

Assessing the World Food Crises 2008–2011:

Comprehensive action is missing

Fundamentally, today's food price crisis is the consequence of years of neglected public investment and low support for agriculture innovation in many developing countries, neglect of agriculture in development co-operation, and inappropriate agriculture energy subsidisation policies in industrialised countries giving preference to fuel instead of food. It was then triggered by adverse weather events and further exacerbated by export restrictions, lack of appropriate regulation of commodity trade and speculation. Climate change will add to future risks in the global food system.

Food and nutrition insecurity have increased in the context of the inter-linked food and economic crises of 2008–2011. In 2007, the food crisis actually emerged first while overlapping with the onset of the economic recession, and may in fact have had some role in the development of the latter due to the inflationary forces of food and energy prices to which macro policies reacted. It is not only food and energy markets but also food and financial markets that have become closely linked, and these links pose new and added risks and uncertainties for the poor, especially in least-developed countries. In 2010/11, non-core inflation, i.e. the inflation of food and energy prices, has become a world-wide macro-economic problem. This is especially so in Asia, where it accounts for more than 70 percent of total inflation. This composition of inflation is anti-poor, as the poor spend a much higher budget share on food. Non-core inflation triggers pressures on wages, and central bank policies often follow suit with tightening. Instead, governments should vigorously address the real constraints with supply-side action. The macro-economic costs of food crises are undervalued. While the 2008 food price crisis came to an end because of demand contraction in the global recession, this cannot be expected in 2011.

■ Deficiencies of crisis management

With the recent extreme price increases for wheat and maize in 2010/11, we have been observing the now more



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lasting volatility in the global markets around rising price trends. International price increases are transmitted fast to the consumers (urban and rural) and more slowly to producers, especially the small farmers. Incentives remain distorted. Food markets must not be excluded from the appropriate regulation of the banking and financial system, as the staple food and feed markets (grain and oil seeds) are closely connected to the speculative activities in financial markets. To prevent extreme volatility, it is essential to ensure open trade, and transparent, appropriately regulated market institutions.

Normal price fluctuations should be left alone. Extreme price volatility of about 100 percent in a year is an international issue that requires international action. In sum, the national actions being taken, such as more stocks or more trade restrictions, are inefficient and partly make matters worse. Co-ordination and collective action failures are rampant. The stubbornly fixed and even expanding biofuels subsidy and quota policy in the US and Europe adds to the injury. Flexibility in biofuels policy adjusted to food crisis situation is overdue, but prevented by interest groups. With the World Food Programme, an appropriate mechanism exists to respond to food crises. However, its capacity to address the real scale of the global problem is far too limited, as it reaches only about 10 percent of the world's hungry, let alone the diet-deficient malnourished.

Foreign Direct Investment (FDI) in agriculture is an opportunity, but it must not marginalise the poor or add environmental damage. Even in richer countries, the food security crisis has triggered concerns about access to food. This is one of the reasons for growing transnational acquisition of land by financially strong countries and financial actors. Internationally co-ordinated policy action is now needed to make sure that these investments are sound and sustainable, which, often enough, they are not. An appropriate code of conduct for host governments and for foreign investors intending to acquire land in developing countries should be developed and adhered to.

■ New institutional arrangements needed

National governments are mainly accountable to assure food and nutrition security, but many are not capable of or not willing to do so. Achieving food and nutrition security requires sound organisational arrangements and governance. The current governance system especially lacks accountability,

Not only the food and energy markets, but also the food and financial markets have become closely linked, leading to new risks and uncertainties for the poor.



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effectiveness and inventiveness. The G8 crisis response, with its L'Aquila commitments from 2008 promising 22 billion US dollars (USD) of investment, is lagging behind. About 4 billion USD may have been mobilised so far, but transparent monitoring is missing. Traditional mechanisms of scaling up of project funding by the international finance institutions are far from the needed significant scale that could help grow the developing world out of the food crisis. The policy actions taken at national levels are more significant, especially in China and India, and Brazil has appropriately reached out to the agricultural growth opportunity.

Pointing at actors and their failures does not help when there is no clear accountability or when capacities are lacking. Neither the WTO nor anyone else has a mandate to address the food crisis comprehensively, and the UN food organisations lack capacity and appropriate instruments. The attempts to achieve better co-ordination of the many organisations are costly and have had only limited impact. This vacuum needs to be filled with the establishment of a

World Food Reserve Bank. It should be understood as the central bank of the poor, as it would safeguard against the inflation of staple food prices at global level. Grain is the "currency" of the poor, who spend a large share of their income on food. It would use the equivalent instruments of a central bank, virtual and real reserves and intervention mechanisms to fend off extreme volatility in the currency of the poor, i.e. grain prices (especially wheat and maize). The G20 should act.

The response needed to cope with the food crisis must include actions in production and technology innovation, trade and grain reserves policies. Especially the rich world also needs to reduce waste in consumption and food processing. But hunger and under-nutrition, particularly of children, need to be addressed directly with new and sustained programmes. Besides more and better investment, new institutional arrangements are needed. Actions taken so far are not sufficient to overcome the acute food crisis, let alone reduce the growing chronic food and nutrition security problems.

Zusammenfassung

Eine ehrliche Bewertung der weltweiten Nahrungsmittelkrise muss die folgenden Fragen beantworten: i) Welches sind die bedeutendsten Ursachen – die offensichtlich nicht behoben wurden, um die Krise von vornherein zu verhindern? ii) Wo liegen die Schwächen im Krisenmanagement? iii) Welche institutionellen Vereinbarungen sind am besten geeignet, künftige Nahrungskrisen zu verhindern? Eine solche Bewertungsmatrix muss anschließend in konkrete Maßnahmen münden. Fehlen solche Maßnahmen zur Linderung und Vermeidung von Nahrungskrisen, können politische Instabilitäten in größerem Rahmen die Konsequenz sein.

Resumen

Una evaluación honesta de la crisis alimentaria mundial debe indagar i) sobre sus causas fundamentales, las cuales aparentemente no han sido resueltas para prevenir la crisis en primer lugar, ii) sobre las deficiencias en la gestión de la crisis, y iii) sobre las mejoras en las disposiciones institucionales para prevenir futuras crisis alimentarias. Después de completar una evaluación de este tipo en toda su amplitud, deben emprenderse acciones integrales. El no poner en marcha estas acciones para mitigar y prevenir las crisis alimentarias podría dar lugar a mayores incertidumbres políticas.