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The Time is Now: how world leaders should respond to the food price crisis

3 June 2008

From food prices to food crises

'High food prices are creating ... a silent tsunami threatening to plunge...every continent into hunger.' – World Food Programme, 22 April 2008

'For farmers, higher food prices should help us, but instead they make our lives harder.'

– Bob Atanga, a small farmer in a household in Nyariga, near Bolgatanga, Upper East Region, Ghana, that consumes more than it can produce

'I used to make breakfast for my two children before setting off for work as a street vendor but increases in food prices mean my children now go without their morning meal' – Judith Alexandre, Carrefour-Feilles district of Port-au-Prince, Haiti

Global food prices are up 83 per cent compared with three years ago.¹ The resulting food price crisis constitutes an unprecedented threat to the livelihoods and well-being of millions of rural and urban households who are net food buyers. Around the world, Oxfam International and many of its partners have seen soaring prices force people to eat less food or less nutritious food and drive poor households to cut back on health care, education, and other necessities. Women and children's nutritional levels are particularly vulnerable, as women often put men's consumption before their own.

Oxfam estimates that current food price levels constitute an immediate threat to the livelihoods of around 290 million people living in countries most vulnerable to food price increases.² Such vast numbers dwarf those affected by even the largest natural disasters, such as the 2004 Asian tsunami.

The current food price crisis occurs against a backdrop of continuing hunger and vulnerability for millions. Persistent hunger affects 854 million people across the world, a number that means we are off-track in meeting the target set by the world community in 2000 of reducing hunger by half before 2015.³ According to the UN's World Food Programme (WFP), the number of food emergencies has increased from an average of 15 per year during the 1980s to more than 30 per year since the turn of the millennium.⁴

Food prices are likely to remain high and volatile for years to come because of rising production costs due to high oil prices, and rising demand for cereals, linked with the growth in the biofuels sector and in consumer demand in emerging countries. In addition, climate change is expected to lead to more unpredictable weather and climate-related disasters, exacerbating volatility in yields and markets and undermining food availability and the livelihoods of millions of people, especially in sub-Saharan Africa.⁵

Action is urgently needed to deal with the current crisis and to reduce the likelihood of similar events in the future. But the crisis offers opportunities as well as threats. For decades, low prices have punished the rural producers and agricultural workers who make up the majority of the world's poor people. Now high prices could reverse that trend, but only if the right policies and institutions are in place to allow poor farmers and agricultural labourers to benefit.

Unfortunately, at local, national, and global levels, the right policies and institutions are not yet in place. In many poor countries, mechanisms for regulating food markets and promoting agricultural investment were scrapped under so-called 'structural adjustment programmes' pushed by the World Bank and the International Monetary Fund. The results? Less support for small farmers, and more instability in agricultural markets.

The food price crisis represents an enormous challenge to the leadership and legitimacy of the world's multilateral institutions, but is also a genuine opportunity to deliver long-overdue reforms to the food and agriculture system. Those countries with the resources and power to deliver such reforms should take the lead, as they have done in trying to avert a global financial crisis. The scale of what is possible when the political will exists is breathtaking: the US Federal Reserve and European Central Bank have injected well over \$1 trillion into the financial system in the past six months.⁶ The amount Oxfam estimates is needed in immediate assistance for the poorest populations in 53 developing countries deemed most vulnerable to current price levels is miniscule in comparison: just \$14.5 billion.⁷

This briefing note sets out a series of steps, both short- and medium-term, to deal with the current food crisis, and to put in place the reforms required to prevent future repetitions.

Provide immediate aid to prevent hunger and malnutrition

The provision of immediate food aid is vital to prevent hunger and malnutrition amongst affected populations. Oxfam welcomes the \$755 million extra funding received recently by the WFP, which allows the programme to maintain its operations at their 2007 level. However, changing the nature of food aid is as important as increasing its volume. International food aid, provided 'in kind' by donor countries, has often contributed to dependency on food imports through the dumping of cheap food, which undermines local food production. International assistance should do just the opposite and support local

economies. This is why Oxfam promotes local purchases for food aid as well as providing cash directly to poor people instead of food, when appropriate.

