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## **A second global food crisis?**

**What world leaders must do now to stop rising food prices spiralling out of control**

An ActionAid International Policy Briefing

June 2011

## Key messages

- Global food prices are near-historical highs and local food prices have jumped alarmingly in poor countries
- An estimated 44 million people have been pushed into extreme poverty by high prices and poor families are cutting back on food; some only eat one meal a day
- We're one bad harvest away from this price spike turning into a major food crisis – which would push millions more into hunger
- Leaders must act urgently to curb volatile food prices and fulfil pledges to support women and smallholder farmers in poor countries

## Broken food system

As the year began, food-related protests spread in Algeria, Tunisia, and Egypt.<sup>1</sup> Rice prices rocketed in Chad and Mozambique, sorghum jumped in Somalia, and maize leapt in Uganda – rising 114% over the last 12 months to date.<sup>2</sup> India wrestled with 10% food inflation, and in February food price inflation in Vietnam, Indonesia and China was 17%, 15% and 11%, respectively.<sup>3</sup> In light of surging maize prices, the Mexican government bought extra corn futures to guard against higher tortilla prices. Local wheat prices jumped 50% in Bangladesh since June 2010,<sup>4</sup> and staple red beans were 130% higher in El Salvador from a year earlier.<sup>5</sup> And in March, the UN Food and Agriculture Organization (FAO) announced that its Food Price Index rose in February for an eighth consecutive month to hit the highest level in real and nominal terms since FAO started monitoring food prices in 1990.<sup>6</sup> The index was virtually unchanged in April, and FAO warned in June that over the last twelve months the cost of a typical food basket around the world has risen by 48% in real terms.<sup>7</sup>

Are we experiencing a price shock, a speculative bubble, or do all these signs herald the onset of a second global food crisis in the space of three years? So far, according to the FAO, we are experiencing a food price shock – but not yet a crisis. However, the FAO is quick to add that the spike could lead “if prolonged...to a food crisis,”<sup>8</sup> and warned in June that world food prices are likely to remain high and volatile.<sup>9</sup>

Second global food crisis or not, the impacts are already highly alarming and millions more poor people are being badly hit. The World Bank estimate that high food prices have pushed an extra 44 million people into extreme poverty in low-and-middle income countries, and warn that food

prices are at 'dangerous levels'.<sup>10,11</sup> They estimate that a further 10 million to 34 million poor people would fall into extreme poverty (i.e. below the poverty line of \$1.25 a day) if the World Bank's Food Price Index continued to rise by a further 10% or 30%.<sup>12</sup> The Asian Development Bank goes further and estimates that an additional 64 million people could be pushed into poverty in Asia if domestic food prices continue to rise there by 10%, a scenario they say that cannot be ignored.<sup>13</sup>

## Local impact

Evidence from two recent surveys by ActionAid staff in 20 countries in Asia, Africa and Latin America confirm that many poor families are being severely affected by high local prices. Poor families are eating less nutritious food – cutting out vegetables, milk and meat – and in many places only eat one meal a day. In Rwanda, we found many communities remained hungry for days without any food. Some people reported eating marginal wild fruits in Tanzania because of a scarcity of local foods, and in Tangelbe in Kenya, people have been forced to eat carcasses of animals that died from disease or starvation. Poor people in Ghana have sold land due to prolonged food unavailability and families in Kenya have sold cattle at distress prices. Others have migrated or sent children out to work.<sup>14</sup>

The last crisis in 2007/8 was devastating for millions of poor people and reversed years of development gains. As a result of the dramatic spike in prices of food and oil in 2007-2008, the number of people living in extreme poverty rose by 130 to 155 million, according to World Bank estimates,<sup>15</sup> and an extra 115 million men, women and children were driven into hunger between 2007-2008,<sup>16</sup> raising the number of hungry people to a record 1.02 billion in 2009.<sup>17</sup>

Poor urban and rural families in Asia, Africa and Latin America cut back on the quality and quantity of food they consumed, struggled to pay for education and healthcare bills, and were forced to sell productive assets.<sup>18</sup> The poorest, landless, and female-headed households were hardest hit,<sup>19</sup> and there public protests, disturbances and even food riots in 31 countries, ranging from Bangladesh to Haiti.

