

Global Food Responsibility

The European Union and the United States
Must Chart a New Path



A CIDSE-IATP Policy Paper

May 2009



Institute for Agriculture and Trade Policy

CIDSE 
together for global justice

This document has been produced by the Institute for Agriculture and Trade Policy and the CIDSE Food, Agriculture and Sustainable Trade Group. It provides a critical analysis of responses to the food crisis in 2008, and puts forward recommendations to the EU and the US to chart a new path towards global food security in 2009.

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Published in May 2009

By	CIDSE, Rue Stévin 16, 1000 Brussels, Belgium
Responsible editor	Bernd Nilles (CIDSE)
Picture cover page	© Lucian Coman
Design and layout	fuel. (Brussels) www.fueldesign.be

Printed on 100% cyclus print paper, produced without optical or chemical bleaching, and with vegetable ink.

CIDSE – together for global justice

CIDSE is an international alliance of Catholic development agencies. Its members share a common strategy in their efforts to eradicate poverty and establish global justice. CIDSE's advocacy work covers global governance; resources for development; climate change; food, agriculture and sustainable trade; EU development policy and business & human rights.

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Table of contents

EXECUTIVE SUMMARY	4
INTRODUCTION	7
1. THE EMERGENCE OF THE FOOD CRISIS: WHAT WAS LEARNED IN 2008?	8
A. Dealing with scarcity: exhausted natural resources	8
B. A crisis that could have been averted	8
C. Additional threats from the global economic recession	10
2. MEETING THE GLOBAL FOOD CHALLENGE: INITIAL RESPONSES	11
The United Nations High-Level Task Force on the Food Crisis (UNHLCF)	12
The Global Partnership for Agriculture and Food Security (GPAFS)	12
National Interventions	13
3. EU AND US RESPONSIBILITY TO CHART A NEW PATH	14
CIDSE and IATP Recommendations to the EU and the US	15
A. Incorporate Right to Food as a guideline for policymaking	15
B. Create an inclusive and binding Global Partnership for Agriculture and Food Security	15
C. Increase aid for agriculture and deliver it in line with the Right to Food.	16
D. Promote multifunctionality of agriculture	17
E. Address price volatility: food reserves and a ban on excessive speculation	18
F. Pave a new way for trade	18
G. Regulate market power	19
REFERENCES	20



Executive Summary

With an additional 40 million people classified as hungry at the beginning of 2009, and the number of undernourished people in the world now standing at 963 million, the global food crisis is clearly far from over. Beyond essential steps to alleviate the suffering of those living in poverty in developing countries, the international community must establish a new approach to the governance of food and agricultural systems.

Food prices exploded in 2008 because of a number of emerging factors, but the scene for the crisis had been set long before. Longstanding policy failures, including unjust trade rules, ill-advised economic adjustment policies and neglected agricultural programs had resulted in a vulnerable global food system. The current situation proves with tragic clarity that such a system does not provide food security for all.

Responses to the food crisis at the national and international levels so far have raised useful ideas, but have yet to make the more fundamental shifts necessary to achieve a genuine break from past practice. The convergence of the food, economic and climate crises calls into question more than ever the viability of our current models of production and consumption, and it is clear that future approaches must be governed by principles of equity and sustainability.

Policies enacted by the US and EU, and then aggressively pushed through global institutions over the last several decades, have contributed to a global food system vulnerable to disruptions. The US and EU must play a key role in promoting a new global food system, one that is just and sustainable. CIDSE and IATP (Institute for Agriculture and Trade Policy) are calling on the EU and the US to take immediate and comprehensive action.

CIDSE and IATP Recommendations to the EU and the US;

1. Incorporate the Right to Food as a guideline for policymaking

The EU and the US must adopt the right to food as a framework for responses to the food security crisis. This requires action focused on the most vulnerable, the poorest and the most marginalised – crucial in a context where food security is a matter of access and distribution.

2. Create an inclusive and binding Global Partnership for Agriculture and Food Security

The Global Partnership for Food and Agriculture has potential to reform global governance of food and agriculture if it can meet a number of conditions:

- **Strengthen the UN** –The High Level Task Force on the Food Crisis, where all relevant UN and multilateral agencies are represented, should provide the forum to build a truly global partnership, a consensus on a new vision and a pathway to get there.
- **Involve non-state actors** - The Global Partnership fundamentally recognizes that no one country or institution can respond to the food challenge in isolation. However, this is not enough. **Concrete guidelines for how to involve civil society representatives and the private sector, as well as dedicated funding are needed.**
- **Give it a strong mandate** - The Global Partnership will only be significant if it is given a strong mandate to remedy global policy failures related to hunger.
- **Create an experts group** - A permanent **experts group reinforcing the recommendations of the IAASTD¹ should be created.**

3. Increase aid for agriculture and deliver it in line with the Right to Food

Fulfillment of commitments to provide 0.7% of their GDP to ODA should be the minimum obligation for the EU² and the US³ to fight hunger and poverty. The challenge, however, is not just about securing more aid: the type of aid matters. Respect for the 2005 Paris Declaration on *Aid Effectiveness*,⁴ is a minimum. The Right to Food also holds that all stakeholders should be involved in the design of programmes affecting them, ensuring that women as the majority of small-holder producers are fully involved.

4. Promote multifunctionality of agriculture

The IAASTD warns that we need to revise our definition of productivity and recognise the multifunctionality of agriculture.⁵ The EU and US should support developing countries' agriculture policies through a policy environment that addresses numerous factors which limit female and male small scale farmers, women-led households and landless workers to attain a decent livelihood.

Such an enabling policy environment should be based on the following criteria:

- Commitment to ecological sustainability
- Access to fertile land and water for small scale producers, including those who are resource poor, and in particular women producers
- Support for rural poor's access to extension services and financial services
- Participation of small producers and their representatives in policy discussions
- Investment in research, development and use of local seed varieties, and guarantee of farmers' right to save seeds.
- Reliable access for small producers to local, regional and global markets.
- Support for farmer cooperatives and collective engagement in agricultural value chains.

5. Address price volatility: food reserves and a ban on excessive speculation

The EU and the US should take steps to make markets less volatile, including supporting the creation of stocks, and the regulation of speculation on commodities markets.

