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INTERNATIONAL FOOD  
POLICY RESEARCH INSTITUTE  
*sustainable solutions for ending hunger and poverty*

# ifpri FORUM

MARCH 2003

## New Challenges, New Structure

Increasingly, donors and developing countries request IFPRI's guidance in the development of coordinated strategies to improve food security. To respond to this challenge, IFPRI is launching a new division, Development Strategies and Governance.

"IFPRI has an excellent track record of providing valuable research on specific topics, but more and more, we're being asked to develop overall strategies," said Peter Hazell, director of the new division. "It's like the difference between making parts for cars and designing automobiles."

At the same time, IFPRI's Markets and Structural Studies Division will now be known as Markets, Trade and Institutions.

"In an age of increasing globalization, market and trade issues can no longer be separated," noted division director Ashok Gulati. "Developing countries are revamping their internal market policies to respond to the demands of global trade, and our reorganization will assist us in analyzing these trends."

For more details about IFPRI's new structure and new strategy, go to:  
[http://www.ifpri.org/about/about\\_menu.asp](http://www.ifpri.org/about/about_menu.asp)



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## A Level Playing Field for Poor Farmers

*Millions of farmers in developing countries find they cannot compete with cheap, subsidized farm goods from Europe and the United States.*

**T**he Jamaican dairy industry may be on its last legs. Part of the reason is the milk powder flooding in from Europe at prices so low that local farmers cannot hope to match them.

According to Albert Walker, executive director of the Jamaica Dairy Farmers Federation, "In 1992 Jamaica produced 38 million liters of

milk, but in 2002 we produced just 18 million liters. Imported milk powder rose by 50 percent just between 2001 and 2002. The cost of production, based on inputs like electricity and fertilizer, is skyrocketing, but the price paid to farmers has dropped by 20 percent. The industry is in danger of complete collapse."

*(continued on page 8)*

### New Newsletter

IFPRI Forum merges and replaces both IFPRI Perspectives and 2020 News & Views. It will be published quarterly.

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# U.S. Senators Meet on World Hunger

**A**midst all the talk about war, the U.S. Senate Foreign Relations Committee devoted time recently to discuss how to end world hunger. Committee Chair Richard Lugar noted that the two issues were linked: “Global hunger issues ... ultimately bear on security interests of other countries and our own.” He added that “for many Americans, [these] issues are ‘out of sight’ and consequently often ‘out of mind.’”

Making the most of this opportunity to bring IFPRI’s key messages directly to U.S. legislators, IFPRI Director General Joachim von Braun testified at the February 25, 2003 hearing that the fundamental cause of hunger is poverty and that, in view of the complex causes of hunger, a diverse set of actions is needed for success.

Von Braun listed seven essential actions needed to make progress: invest in human resources by making health, education, clean water, and sanitation available for all; invest in broad-based agricultural and rural development; ensure access to well-functioning markets; expand research and technology to solve the problems of poor farmers; improve management of the natural resource base upon which agriculture depends; use global agricultural trade negotiations to produce fair rules for poor countries; and promote good governance.

Also testifying were the World Food Programme’s James Morris, the U.S. Agency for International Development’s Andrew Natsios, the Coalition for Food Aid’s Ellen Levinson, and Catholic Charities’ Ken Hackett. Read their statements and that of Sen. Lugar at:

<http://foreign.senate.gov/hearings/hrg030225a.html>

*Senator Richard Lugar*



# Nutrition Goes Mainstream

**F**or decades, the Indian state of Tamil Nadu placed nutrition high on its development agenda. Yet despite all efforts, low birth weight—and its attendant health risks—afflicts 23 percent of all babies born in the state. Clearly, current approaches are not reducing malnutrition in Tamil Nadu at the rate set forth in the Millennium Development Goals. This is true of other developing regions as well. Consequently, IFPRI’s Lawrence Haddad and other experts have sought a new framework for solving the problem. “The nutrition community knows that good nutrition is more than a pillar of development, it is its very foundation. But neither nutritionists nor the larger development community has taken strides to embrace each other,” Haddad says.