Since then, the international community has done very little to fix a broken global food system which – despite anticipating a record global cereal harvest in 2011<sup>20</sup> – still forces 925 million people to go to bed hungry every night, denying them their fundamental human right to food.<sup>21</sup>

Perhaps another billion people also suffer from 'hidden hunger', in which essential micronutrients such as vitamins and minerals are missing from their diet.<sup>22</sup>

In this context, over *half* of all global grain production is now diverted towards animal feed, industrial use, and biofuels for cars and trucks,<sup>23</sup> up to 50% of food is spoiled or wasted between field and fork worldwide because of pests, pathogens, and poor harvesting and storage.<sup>24</sup> At the same time, multinational grain trading corporations such as Cargill report bumper profits.<sup>25</sup>

## **Weather, demand, structural changes & speculation**

Bad weather, structural changes in commodities markets, food and energy speculation, and longer term trends on both sides of the food supply/demand equation are driving prices up.

On the demand side the causes are population growth, rising incomes and affluence, changing diets, and the increasing use of grain for biofuels to supply motor vehicles. On the supply side: soil erosion, aquifer depletion, loss of cropland to non-farm uses, plateauing crop yields and the growing impact of climate change are all squeezing supplies, while steadily rising oil prices have increased production, storage and transport costs. A weak dollar, ultra-loose monetary policies, and an explosion of speculative activity on food commodity futures markets are also likely amplifying price movements.

## **Political leaders must urgently:**

- Act globally to minimize damaging price shocks and reduce volatility in global food markets
- Build national and regional buffer food reserves and support other measures to protect poor people from rising prices
- Fulfill pledges to increase investment in smallholder agriculture and adapt to climate change – with a particular focus on the needs of women farmers and the vulnerable.

## What has happened to prices?

Global food prices reached the highest level on record in February 2011, surpassing levels seen at the height of the 2007-2008 food crisis and the highest since the inception of FAO's food-price index in January 1990. And they have dipped only fractionally since then.

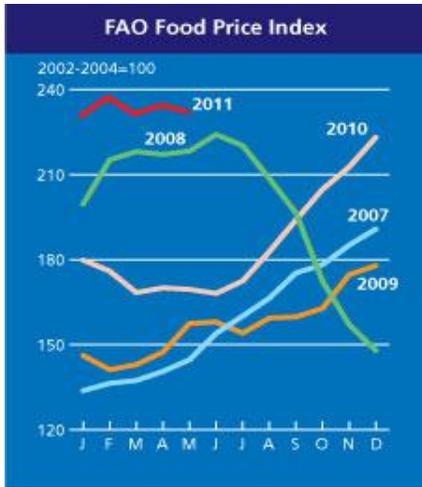
FAO's Food Price Index<sup>26</sup> – a basket tracking the wholesale cost of commodities such as wheat, maize, rice, oilseeds, dairy products, sugar and meats – jumped to 238 points in February 2011, passing a previous peak of 220 in July 2008. The index dipped slightly to 232 points in April 2011, but still remains 37% higher than in May 2010.<sup>27</sup>

The largest rises were in commodities associated with rising affluence and changing diets, such as sugar, vegetable oil and meat and dairy.<sup>28</sup> FAO's narrower cereal price index also rose 69% over the year to May 2011 – the highest level since July 2008 – the FAO Fish Price Index reached its highest level ever in April, and the FAO Meat Price Index set a record high in May 2011.<sup>29</sup>

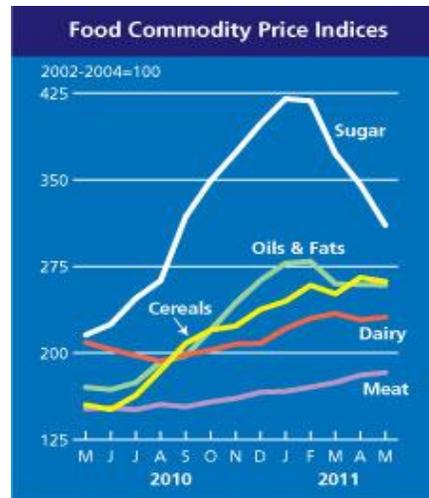
Overall, food prices have risen alarmingly and at a faster pace than in 2007-8, according to FAO.<sup>30</sup> In April, the global price of wheat was 82% higher than a year earlier, and maize was more than double its level in April 2010, and 14% above the previous peak in June 2008.<sup>31</sup>

