Staff Paper

Comments on "Improving Food Access to Poor and Vulnerable Groups"

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*Comments on the draft US-Canada joint position paper, "World Food Summit: Food Security Situation and Issues: A U.S./Canada Perspective" (June 6, 1996). My comments draw on research by a large group of colleagues at Michigan State University and in Africa carried out under the USAID-MSU Food Security II Cooperative Agreement (AEP-5459-A-00-2041-00). The responsibility for the views presented here, however, is exclusively my own.

Comments on "Improving Food Access to Poor and Vulnerable Groups"

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I. Introduction

My comments this morning draw heavily on work carried out over the past 11 years by researchers at Michigan State University and colleagues in Africa on problems of food access by poor and vulnerable groups. Much of this work has been conducted under the USAID-MSU Food Security in Africa and Food Security II Cooperative Agreements. This includes work led by Thom Jayne on Food Access, particularly in Southern and Eastern Africa, work carried out by Michael Weber, David Tschirley and others in Mozambique, research by many colleagues in Mali, and research by a number of colleagues on problems of fostering agricultural transformation and in Africa. Publications summarizing much of this work is available in the lobby.[1]

The comments also draw on insights from the discussions held over the past 10 days on the North American World Food Summit Electronic Summit Group organized by Université Laval and MSU.

II. The Joint Paper's Diagnosis of the Problems

The joint paper presents a generally solid diagnosis of the problem of hunger in the world in terms of:

- where the bulk of the hunger problem exists (in South Asia and sub-Saharan Africa, rather than being a problem of a global food shortage).
- the nature of many of the constraints in these areas that contribute to widespread hunger.
- the potential role and limits of international trade in combating hunger, particularly in the new environment of GATT and FAIR. (I'll have more to say on this below).
- The need to address and solve most of the basic food security problems at the *national level* in low-income, food-deficit countries. The paper stresses the need for improved policies in these countries. I would argue that we also need to stress improved technologies and institutions as well.

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[1]See especially, T.S. Jayne et al, "Market-Oriented Strategies to Improve Household Access to Food: Experience from Sub-Saharan Africa." *MSU International Development Paper* no. 15, 1995; and John M. Staatz, "Fostering Agricultural and Food System Transformation in Africa." *Policy Synthesis* no. 13, Food Security II Cooperative Agreement, East Lansing: Department of Agricultural Economics, June, 1996.

Similarly, the section of the paper on access identifies well many of the causes of food insecurity and possible actions to improve access. It clearly distinguishes between two different types of inadequate access to food and their relative importance:

- **Acute food insecurity** that arises due to natural or human-created disasters. These are situations where access to food is temporarily disrupted and emergency relief is disasters. Famine is the most extreme example.

- **Chronic food insecurity,** where people are hungry because they chronically lack the resources to get enough food, either by producing it themselves, by buying it themselves, or through some grant, like food stamps. In other words, chronic food insecurity is the result of food costing too much relative to the poor's income.

The general public tends to focus on acute emergencies, as they are highly visible. Such emergencies are obviously very important problems demanding immediate attention. But in terms of the number of people involved (approximately 800 million), chronic food insecurity is a much larger and intractable problem.

As the joint paper points out, we need to develop ways of dealing with emergencies that help solve the long-term access problem rather than make it worse. This is the core of the "relief to development" discussion that many have focused on over the last couple years. The paper lays out a number of objectives that if met, would help achieve goal of reduction in chronic hunger problem, in part by dealing with emergencies in a way that contributed to sustainable income-growth of the poor.

III. Towards a Strategy of Sustainable Food Access

A key challenge is how can all the very laudable objectives laid out in the section on food access in the joint paper be achieved, when the governments in most low-income, food deficit countries are broke, donors are fatigued, and real official development assistance is falling sharply? Does the paper articulate a clear ***strategy*** to achieve these objectives? (This question applies to the overall joint paper, although I'll limit my remarks here to the section on food access).

I believe the paper could benefit from more discussion of how to develop a strategic approach to strengthening food access. While many elements might go into such a strategy, a key challenge is to find ways that mobilize local resources in a sustainable way. I will argue that promoting a strategy that **enhances the market as the first line of defense against both chronic and acute food insecurity** should be a central element in such a strategy.

