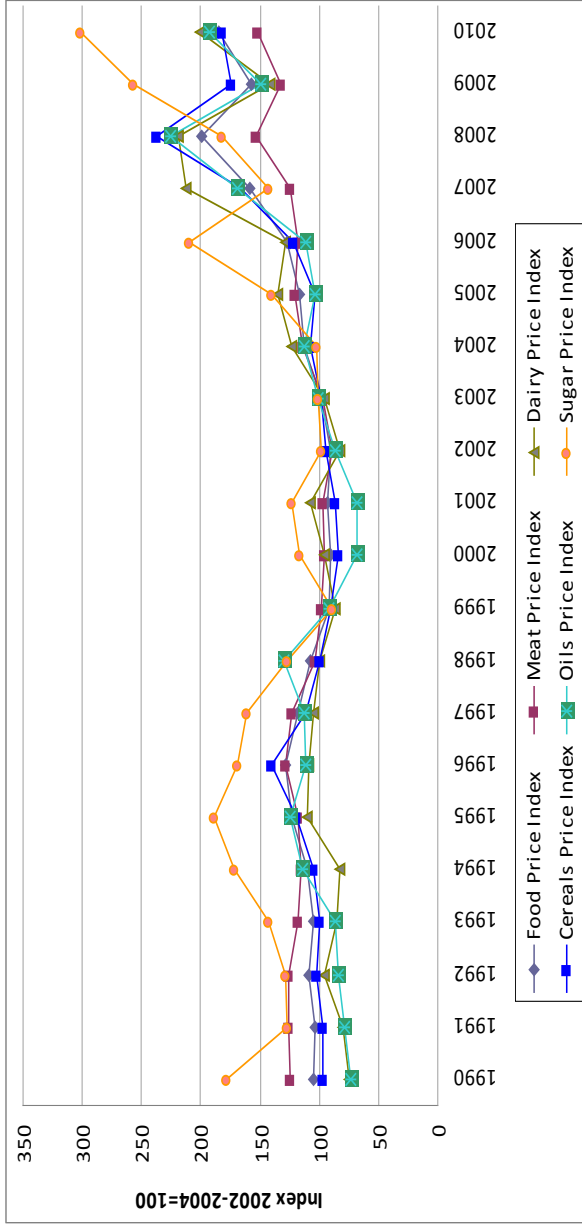
However, the rapid and simultaneous rise in prices globally for all basic food crops—corn, wheat, soybeans and rice—long with other food items such as cooking oil has had a devastating effect on poor people all over the world (ACF International / Action Against Hunger, 2009; Food and Agriculture Organization of the United Nations, 2009b; Swan, Hadley and Cichon, 2010). Almost everybody's standard of living has been reduced as people in the middle class become increasingly careful about their food purchases, the near poor descend into poverty and those already poor suffer even greater deprivations than before.

With the increase in hunger and malnutrition, the risk of premature deaths is likely to increase among the young, old, infirm and other vulnerable people and this will continue unless conditions improve. The survivors are harmed in other ways as well. The impact of the food crisis is likely to be much more severe among women and children. Because of gender discrimination and various cultural practices that influence intrahousehold resource allocation, these groups tend to be more vulnerable to chronic and transitory food insecurity. Furthermore, the crisis may undermine efforts to reduce maternal and infant deaths as the food and nutrition deficits facing pregnant and lactating women worsen in already adversely affected regions. Lack of social protection for female workers in the informal sector compounds their vulnerability to such external shocks.