Key staples that remain significantly higher now than at this point last year include soybeans (36%) and sugar (21%). Other commodities such as cocoa recently touched a 32-year high,<sup>32</sup> and cotton breached a nominal 140-year high.<sup>33</sup>

Importantly, the global price of rice – a staple for more than 3 billion people in Asia and Africa – has *not* risen as dramatically as wheat and maize, and has dropped steadily since February after a record harvest in 2010. In April, the benchmark global Thai rice price was nearly 2% higher than a year earlier, but still 47% below the peak of May 2008.<sup>34</sup>



FAO Food Price Index, May 2011



FAO Commodity Price Index, May 2011

## Global stocks

There are number of factors that reduce the risk of further huge increases in hunger and poverty, as we saw in 2008. Overall global grain stocks are historically low but currently *not* as tight or precarious as they were in 2007-2008 and that means markets are less likely to panic. The global cereal 'stocks-to-use' ratio is forecast to hover next year at 21%, which is still above the 30-year low of 19.6% registered at the height of the 2007-2008 food crisis, according to FAO.<sup>35</sup>

Some argue that the recent price increases are not extraordinary and it was the way that governments and markets reacted in 2008 that led to the crisis, rather than the sheer scale of the price spikes. If the 2008 and 2010/11 food price increases are adjusted for consumer price inflation, then they are still well below the size of the price shocks that hit consumers in the early 1970s and again in the early 1980s.<sup>36</sup> According to this argument, it was because some governments panicked and imposed export bans and restrictions that the 2008 shock turned into a full-fledged crisis. These commentators take comfort from the fact that the 2010/11 increases have led to relatively few export restrictions so far.

## Good harvests

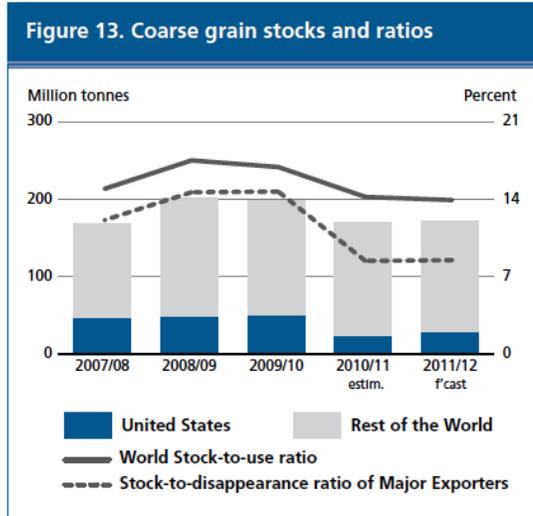
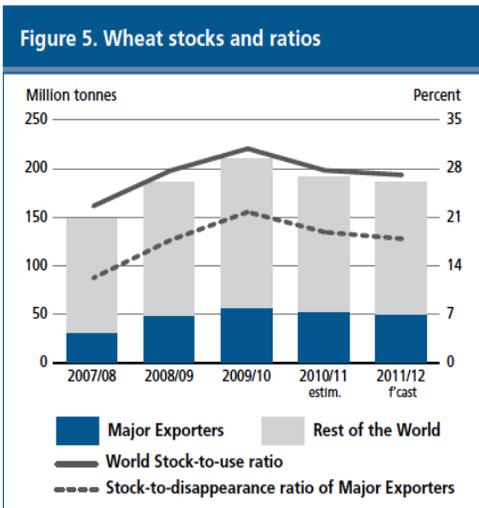
Second, on a related note, harvests have largely been good. A record global cereal harvest is forecast in 2011, indicating a rebound of 3.5% after a 1% decline in 2010. Rice production is heading for an historic high, and world rice stocks are forecast to reach their highest level since 2002 this year, with the world stocks-to-use ratio projected to grow by 1.2% to a healthy 29%. Larger plantings and yield recoveries mean coarse grains – such as maize, barley, sorghum, oats, rye and millet – are set to increase global production by a healthy 3.9%, exceeding the 2008 record.<sup>37</sup>