Providing cash for locally- and regionally-produced food is also better value for money, given the high fuel costs of transportation from rich countries. The OECD estimates that an extra \$750m a year could be released if rich countries gave food aid as cash rather than in kind.⁸

But the response to this crisis must go far beyond food aid. Oxfam recommends establishing, or scaling up, national-level social protection schemes such as minimum income guarantees, public work programmes, and direct assistance to vulnerable groups and affected populations. This should include the provision of food, cash, and agricultural inputs, but also fiscal measures aimed at protecting people's purchasing power (e.g. reduction of VAT on staple foods). Governments and employers should also ensure that wages should be living wages and that they keep pace with the increased cost of living. Income support and food aid programmes must be implemented in a way that minimises the burden on women's time. It is also essential to develop village grain banks and similar mechanisms that support the local availability and affordability of food, regardless of market fluctuations.

Depleted global grain stocks – now reduced to an historical low, equivalent to 55 days of world consumption – make the world, particularly food-importing countries, extremely vulnerable to any supply shock. More such shocks are expected.

Box 1. Scaling up humanitarian programmes and safety nets

In **Afghanistan**, Oxfam has started an emergency food- and cash-for-work programme to increase access to food and other basic items for the most vulnerable people. However, the intervention is coming under pressure, as the current crisis has pushed many families not previously considered at risk into the vulnerable category.

In **Haiti**, Oxfam is developing short-term responses to respond to high food prices, including school canteens and community soup-kitchens in Port-au-Prince and Jacmel, and is scaling up existing cash-for-work activities in Port-au-Prince.

The Government of **Niger** is implementing a national food security and nutrition action plan, which includes subsidised sales of cereals and cash-for-work schemes. The plan receives multi-year support from key donor governments.

Countries dependent on food imports must reconstitute some form of food reserve in the months to come in order to reduce fluctuations on local markets and to improve food availability for food deficit areas and populations. This would support local food production and trade if planned and managed properly. National grain reserves could be replaced by regional reserves when appropriate (e.g. in East Asia or West Africa) and complemented by innovative mechanisms, such as hedging, insurance, and other risk-management strategies.

People's livelihoods need to be protected through humanitarian assistance and safety nets in order to prevent hunger and malnutrition. The poorest developing countries need international support to provide such protection. Last year, the world leaders meeting at the G8 summit called for greater investment in social protection in developing countries. It is now time for them to turn their words into action.

Support agriculture

The crisis caused by higher food prices is in part the result of decades of neglect of farming in poor countries. The lack of investment in agriculture has exacerbated food insecurity in the world's poorest countries, and has left them exposed to the impact of global food price rises. Rural households at risk from food shortages have nothing to fall back on when prices rise beyond their means.

Ramping up agricultural production in major grain-exporting countries may provide temporary respite to the food price spike, this is not enough. Firstly, it does nothing to tackle the systemic causes of food insecurity in the world's poorest nations that make them vulnerable to higher prices in the first place. Secondly, addressing the issue of agricultural development in low-income countries offers a critical opportunity to make a significant dent in global poverty that should not be missed. Three-quarters of the world's poor people still live in rural areas, most of them on small farms. Many of the poorest countries are still heavily dependent on agriculture for income and jobs.

Contrary to the claims of the 'big is beautiful' school of economists, there are also strong efficiency arguments for investing in the developing world's 400 million smallholder farmers. Their smallholdings often show higher productivity per area than their larger counterparts.⁹ In addition, such farmers usually spend more on locally manufactured goods and services. In countries economically dependent on agriculture, this is one factor that contributes to the potential for agriculture to 'kick-start' their economic development. History shows the importance of agriculture in this process: as the UK's Department for International Development has concluded, 'No poor country has ever successfully reduced poverty through agriculture alone, but almost none have achieved it without first increasing agricultural productivity'.¹⁰ Small farms can also provide other vital services such as preserving biodiversity and conserving water.