Food reserves - Food stocks should be prioritised at a time when stocks-to-use ratios are at one of the lowest points in history, making markets vulnerable to shocks. Countries should:

- Review the different experiences at local, national and regional levels so as to define "best practices" for setting up food reserves;
- Regulate food reserve efforts through international rules which prioritise short-term and long-term food security as well as sustainable local food systems;
- Develop a coordinated approach for regulating food reserve programs at the local, national, and regional levels which define the type of program, the shared costs, and the process for releasing reserves in times of scarcity.

Implement tight regulations on commodity exchanges – To ban excessive speculation on agriculture commodities, the US and EU must:

- Reaffirm the authority of governments to regulate financial markets;
- Create obligations for investors to report on all of their commodity transactions;
- Impose "position limits" – i.e. limits in the sums invested on commodity exchanges – to all market participants and relatively to the size of the market for a specific commodity;
- Support a variant of the Tobin Tax to commodity exchanges, both as a regulatory measure to deter excessive speculation and to capitalise development projects;
- Ban commodity index funds which bundle up to 24 agricultural, energy, base and precious metal commodities and have a particularly strong impact on price volatility.

¹ The IAASTD process involved more than 400 authors from different disciplinary and geographical backgrounds. A multistakeholder process with participants from around the world, it included inter-governmental institutions, representatives of governments, civil society, private sector and scientists. It reflects a growing consensus that governments, academics and NGOs need to redirect agricultural science and technology to support small-scale farmers, local knowledge and to counter global warming.

² In Monterrey, the EU and member states have pledged to reach 0.7% by the year 2015, (with an intermediary target of 0.39% by the year 2006) by which time member states should reach the target of at least 0.33% individually. Only four EU member states currently allocate a minimum of 0.7% of their GDP to development aid.

³ The US currently spends only 0.32% of GDP [check] on development aid.

⁴ The 2005 Paris Declaration on Aid Effectiveness, in broad strokes, calls for scaling up more effective aid, adapting it for different country situations, specifying indicators, timetables and targets to accelerate the pace of effective aid; monitoring and evaluating implementation; leadership and alignment; strengthened donor capacity; national procurement, untied aid and harmonization of policy: http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.htm

⁵ IAASTD, Issues in Brief: Towards a Multifunctional Agriculture for Social, Environmental and Economic Sustainability. 2009. www.agassessment.org



6. Pave a new way for trade

Without ambitious reform of trade policies, the EU and US' verbal commitment to fight hunger will be limited. The EU and the US must:

- **Establish trade rules that build on their human rights commitments.** This entails respecting the principles of participation, transparency, accountability and access to effective judicial remedy.⁶ The US should adopt the U.S. Trade Act of 2008⁷ and the EU should fundamentally revisit its Global Europe strategy.
- **Recognise developing countries' right to policy space in trade agreements.** The EU and US must stop fighting for market access for their own agribusiness companies in trade negotiations with poor countries, and must support the inclusion of a Special Safeguard Mechanism – in all trade agreements with developing countries.
- **Strengthen and simplify international trade rules to curb dumping.**
- **Remove trade distorting export subsidies** that allow agribusiness to control global markets;

7. Regulate Market Power

The EU and the US should regulate corporate activity both at home and abroad so they can promote a fairer systems for how food is produced, consumed and distributed – giving preference to local food systems and small-holder producers.

⁶ Bridging the Divide: A Human Rights Vision for Global Food Trade, Carin Smaller and Sophia Murphy, IATP, November 2008.

⁷ 2008 U.S. Trade Act. <http://www.govtrack.us/congress/bill.xpd?bill=s110-3083>

⁸ UN warns of more food shortages without strong action, Jan 27, 2009: <http://www.fao.org/news/story/en/item/9904/icode/>

“The way the world grows its food will have to change radically to better serve the poor and hungry if the world is to cope with growing population and climate change while avoiding social breakdown and environmental collapse.”

—International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD), April 2008

Introduction

Hunger made a resounding comeback in international headlines in 2008. Global agriculture prices hit historically high levels in the second quarter of 2008 before the trend reversed drastically. As 2009 begins, close to one in seven human beings around the world are suffering from chronic hunger (963 million according to United Nations (UN) Food and Agriculture Organisation (FAO) estimates for 2008). While the numbers are staggering, they have been lost in reporting on the global economic crisis. Yet the food crisis is still here. In January, the UN agencies that deal with food and agriculture reported, “Prices have fallen from their peaks in 2008, but the food crisis has not gone away. [...]The underlying trends show that global agricultural production cannot keep up with rising demand.”⁸ The agencies have called for “strong action” in 2009.

The confluence of the food, economic and climate crises must not be ignored. During the coming months, the international community has the opportunity to reform governance systems to support genuine sustainable development, increased global food security and the eradication of poverty. It is essential that the multiple crises be addressed with a holistic and long-term perspective. Furthermore, coherence across the policy agenda is crucial in order to ensure that efforts to address one crisis do not undermine efforts to tackle and prevent the reoccurrence of another. There are many key moments where governments and institutions can act: different G8-level meetings will address the world food emergency, the FAO is planning a UN Summit on Global Food Security tentatively scheduled for November, and global climate talks should culminate in December in Copenhagen. With this paper, CIDSE⁹ and the Institute for Agriculture and Trade Policy (IATP)¹⁰ are calling for bold and immediate actions in 2009.

This paper is focused on the particular responsibility of the United States and the European Union in relation to the global food crisis. The role of developing country governments should not be underestimated, nor their corresponding responsibility. However, it is clear that policies enacted in the US and the EU, and then aggressively pushed through global institutions during the last several decades, have contributed to a global food system vulnerable to disruptions. The US and the EU can and should now play a key role in promoting a new vision for the global food system — one that is just and sustainable. This paper does not aim to provide a comprehensive account of the systemic causes of global hunger, or cover longterm issues such as consumption models. Rather, it outlines the scope of the current global food crisis, reviews responses to the crisis in 2008 and makes concrete recommendations for 2009. The time for action is now.

⁹ CIDSE is an international alliance of Catholic development agencies working together for global justice.

¹⁰ The Institute for Agriculture and Trade Policy promotes resilient family farms, rural communities and ecosystems around the world through research and education, science and technology, and advocacy.