In the majority of countries, the recent increases in food prices have significantly raised the number of people suffering from hunger and living in poverty both in urban and rural areas irrespective of the poverty line used (de Hoyos and Medvedev, 2009; Dessus, Herrera and Hoyos, 2008; Ivanic and Martin, 2008). The World Bank estimates that the food crisis pushed 130 million to 155 million people into poverty in 2008, while the poverty challenges posed by higher food prices have returned (World Bank, 2010c). Food prices in low-income countries continue to rise; by the end of May 2009, food prices in these countries rose 8 per cent faster than non-food prices, when compared with January 2003 (see figure IV.1). Thus, the World Bank (2010d, p. 36) concluded that the poor in low-income countries “may not be benefiting from lower international food prices ... and ... a significant portion of the 130 million [that were] pushed into extreme poverty during the food-price spike ... may not have exited poverty as might have been expected given the fall in international food prices”.

A study of nine low-income countries also revealed that in the short term higher food prices increased national poverty rates by 4.5 percentage points even though these effects differed substantially across countries and by commodity (Ivanic and Martin, 2008). The Economic Commission for Latin America and the Caribbean estimated that the food price crisis added 10 million people each to the ranks of the extremely poor and the moderately poor. Another study of 19 Latin American countries found that poverty had increased by 4.3 percentage points, or by 21 million additional poor people (Robles and others, 2008).

Figure IV.1
Annual FAO Food Price Indices



Source: Food and Agriculture Organization of the United Nations (2011).

In Asia, a 20 per cent increase in food prices probably increased the number of poor by 5.7 million and 14.7 million in the Philippines and Pakistan, respectively (Asian Development Bank, 2008). Revenga, Wodon and Zaman (2008) found that in Africa the share of the population in poverty could have jumped by as much as 4.4 percentage points with an increase in the price of cereals by 50 per cent. This negative welfare effect, caused by a decline in purchasing power, particularly among urban consumers, was further exacerbated by reductions in average household incomes as a result of the global financial and economic crisis. Tiwari and Zaman (2010) also estimated that the slowdown in the global economy may have led to an increase of 41.3 million in the number of undernourished people in 2009, that is 4.4 per cent more people than would have been the case if the global economic crisis had not occurred. This is in addition to the estimated 923 million undernourished people in 2007 as estimated by FAO.

Higher food prices have forced households to spend more on food. In Mexico, the food price shock caused the average poor household to effectively lose 18 per cent of its food budget (Wood, Nelson and Nogueira, 2009). The result was that households with limited or no substitution options have been pushed below their normal caloric or micronutrient intake, a situation that threatens their long-term health and ability to escape poverty. A survey of food consumption patterns in the Central African Republic, Ethiopia, Liberia and Sierra Leone found substantial evidence of restricted dietary diversity and reductions, of both the size of food portions and the frequency of meals, among poor households which are increasing the risk of micronutrient deficiencies among children as well as adults (Swan, Hadley and Cichon, 2010). Even where households have been able to maintain their levels of daily caloric intake, by substituting more expensive foods with cheaper alternatives, this practice is causing micronutrient deficiencies where the substitutes are less nutritious.

The global food price crisis has also induced reduced household spending on health care and children's education. In the capital and largest city in Sierra Leone, Freetown, children have been withdrawn from school and forced into the labour market to contribute to family welfare (Swan, Hadley and Cichon, 2010). Similar coping mechanisms have been adopted in other parts of the developing world as well.

Although much global attention has been focused on the impact of the food and the energy crises on developing countries, these impacts also hit more developed countries (van der Ploeg, 2010). While starvation seldom occurs in industrialized economies, declines in food expenditures by middle- and low-income households have forced families to eat less frequently and to consume less diverse and nutrient-rich foods (Nord, 2009). Several developed countries saw spikes in chronic mild undernutrition among the poor and other social groups, primarily due to job losses due to the global financial and economic crisis. People who are out of work, have exhausted their savings, or are nearing the end of their