Despite these arguments for smallholder agriculture, complacency on the part of donors and governments in an era of low prices was part of the reason behind a dramatic decline in investment in the sector in many developing countries. International aid to agriculture almost halved between 1980 and 2005.¹¹ Although new pledges have since been made by some donors,¹² the scale of the challenge far outweighs the amount of money currently on the table, with the aid budget for agriculture currently totalling around \$4bn.¹³ That amount is dwarfed by the support showered by the rich countries of the OECD on their own agricultural sectors, which in 2006 stood at an estimated \$125bn a year in direct payments to farmers.¹⁴

Meanwhile, developing country governments have fallen behind on investing in agriculture. In 2005, only six out of 24 African governments had met their 2003 commitment to spend ten per cent of their budgets on agriculture.¹⁵ If all African governments were to meet the ten per cent target, an extra \$5bn would be released for agriculture.¹⁶

New money needs to be matched by new commitments to improve the quality of agricultural spending. To effectively reduce people's vulnerability to hunger, investment needs to reach the most marginalised rural groups: smallholders, landless labourers, nomadic pastoralists, and women. Such investment needs to encompass a comprehensive set of agriculture policies, at a minimum ensuring access to and control of land and water, providing infrastructure, investing in research and development backed by extension and training services, and providing finance and credit to producers. Policies need to pay particular attention to the circumstances of female producers, who may require investment in household technologies such as energy and water in order to reduce the time spent on

fetching water and firewood and other household chores, and to facilitating their participation in agricultural production and marketing.

Much attention has been given in recent debates to the potential of science and technology to achieve productivity increases in developing countries. Improving agricultural science and technology has a vital role, particularly in drought-prone areas, but agricultural research and development budgets in developing countries are far below those in the developed world.¹⁷ However, enhancing agricultural production in a way that brings sustainable development to the world's poorest people will take more than a 'technology fix'. For technology to be appropriate, farmers need to be involved in its development, and extension and training services need to reach the poorest rural communities. Female farmers benefit from only five per cent of agricultural extension services worldwide, despite the fact that women are responsible for the majority of household food production on most continents.¹⁸

Box 2. Supporting production at the local level

Zimbabwe seed fairs: People's capabilities can be strengthened during and immediately after food emergencies, for example by supporting seed fairs to encourage the planting of traditional crops best suited to the environment, in order to kick-start local food production. Oxfam has found that giving farmers vouchers to buy seeds at fairs offers them greater choice than simply handing out seed packages. Oxfam held 37 seed fairs in partnership with local organisations in Masvingo and Midlands provinces in Zimbabwe in 2004–05, bringing together producers, seed merchants, extension agents, and local people, who were given vouchers to pay for their own choice of seed. The rich diversity of 21 crops and 51 varieties included species that were previously threatened with extinction. Many of these traditional crops are cheaper and more tolerant of marginal conditions than high-yielding varieties. Some 23,000 households benefited directly through buying seeds.

Ethiopia cereal banks: In Holeta in the central highlands of Ethiopia, where in 2002 most families lived on less than \$1 a day, local farmers were efficient producers of millet but the price it commanded was barely enough to cover their production costs. So the community established a 'cereal bank' into which producers 'deposit' their harvest and from which they draw corresponding payments. Today, farmers enjoy a reliable store of grain all year round, sell into the market when the price is high, and no longer need to purchase seed.

There is no global blueprint for agriculture. New interventions must be developed locally, in close consultation with women and farmers' groups and civil society organisations. However, more proactive state support is often necessary to ensure delivery of agricultural services and inputs (including extension services) where it is most needed, improve storage and marketing systems, and protect and improve access to land, especially where these functions have been dismantled in recent decades. Governments and donors must also support women's access to and control of assets, goods, and services, as well as their voice in agricultural policy-making.

Stop adding fuel to the fire by pushing biofuels

Demand for biofuels has risen rapidly over the past few years, primarily as a result of mandatory targets for biofuels production and consumption¹⁹ and associated subsidies and support measures in industrialised countries. But using food crops to produce transport fuels is a hugely inefficient use of agriculture. The amount of grain required to produce enough ethanol to fill the tank of an SUV is enough to feed a human being for an entire year.²⁰

The OECD has estimated that between 2005 and 2007 almost 60 per cent of the increase in consumption of cereals and edible oils was due to biofuels.²¹ As well as diverting food crops into fuel production, biofuels also compete with food production for agricultural land, water, and inputs such as fertilisers.