As just noted, chronic lack of access to food results from food costing too much relative to the incomes of the poor. There are two interrelated ways of dealing with this problem:

1. ***Drive down the real cost of food to the poor.*** The challenge is to do this in a way that still maintains incentives for farmers, traders, processors, etc. to supply reliably. Fostering cost-reducing technologies and institutional innovations *throughout the food system*(the system that runs from input provider through farm-level production, assembly, processing, and marketing, all the way to the consumer) is central to reducing the real cost of food to the consumer. The need to do this is increasingly important as a larger proportion of the population and the poor are

engaged in non-farm activities. But it is also important to remember that farmers are consumers as well.

2. ***Raise real incomes of the poor,*** primarily through fostering broad-based economic growth, but also though the use of targeted subsidies for the food insecure.

These two ways of dealing with inadequate access are interrelated because stimulating broad-based economic growth and transformation requires reductions in the real price of food and through the improvements in input and labor markets.[2] In particular, reliable food markets are central to getting a growth strategy based on cash-crops, non-farm enterprises, and international trade to work. For example, Thom Jayne's work in Zimbabwe has shown how showed how high food marketing costs in rural areas sharply reduced incentives for farmers to undertake oilseed production in drier areas of the country as part of a more environmentally sustainable, trade-based growth strategy. If people can't rely on the market for consistent supplies of low-cost basic staples, they will understandably be reluctant to devote their resources to activities other than basic staple production, even in areas environmentally unsuited for such production.

Often the reaction of governments, donors, and NGOs to poorly functioning markets and high marketing costs is to try to develop alternative delivery systems of food to the vulnerable. These often involve giving food to the food insecure, frequently based on what surplus commodities available from donors or through creating expensive national security stocks. This is an expensive approach and, as the joint paper shows, is not sustainable over the next 20 years given the huge projected needs for food aid in Africa and S. Asia. A similar strategy has often also been followed for the distribution of agricultural inputs, which are frequently either given away or distributed as in-kind credit.

The fact that millions of people rely on such systems in Africa and S. Asia for food reflects in part the lack of investments in making the markets serve these people well.

Instead of backing away from poorly operating markets that don't serve the poor well, the first step should be to try to improve them, as they potentially represent a lower-cost, more sustainable way to assure access to the majority of the population. Markets can be effective mechanisms for mobilizing local resources, in a decentralized manner, to serve local needs.

A sustainable market-oriented strategy to improve food access would first emphasize that markets work well in delivering reliable, low-cost supplies of food to the poor, and then focus on complementary safety-net actions for those who fall through the cracks. But the first task, given how scarce resources are, is to get the market to serve well as many people as possible.

What would a market-oriented strategy to improve food access look like? Such a strategy would emphasize 5 elements:

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[2]See John M. Staatz, "Fostering Agricultural and Food System Transformation in Africa." *Policy Synthesis* no. 13, Food Security II Cooperative Agreement, East Lansing: Department of Agricultural Economics, June, 1996.

1. Achieving productivity increases *throughout* the food system. This includes:

- the farm-level, though improved technologies for **both food and cash crops**. Development of such technologies needs to be guided in part by a market-demand perspective.

- off-farm elements of the food system--e.g., improved transportation, information, contracting systems, and market reforms that allow freer movement of commodities within countries. In many nations, over 50% of the cost of food is created off the farm, so reducing these costs is key to helping assure access, particularly for poor consumers in remote areas.

2. Reducing consumer expenditures by expanding the range of products available.

Often policy decisions, such as restrictions on moving commodities across district lines or limitations on the types of grain mills that can operate in rural and urban areas, force low-income consumers into consuming high-cost products. For example, until recent policy reforms in much of Southern and Eastern Africa, urban consumers were essentially forced to purchase highly refined, white maize mill produced by large-scale grain mills. Because this is a high-cost product, governments tried to make it more accessible to consumers through heavy subsidies, which were financially unsustainable.

Recent reforms which have permitted freer access of consumers to the services of small-scale hammer mills and free flow of grain to go into those mills have permitted much greater access of consumers to a range of products, which vary in their degree of processing, color, and price. Given the choice, low-income consumers have gravitated towards purchasing much lower priced whole-grain yellow maize meal, which is acting as a self-targeting food for the poor. The result is that even though financial constraints have forced government to eliminate the general subsidies on maize meal, the cost to low-income consumers has been almost entirely cushioned by their shifting to lower-cost whole-grain products.[3]

3. Exploiting the complementarity between improving food markets and non-food crop economic activities, such as production of cash crops and non-farm activities.