1. The emergence of the food crisis: what was learned in 2008?

Much has already been written about the causes of the global food crisis in 2008,¹¹ and there are some important aspects to highlight. First of all, the food crisis is linked to the climate crisis. Second, the food price hike in 2008 only exacerbated an existing food crisis resulting from 25 years of de-investment in agriculture in developing countries. And third, the global economic recession is compounding the food crisis.

A. Dealing with scarcity: exhausted natural resources

Last year, the World Bank's 2008 World Development Report (WDR-2008), entitled Agriculture for Development, sounded an alarm to the international community: "Agriculture consumes 85 percent of the world's utilised water and the sector contributes to deforestation, land degradation, and pollution." The water challenge is particularly serious. According to the WDR-2008, one third of the developing world's rural population is living "in areas characterised by frequent moisture stress that limits agricultural production" and "many countries are experiencing serious and worsening water scarcity."¹³

The Intergovernmental Panel on Climate Change (IPCC) estimates that agriculture contributes 13.5 percent of global greenhouse gas emissions (2004). If calculating both direct and indirect emissions from the food system, agriculture's contribution could be between 16 and 30 percent. Agriculture is also the first sector to suffer from climate change. For example, the IPCC concluded that in sub-Saharan Africa agricultural yields could be reduced by up to 50 percent by 2020.¹⁴

The increasing pressure on natural resources is contributing to more land competition. "Land-grabbing" is expanding, leaving resource-poor producers at a disadvantage: they neither have the political capital nor the financial means to challenge large landowners, local governments or foreign firms¹⁵ that are confiscating land. Industrial production of energy feedstocks for biofuels has increased unsustainable land use. As a result, people are being displaced and fragile ecosystems are further threatened. In Indonesia for instance, palm oil plantations are expanding at a rapid pace at the expense of the rainforests and the livelihoods of local communities.¹⁶

B. A crisis that could have been averted

The WDR-2008 made it clear: the agricultural and rural sectors have suffered from neglect and underinvestment during the past 25 years. Although some have termed the 2008 food crisis a "silent tsunami" or a "perfect storm," suggesting that nothing could have been done to avert it, it is impossible to ignore the role that flawed policies have played in weakening the resilience of rural communities around the world.

In recent decades, fundamental policy shifts, pursued by the Structural Adjustment Policies (SAPs) of the World Bank and the International Monetary Fund (IMF), and further advanced through the General Agreement on Tariffs and Trade (GATT) Uruguay Round of trade negotiations, have been grounded in a belief in the self-regulating virtues of free-markets. International trade negotiations, largely driven by the US and the EU, have focused on expanding trade and freeing markets from government interventions. In many cases however, rather than establishing fairer markets, this has resulted in strengthening the position of the most powerful players, particularly transnational companies.

¹¹ For details, please refer to: CIDSE, Food price crisis highlights the need for real reform in trade and agricultural policies, September 2008 and IATP, Turning high prices into an opportunity: what is needed?, June 2008

¹² World Bank, 2008 World Development Report, October 2007, p54.

¹³ See, for example, Greenpeace, Cool Farming: Climate Impacts of Agriculture and Mitigation Potential, 2008. Greenpeace includes all related activities: in addition to agricultural production, they add land use, transportation, packaging and processing.

¹⁴ IPCC, Climate change 2007 : synthesis report, November 2007

¹⁵ See Cordaid, Energy from Agriculture: The Opportunities and Risks of Biofuels for Small producers and their Communities, April 2009, and Seized: The 2008 landgrab for food and financial security briefing by GRAIN, October 2008. <http://www.grain.org/briefings/?id=212>

¹⁶ Indonesian NGO Sawit Watch estimates that "Until 2005, oil palm plantations have covered 6.04 million hectares, and existing regional development plans allotted a further 20 million hectares for oil palm plantations. Amazingly, oil palm plantations planting rate have reached 400,000 ha annually."

Indonesia: Export orientation hurts food security

According to Dwi Astuti of the Indonesian NGO Bina Desa, “Through the years, IMF, World Bank and Asian Development Bank have supported the passing of laws that institutionalised the total liberalisation of the agricultural sector in Indonesia. They did so through structural adjustment programmes and letters of intent. The Nucleus Estate and Small Holder Scheme (NES) is one of the programmes that supports liberalisation. The international financial institutions (IFIs) have also been instrumental in projects such as Land Administration Project, (LAP 1995-2020) which facilitates the process of making land available in the interests of capital growth across the country [...] as well as their investment in water resources and irrigation sector projects. Now with the recent food crisis in the country, despite promises of increased productivity from the IFIs, the country is not food sufficient because agricultural production, apart from rice, is increasingly produced for exports. The IFIs are also promoting biofuels projects in the country. The Indonesian government has provided 20 million hectares for biofuel plantations”

For more information, see the Asia Pacific Network on Food Sovereignty (APNFS) on <http://www.apnfs.net/>.

The rationale for these policies was that global trade would create new export markets resulting in new forms of wealth for exporting developing countries. It was also considered that cheap imports were the right way to meet food security goals. The reality, however, has not lived up to this theory: as countries withdrew investment from agriculture and rural development, their long-term productive capacity declined. Small-scale farmers, unable to make a living in times of low prices, have been driven out of agriculture and forced to move to urban areas. The dependence of Least Developed Countries (LDCs) on food imports has grown as a result of these policy reforms.¹⁷ Thus when prices rose throughout 2007 and 2008, populations without enough money were unable to access basic food staples because the price of imports outstripped their purchasing power.

Senegal: Food insecurity on the increase

In Senegal, a country that imports 60 percent of the grain it needs for food consumption, the 2008 price spike was acutely felt. According to Conseil National de Concertation et de Coopération des Ruraux (CNCR), the umbrella organisation for farmers’ unions in the country, “the food crisis hit hard on Senegal with vertiginous and general price spikes as well as frequent shortages. In both urban and rural areas, the poor were the main victims. The number of daily meals decreased for 33 percent of households. The phenomenon of Gobar Diassi (to prepare a meal and divide it into smaller portions to eat it over the whole day) developed. The nutritional quality of family meals decreased in 22 percent of cases. Family spending on health care fell considerably. Children were taken out of school.”