Just as educators have learned that teaching writing works best when it is part of a school’s entire curriculum, rather than just an isolated course, nutritionists believe that the best technique for improving nutrition—and accelerating development—is to make it part of all aspects of the development agenda. They stress that a nutrition perspective offers insights to those who seek ways to reduce poverty, empower the excluded, and make trade liberalization more pro-poor. In March, when more than 200 members of the international nutrition community gathered in Chennai, Tamil Nadu’s capital, for the annual meeting of the UN System’s Standing Committee on Nutrition, they devoted a daylong symposium to “Mainstreaming Nutrition to Improve Development Outcomes.”

The symposium, hosted by the M.S. Swaminathan Research Foundation, was an important first step in establishing international awareness of this perspective, which takes account of the profound impact good nutrition has on all key economic sectors and development goals, including reductions in poverty, decreases in mortality and disease, improvement in learning ability, an increase in income-earning potential, and acceleration of economic growth. ■

## Research with an Ear to the Ground

On a hillside in Honduras, IFPRI researchers are continuing their grassroots approach in their study of agriculture. Rather than reporting their data only to top policymakers, they stay in direct touch with the source, sharing findings with municipalities, communities, and farmers, and asking for reactions. “This was one of our better research experiences because we involved people at the local level from the outset of the research,” says John Pender, project co-leader and IFPRI senior research fellow.

In order to make wise agricultural investments in Honduras’ upland regions, where the poverty level reaches 93 percent—compared with 66 percent nationwide—researchers must understand local farmers’ frames of reference. The

interactions between both groups, which began two years ago with several local workshops, culminated in four recent regional workshops in which farmers, community leaders, NGOs, and government representatives discussed their viewpoints. Among other things, participants focused on the serious obstacles farmers often face when selling and adding value to their crops. For example, although some participants wanted to grow fruits and vegetables, they lacked the technical know-how and marketing experience needed to make the shift. The discussions also dealt with other pressing local concerns raised by the research, including the fact that households farming less than 2 hectares had a higher average income, but lower level of food security,

than households farming 2 to 5 hectares.

Other benefits of the workshops? Residents from several communities shared experiences with each other, discussing what works and what doesn’t. And farmers talked with government leaders, contributing their voices to the national and regional policymaking process.

The project is a collaboration with the Netherlands’ Wageningen University and Research Centre (WUR) and Honduras’ PRONADERS (National Program for Sustainable Rural Development). The results will be presented at a one-day national workshop on June 25, 2003, to the country’s policymakers and donor agencies, thus completing the circle from local to national to international. ■

## Looking to Women

The best research in the world isn’t worth a handful of dust if it’s never put into action. With that in mind, IFPRI is publishing a series of guidebooks for development practitioners, with how-to info on such things as using survey data, targeting interventions to specific groups, and monitoring progress. Next off the presses? Using *Gender Research in Development*, a guide showing how to use IFPRI’s latest findings on gender to improve project design and performance.

Coauthor Agnes Quisumbing explains why gender analysis is so important in food security work. “Projects and policies are more effective if they take gender into account,” she says. “It has to do with who controls the resources in the household. The research has found that resources controlled by women tend to have a bigger impact on food security outcomes such as children’s nutrition and health, as well as education. So in a

sense, your money will go a longer way if it is targeted toward increasing women’s resources—there’s a bigger bang for the buck if you give it to women.”

What makes the guidebook uniquely useful is that Quisumbing and coauthor Bonnie McClafferty sought feedback on the draft from practitioners. They held workshops in Kathmandu, Nairobi, and Guatemala City at which participants commented from the perspective of users. Readers in these disparate regions were surprised and thrilled at the document’s relevance to their own locales. They also offered a suggestion: Although the guide was meant for practitioners, make the volume more useful to policymakers.

“They said that, unless policymakers are aware of the need to address gender

issues, all of the innovations that field workers do on the ground are only going to be stopgap measures,” reports Quisumbing. The upshot: a “massive revision” that looks at how gender research fits into the policy cycle as well as the project cycle—and a tool that promises to help turn handfuls of dust into handfuls of food. ■

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*The dual scourge of hunger and malnutrition will be truly vanquished not only when granaries are full, but also when people's basic health needs are met and women are given their rightful role in societies.*



## Dr. Gro Harlem Brundtland, Director General, World Health Organization

*A leading figure in the international development community, Gro Harlem Brundtland talks to IFPRI Forum about health, nutrition, and sustainable development.*

**FORUM:** The term “sustainable development” covers numerous processes and outcomes. In your view, what roles do health and nutrition play in sustainable development? How have those roles changed at WHO during your tenure?