Experience has shown that attempts to promote cash-crops and non-farm activities, in the absence of well-functioning food markets often either fail or lead to highly skewed distribution of benefits. On the other hand, ignoring cash crops and non-farm activities and focusing exclusively on production of food crops as a way of promoting food security ignores key engines for broad-based income growth. Focusing exclusively on food crop production may also force ecologically fragile areas into unsustainable food

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[3]See T.S. Jayne et al., "Market-Oriented Strategies to Improve Household Access to Food: Experience from Sub-Saharan Africa." *MSU International Development Paper* no. 15, 1995; David L. Tschirley and Michael T. Weber, "Mozambique Food Security Success Story"*Policy Synthesis* no. 19, Food Security II Cooperative Agreement, East Lansing: Department of Agricultural Economics, April, 1996; T.S. Jayne, et al., Zimbabwe Food Security Success Story: Maize Market Reforms Improve Access to Food Even While Government Eliminates Food Subsidies." *Policy Synthesis* no. 18, Food Security II Cooperative Agreement, East Lansing: Department of Agricultural Economics, April, 1996

cropping systems and exacerbates the dilemma between investing in food production in "low-potential" and "high-potential" areas.

4. **Designing short-run relief efforts to put more emphasis on market mechanisms whenever possible.** Examples include:

- Current efforts of the EU to acquire its food aid supplies in Ethiopia through local purchases.

- Monetization of food aid whenever possible. For example, the donors and government of Mozambique have creatively used monetization and policy reforms in Mozambique over the past few years to dramatically increase access of the poor to food.[4]

- Experiments with cash-for-work rather than food for work and use of vouchers for inputs rather than in-kind distribution.

These efforts are aimed creating more reliable opportunities for private marketing agents to invest in developing market infrastructure and carry inventory. The efforts do this by increasing the volume of activity through the markets, thereby making them less residual and volatile.

5. Developing local scientific and analytic capacity to help guide food system development. Training the scientists and policy analysts and strengthening the local organizations in which they work is absolutely crucial for other four elements of this strategy to work. Such organizations include:

- National agricultural research systems.

- Market information systems to track, analyze, and diffuse information on developments in the markets. These include not only traditional famine early warning systems, but also systems that widely collect, analyze, and diffuse information on prices, changes in volumes, market structure, etc. to farmers, consumers, traders, and public policy makers. Failure to have adequate market information can lead to efforts to purchase food aid supplies locally or monetize food aid to be highly disrupt rather than stabilize local food markets.

- Local policy analysis capacity. This is crucial to analyze, on an on-going basis, how various public and private actions and evolution of the market will affect access of vulnerable groups to food. Especially important is having local capacity to analyze how government policies and private actions influence income distribution, which critically affects access.

- Autonomous professional organizations of traders, farmers, and consumers to provide feedback to the analysts and eventually provide the political clientele to support such services.

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[4]See David L. Tschirley and Michael T. Weber, "Mozambique Food Security Success Story"*Policy Synthesis* no. 19, Food Security II Cooperative Agreement, East Lansing: Department of Agricultural Economics, April, 1996.

IV. Cautions and Conclusions

We need to recognize that a market-oriented strategy will not solve all the problems of inadequate access to food. Markets are very good at distributing already-produced goods to people who have money. Getting the institutions right to produce what is really needed with a distribution of benefits that does not leave many behind and without is much more difficult. Thus, there will still be people left behind for which special targeted programs will be needed. My argument is simply that if you don't begin with a market-oriented approach, you will be "swimming upstream" in trying to provide improved access. There is clear evidence that markets can be improved in ways that greatly improve access of poor and vulnerable groups to food. These improvements need to be exploited, while at the same time designing complementary actions to help those who fall between the slats.

Such an approach is consistent with ideas outlined in the other commitment areas of the joint paper about how to improve food security. Furthermore, strengthening the human and institutional capital needed to pursue this approach is an area where the US and Canada have comparative advantage. Experience from Asia show that their prior investments in such human and institutional capital have had high payoffs.

Once a strategy is adopted, resources are needed to implement it. I hope that the World Food Summit, even though it is not a pledging conference, will set in motion a process to get donor budgetary commitment to achieve the strategy laid out above and the objectives of the joint paper.