Source: Conseil National de Concertation et de Coopération des Ruraux, *Compte-rendu de l’atelier international sur la “crise alimentaire: les voix paysannes vers les voies de la souveraineté alimentaire,”* Dakar, January 2009. Ad-hoc translation by the authors of this paper.

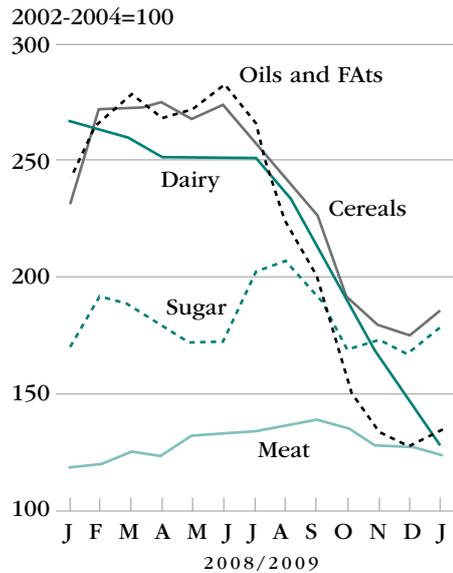
¹⁷ Rising food prices intensify food insecurity in developing countries, ERS Amber Waves Brief, USDA, February 2008



C. Additional threats from the global economic recession

In 2007 and 2008, decades of flawed policies combined with the global financial crisis to greatly expand the global food security crisis. When the “subprime” crisis emerged in summer 2007, speculators suddenly fled risky financial assets and poured unprecedented amounts of money into commodities markets, thus creating a “global food price bubble”¹⁸ that inflated prices to historic levels.¹⁹ The bubble burst in summer 2008, and commodity prices suddenly collapsed, as shown on the graph below.

Graph 1: Food commodity price indices



Source: FAO, February 2009

As the global economic crisis develops out of the financial crash, concerns grow about global food security. The global economic crisis implies:

- Increasing poverty in developing countries due to pervasive unemployment, coupled with a decrease in consumer spending in developed countries, resulting in loss of income for migrant workers and diminishing remittances. This poses new constraints on access to food;
- More difficult access to credit, including micro-credit, preventing farmers from investing to increase their productive capacity;²⁰
- Diversion of developed countries from global poverty challenges as they focus on addressing the consequences of the crisis at home. Uncertainty about the disbursement of Official Development Assistance (ODA) is higher than ever, and efforts to solve the financial crisis have pushed agriculture down the global policy agenda.

¹⁸ Von Braun J., Food and financial crises : implications for agriculture and the poor, IFPRI, December 2008

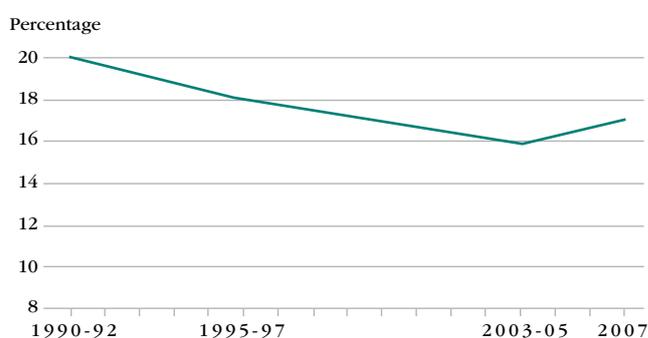
¹⁹ For more details about how speculation affected food prices in 2007-8, see IATP, Commodities market speculation: the risk to food security and agriculture, November 2008.

²⁰ A recent consultation held by CIDSE member organisation Cordaid with partners in Manila showed that micro-finance institutions have had to scale down their growth plans due to credit restrictions from banks.

2. Meeting the global food challenge: initial responses

Increasing hunger and rural poverty, as well as growing price volatility, emphasize the urgency of increasing action in 2009 to avoid repeated food crises in the future. Graph 2 below shows that the trend toward a decrease in the proportion of people suffering from hunger has reversed dramatically these past few years. Table 1 shows that rural poverty was already on the rise between 2005 and 2007, on average by 2 percent in developing countries, with higher rates in East Asia and the Pacific than in any other developing region.

Graph 2: Proportion of undernourished people in the developing world



Source: FAO, State of food insecurity 2008

Table 1: Increase in incidence of rural poverty January 2005 – December 2007

Region	Initial levels		Change in:	
	Poverty headcount	Income gap ratio	Poverty headcount	Income gap ratio
	(percent)		(percentage points)	
Rural population				
East Asia and Pacific	31.9	23.2	4.9	0.7
Europe and Central Asia	8.2	6.6	0.0	0.0
Latin America and the Caribbean	18.6	43.9	0.1	0.1
Middle East and North Africa	15.4	22.9	0.7	0.9
South Asia	43.3	24.0	0.8	0.3
Sub-Saharan Africa	54.9	41.5	0.3	0.0
Developing world	37.1	28.2	2.1	0.1

In order to address these unacceptable trends effectively, governments will have to draw lessons from initiatives they took in 2008.



The United Nations High-Level Task Force on the Food Crisis (UNHLTF)

In April 2008, UN Secretary-General Ban Ki-moon created a “High-Level Task Force on the Food Crisis” (UNHLTF) in order to “promote a unified response to the challenge of achieving global food security.”²¹ The task force provides a space for the coordination of UN and Bretton Woods agencies to develop a collective response to the food crisis. However, the task force lacks resources and capacity, and has yet to concretely define its role in the ongoing efforts to tackle the crisis.

The “Comprehensive Framework for Action”²² (CFA), produced by the task force in July 2008, is a reflection of its ‘split personality’: it manages to capture the multiple problems of the crisis and to put forth positive recommendations. At the same time it promotes macroeconomic policies that will undermine its own recommendations.²³ For example, the CFA highlights the importance of investing in small-scale farmers, which is a welcome recommendation. However, it also calls for the completion of the “Doha Round” and more Aid for Trade, despite evidence that more trade liberalization will hurt, not protect, small-holder farmers and the environment. Donors’ interest in focusing Aid for Trade on traditional trade-related assistance rather than on increasing production capacities in developing countries means it is unlikely to make any positive difference for small-scale agriculture.²⁴

The Global Partnership for Agriculture and Food Security (GPAFS)

The concept of a “Global Partnership for Agriculture and Food Security” (GPAFS) was initially floated at the June 2008 FAO Food Summit by the French government, and brought forward primarily within the G8 during the months that followed. The Spanish government progressed the initiative in a document entitled the Madrid Process: Towards an Inclusive Global Partnership on Agriculture and Food Security (GPAFS) released just before the January Madrid meeting, laying out a proposal for a multi-stakeholder effort to increase the efficiency of the fight against hunger at both local and global levels.