**Brundtland:** Health and nutrition are at the center of sustainable development. You cannot achieve environmental security and human development without addressing the basic issues of health and nutrition. And you cannot tackle hunger, disease, and poverty unless you can also provide people with a healthy ecosystem in which their economies can grow. I have consistently made this case at the highest political levels throughout my tenure at WHO.

During my nearly five years as director-general of WHO, high-level policymakers have increasingly recognized that health is central to sustainable development. More than ever before, there is a global understanding that long-term social, economic, and environmental development would be impossible without healthy families, communities, and countries.

**FORUM:** The Millennium Development Goals require us to cut global poverty in half by 2015. In your opinion, what must change to achieve this goal and what is the goal's likely fate?

**Brundtland:** Let me first say that I don't think the millennium target of cutting global poverty in half is an impossible or abstract target. I think it is a real and achievable goal. Whether we achieve this goal in 12 years' time hinges on the concrete decisions the international community makes today. This will involve drastically scaled-up spending on health. The report of the Commission on Macroeconomics and Health provides incontrovertible evidence that, by massively increasing investment in health, we could save millions of lives, turn the tide on global ill health and poverty, and harness global economic development.

We will only achieve this if we can drastically reduce malnutrition. This will involve serious agricultural reforms and changes in trade; new policies and distribution systems that will make food available to the poorest; a plan to tackle the wasting diseases—including HIV/AIDS, TB, and malaria; fortification of basic food products at a price that the poorest can afford; more scientific research; and better stewardship and governance by national leaders.

The dual scourge of hunger and malnutrition will be truly vanquished not only when granaries are full, but also when people's basic health needs are met and women are given their rightful role in societies. In addition to food shortages, other major causes of malnutrition must feature prominently in our planning. Malnutrition is also a matter of food safety. Contaminated food is a major cause of diarrhea, substantially contributing to malnutrition and killing about 2.2 million people each year, most of them children. Investing in food safety carries big returns. It reduces the cost of food-borne disease. It contributes to poverty alleviation by increasing the quality and length of life, while augmenting people's productivity, and it improves global health and global trade.

**FORUM:** As trade's impact on food security increases because of food safety issues, are WHO and WTO considering joint efforts to promote food security? If there is potential for collaboration, what form might it take?

**Brundtland:** A safe and nutritionally adequate diet is a basic individual right and an essential condition for sustainable development, especially in developing countries. The development of the food industry for both domestic and export markets relies on a regulatory framework that both protects the consumer and assures fair trading practices in food. These normative aspects of food safety provide the "level playing field" upon which a responsible, competitive, and healthy food industry can develop.

WHO collaborates in the implementation of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) through the Joint FAO/WHO Codex Alimentarius Commission, which establishes health and safety requirements for food. The primary intent of the SPS Agreement is to counter unjustified health and safety requirements that serve as nontariff barriers to food trade. In particular, WHO is responsible for the provision of sound scientific risk assessments of hazards in food, which provide the foundation of Codex's risk management decisionmaking.

WHO also coordinates with WTO regarding the revision of the International Health Regulations. These are intended to govern the international movement of people and products, including food products, that may have implications for public health. WHO is also a member of the WTO-led coalition of parties, including FAO, the World Bank, and the Office International des Epizooties (OIE), whose role is to strengthen the food safety infrastructure in WHO member states. Through its regional offices, WHO collaborates directly with member states by providing training, consultancy services, fellowships, and basic supplies and equipment to promote food safety programs in developing countries.

**FORUM:** There is increasing opportunity and pressure for public and private institutions to work together on sustainable development. What do you see as the benefits and drawbacks of such partnerships?

**Brundtland:** When public and private sectors combine intellectual and other resources, more can be achieved. I have seen this happen in recent years with regard to pharmaceuticals and vaccines, where, working together, we are improving access to medicines and vaccines for infectious diseases in the poorest countries. We are also in the process of defining how best to work together with food and other companies to address diet and physical activity factors in order to prevent chronic diseases.