Because governments have increased support to agriculture and some farmers have planted more in response to higher prices, the last couple of years have seen bumper crops in many countries. Good to excellent harvests are credited by the World Bank for helping to minimise Africa's exposure to recent global price prices, for example.<sup>38</sup> If normal weather prevails, 2011 should generally see good yields of most staples, which will help to maintain national stock buffers and dampen local prices.

However, despite these gains, FAO warn that vulnerable food importing countries will still face sharply rising food import bills in 2011, especially for grain-based products and vegetable oils. Import bills could jump by 27% for 77 Low-Income Food Deficit Countries and by 30% for Least Developed Countries. This would far exceed the increase at the global level and would approach the record increases during 2007-2008, they say.<sup>39</sup>

## Negatives

Strong demand and tight supply are forecast to keep prices high. FAO forecast that global wheat production in 2011 will be insufficient to meet expected global demand,<sup>40</sup> and they issued a special alert that a severe drought in northern China will put China's wheat harvest at risk.<sup>41</sup> Global wheat stocks are forecast to be relatively healthy at 27% next year,<sup>42</sup> and these stocks are likely to be drawn down (especially if the current drought in Europe intensifies and affects the European wheat harvest).



### FAO Food Outlook (2011)

Another important caveat is that global stocks of *some* key staple crops are alarmingly tight. Ratios of global stocks of maize and soybeans to annual demand are forecast to be exceptionally low at 13.9%<sup>43</sup> and 21.4% respectively, and are heading to lows not seen since the 1970s, according to commodity analysts Macquarie, who warn that the US and world stocks-to-use corn balance will reach '*acutely tight levels (nearly unprecedented) by the end of the 2010/11 season.*'<sup>44</sup> The US maize stocks-to-use ratio is only 6.3% and is at the lowest for the past three decades.<sup>45</sup> Indeed, by the time the US autumn harvest begins, the US Department of Agriculture expects the US to have enough corn stocks left to satisfy the country's appetite for only 18 days.<sup>46</sup>

### Wheat, maize and rice prices rise

Although global export prices and local domestic food prices in poor countries are not always closely or obviously correlated, food prices in many poor countries have been rising sharply.

FAO says prices for wheat and rice are high in major cities in most countries in Asia, despite declines in some markets.<sup>47</sup> Although global rice prices have stabilized and have been falling recently, domestic prices of rice have risen in recent months in several Asian countries, including significant rises from a year ago in Bangladesh (up 29%), Indonesia (17%) and Sri Lanka (11%).<sup>48</sup> The price of rice in China was 23% higher than a year ago in February,<sup>49</sup> and in

Patna in India, for example, rice was recently about 80% higher than a year earlier.<sup>50</sup> These local rises are largely driven by domestic and regional supply constraints and disruptions.

For wheat-importers, local wheat prices were up 36% in Bangladesh over the year to April,<sup>51</sup> and wheat and wheat flour was 30 to 70% higher in Afghanistan than a year earlier.<sup>52</sup>

The World Bank says higher global wheat prices were transmitted – with a time lag from a global price spike in August 2010 – to domestic markets in several wheat-importing countries. In Brazil, it says wheat products were up roughly 16% from July to October 2010, and notes that 56% of wheat and wheat products in Brazil are imported.<sup>53</sup> It recently reported that the price of wheat increased by large amounts over the last three months to April in Sudan (87%), Colombia (34%), Ethiopia (18%) and India (11%), largely owing to tight supplies and production fears.<sup>54</sup>

Finally, the global price of US maize has risen 74% over the year to April,<sup>55</sup> and has jumped repeatedly on news of production downgrades due to extreme weather in maize-producing countries and export restrictions from Russia and Ukraine.<sup>56</sup> High global prices are being passed along to several Latin American countries, which saw the domestic price of maize rise dramatically in the last three months to April, with prices rising by 37% in Mexico, 15% in Brazil, and 14% in Argentina.<sup>57</sup>