The Global Partnership puts forward a number of interesting proposals:

- It aims to rebuild political momentum to seriously address food security;
- It advocates the involvement of the private sector and civil society in the global effort against hunger; and
- It recognises the failure of current global governance structures for food and agriculture, and proposes inclusive policy dialogues to define fundamental policy reforms.

The Global Partnership initiative has potential, but its direction remains as yet unclear. The initial proposal by French President Nicolas Sarkozy envisioned a far-reaching policy-oriented initiative which, in addition to generating new funding, would provide a space for governments to design a global strategy for food security based on guidance by an authoritative group of international experts. Discussions based on this proposal have tended to focus on increasing donors’ coordination while sidelining the policy discussions idea. There is also disagreement about whether it would be taken forward primarily by the G8 or within the UN. To date, no corresponding calendar or indication of available financial support to facilitate the process have been identified. The lack of direction and follow-up is undermining the potential of the initiative, contributing to misunderstandings and mistrust between developed and developing countries.

²⁴ For more details, see IATP’s analysis in: *Seven reasons why Doha will not solve the food crisis and Can aid fix trade?* As well as Trócaire Aid for Trade Briefing, March 2009 and Chapter 17 in Njinkeu, Dominique and Hugo Cameron, 2007, *Aid for Trade and Development*, by Aldo Cagliari of Center of Concern. (Cambridge University Press, New York.)

National interventions

While the global community ponders what to do in response to soaring food prices, governments of all sizes are taking action. The most commonly used measures include lowering import tariffs and taxes, or supplying credit and inputs to domestic farmers.²⁵ About forty countries have implemented food assistance programmes and various kinds of safety nets during the past year.

China and India have released significant quantities of public stocks and allowed state grain trading enterprises to intervene. A few governments²⁶ have opted for export restrictions to ensure that sufficient food supply remained available on their markets. These measures triggered passionate policy discussions throughout 2008.²⁷

All told, 63 countries adopted measures to support their domestic agricultural production through production support, fertilizer or seeds programmes or market interventions in 2008.²⁸ The record of these policy interventions is not homogeneous, and many of the results depended on the available budget. Many had to choose between emergency assistance to consumers and support to producers.

Malawi's success...and its associated challenges

Malawi experienced a food crisis in 2005 when a severe drought affected local production and left nearly five million people in need of food aid. As early as 2006, the government decided to put in place an ambitious fertilizer and seeds subsidy programme, providing for the distribution of 175,000 tons of fertilizer and 4,500 tons of seeds of high yield maize. The government of Malawi supported 87 percent of the cost of the programme. The programme was successful: Malawi has not only met its domestic needs for maize consumption, but has also produced a surplus of 1.5 million tons in 2007.

The initiative was important and largely shielded Malawi from the 2007-2008 food crisis. Now the government is facing new kinds of questions: is the increasing cost of the programme reasonable in light of other needs of the agriculture sector? How to reach the farmers who need the most support? What might be the impacts of chemical fertilizers on long-term soil productivity? Can the next step be an ambitious land reform programme?²⁹

Sources: FAO, Country responses to the food security crisis, December 2008, and IRIN, Subsidizing agriculture is not enough, February 2008

These interventions jumpstarted an interesting global trend. The FAO notes that “responses of developing countries to the food security crisis appear to have been in contrast to the policy orientation most of them had pursued over the last decades.”³⁰ In a few short months, the food crisis has shaken the foundations of the Washington consensus in a manner even the fiercest critics would not have hoped. The loss of confidence in global markets as a guarantee for food security is serious and unlikely to be reversed in the short term.

²⁵ For an overview of measures adopted by 101 governments, see FAO's December 2008 Crop prospects on <http://www.fao.org/docrep/011/ai476e/ai476e08.htm>. For a detailed report see FAO, Country responses to the food security crisis, December 2008

²⁶ India, Vietnam, China, Pakistan, Egypt, Argentina, Kazakhstan, Russia and Ukraine.

²⁷ Some of these export-restricting measures (or their extent) may have been exaggerated and driven by questionable political rationales. But the implementation of export taxes has shown how the complex issue of food security is much more than economics: political considerations are central, particularly in a time of crisis.

²⁸ FAO report, Crop Prospects and Food Situation. December 2008

²⁹ For more detailed discussion of the Malawi experience, see ODI, Towards “smart” subsidies in agriculture? Lessons from recent experience in Malawi, September 2008.

³⁰ FAO, Country responses to the food security crisis, December 2008.



3. EU and US responsibility to chart a new path

As the main drivers of unregulated global agricultural markets, the EU and the US have a part to play in moving policy in a new direction. They also have a specific role due to their position on world markets, both as producers and consumers, and as hosts to some of the major transnational agribusiness corporations and commodity exchange markets.

Until now, both the EU and the US have promoted global markets as a source of stable food supply for countries that could not produce enough for their own needs or for those advised to specialise in production for export. They have used their controlling role in the Bretton Woods Institutions (BWIs) to advance policies in their own interests. Measures such as limitations on government support to agricultural sectors were imposed on developing countries through policy conditions tied to financial support (provided by the BWIs to developing countries). At the same time, the EU and the US maintained ample support for their own agriculture and food industries, including through measures that grant them unfair advantages on world markets.³¹ The result is that many countries' long-term productive capacity has been undermined, the resilience of their rural communities has been weakened, and their food security has been jeopardized.