Increasing demand for biofuels is therefore having a direct impact on the price of food: the International Food Policy Research Institute (IFPRI) has estimated that biofuels explain 30 per cent of recent food price inflation.²² IFPRI also points out that support to biofuels, on which OECD countries are estimated to have spent \$13–15bn last year, acts as a ‘food tax’ that is felt most keenly by the poor people who spend a higher proportion of their incomes on food.²³

Countries are justifying the pursuit of biofuels on the grounds that they offer a means to reduce emissions from transport and improve energy security. But there is mounting scientific evidence that biofuel mandates are actually accelerating climate change by driving the expansion of agriculture into critical habitats such as forests and wetlands. Meanwhile, far safer and more cost-effective means to reduce both emissions from transport and dependency on foreign oil are available.

Governments should therefore stop adding fuel to the fire through their biofuels policies. They must dismantle current subsidies and tax exemptions for biofuels and urgently rethink existing mandates that reduce access to food. There must be a freeze on the implementation of all further mandates.

Help poor countries get a fair deal from trade

Over the past three decades, the productive capacity and regulatory institutions of poor countries have been seriously undermined by the dumping of rich country farm products, barriers to northern markets and the unilateral opening and deregulation of developing country agricultural markets.²⁴

The current price spike has brought the weakened state of much developing country agriculture into sharp relief. Most vulnerable have been those countries (such as Haiti – see box 3) that have prematurely slashed tariffs, cut support to agriculture, and become increasingly dependent on food imports. Those that retained a greater degree of state involvement (for example in marketing) and tariff protection have found it easier to absorb the impact of the price shock.

Some governments have reacted to the price shock by restricting or banning exports. This may make sense in terms of easing domestic needs, but it has serious consequences for other, often more vulnerable countries. If large producers restrict exports, they will significantly restrict supply on world markets, and so force up prices for food importing countries, who are among the world’s poorest.

Box 3. The impact of forced liberalisation

The case of Haiti, which is now facing riots due to food shortages, illustrates the problems that arise from rich country interference in local markets. In 1995, a rapid liberalisation programme imposed by the World Bank and the IMF cut import tariffs on rice from 50 per cent to three per cent, and the country was flooded by cheap, subsidised rice imports from the USA. Urban consumers benefited for a while from cheaper rice, but national rice production plummeted: from near self-sufficiency in 1990, Haiti is today forced to import 80 per cent of the rice it consumes, just as world prices have doubled. More than half of the population is malnourished, and more than 80 per cent of the rural population live below the poverty line.

Source: 'Rigged Rules and Double Standards' (Oxfam International, 2002) and World Development Indicators (www.worldbank.org/data/onlinebases/onlinebases.html).

However, the implications for multilateral trade rules and the Doha round are complex, and claims by EU and US trade negotiators and the World Bank²⁵ that concluding the Doha Round of trade talks at the World Trade Organisation (WTO) is a solution to the current food price crisis should be treated with great scepticism.

Trade rules are long term and largely irreversible, and must protect poor people in times of both high prices and low. As prices and other factors shift, it is vital that developing countries retain the 'policy space' they need to protect poor people whether producers or consumers. For example, governments may choose to lower tariffs during periods of high prices, but need to retain the ability to raise them again, should prices subsequently collapse (as they have after most previous commodity booms).

This is not to argue that developing countries should necessarily pursue self-sufficiency. The optimum degree of market openness and food dependency depends on a number of factors, including the structure of the economy, the level of foreign exchange reserves, the opportunities to increase productivity, or a country's long-term development strategies. In successful countries such as South Korea, Malaysia, and Indonesia, for example, smallholder development strategies were underpinned by government use of tariffs to stabilise domestic prices (protecting floor prices for farmers as well as ceiling prices for consumers) and thereby encourage investment.²⁶

Unfortunately, there is a temptation for trade negotiators to ignore such nuances and use the food price crisis in order to whip up momentum for a quick deal. But any agreement based on what is currently on the table at the WTO is likely to undermine, rather than strengthen, developing country agricultural systems, and is unlikely to solve the current crisis, for two main reasons.

Firstly, current proposals do not adequately address the need for many developing countries to retain the ability to protect rural livelihoods and ensure food security. Secondly, even with the anticipated elimination of export subsidies, loopholes allow the USA and the EU to maintain high levels of trade-distorting spending on agriculture, and therefore a licence to continue dumping. Under current scenarios, the Doha Round is unlikely to oblige either the US or EU to cut a single dollar from the subsidies it pays its farmers. While this might not be seen as a priority in a period of high food prices, the resulting record farm profits ought to provide an ideal opportunity for reform. The passage of the \$289bn Farm Bill in the USA in May and aggressive statements by European opponents of CAP reform²⁷ suggest that opportunity is being squandered.