## Rises elsewhere?

In Central America, the prices of staple red beans in El Salvador jumped 130% in the year to April, and in Bolivia staple potato prices remained over 80% higher in the capital La Paz than a year earlier.<sup>58</sup> Mostly imported wheat flour is up 16% in Bolivia from a year earlier and there have been significant rises in Peru, Colombia and Uruguay. The prices of white maize in April in Guatemala, Mexico and Nicaragua markets were about 40% higher compared to a year ago, while in Honduras prices were up 69% in the same period.<sup>59</sup>

In many countries in the Middle East and North Africa governments are bearing the brunt of the rise in global wheat prices as consumers are insulated by subsidies on the price of basic staples. Egypt, Jordan and Lebanon rely heavily on wheat imports from world markets, and Morocco's spending on food and fuel subsidies is projected to double compared to the previous fiscal year.<sup>60</sup> Yemen is identified by the World Bank as being particularly vulnerable to rising

prices: it relies on wheat imports to meet 82% of its consumption and has physical wheat reserve stocks to last for only a month.<sup>61</sup> Factoring in the current political crisis, with a possible civil war looming, and the situation in Yemen is very precarious

## And Africa?

In many parts of Africa, thanks in part to increased government and donor investment in agriculture since 2008, good or bumper harvests are countering the impact of higher global prices. Prices of main staple crops are generally stable or declining in most African sub-regions, reflecting the bumper harvests of this year. Overall, the price of maize, millet and sorghum are around the levels of the pre-food crisis of late 2007, according to FAO.<sup>62</sup> Countries such as Rwanda and Malawi, which have recently increased government support to smallholder-based agriculture, are reporting stable local food prices and abundant supplies.<sup>63</sup>

Those African countries that are experiencing price rises include Uganda, where maize is 76% higher in April than at the same time last year,<sup>64</sup> and prices of white maize have risen sharply between December 2010 and February 2011 in Kenya (27%), Somalia (25%) and the Democratic Republic of Congo (20%), largely owing to poor rains. In South Africa, the main exporting country in the sub-region, white and yellow maize prices in April were 47% and 43% above their low levels of a year earlier, largely because of production shortfalls due to a decline in the area planted.<sup>65</sup> Chad, Tanzania and Mozambique have all experienced double-digit increases in rice prices over the past three months to April.<sup>66</sup>

## Why are prices rising?

Global cereal production is forecast by FAO to be a record 2,314 million tonnes in 2011, up 3.5% after a 1% decline in 2010. So why have prices surged and are likely to remain high and volatile?

### Supply side

#### Climate-related production shortfalls

Extreme and unusual weather in key exporting countries and regions has led to crop failures and production shortfalls and downgrades this year, which have restricted supply and driven up global prices. A heatwave and wildfires in Russia, plus droughts in Kazakhstan, Ukraine, Brazil

and China are affecting wheat, barley, maize, and soybean harvests; hot weather hit US and Argentine maize and soybean output;<sup>67</sup> floods and storms damaged rice production in Pakistan, Philippines, Thailand, Sri Lanka, and Vietnam; and heavy rain in Canada, Europe and Australia hit wheat, grains, and oilseed crops.<sup>68</sup>

Scientists at Stanford University in the US estimate that global warming is already cutting substantially into crop yields in some countries, with recent models indicating that global maize and wheat production declined by 3.8% and 5.5%, respectively, between 1980 and 2008, due to climate trends and rising temperatures.<sup>69</sup>

Extreme weather events and climate-related declines in food production are expected to intensify. The Intergovernmental Panel on Climate Change projects that in some countries in Africa, yields from rain-fed agriculture could be reduced by up to 50% by 2020,<sup>70</sup> and in central and south Asia, crop yields could fall by 30% by 2050.<sup>71</sup>

### **Export restrictions**

Export bans and restrictions on wheat and other grains by major exporters such as the Ukraine and the Russian Federation – following a 32% year-on-year drop in Russian wheat production<sup>72</sup> – alarmed global markets in August 2010, sparking panic buying, further market speculation, and a surge in global prices, especially for wheat and animal feed alternatives such as barley. Russia lifted its export ban in June 2011, and no further major bans have been applied recently.