Table IV.1

Countries experiencing largest increases in the prices of the main food staples

Price increase, annual average up to year ending February 2010			Price increase, June 2010–December 2010		
Location	Commodity	Percentage increase	Location	Commodity	Percentage increase
Sudan (Khartoum)	Sorghum	39.8	Brazil (São Paulo)	Maize	56.0
Pakistan (Lahore)	Wheat	23.9	Kyrgyzstan (Bishkek)	Wheat	54.0
Tanzania (Dar es Salaam)	Maize	21.2	Burundi (Bujumbura)	Beans	48.0
Chad (Abeche)	Sorghum	20.8	Viet Nam (Dong Thap)	Rice	46.0
Mali (Bamako)	Millet	17.0	Bangladesh	Wheat	45.0
Kenya (Nairobi)	Maize	16.3	Cameroon (Yaounde)	Beans	43.0
India (Mumbai)	Wheat	13.6	Burundi (Bujumbura)	Rice	41.0

Source: World Bank (2011)

unemployment benefits increasingly find themselves having to rely on local food banks and other not-for-profit charitable organizations. For many of the “new poor”, this is the first time they have had to rely on public assistance programmes for food and other benefits. In the United States, the number of people living in food-insecure households jumped from 36.2 million in 2007 to 49.1 million in 2008 (Nord, 2009).

Underlying causes of the global food price spike

The food crisis is a result of a complex interplay of several factors. Some of these factors have recently emerged, such as excessive speculation in agricultural commodity futures markets, drought-induced crop failures in major grain- and cereal-producing regions and the surge in biofuel production in Europe and the United States. Other causes are longer-term, including reduced national and international investments in developing-country agriculture, distortions in the international trading system and changing consumption patterns. All these factors have adversely affected agricultural production. However, some factors played much larger roles than others in the 2007–2008 global food price crisis as well as the more recent one.

Speculation in commodity futures

One key factor that distinguishes the spikes in food prices during the period 2007-2008 from that of previous price increases is the role played by large banks, hedge funds and sovereign wealth funds in commodity futures markets (Domanski and Heath, 2007; Ghosh, 2010; Mittal, 2009). Investors have moved into futures markets following the deregulation of the United States commodities futures markets in the 1990s (Chilton, 2008; Organization for Economic Cooperation and Development, 2008).

The UN Special Rapporteur on Food, Olivier De Schutter, has linked the increases in price and the volatility of food commodity prices to the emergence of a “speculative bubble” in the early years of the twenty-first century. He notes: “Beginning in 2001, food commodities derivatives markets and commodities indexes began to see an influx of non-traditional investors, such as pension funds, hedge funds, sovereign wealth funds, and large banks ... [T]his was simply because other markets dried up one by one: the dotcoms vanished at the end of 2001, the stock market soon after and the US housing market in August 2007. As each bubble burst, these large institutional investors moved into other markets, each traditionally considered more stable than the last. Strong similarities can be seen between the price behaviour of food commodities and other refuge values, such as gold” (De Schutter, 2010).

As the subprime mortgage crisis in the United States deepened and spread to international finance from mid-2007, investors moved from uncertain financial markets to mineral and food markets, seeking security in real assets, while contributing to and taking advantage of the “commodities super cycle”. Such new investors purchased large or many futures and options contracts, transforming the role of commodity futures markets. By July 2008, \$317 billion was invested in commodities index funds, led by Goldman Sachs and American Insurance Group (AIG). These actions pushed up agricultural and mineral (including energy) commodities. Drawing on Lehman Brothers research, US Congressman Bart Stupak testified to the House Agriculture Committee that “since 2003, commodity index speculation has increased 1,900 per cent from an estimated \$13 billion to \$260 billion” in March 2008. Much higher futures prices for major crops, such as wheat, rice, corn and soybeans, in turn, raised current food prices, which in turn raised futures and options prices, thus contributing to a food price bubble (Stupak, 2008). Commodity Futures Trading Commission Chairman, Gary Gensler, told the US Senate in 2009, “I believe that increased speculation in energy and agricultural products has hurt farmers and consumers”.²⁹

²⁹ Food and Water Watch (2009). See also, Baffes and Hanriotis, 2010; Robles, Torero and Braun, 2009; United Nations Conference on Trade and Development, (2009).