Progress on agreeing new disciplines at the WTO on the use of food aid will also provide a litmus test for rich countries' willingness to reform. Beyond the WTO, regional trade agreements have become a new example of rich countries' double standards and threaten to undo even the modest gains made possible by new multilateral trade rules. The EU's proposals in its negotiations with its former colonies in the African, Caribbean, Pacific (ACP) group, known as Economic Partnership Agreements (EPAs), go far beyond the requirements of the WTO, and pose serious obstacles to the protection of small producers against sudden import surges and unfair competition. Moreover, the attempt to introduce stricter patent protection could become a serious barrier to innovation and access to improved seeds, both of which are key to enabling smallholders to improve their yields and adapt to climate change.

Rich countries should take this opportunity to reorientate their agricultural and trade policies. Instead, recent declarations by some officials in the USA and in EU member states suggest that the current spike in prices could be used as an opportunity to reverse the modest pace of reform. Those in Europe have already proposed continuing the very model of the Common Agricultural Policy that contributed to the current problems in the first place - and, were prices to decline in future, would perpetuate yet again a cycle of rich country dumping and the undermining of agricultural markets for the poorest producers. Losing the momentum for change created in the past few years would be a serious setback to efforts to make trade fair, and would be a further blow to rich country credibility.

Get behind a 'new deal' for global food and agriculture policy

An unprecedented level of co-ordination is now required across the international agencies, developing country governments, civil society organisations, and private sector bodies involved in making food and agriculture policy. All relevant actors need to work together to put in place a comprehensive, global plan of action that ensures immediate assistance but which also develops a strategy for the long term. The UN system must play a leading role in ensuring that this is implemented. The rapid establishment of the UN taskforce, with UN agencies working in close conjunction with the World Bank and IMF, is welcome and will need to act quickly to operationalise its plans.

A global plan of action is meaningless without the financial commitments to make it happen. Too often promises of finance have been neglected. The Marrakech Decision, for example, was a pledge made by developed countries in 1994 to compensate Least Developed and Net Food Importing developing countries for the impacts of trade liberalisation by financing food imports and cash and food aid. It has never been implemented.

Additional financing is urgently needed to guarantee increased food and cash aid, cover balance-of-payments deficits caused by rising import bills, and finance inputs for the coming agricultural harvest. While the World Bank in particular, but also the IMF, have an important role to play in delivering such financing options, they should do so without imposing additional conditionalities, particularly as shocks, by their very nature, cannot be predicted. IMF credit facilities such as the Exogenous Shocks Facility should be made more widely available, at more concessional rates. Further and faster debt relief should also be granted to countries suffering as a result of the crisis.

In the long run, new financial commitments to the agricultural sector must be delivered in a way that supports, and does not undermine, existing institutions and initiatives (such as the Comprehensive Africa Agriculture Development Programme, or CAADP, a regional initiative under way to support agricultural policy reform). The establishment of a separate new Special Fund administered outside existing donor or government institutions may divert attention and resources away from these initiatives. Rather, what is needed is to find ways to ensure clear global co-ordination of financing efforts, which includes both food aid and cash funding, and monitoring of all new financial flows, so that the global aid effort focuses effectively on poverty and hunger and is both transparent and accountable. In the poorest countries, aid needs to be delivered in a manner that supports country ownership and plans, and which delivers long-term, predictable finance, channelled through government budgets where possible.

Governments should also explore the potential for innovative financing solutions that raise additional finance. Any new finance should be long-term and predictable, and should not divert attention from the major aid effort that will also be needed.

Additional research and analysis will also be needed, particularly into areas such as the role of financial markets. Financial instruments can play a role in reducing price volatility and risk in agriculture. However, recent events have raised questions as to whether these markets are in fact currently performing this role and, if so, to what extent.

Conclusion: the time is now

Unco-ordinated, unilateral responses by governments to the food price crisis are only to be expected in the face of global inaction. But there is a better response. Collective action is essential to devise solutions that are equitable and sustainable for the global population as a whole. This crisis represents an enormous challenge for the world's multilateral institutions, but also a genuine opportunity to deliver long-overdue reforms to the food and agriculture system.