### **Rising fertilizer prices**

Global fertiliser prices have been rising since mid 2010, and have fed into higher prices. Urea prices jumped 64%, diammonium phosphate (DAP) increased 33%, and triple superphosphate (TSP) was up 36% from June to December 2010.<sup>73</sup> These rises can impact countries such as Malawi who have recently extended subsidized fertilizer voucher schemes for smallholder farmers to increase maize production and reduce food insecurity. Malawi's total costs for these subsidies, for example, have recently risen from 47% of the agriculture budget in 2005-2006 to 62% last year, and are set to rise to nearly two thirds in 2011.<sup>74</sup>

## **Environmental constraints**

Worsening soils and water constraints are putting increasing pressure on food production. About 2 billion hectares of the world's agricultural land is degraded from deforestation, salinization, and poor farming practices,<sup>75</sup> and soil erosion has intensified, with two huge dust bowls emerging – one in northwest China and western Mongolia, and the other in central Africa. Large amounts of cropland are also being lost to urban development, and aquifer depletion and over-pumping is fast shrinking the amount of irrigated land in many parts of the world. From 2007-10, Saudi Arabia's wheat production, for example, fell by more than two thirds after its fossil aquifer was depleted and it subsequently decided to phase out its wheat production.<sup>76</sup>

## **Demand side**

### **Strong demand**

Strong economic growth in Asia, especially in China, India and South Korea, and post-financial crisis recoveries in some parts of Europe, Africa and north and South America, increased demand for commodities – especially for grain-intensive feed for livestock and poultry – as consumption patterns in emerging economies shift towards more eggs, meat and dairy products.<sup>77</sup> In Asia, China and South Korea have been recording the largest increases in imports for maize and barley – used largely for animal feed – and China's maize imports are forecast to be the highest since the mid-1990s.<sup>78</sup> Overall, a record high proportion, a third of global cereal production – 786 million tonnes – is forecast to be used for animal feed in 2011/12.<sup>79</sup>

### **Biofuels**

Stronger global demand for biofuels increased demand for already-tight commodity supplies and has put upward pressure on grain prices. In the US, maize and soybean supplies hit record lows. Rising from 10% a decade ago, a record 40% of US maize production was now used for biofuels this year,<sup>80</sup> and increasing amounts of soybean has been converted to maize to meet biofuel demand set out in US renewable fuel mandates. An estimated 127 million tonnes of production – largely of maize – was used for producing ethanol in the US,<sup>81</sup> and recent renewal of a major \$6bn ethanol subsidy combined with the approval of higher 15% ethanol blends in newer US cars will support growth in demand.<sup>82</sup> One commentator estimates that the amount of US grain currently diverted for ethanol would be enough to feed 350 million hungry people a year.<sup>83</sup>

### **Dollar depreciation, inflationary policies and rising oil prices**

A 10% slide in the US dollar in late 2010 against pegged and other currencies has contributed to higher global prices for dollar-denominated food commodities.<sup>84</sup> High oil prices – which recently touched \$115 a barrel – have also historically been associated with rising global food commodity prices due to higher costs for oil-based fertilizer, processing, and transport. So-called ‘quantitative easing’ and exceptionally low interest rate policies – such as in the US, UK, EU, China and Japan – are associated with commodity price rallies, and are likely to be fuelling high levels of food commodity market speculation, too.