Higher energy prices and demand for biofuels

The availability of cheap oil has been a major factor in the rise of agricultural productivity in the last several decades. However, the era of cheap oil came to an abrupt end in the recent past as oil prices trebled between January 2007 and July 2008, exceeding \$147 a barrel. Consequently, the increase in oil prices also affected the production, processing and distribution of agricultural commodities, and hence food prices. The *OECD-FAO Agricultural Outlook 2009-2018* report warned that episodes of price increases and extreme price volatility, similar to 2008, cannot be ruled out in the coming years and the prices of some commodities as well as biofuels have become increasingly linked to oil and energy costs (Organization for Economic Cooperation and Development and Food and Agriculture Organization of the United Nations, 2009).

As the search for cheaper energy sources continues, the demand for biofuels has increased. A major source of the growth in demand for food crops is for the production of bioethanol and biodiesel. Developed countries annually provide \$13 billion in subsidies and protection to encourage biofuels production, which have diverted 120 million tons of cereals away from human consumption for conversion to fuel. In the United States alone, 119 million out of 416 million tons of grain produced in 2009 went to ethanol distilleries. The grain would have been enough to feed 350 million people for a year! An unpublished World Bank report found that biofuels forced global food prices up by 75 per cent—far more than previously estimated (Chakraborty, 2008).

Trade liberalization

The conventional wisdom holds that a free-market economy, with minimal government interference, would function more efficiently and thus become more productive than a command or planned economy.³⁰ However, a 2008 report found that countries in Latin America which had rapidly liberalized agricultural trade in pursuit of the promised gains from trade liberalization—including expanded access to foreign markets and technology, and lower food prices for consumers gained much less than expected: job creation has been weak, environmental costs have often been high, and in some cases, governments have lost the policy space necessary to ensure long-term development. The report also noted the tendency in the past quarter century to overestimate the benefits to the poor of cheap imports and to underestimate the development and

³⁰ A review commissioned by the World Bank acknowledged: “In most reforming countries, the private sector did not step in to fill the vacuum when the public sector withdrew” (Dugger, 2007). According to Jeffrey Sachs, “The whole thing was based on the idea that if you take away the government for the poorest of the poor that somehow these markets will solve the problems....But markets can’t step in and won’t step in when people have nothing. And if you take away help, you leave them to die”.

poverty alleviation benefits of a strong domestic food agricultural sector (Pérez, Schlesinger and Wise, 2008).

In following the advice of the international financial institutions to liberalize, the Governments of many developing countries reduced their subsidies for small-scale farmers and consumers who then faced greater economic hardships. Since the 1980s, Governments have been pressed to promote exports in order to earn foreign exchange and import food. Although enhanced agricultural production is desirable, much of the recent emphasis has been on the production of export crops. While the revenue earned from such exports may improve a country's balance of payments position, export-oriented agriculture does not ensure food security. Export-oriented agriculture can induce investment in the production of higher-priced crops for export, rather than often lower-priced food crops needed to meet the needs of the domestic population.

Instead of developing their own food-oriented agricultural base, many poor countries turned to the global market to buy cheap rice and wheat. Some countries previously self-sufficient in food, now import large quantities of food. Net food imports are currently the norm for most developing countries, including those in sub-Saharan Africa. Following the recent hikes in food prices, some countries have lowered their import tariffs to reduce the impact of the much higher prices of imported food, but such stop-gap efforts have had only marginal and temporary impacts at best. Other countries, mostly net food importers, have restricted the export of food in order to insulate their populations from rising international food prices (Alihaya, 2008). Such export restrictions have undoubtedly further limited supplies in the international food trade, thus contributing to price increases, especially in the relatively small international market for rice.