If those institutions fail to rise to the challenge, the cost will be measured not just in lost lives and human suffering, but in lost legitimacy. Rich country governments have shown their readiness to intervene massively to safeguard financial markets. They must show the poor nations and communities of the world that they are at least as determined to agree the funding and structural reforms necessary to help hundreds of millions of poor and vulnerable people who suddenly find themselves unable to put food on the family table.

Oxfam urges world leaders meeting at the FAO Special Summit and the G8 in June and at the UN High-Level Meeting on the MDGs in September to consider the following proposals, ensuring that short-term, immediate needs are guaranteed in the coming weeks, and that a comprehensive plan for longer-term action is in place by the conclusion of the Millennium Summit.

Recommendations for short-term action:

- 1. Governments, UN agencies, and NGOs must expand safety nets and scale up humanitarian assistance to food-insecure people.** Some 290 million people require immediate assistance in food, cash, and other short-term measures to support their incomes and food consumption. Oxfam estimates that \$14.5bn is required to scale up immediate assistance for these people alone.²⁸

2. **Donors and developing country governments should invest in increasing short-term agricultural production, as well as long-term support to the sector** (see below). Donors should ensure that the emergency initiative of the UN's Food and Agriculture Organisation (FAO) to guarantee Low-Income Food Deficit Countries the inputs they need to boost domestic production is fully financed, but also support existing programmes (such as Africa's CAADP initiative) working to support smallholder farmers, particularly women farmers, to increase productivity and access markets.
3. **Rich countries must stop adding fuel to the fire through their biofuel policies.** Subsidies and tax exemptions which incentivise the diversion of agricultural production to fuel production should be dismantled, and there must be an immediate freeze on the implementation of any further mandates. Existing mandates that are contributing to reduced access to food should be urgently rethought.
4. **Developed and developing countries should avoid resorting to trade measures that exacerbate the crisis or undermine long-term development goals.** Rich countries should stop advocating for tariff reductions to be 'locked in'. Export bans should be avoided: while they may be an understandable response to protect domestic consumers in the short term in the absence of global action to deal with higher food prices, they can negatively affect net food importing countries and producers. Rich countries should not use higher food prices as a pretext to stall on much-needed reforms in their trade and agriculture policies. The EU and the USA should publicly commit themselves to a profound reform of their agricultural policies. Rich countries should also restate their commitment to a pro-development outcome of current trade negotiations, such as the Doha Round and the EU's Economic Partnership Agreements (EPAs).
5. **Additional financial support must be made available for net food importing countries facing balance-of-payments or fiscal crises due to food price rises.**
 - Debt relief for Heavily Indebted Poor Countries (HIPCs) suffering as a result of the food crisis should be speeded up. Indebted non-HIPC countries that are affected should also be granted debt relief.
 - The IMF should ensure that Poverty Reduction and Growth Facility (PRGF) augmentation is offered automatically and immediately to all countries that want it, without additional conditionality.
 - The IMF's Exogenous Shocks Facility (ESF) should be made available with only fiduciary conditions attached, and with improved concessionality, to countries suffering budgetary as well as balance-of-payments problems.
 - The World Bank and the IMF should also offer emergency shock financing to middle-income countries suffering from the food crisis, with only fiduciary conditions attached.
6. **Governments and international bodies such as the FAO and World Bank should commission a study immediately to clarify the contribution of futures markets to the price spike.** Oxfam is calling for careful consideration of these concerns and for appropriate responses.

Recommendations for medium- and long-term action:

1. **Developing countries dependent on food imports should be supported to reconstitute some form of food reserve.** In circumstances where national grain reserves are inappropriate, regional reserves should be established, particularly in regions with strong economic integration. These reserves could be administered under the umbrella of existing regional economic unions or frameworks (e.g. the Economic Community Of West African States (ECOWAS), Club du Sahel, Southern African Development Community (SADC)).
2. **Governments should invest in social protection programmes** to enable people to meet their basic needs, protect their livelihoods against risk, and enhance their social status and rights. The cost of providing such social protection to the poorest people in Africa would be around \$30bn – just three per cent of the amount injected so far to ward off a potential global financial crisis.²⁹
3. **Donors and developing country governments must scale up their investments in agriculture and rural development, ensuring that such investments deliver sustainable agricultural growth with benefits for the most marginalised rural populations.** This requires not only a step-change in the amount of investment delivered to the sector, but reforms to the ways in which it is targeted and agricultural policy is made. Agricultural policy should not be decided as part of a negotiation with an international financial institution or aid donor, but by a country's government, in consultation with its citizens, including farmers' groups. Before a government decides upon a major agricultural policy reform that is likely to have a significant distributional impact, it should ensure that a full, ex-ante Poverty and Social Impact Assessment has been carried out. New investments in the agriculture sector need to take into account the climate change adaptation needs of developing countries.
4. **The food aid system must be reformed** in order to eliminate tied food aid and to ensure that international assistance does not undermine local production in recipient countries. Although in-kind food aid may be essential in the short term to meet immediate needs, the WFP must also help governments, local administrations, and communities to establish prevention and mitigation mechanisms (e.g. grain banks, grain reserves). The FAO, the International Fund for Agricultural Development (IFAD), and the WFP must work together to support the design and implementation of comprehensive strategies to fight hunger at country level. New rules are needed at the WTO and in international humanitarian regulation to guarantee the effective use of food aid and to prevent it being used to dump surplus farm produce:
 - Food aid should not be linked, either explicitly or implicitly, to commercial transactions or services of the donor country.
 - The use of in-kind food aid should be limited to situations of acute local food shortage and/or non-functioning local food markets, where regional purchase is not possible. In other situations, food aid should be provided in cash form, to purchase food locally or regionally.
 - Monetisation of food aid should be limited and replaced with cash donations, to avoid displacement of local production or commercial imports.

5. **Multilateral and regional trade agreements must include a meaningful reform of current agricultural trade rules**, in order to provide fair rules for poor countries and producers.
 - **The WTO text on agriculture** should include provisions that provide real market access for developing countries. In addition, it is important that the negotiations deliver an outcome that allows developing countries to use trade defence instruments such as the 'special products' (SPs) and the Special Safeguard Mechanism (SSM) to protect livelihoods and rural development. Furthermore, the negotiations need to address the issue of overall trade-distorting subsidies in rich countries.
 - **The EU should offer ACP countries long-term options for trade in goods that would include** (i) adapting its unilateral preference schemes so that they further open European markets and are made permanent, ensuring that no ACP country is left worse off if it does not conclude an EPA; and (ii) renegotiation of any aspect of the initialled EPAs and commitment to reduce the deals to the minimum needed for WTO compliance.

6. **Developing countries must be supported to plan for, and protect against, future shocks.** All future Poverty Reduction Strategy Papers (PRSPs) should develop comprehensive anti-shock plans. The projected shocks should be based on historical probability and scale of all recent shocks. A strong emphasis should be put on the fiscal effects of shocks and the implications for MDG-related expenditures.

Notes

¹ As is now well established, price rises have been driven by a 'perfect storm' of pressures, including bad weather conditions, increased demand from fast-growing economies, population growth, demand for biofuels, and high oil prices, which force up transport costs and fertiliser prices.

² Based on an Oxfam estimate of the number of the poorest people living on less than \$1 a day in 53 countries (49 Least Developed Countries (LDCs), Tajikistan, Zimbabwe, Occupied Palestinian Territories and Kenya) considered as the most vulnerable to current food price rises. List of LDCs and poverty data from the United Nations website, www.un.org/special-rep/ohrls/ldc/list.htm, accessed 28 May 2008 and regional poverty estimates and national population data from World Bank (2007) 2007 World Development Indicators. Washington DC: World Bank.

³ Latest data which reflects figures for 2001-2003. FAO (2006) *The State of Food Insecurity in the World 2006*. Rome: Food and Agriculture Organisation of the United Nations.

⁴ WFP website, http://www.wfp.org/aboutwfp/introduction/hunger_fight.asp?section=1&sub_section=1, accessed 16 May 2008.

⁵ W.E. Easterling, P.K. Aggarwal, P. Batima, K.M. Brander, L. Erda, S.M. Howden, A. Kirilenko, J. Morton, J.-F. Soussana, J. Schmidhuber, and F.N. Tubiello (2007) 'Food, Fibre and Forest Products. Climate Change 2007: Impacts, Adaptation and Vulnerability', Contribution of Working Group II to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, M.L. Parry, O.F. Canziani, J.P. Palutikof, P.J. van der Linden, and C.E. Hanson (eds) Cambridge University Press, pp.273-313.