Trade negotiations were another avenue the US and the EU used to lock in trade liberalization measures in order to continue promoting their commercial interests. Recently, as they encountered greater difficulty in pushing through trade agreements at the multilateral level, the EU and the US have been increasingly pursuing regional and bilateral trade agreements. These include the Economic Partnership Agreements (EPAs) with Africa and the Caribbean and Pacific countries (ACP) for the EU, and the North American Free Trade Agreement (NAFTA), Central American Free Trade Agreement (CAFTA) and a host of bilateral trade deals for the United States. Bilateral settings make it more difficult for the developing countries involved to obtain concessions on unfair agricultural programmes in the EU and US or for their own food security support programmes.

While they have increasingly supported trade, the EU and the US have steadily reduced their support to agriculture in their ODA during the past 25 years. In 2007, the share of the EU's ODA to agriculture was a little over three percent of total ODA spending (down from over 13 percent in 1987). In the US it was a little under five percent (down from over 20 percent in 1980).³² In addition to the problems caused by shrinking aid levels, the impact of ODA to agriculture has been questioned. In the case of the US in particular, aid is conditioned on the use of agricultural technologies that bolster large-scale multinationals rather than supporting small-scale farmers' productivity.³³ The emphasis is on an energy-intensive approach based on chemical inputs such as pesticides and fertilizers, GMO seeds, and other technological approaches to increase agricultural yields for export.

Finally, in recent years both the EU and the US have developed ambitious biofuels policies. In this framework, they have set up mandates for minimum use of biofuels in total fuel consumption. These targets have created an artificial demand, catching speculators' attention and encouraging competition for land and other natural resources in various developing countries.

In light of their role in creating the current situation of global food insecurity, the EU and the US have a significant responsibility to minimize the impacts of this crisis. Beyond this, they must demonstrate their support for a new approach to the global food and agricultural system.

³¹ The most well-known policies are the EU's Common Agricultural Policy and the US Farm Bill, but both countries have numerous other policies that influence their competitiveness on the global marketplace: Global Europe, a High Level Group to boost competitiveness of the European agro-food industry, different kinds of subsidies to the corporate sector, and so on.

³² OECD development statistics, "ODA by sector" available online on http://stats.oecd.org/wbos/Index.aspx?DatasetCode=ODA_SECTOR

³³ See Promoting Food Security Worldwide: A US Commitment, September 2008, US Department of State.

CIDSE and IATP Recommendations to the EU and the US

A. Incorporate the Right to Food as a guideline for policymaking

In his January 27, 2009 concluding remarks to the Madrid High-Level Meeting on Food Security for All, UN Secretary-General Ban Ki-moon unequivocally endorsed the right to food as a framework for responses to the food security crisis. The EU and the US must do the same.

The right to food is **legally binding** on all States. It places responsibility on governments and allows for enforceable action when rights are being undermined. The right to food does not impose specific agricultural or food policies on governments. Instead, it provides a useful framework for action that can guide governments on how to increase food security in their country using a range of policy changes and programmes. It requires action **focused on the most vulnerable**, the poorest and the most marginalized — crucial in a context where food security is more than ever a matter of access and distribution. Human rights also enshrine the principles of **participation, accountability and transparency**. Democratic decision-making around food policies is a challenge but an absolute necessity if we are to identify long-term and sustainable solutions. In 2004, 188 member countries of the FAO adopted Voluntary Guidelines on the Right to Food. These are important legally binding instruments that can be used in the context of developing rules to achieve national food security.³⁴

B. Create an inclusive and binding Global Partnership for Agriculture and Food Security

For appropriate and effective policy changes to be successfully achieved, bold reforms will need to be made in the governance of food and agriculture. The Global Partnership for Agriculture and Food Security (GPAFS) discussed at the Madrid Conference in January 2009 has potential to precipitate this, if it can meet a number of conditions:

1. **Strengthen the UN.** The discussions on a Global Partnership are being hampered by competition for control between the G8 and the United Nations. **The UN and its agencies hold the history, the experience and the one country one vote system that supports more democratic outcomes to effectively shape a Global Partnership.** The High-Level Task Force on the Food Crisis, under the auspices of the UN and where all relevant UN and multilateral agencies are represented on the same footing, should provide the forum and the process to build a truly global partnership, a consensus on a new vision, and a pathway to get there.
2. **Involve non-state actors.** The Global Partnership concept is fundamentally rooted in the recognition that no one country or institution can respond to the food challenge in isolation. However, this is not enough. **Concrete guidelines for how to involve civil society representatives and the private sector, as well as dedicated funding, are needed.** Small-holder producers, including women, must be effectively included. Consumers' organisations, trade unions, development groups and environmentalists also need to be present. Participation from the private sector must be mixed, including not only large agribusiness but also micro, small and medium enterprises, cooperatives, Business Development Services, representatives from community-supported agriculture (CSA) schemes, marketing boards, and so on.
3. **Give it a strong mandate.** The Global Partnership will only be significant if it is given a **strong mandate to remedy global policy failures that allow for the prevalence of hunger.** The GPAFS needs to move us toward more coherence in international policies that affect food security, including trade, development and environment policies. It should identify short and long-term goals that improve the livelihood opportunities of small-scale producers and their communities, and provide safety nets for the poorest and most vulnerable.
4. **Create an experts group.** A permanent **experts group modeled on the IAASTD's bureau and reinforcing the recommendations of the IAASTD³⁵ should be created.** The IAASTD experience was unique among international assessments in its inclusiveness and balance of stakeholders in agricultural knowledge, technology and development; it serves as a model

³⁴ Bridging the Divide: A Human Rights Vision for Global Food Trade, Carin Smaller and Sophia Murphy, IATP, November 2008.

³⁵ The IAASTD process involved more than 400 authors from different disciplinary and geographical backgrounds. A multi-stakeholder process with participants from around the world, it included inter-governmental institutions, representatives of governments, civil society, private sector and scientists. It reflects a growing consensus that governments, academics and NGOs need to redirect agricultural science and technology to support small-scale farmers, local knowledge and to counter global warming.



for future assessments. The confluence of different perspectives delivered a ground-breaking assessment with strong recommendations for the future of agriculture. A comparable inclusive and balanced expert group is needed to update and monitor the IAASTD's original findings.

C. Increase aid for agriculture and deliver it in line with the Right to Food

Fulfillment of commitments to provide 0.7 percent of their GDP to ODA should be the minimum obligation for the EU³⁶ and the US to fight hunger and poverty. This would go a long way but would not be enough. The EU has set aside 1 billion Euros to fund response measures to the global food crisis, and its member states have made separate pledges, but they still fall short. The part allocated to the agriculture sector through the Xth European Development Fund is notably low at 4 percent.