Fewer and fewer transnational agri-businesses now dominate marketing, production and agricultural inputs. As reported in *The Independent* in May 2008, Monsanto's net income more than doubled from \$543 million to \$1.12 billion in the three months up to the end of February 2008, compared to the same period in 2007, as its profits increased from \$1.44bn to \$2.22bn. Over the same three-month period, Cargill's net earnings soared by 86 per cent from \$553m to \$1.030bn. Similarly, Archer Daniels Midland, one of the world's largest processors of soy, corn and wheat increased its net earnings by 42 per cent from \$363m to \$517m. The operating profit of its grains merchandising and handling operations jumped 16-fold from \$21m to \$341m. During the same period, the Mosaic Company, one of the world's largest fertilizer companies, saw its income rise more than 12-fold, from \$42.2m to \$520.8m, as the prices of some kinds of fertilizers more than tripled during 2007-2008 (Lean, 2008). This situation came largely at the expense of small farmers and consumers, particularly the poor, forced to buy from or sell to agri-business giants.

Long-term problems

The major increases in crop yields and food production associated with the Green Revolution from the 1960s to the 1980s, which was achieved with considerable government and international philanthropic not-for-profit support, gave way to new policy priorities in the 1980s.

The result was that growth in the food supply slowed,³¹ while demand continued to grow and not just as a result of an expanding population. From 1970 to 1990, global food supply grew faster than the population. Between 1960 and 1970, grain yields grew globally by 2.6 per cent per year on average, but rose by less than half that rate (1.2 per cent) yearly from 1990 to 2007 (Stokes, 2008). Thus, after 1990, the trends were reversed when the rate of growth of the food supply fell below that of the population. In recent years, the world has been consuming more grain than it has been producing, thus having to cut into reserves which began driving up prices. From 2007 until early 2008, as grain stocks declined further and investors abandoned their previously preferred financial assets in favour of commodity futures and options, international grain prices rose sharply.

Having neglected food security and the productive sectors of their economies for several decades, the Governments of many developing countries also lacked the fiscal capacity to increase public spending to increase food production and agricultural productivity. The problem has been exacerbated by the significant drop in official development assistance earmarked for agricultural development in developing countries. Aid for agriculture has fallen in real terms by more than half in the quarter century after 1980 (Bradsher and Martin, 2008; Stokes, 2008).

Other longer-term trends

Other medium- and long-term factors have also contributed to the current food crisis. The growing demand for meat among those households newly able to afford it has increased the use of food crops to feed livestock. Total meat supply in the world has quadrupled from 71 million tons in 1961 to 284 million tons in 2007 (Magdoff, 2008). Past overfishing is also reducing the supply of fish, an important source of animal protein for many countries, as higher prices for fish further burden the poor. The problem of overfishing is acute for both marine and freshwater fishing, and the growth of fish-farming has proven to be problematic for both ecological and nutritional reasons. There has been relatively limited progress towards resolving the very complex issues involved.

³¹ Rice yields per acre in Asia have stopped rising; there has been no yield increase for at least a decade, and increases are not expected in the near future. For more details, see International Rice Research Institute (2008).

Weather has also adversely affected agriculture in many parts of the world. Climate change, associated with accelerated greenhouse gas emissions, is believed to have exacerbated water-supply problems, thus speeding up desertification and water stress, and worsening the unpredictability and severity of weather phenomena, such as the decade-long drought in Australia.

Forests have long been an important source of food (for example, wild fruit, ferns, tubers, fauna) for many rural dwellers, especially those living close to the subsistence level (Nasi and others, 2008). Continuing deforestation for logging, cultivation of agricultural land and other purposes has also reduced its potential as a natural carbon sink—thus accelerating climate change—and imperiled biodiversity.

Another important contributory factor to the food crisis is the loss of farmland to other uses. Growing population pressure, urbanization and other non-agricultural uses of land, as well as the attraction of non-food agricultural production, such as horticultural products, have reduced the farmland available for the production of food, while agricultural land is increasingly being used to produce commodities other than food, biofuels being an example (Magdoff, 2008).