We have seen good examples in the field of sustainable development as well. Many innovative partnerships in health and sustainable development have been developed. This includes the recently announced Healthy Environments for

Children Alliance, which I inaugurated in Johannesburg. It will address key environmental factors posing risks to children's health, arising from the settings in which they spend most of their time: the home, the school, and the community.

There are always concerns that private-public interaction could lead to setting distorted priorities for public health, favoring commercial interests and adversely influencing the development of global norms and standards. We believe, however, that we have taken steps to minimize these risks by strengthening our internal processes for addressing conflicts of interest. We are now interacting with a wide range of private-sector partners who share our commitment to improving global health. This means that better policies and action strategies can be taken, involving a broader range of interested parties, with spin-offs for both the public and the private sector.

**FORUM:** The HIV/AIDS pandemic has cast a pall over sustainable development in Africa. What prospects do you see for African recovery? Are other regions coming under a similar threat?

**Brundtland:** That the AIDS pandemic is threatening sustainable development in Africa only reinforces the reality that health is at the center of sustainable development. It is naive to talk about an African renaissance if, in certain regions, upward of a quarter of the population—including teachers, doctors, nurses—will die from AIDS.

It is vital that we harness political and financial commitments to fight the war against AIDS at the highest levels. We have a Global Fund to Fight AIDS, Tuberculosis, and Malaria. In December 2002, WHO, along with 50 other organizations, launched the International Treatment Access Coalition (ITAC). Through ITAC, the international community committed itself to working with affected countries and communities to substantially expand access to care and treatment for HIV. We are aiming for 3 million people worldwide to be able to access anti-retrovirals by 2005. It is essential that we act now. If we wait another decade, HIV/AIDS will have engulfed China, India, large parts of the states that make up the former Soviet Union, and Eastern Europe—dwarfing the scale of the current epidemic in Africa.

**FORUM:** The diet transition in developing countries is producing the double burden of under- and overnutrition. What roles should food policy and health policy play in eliminating this burden?

**Brundtland:** To successfully address this burden, integrated food policies must be a strong element in national development strategies. Most developing countries today still suffer heavily—in lives lost and in cost—from infectious diseases

*(continued on page 6)*

*It is naive to talk about an African renaissance if, in certain regions, upward of a quarter of the population—including teachers, doctors, nurses—will die from AIDS.*

and undernutrition. They now also face a rising number of deaths and increased disability from chronic diseases. This is largely the result of a nutrition transition whereby increasing numbers of people in developing countries are consuming diets high in fat, sugar, salt, and calories, and low in fruits and vegetables. This double burden of disease is rapidly putting a serious brake on the development efforts of many countries.

Food policies in many countries address nutrition and health only in the context of micronutrient deficiencies and undernutrition. As we outlined in this year's World Health Report, all countries need to develop an approach to health care that is based more on risk prevention. WHO's Global Strategy on Diet, Physical Activity, and Health, which is being prepared for the May 2004 World Health Assembly, will address diet and food policies from a life-course perspective. The emphasis will be upon population nutrient goals to prevent the major chronic diseases. The recently released WHO/FAO Expert Report on Diet, Nutrition, and the Prevention of Chronic Diseases reinforces the scientific base for this action. It poses challenges to global food and agriculture policies in particular, as it calls for increased consumption of fruits and vegetables. In considering issues such as food fortification, we also need to take into account the effect of diet upon chronic diseases.

**FORUM:** You have often stressed that we have the tools and knowledge to reduce hunger and poverty dramatically, but have not taken the decisive step from knowledge to action. What are some of the levers we have for encouraging action, and how can we sustain it?

**Brundtland:** I have repeatedly stressed that we have the knowledge to reduce hunger and poverty. We know how to enable the poor to get the food they need. We know how to avoid micronutrient deficiencies. We know how to encourage breastfeeding of infants. We know how to ensure safe food. We know what constitutes healthy diets.