At the G20 summit in London on April 2, 2009, President Barack Obama announced that he would be working with Congress to double support to food security, so that the US will also spend a little over a billion dollars in agricultural aid for 2009. Yet, much of this money is earmarked for GMO seeds, irrigation and agricultural production technologies to increase food production.³⁷ In 2008, President Obama actually pledged to double the entire package of US aid to 50 billion a year by 2012. This is encouraging. However, with the financial crisis expected to last for some time, it is unlikely that the US will reach its 2012 goal.³⁸

But the challenge is not just about securing more aid: the type of aid matters a great deal. Respect for the 2005 Paris Declaration on *Aid Effectiveness*,³⁹ is a minimum. In addition, in a recent report, the UN Special Rapporteur on the Right to Food Olivier de Schutter calls for aid policies that put the right to food at the core, in particular by making sure that all stakeholders are involved in the analysis and design of programmes affecting them.⁴⁰ This approach would ensure that women as the majority of small-holder producers and as agents of change are fully involved. De Schutter calls for a "triangular" approach to development cooperation, where people, as right-holders, play an active role alongside their national governments and donor agencies. The EU and US should adopt such an approach in order to ensure that their aid is appropriate and effective. Practically, this implies that the EU should ensure that farmers and other civil society groups are given a central role in the process of implementing its "food facility." All international organisations should work in partnership with representative farmers and civil society groups in developing countries when developing projects are funded with EU resources.

As for the US, Congress must reform its food aid programmes. Food aid should not be tied to US procurement for shipping, processing and transport, but rather, should allow the use of cash transfers, vouchers and a mix of local and US food purchases. A proposed "Global Food Security Act 2009" currently under consideration in the US Congress includes some positive language to reform food aid in this direction. It also includes provisions for the US to appoint a special coordinator on food security to develop a "whole-of-government approach" to the global problem.⁴¹ A comprehensive approach to achieving food security has potential for improving policy. However, the bill's emphasis on a top-down approach to coordinating more food production globally rather than addressing access and sustainable production methods is a dangerous approach. The bill actually mandates more agricultural spending for biotechnology and GMO crops to increase food production, and makes no mention of ecologically sustainable food and agricultural systems. For this reason it moves US aid in the wrong direction.

³⁶ In Monterrey, the EU and member states have pledged to reach 0.7% by the year 2015, (with an intermediary target of 0.39% by the year 2006) by which time member states should reach the target of at least 0.33% individually. Only four EU member states currently allocate a minimum of 0.7% of their GDP to development aid.

³⁷ See Carey Gillam, "US's Vilsack says science can help overcome hunger," GMT Reuters, May 7, 2009.

³⁸ Howard La Franchi, "Economy forces the President to reign in foreign-aid goals," Christian Science Monitor, March 23, 2009.

³⁹ The 2005 Paris Declaration on Aid Effectiveness, in broad strokes, calls for scaling up more effective aid, adapting it for different country situations, specifying indicators, timetables and targets to accelerate the pace of effective aid; monitoring and evaluating implementation; leadership and alignment; strengthened donor capacity; national procurement, untied aid and harmonization of policy: http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.htm

⁴⁰ See the report of the Special Rapporteur at <http://www.unhcr.org/refworld/category/REFERENCE,,,49abc3392,0.html>

⁴¹ Consult the 35-page draft Lugar-Casey Global Food Security Act 2009 at: www.lugar.senate.gov/food

D. Promote multifunctionality of agriculture

The IAASTD report warns that we need to revise our definition of productivity, and must recognize the multifunctionality of agriculture.⁴² Since the 1980s, the US and the EU have been spearheading agricultural technologies that bolster the private sector rather than support small-scale farmers' productivity.⁴³ It is an energy intensive approach that is based on chemical inputs such as pesticides and fertilisers, GMO seeds as well as other technological approaches to increase agricultural yields for export.⁴⁴

A multifunctional approach requires a fundamental change in production practices to incorporate social, environmental and economic considerations. Farming is a means to a livelihood, but in many societies it is also the immediate source of household food security, part of the cultural identity and intimately tied to the sustainable management of natural resources. A multifunctional approach focuses on empowering rural communities — whose lives and livelihoods are bound economically, socially and culturally to agriculture — with access to and control of credit, technology, and other resources in order to make best use of and best protect ecosystems. This approach respects traditional knowledge and local innovation, and requires the institution of safeguards to protect natural resources and decrease greenhouse gas emissions. Agroecology, organic agriculture, conservation agriculture and agroforestry are among the various production methods that contribute to this vision.⁴⁵

In practice, the EU and the US should better support developing countries' agriculture policies by contributing to a policy environment that addresses the numerous factors that limit the ability of female and male small-scale farmers, women-led households and landless workers to attain a secure and decent livelihood for themselves and their families. Such an enabling policy environment should be based — at a minimum — on the following criteria:

1. Commitment to ecological sustainability;
2. Access to fertile land and water for small-scale producers, including those who are resource-poor, and in particular women producers;
3. Support for the rural poor's access to extension and financial services;
4. Participation of small producers and their representatives in policy discussions;
5. Investment in research, development and use of local seed varieties, and guarantee of farmers' right to save seeds;
6. Reliable access for small producers to local, regional and global markets;
7. Support for farmer cooperatives and other forms of collective engagement in agricultural value chains.

Asian farmers association: "Upscale Sustainable, Integrated, Diversified, Organic Agriculture by Smallholders Farmers"

"Sustainable, organic, ecological friendly agriculture, which is owned, controlled and managed by small men and women farmers, and supported by government policies and programmes, is a strategic agricultural measure to adapt and mitigate climate change, ensure food security, and reduce poverty among smallholder farmers. We ask for strong support to this kind of agriculture by putting money for research and development, for communication and information dissemination, for promotion and upscaling. We look forward to meaningful partnerships with all stakeholders —government, business, civil society, producer organisations to promote this kind of agriculture".