Soil erosion is a slow and insidious process, with ominous implications for agricultural productivity in the long term. Most problematically, the quality of the topsoil, crucial for agriculture, has been declining over the years for a variety of reasons related to agricultural and land-use practices (Harvey, 2008), such as monocropping and the misuse of fertilizers resulting in pollution. Water supplies, so essential for agricultural irrigation, are also under threat as underground aquifers and other sources of water supply are being depleted or compromised by such factors.

Finally, fewer and fewer transnational agribusinesses now dominate marketing, production, agricultural inputs (Jargon, 2008) and even trading in agricultural futures and options. This situation comes largely at the expense of small farmers and consumers, particularly the poor, who are forced to trade in a less competitive environment in conditions of asymmetric power (Stokes, 2008).

U-turn in Washington?

Over the last three decades, food security and agriculture have been weakened by reduced funding for investments in agricultural infrastructure, support institutions and research, as well as by the effects of trade liberalization. The *World Development Report 2008* comprehensively reviewed many aspects of agricultural production and distribution, and even considered issues previously unaddressed or poorly addressed by the World Bank, such as peasant organizing, political voice, unequal market power, ecological concerns and gender equity (World Bank, 2008).

The same Report acknowledges that trade liberalization generates winners as well as losers and recognizes that “the overall effect of trade policy reform on

farm incomes of food staple producers in the poorer developing countries is likely to be small” (World Bank, 2008, p. 112). Further, it concedes that transnational corporations dominate a number of agricultural markets and that “growing agribusiness concentration may reduce efficiency and poverty reduction impacts” (p. 135). It acknowledges asymmetric market power and the differential impacts of policies on different segments and strata of agrarian populations. “Concentration widens the spread between world and domestic prices in commodity markets for wheat, rice and sugar, which more than doubled from 1974 to 1994. A major reason for the wider spreads is the market power of international trading companies” (p. 136).

Agricultural financing has begun to recover recently at the World Bank; the Bank has already agreed to double its lending for such programmes in Africa and, with the ongoing food crises, such institutions will be expected to commit more to reviving food agriculture.

The 2008 Food Summit declaration³² criticized the failure of Governments in rich countries to provide promised aid following the 1996 World Food Summit (Dano, 2008). Aid for agriculture had fallen in real terms by more than half, from \$8 billion in 1980 to \$3.4 billion in 2005. Meanwhile, in addition to protective tariffs, Governments had provided \$11-12 billion as subsidies for biofuels in 2006, diverting 100 million tons of cereal from human consumption to the production of biofuels. According to the FAO, countries belonging to the OECD provided subsidies for agriculture in 2006 worth \$372 billion; in one country alone, food worth \$100 billion was being wasted every year.

The prevailing strategy for agriculture gradually became subsumed within a broader rural focus, which diminished agriculture’s importance. Because much of the food agriculture in developing countries is deemed to have limited export potential compared with other cash crops, food crops in general have been neglected. The original focus of the Green Revolution on rice, wheat and corn ignored most African food crops, especially those suited to water-stressed conditions, which are increasingly prevalent in much of the continent. Commitment to food security was substituted by the notion of “global food security”, with developing countries encouraged to maximize export earnings to pay for food imports and other needs in a new, ostensibly welfare-maximizing, international division of labour. The technical skills needed to support agricultural development adequately have also declined over time.

32 The High-Level Conference on “World Food Security: The Challenges of Climate Change and Bioenergy” was held in Rome from 3 to 5 June 2008. It was convened by the FAO, together with the World Food Programme (WFP), the International Fund for Agricultural Development (IFAD) and Bioversity International on behalf of the Consultative Group on International Agricultural Research (CGIAR) to discuss these challenges and devise ways to safeguard the world’s most vulnerable populations.