⁶ The US Federal Reserve has made \$510bn available since December 2007 (<http://news.bbc.co.uk/2/hi/business/7410874.stm>), and the European Central Bank released \$500bn in the same month (<http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/12/19/ccom119.xml>).

⁷ Oxfam's calculation, based on the 290 million poorest people in the 53 countries considered most vulnerable to food price rises requiring on average \$50 per capita of assistance in 2008. This is a conservative estimate that does not take into account transaction costs and would represent only 14 cents per capita per day.

⁸ E. Clay 'Food Aid and the Doha Development Round: Building on the Positive', ODI, February 2006.

⁹ Poulton, C., A. Dorward and J. Kydd (2005) 'The Future of Small Farms'. Conference on the Future of Small Farms, June 2005, Wye.

¹⁰ DFID, 'Growth and Poverty Reduction: The Role of Agriculture', December 2005.

¹¹ <http://www.odi.org.uk/publications/nrp/NRP114.pdf>

¹² The World Bank has announced a doubling of agricultural lending to Africa over the next year.

¹³ In 2005–06 the OECD DAC donors provided \$3.1bn in assistance to agriculture, while the World Bank lent \$1–2bn to agriculture, forestry, and fisheries between 2002 and 2007.

¹⁴ OECD (2007) *Producer Support Estimate, Agricultural Policies in OECD Countries*.

¹⁵ http://www.africa-union.org/root/ua/Conferences/2008/avril/REA/01avr/Pamphlet_rev6.pdf

¹⁶ WFP Congressional testimony before the Senate Foreign Relations Committee, 15 May 2008.

¹⁷ In 2000, developing countries as a group invested one-ninth of the amount invested in agricultural research and development by developed countries, as a proportion of their agricultural gross domestic product (World Development Report 2008).

¹⁸ <http://www.fao.org/worldfoodsummit/english/fsheets/women.pdf>

¹⁹ i.e. legal obligations to produce or consume certain amounts of biofuels on an annual basis.

²⁰ C. Runge and B. Senauer, 'How Biofuels Could Starve the Poor', *Foreign Affairs*, May/June 2007.

²¹ OECD, 'Rising Food Prices: Causes and Consequences', paper prepared for the DAC High Level Meeting, 20–21 May 2008.

²² See <http://www.guardian.co.uk/environment/2008/feb/26/food.unitednations>.

²³ R. Steenblik, 'Biofuels – At What Cost? Government support for ethanol and biodiesel in selected OECD countries', Global Subsidies Initiative, IISD, Geneva, 2007.

²⁴ See, for instance, 'A Round for Free', http://www.oxfam.org/en/files/bp76_dumping_roundforfree_050615.pdf.

²⁵ See for example World Bank President Robert Zoellick at a press conference, 2 April 2008: 'If ever there was a time to cut distorting agricultural subsidies and open markets for food imports, it must be now.', EU trade negotiator Peter Mandelson and US trade negotiator Susan Schwab made remarks to the same effect in Bloomberg Television interviews 19 May 2008.

26 M. Stockbridge (2006) 'Agricultural Trade Policy in Developing Countries During Take-Off', Oxfam research report.

27 see for example International Herald Tribune, 19 May 2008, 'Rise in food price sharpens argument about EU farm policy'. "The solution to the crisis is not, first of all, through free trade," said the French agriculture minister, Michel Barnier, rejecting the position promoted by pro-market countries like Britain and Denmark as a response to rising food prices. Barnier said that the food crisis highlighted the need for the EU's so-called Common Agricultural Policy, or CAP, which he called a cornerstone of the Continent's food security.

²⁸ Oxfam's calculation. The 290 million poorest people in the 53 most affected countries require on average \$50 per capita of assistance in 2008. This is a conservative estimate that does not take into account transaction costs and would represent only 14 cents per capita per day.

²⁹ Oxfam's calculation, based on 298 million people living on less than \$1 a day in sub-Saharan Africa, requiring as an average \$100 per capita per year. This is a conservative estimate that does not take into account transaction costs and would represent only 27 cents per capita per day. Sources: the United Nations website, www0.un.org/millenniumgoals/docs/MDGafrika07.pdf, accessed 28 May 2008

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