Source: AFA's presentation to IFAD's governing council, February 2009

⁴² IAASTD, Issues in Brief: Towards a Multifunctional Agriculture for Social, Environmental and Economic Sustainability. 2009. www.agassessment.org

⁴³ See 'Promoting Food Security Worldwide: A U.S. Commitment.' U.S. Department of State, Bureau of Public Affairs, www.state.gov

⁴⁴ IAASTD, Issues in Brief: Towards a Multifunctional Agriculture for Social, Environmental and Economic Sustainability. 2009. www.agassessment.org

⁴⁵ IAASTD. Issues in Brief: Towards a Multifunctional Agriculture for Social, Environmental and Economic Sustainability. 2009. www.agassessment.org



E. Address price volatility: food reserves and a ban on excessive speculation

In the midst of the global food crisis, governments, corporations and civil society have shown convergence around the need to address market volatility, largely because volatile markets have destabilizing effects on farmers and on supply but also on intermediary and final consumers. Few have gained from this kind of volatility except big business and speculators.⁴⁶ One way to make markets less volatile is for governments to create stocks, as India and China did, that they release when supply runs low. Another important step is to regulate speculation on commodities markets. The EU and the US should take steps to achieve both of these reforms.

Food reserves

The establishment of food stocks should be prioritized at a time when stocks-to-use ratios are at one of the lowest points in history, making markets particularly vulnerable to shocks. Countries and experts need to:

1. Review the different experiences at local, national and regional levels so as to define “best practices” for setting up food reserves;
2. Regulate food reserve efforts through international rules that prioritize short- and long-term food security as well as sustainable local food systems; and
3. Develop a coordinated approach for regulating food reserve programmes at the local, national, and regional levels that defines the type of programme, the shared costs and the process for releasing reserves in times of scarcity.

Implement tight regulations on commodity exchanges

The US and the EU must ban excessive speculation on agriculture commodities. They must:

1. Reaffirm the authority of governments to regulate financial markets;
2. Create obligations for investors to report on all of their commodity transactions;
3. Impose “position limits” — i.e., limits in the sums invested on commodity exchanges — to all market participants and relatively to the size of the market for a specific commodity;
4. Support the creation of a variant of the Tobin Tax⁴⁷ to commodity exchanges, both as a regulatory measure to deter excessive speculation and as a means to capitalize development projects; and
5. Ban commodity index funds that bundle up to 24 agricultural, energy, base and precious metal commodities and have a particularly strong impact on price volatility.

F. Pave a new way for trade

Without ambitious reform of trade policies, the EU and United States’ verbal commitment to fight hunger will be limited. The EU and the US must:

1. **Establish trade rules that build on their human rights commitments.** This entails respecting the principles of participation, transparency, accountability and the guarantee of access to effective judicial remedy.⁴⁸ The US should adopt the US Trade Act of 2008⁴⁹ as its blueprint for trade negotiations. It reestablishes a congressional space to review trade deals, requires that priority be given to the implementation of human rights and environmental agreements, and strengthens Congress’ ability to shape a fair trade policy agenda. The EU needs to fundamentally revisit its Global Europe strategy in the face of the global crises to shift its focus from narrow business interests and towards the realisation of long-term sustainable development goals.
2. **Recognize developing countries’ right to policy space in trade agreements.** The EU and the US must stop fighting for market access for their own producers in trade negotiations with poor countries. A Special Safeguard Mechanism — allowing a government to temporarily raise tariffs to protect food security and rural development priorities — must be easily accessible under any trade agreement to developing countries in case of import surges or price disruptions.

⁴⁶ According to the Wall Street Journal, a third of Goldman Sachs’ 2008 net income came from speculation on commodities. See “Top traders still expect the cash” in the November 19, 2008 issue of the WSJ.

⁴⁷ The Tobin Tax is a suggested tax on trade of all currencies across borders.

⁴⁸ Carin Smaller and Sophia Murphy, Bridging the Divide: A Human Rights Vision for Global Food Trade, IATP, November 2008.

⁴⁹ 2008 US Trade Act. <http://www.govtrack.us/congress/bill.xpd?bill=s110-3083>

3. **Strengthen and simplify international trade rules to curb dumping.** New definitions are needed, as well as means to measure the dumping margins in relation to production costs versus domestic prices.

4. **Remove trade distorting subsidies** that allow agribusiness to control global markets.

G. Regulate market power

The EU and the US are home to a number of the corporations that control large parts of the global food and agricultural system. As such, they should regulate their corporate activity both at home and abroad to promote a fairer system for how food is produced, consumed and distributed, giving preference to local food systems and small-holder producers.

In Europe, a recent report by MEP Katerina Batzeli,⁵⁰ endorsed by the European Parliament, highlights “proactive” measures to curb the power of intermediaries and large retailers. One is a call for a European system of monitoring the market, and for an international observatory of agricultural products, inputs and food prices. Another is for policies that create wider and more direct relations between producers and consumers. These are welcome first steps and the Commission and Council should now take them on board.

In the US, President Obama has also supported stronger competition policies. He passed an Executive Order barring anyone leaving the Obama administration from being able to lobby until such time as the administration leaves office. In addition, anyone who lobbied an executive agency in the last two years is not eligible to serve in his administration. These are also welcome initiatives. Much more is needed than these first steps. In particular, the EU and the US should support the call by the “Stiglitz Commission” on the financial crisis for a “Global competition authority.”⁵¹ The need for such an authority has been made obvious by the crash in the financial sector, but it is as relevant to the agriculture sector.

⁵⁰ European Parliament, 2008/2175(INI), « Draft report on the gap between producer prices and the prices paid by consumers », Committee on Agriculture and Rural Development, Rapporteur: Katerina Batzeli, November 2008.

⁵¹ See paragraphs 40 and 67 in the draft Recommendations by the Commission of Experts of the President of the General Assembly on reforms of the international monetary and financial system circulated on March 19, 2009.



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With an additional 40 million people classified as hungry at the beginning of 2009, and the number of undernourished people in the world now standing at 963 million, the global food crisis is clearly far from over. Beyond essential steps to alleviate the suffering of those living in poverty in developing countries, the international community must establish a new approach to the governance of food and agricultural systems.

In this policy paper CIDSE and IATP analyse international responses to the crisis in 2008 and set out recommendations to the EU and US to chart a new path towards global food responsibility.



CIDSE member organisations