World Bank lending has been spread over various agricultural activities, such as research, extension, credit, seeds and rural policy reforms; however, there has been little recognition of the synergies among them needed to effectively contribute to agricultural development. Moreover, complementary and critical inputs, such as fertilizers and water, have been inadequate, leading to mixed results. The World Bank's Independent Evaluation Group assessed the development effectiveness of Bank assistance in addressing constraints to agricultural development in Africa over the period 1991-2006. The study's central finding is that agriculture was being neglected by Governments and the donor community, including the World Bank. Recent developments, however, have signaled a shift in approach to agricultural development. Besides describing shortcomings, the 2008 *World Development Report*, covered a number of issues not addressed in many years.

Concluding remarks: urgent action needed

To minimize the social and economic impacts of international food price volatility on the poor and other vulnerable groups, food needs to be available where it is needed most. While the emergence of global food supply chains has weakened the commitment to national or local food security, poor countries need to focus on producing their own food and not become overly dependent on international markets. Over the past few decades, many poor food-importing countries were lulled into believing that their food security concerns could be easily solved by relying on international markets. However, the 2007-2008 food price spikes have undermined this faith and revived interest in national food security.

Concerted efforts have to be made to ensure that food security is a priority in developing countries, particularly in those poor countries susceptible to chronic food shortages. This will require a mix of agricultural and rural development policies, such as increasing investments in agricultural research and development, irrigation, roads and markets, as well as some inward-looking protectionist policies. The supportive role of the State in agriculture—rolled back by liberalization reforms in the economic and food sectors over the past three decades—should be revived while avoiding problems of the past. The fiscal space of poor countries will also need to be enhanced if these countries are to rebuild and scale up provision of rural financial and extension services and farm input subsidies. Such State intervention in agriculture will likely generate other positive externalities, such as minimizing excessive dependence on food imports and protecting rural jobs, the livelihoods of small farmers as well as the environment. However, issues of inefficiency and poor governance that have plagued State agriculture sector interventions in the past will have to be addressed, particularly those involving grain marketing boards and other related parastatals.

While it is the responsibility of each State to ensure the availability of food and access to food by all its people at all times, most poor countries cannot

fulfil this objective on their own. Therefore, the international community should assist poor countries in developing their agricultural sectors to prevent food and nutrition scarcity in an age of plenty. It is important that global food security remain an international priority in terms of global policy attention and resource allocation. Therefore, the billions of dollars pledged by international donors to improve agricultural production in developing countries need to be actually delivered.

Solutions to address the structural causes and constraints behind poor agricultural and rural development efforts in developing countries have been suggested in the past. However, implementing these solutions has fallen short due to the lack of resources (both financial and human) and political will. Hence, the plethora of existing solutions has not resulted in major reductions in rural poverty and hunger in the vast majority of developing countries, with the exception of China. In fact, food production per capita has been declining in sub-Saharan Africa and other parts of the developing world.

Besides increasing development assistance for agriculture, developed countries can also take a number of steps that could help to improve food security in poor countries. These include curtailing—not subsidizing and encouraging—biofuel policies that distort the global food supply as well as undermine environmental sustainability. A review of agricultural policies and subsidies that have distorted incentives and undermined the ability of poor countries to develop their agricultural sectors is also needed. Reducing or eliminating such agricultural and energy policies will, in the long run, help the poorest countries to develop their agricultural sectors.

Developing countries need to address long-run market weaknesses which affect smallholders, banks, agrodealers and buyers. For instance, for buyers and agricultural dealers to get uninterrupted supplies of agro-products that can make them competitive in regional and international markets, it is important that producers be able to boost productivity by accessing credit, high-yielding and disease-resistant seeds, suitable fertilizers and better farming techniques. For banks to make loans easily accessible and affordable to rural farmers, transaction costs and risks associated with lending money should also be lower. Training on sustainable land and water management should also be made available to farmers, while efforts to improve property rights and land tenure should target women, who produce a large share of the food in most poor countries.

The implications of support and subsidies for food farmers—for food security or social policy reasons—need to be addressed in a way that advances and does not undermine social equity and food security for all.