An important lever for sustained action in tackling poverty and reducing hunger is money. Investing in health will produce enormous benefits. With an annual investment of \$66 billion by 2007, we can save 8 million lives each year. By 2015, such investments will bring a sixfold return in economic growth. We can really reduce poverty and sow the seeds of longer-term prosperity and security. ■

## New Board Chair

In 1979, when Isher Judge Ahluwalia returned to India after nearly a decade in the United States, she was motivated by a desire to understand the persistent stagnation of Indian industry and to engage in policy dialogue regarding solutions. This concern started Ahluwalia on her career of policy-oriented research on the Indian economy. Her *Industrial Growth in India: Stagnation since the Mid-Sixties*, the first in a series of books and articles, helped trigger enthusiasm for reform and higher productivity. Ahluwalia brings confidence to IFPRI that developing-country governments can facilitate economic reform by reducing their role in certain sectors, while strengthening it in others, such as primary health care, basic education, and rural infrastructure.

Until recently the director of the Indian Council for Research on International Economic Relations, Ahluwalia is currently a visiting professor at the University of Maryland, College Park. IFPRI is pleased to welcome her as Board chair, and Arie Kuyvenhoven, professor of development economics at Wageningen University (WUR) and director of research at the Mansholt School of Social Sciences, as vice chair. The Institute also warmly thanks its outgoing chair and vice chair, Geoff Miller and Rebeca Grynspan, for their fine leadership. ■

## Location, Location, Location

The most elegant house in the neighborhood loses appeal if it's on a busy corner or next to an overgrown lot. Just as location is everything in real estate, it can have significant impact on the success of poverty reduction plans. And just as the desirability of a home's location depends on a number of variables, there are many factors determining where different ways of reducing poverty and resource degradation might be most effective.

That's where IFPRI's Spatial Analysis Research Group (SPARG) comes in. SPARG researchers aim to pinpoint where help is most needed, and to identify development options best suited to different locations. They examine where people—especially poor people—live, and link that to the spatial distribution of rainfall, problem soils, crop production, pests and diseases, roads, markets, processing centers, and so on. To do this, researchers use specialized software and database systems that allow maps of each factor to be created and spatial patterns to be analyzed in depth. These are powerful tools for

predicting likely development successes. "The more we know about the spatial dimensions of poverty, farming, and environmental degradation, the better we can design and target development strategies," says Stanley Wood, SPARG's leader.

Take, for example, the group's work in Uganda, where expanded production of cash crops seems a promising option for some communities. SPARG analysts first identify the number and locations of communities where expansion appears feasible—low population density, suitable climate and terrain, and relatively easy access to markets. Then they assess the potential loss of forests and wetlands and their valuable services, if agricultural expansion takes place.

"The result," says Wood, "is a process in which national policy-makers, local officials, and communities themselves are able to make more informed judgments about the balance of development options that they would like to see." ■

## The Forest Frontier

Pressure to develop the Amazon frontier has never been greater than now, with Brazil's economy stumbling badly. "At this juncture, reducing deforestation rates without threatening farmers' livelihoods, regional food supply, or potential regional and national growth is a dilemma in sharp focus and requires careful analysis," says Andrea Cattaneo, author of a recent IFPRI report on agriculture and deforestation in Brazil.

Can people and trees coexist on the Amazon frontier? Cattaneo's research and a second recent IFPRI report by Steve Vosti, Julie Witcover, and Chantal Line Carpentier review the issues and offer suggestions for slowing deforestation, while addressing poverty reduction and economic growth objectives. Livestock farming, crop raising, and logging all create profits and destroy trees, but do so at different rates, the reports explain. Ranching currently is most attractive to farmers, but consumes forests at the highest rate. Raising perennial tree crops saves forests but requires so much labor that it will only occupy small amounts of cleared land. So how to convince a small-scale rancher who can finally feed and clothe his family and send his children to school that he should stop deforesting?

There is light in the forest. Curbing fraudulent land claims could reduce deforestation by 23 percent, Cattaneo found. The authors of the second report, which focuses on Brazil's 750,000 small-scale landowners, recommend, among other things, an experimental system for extracting small quantities of timber from the land. This system could "substantially raise incomes and slow deforestation by adding value to remaining forests," notes Vosti.



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A longer-term fix? Improvements in the productivity of cattle ranching outside the Amazon would discourage ranching on the frontier, Cattaneo says. Both reports find hope in the emerging market in carbon emission "offsets" proposed under the international Kyoto accords. Developed countries can meet emission limits by purchasing conservation credits from nations like Brazil, effectively paying the Amazon frontiersmen to keep their forests standing.