### **Commodity speculation**

Speculation on food commodity markets is believed to have played a ‘significant role’ in increasing food prices and price volatility during the 2007/8 food price crisis,<sup>85 86</sup> and a special session of commodities experts at FAO in October 2010 concluded that speculation was one of the ‘main factors’ behind the recent escalation in food prices.<sup>87</sup> A massive expansion of investment in under-regulated commodities derivatives through commodity indexes by non-traditional investors – such as hedge funds, pension funds, sovereign wealth funds and investment banks – ‘accelerated and amplified price movements’ in food commodity markets between 2002 and 2008, according to UNCTAD.<sup>88</sup> Holdings in commodity indices jumped remarkably from \$13 billion in 2003 to \$400 billion in 2011,<sup>89,90</sup> and Barclays Capital estimates that \$60 billion was injected into commodities funds alone in 2010 – with much being placed by speculative ‘momentum investors’.<sup>91</sup>

### **Vulnerable countries**

Despite record or bumper cereal harvests in most regions in 2010, 29 countries around the world face food crises and currently are in need of external food assistance.<sup>92</sup> Analysts believe the current price shock is only likely to spiral into a wider global food price crisis if there are further weather-related production shocks – possibly linked to the impact of the La Niña weather phenomenon – which could spark off subsequent export bans, hoarding, and market-related panics.<sup>93</sup>

Whether this happens or not, poor net food importing countries will be hit hard. The global food import bill is estimated to hit a near-record high of \$1.29 trillion in 2011, some 21% more than in 2010, and surpassing the trillion dollar mark for the third time in four years. And rising global prices mean import bills for Low-Income Food-Deficit Countries are expected to increase by 27% – a high cost that many will struggle to afford. In these countries, of special concern are the urban and rural poor who even at the best of times spend 50% to 80% of their overall budget on food.

We have identified four groups of countries at particular risk:

- 1) Countries where domestic prices have already increased sharply in recent months:  
India, Nepal, Myanmar, Pakistan, China, Indonesia, Vietnam, Thailand, Mozambique, Kenya.
- 2) Countries with unfavorable crops prospects in 2011<sup>94</sup> :  
Burundi, Cambodia, Laos, Pakistan
- 3) Countries that are heavily dependent on imported cereals:  
Algeria, Egypt, Jordan, Lebanon, Kenya, Somalia, Sudan, Tanzania, Angola, Mozambique, Zimbabwe, Cote d'Ivoire, Ghana, Guinea, Nigeria, Niger, Senegal, Cameroon, Congo, Nepal, Afghanistan, Pakistan, Liberia, Ethiopia, Lesotho, Haiti, Philippines, Indonesia and Bangladesh.
- 4) Countries with little 'fiscal space' and limited ability to borrow to finance higher food import bills and/or to cushion consumers from price increases:  
Liberia, Sierra Leone, Yemen, Zimbabwe.

## **Demands**

Political leaders must urgently:

- Act globally to minimize price shocks and reduce volatility in global food markets
- Build national and regional buffer food reserves and support other measures to protect poor people from rising food prices
- Fulfill pledges to increase investment in smallholder agriculture and adapt to climate change – with a particular focus on the needs of women farmers and the vulnerable.

## 1) Tackle volatility

### Global action

Working through leadership and coordination by the reformed Committee on World Food Security (CFS) and acting on guidance on curbing food price volatility from the new High-Level Panel of Experts, global leaders should:

- Announce their support for enhanced **food reserves** in developing countries, both through material and technical assistance.
- Urge that reserves be consolidated, or at least coordinated, on a **regional** basis in Asia, Africa, and Latin America. Offer assistance to regional bodies such as SAARC and ECOWAS, which are already working on such approaches, and encourage other regional actors to enter into such partnerships.
- Call for urgent studies of the potential to use **strategic buffer reserves** to address the devastating impacts of market failures and price volatility at the regional, national, and local level
- Agree guidelines on **export bans** to ensure food aid and supplies to vulnerable countries are maintained
- Eliminate targets, mandates and financial incentives (such as subsidies and tax exemptions) that encourage the expansion of unsustainable industrial biofuels production.
- Regulate food commodity **derivatives** and impose position limits to deter speculators
- Impose a moratorium on large-scale '**land grabs**' until effective regulations are in place, whether at the national, regional, or global level.

## 2) Protect the poor

### Vulnerable countries

Countries vulnerable to high and volatile global food prices – in particular Low-Income Food-Deficit Countries, and others identified – should be on high alert, and should:

## Support consumption

- Increase **food assistance** (eg food transfers, food stamps/vouchers, cash transfers, school feeding programmes)
- Intensify work with agencies like the **World Food Programme** to map and identify the most vulnerable and provide locally or regionally-procured food assistance
- Expand social **safety net** programmes, and target women, children and the elderly

## Regulate food markets

- Be ready to adjust import **tariffs** and export taxes on food staples to maintain fair prices
- Set up, enhance, maintain and when appropriate release **strategic food reserves**
- Consider price controls and **anti-hording** measures to stabilize prices

## Boost smallholder farming

- Increase support to smallholder-based **sustainable agriculture** and target and ensure the participation of **women farmers** in particular
- Provide targeted **credit** and subsidies to smallholder communities

### 3) Support smallholder agriculture

African governments and donors must fulfill their Maputo declaration and 2009 L'Aquila commitments to increase support to smallholder-based sustainable agriculture and social protection, and fulfill new pledges to provide **\$100 billion** to help poor countries adapt to **climate change** by 2020.

#### Donors should:

- Clearly demonstrate how they are fulfilling their **2009 Aquila Food Security Initiative (AFSI)** commitments to invest **\$22 billion** in smallholder-based agriculture in poor countries by 2012. The Global Agriculture and Food Security Program

(GAFSP), currently badly under-funded, was set up as a vehicle for AFSI funds, and all countries that are able should make contributions.

- Finalize agreement at the UNFCCC this year to commit \$100 billion of additional funding to support poor countries – and smallholder communities in particular – to adapt to climate change.

### Poor countries should:

- Ensure national **multi-stakeholder** right-to-food strategies – such as developed through CAADP in Africa – enhance social protection and focus support on smallholder-based agriculture and on the needs of women farmers in particular.
- Expand public food distribution systems and boost smallholder food production through **public procurement** policies.
- Implement public programmes to stimulate smallholder communities and local civil society organizations by building up **community seed banks** and local food reserves.
- Build capacity to ensure women, smallholders' and **civil society groups** have a larger role in the governance of local, national, and regional food systems.

## Notes

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<sup>1</sup> Analysts believe high food prices have been a contributing factor in the recent wider political protests in Egypt and elsewhere in North Africa. Some 64% of Egypt's wheat is imported, and the government had to expand the number of people eligible for food rations, and extended ration cards to rice and sugar.

<sup>2</sup> World Bank (2011) *Food price watch*, April, (p6), Washington: World Bank, see: [http://www.worldbank.org/foodcrisis/foodpricewatch/april\\_2011.html](http://www.worldbank.org/foodcrisis/foodpricewatch/april_2011.html)

<sup>3</sup> World Bank (2011) *Food price watch*, April, (p2), Washington: World Bank, see: [http://www.worldbank.org/foodcrisis/foodpricewatch/april\\_2011.html](http://www.worldbank.org/foodcrisis/foodpricewatch/april_2011.html)

<sup>4</sup> ADB (2011) *Global food price inflation and developing Asia*, (p7), Manila: Asian Development Bank, see: <http://www.adb.org/documents/reports/global-food-price-inflation/food-price-inflation.pdf>

<sup>5</sup> FAO (2011) *Global food price monitor*, March, (p12), Rome: FAO, see: [http://www.fao.org/giews/english/gfpm/GFPM\\_03\\_2011.pdf](http://www.fao.org/giews/english/gfpm/GFPM_03_2011.pdf)

<sup>6</sup> FAO (2011) *Global food price monitor*, 3 March, (p1) Rome: FAO, see: [http://www.fao.org/giews/english/gfpm/GFPM\\_03\\_2011.pdf](http://www.fao.org/giews/english/gfpm/GFPM_03_2011.pdf)

<sup>7</sup> FAO (2011) *Food outlook*, June, (p110), Rome: FAO, see: <http://www.fao.org/docrep/014/al978e/al978e00.pdf>

<sup>8</sup> 'UN body warns of 'food price shock'', *Financial Times*, 5 January 2011, see: <http://www.ft.com/cms/s/0/524c0286-1906-11e0-9c12-00144feab49a.html#axzz1ArA9bvmf>

<sup>9</sup> FAO (2011) *Food outlook*, June, Rome: FAO, see: <http://www.fao.org/docrep/014/al978e/al978e00.pdf>

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