To view these reports and their abstracts, please visit the website at [www.ifpri.org/pubs/pubs.htm#rreport](http://www.ifpri.org/pubs/pubs.htm#rreport). ■



## A Level Playing Field *(continued from page 1)*

How can Europe supply milk so cheaply? It is not only high productivity and economies of scale that give European producers a price advantage. It is also the subsidies they get from the European Union. According to a report from Cafod, a U.K.-based Catholic aid organization, the E.U.'s cash support and other transfers to the dairy industry total about \$17 billion a year, or about \$2.20 per cow per day—more than the daily income of half of the world's population. Dairy farmers produce a massive milk surplus, and exporters are given money to process this surplus and dump it onto world markets. This system of incentives pushes down international prices.

The situation is similar for dozens of other agricultural commodities. Cotton farmers in West Africa and corn farmers in Mexico suffer as a result of U.S. farm policies, and sugarcane farmers in Mozambique are harmed by the sugar policies of the Organisation of Economic Co-operation and Development (OECD) countries. According to statistics from the International Monetary Fund, between 1980 and 2000 the inflation-adjusted price of maize fell by 42 percent; wheat, 45 percent; cotton, 48 percent; rice, 61 percent; and sugar, a whopping 77 percent. At these low prices, developing-country farmers often cannot afford to compete on world markets, or even in their own domestic markets.

### Supporting Generations of Farmers

Government support to agriculture has sustained several generations of farmers in most of the industrialized countries. The U.S. government began supporting farmers after commodity prices collapsed during the Great Depression, and Europe adopted its support policies during the economic turmoil following World War II. The policies became part of how farmers do business in these countries. Price supports, for example, became embedded in the price of land, says Eugenio Díaz-Bonilla, a senior research fellow at IFPRI. "The price of land is related to the income that it generates," he explains. "If you get subsidies for the products of the land, then the value of the land reflects that. Naturally farmers want to maintain these policies even though the original reasons for the subsidies are gone."

Now, although farmers in these countries are relatively small in number—just 2.6 percent of the labor force in the United States and 4.4 percent in Europe—they use their considerable political clout to insist on the continuation of agricultural support. Their determination is understandable: U.S. farmers earn about 20 percent of their income from subsidies. European subsidies account for about 30 percent of farmers' income there, and in Japan the figure is nearly 60 percent. In all, agricultural support to farmers in the industrial countries has a value of more than \$300 billion a year.

Agricultural support by the industrialized countries takes several forms, and nearly all of them encourage production by keeping domestic prices high for industrialized-country farmers. This overproduction increases international supplies and pushes down international market prices. Support policies include domestic subsidies like direct payments to farmers on the basis of their production level, and price supports, in which governments agree to buy farmers' produce at a certain price when the market price falls below this level. These policies distort the signals that tell farmers how much they can profitably produce. When governments offer price supports,

explains Sherman Robinson, director of IFPRI's Trade and Macroeconomics Division, "it says to the farmer: Keep producing. Price doesn't matter." So farmers keep producing.

*(continued on page 10)*



© Panos Pictures/Mikkel Ostergaard

# Famine in Ethiopia

## *When Markets Don't Work*

Eleni Gabre-Madhin

Even as we focus on an impending war with Iraq, we are losing the war against hunger in Africa. A staggering 38 million Africans face starvation in 2003. In Ethiopia alone nearly 14 million people are at risk.

Yet, this time last year, Ethiopian farmers had produced more grain than they could sell locally, with a national surplus of more than half a million tons. By August the country was severely short of food. What happened?

The real reasons for Ethiopia's food crisis are utter dependence of the economy on weather; the inability to compensate for bad weather through insurance measures; the extreme poverty of most Ethiopians, who cannot protect themselves from adverse economic shocks; and ultimately the failure of the country's marketing system.

Why didn't the private traders or the government store the surplus for sale in time of drought? Why didn't surplus grain in the western regions, where there is plenty of rain, get distributed to the drought-prone eastern regions, where food is generally scarce?

These complex questions are difficult to answer. Last month I met with Yosef Yilak, a trader in Ethiopia's central market in Addis Ababa. He recalled that when prices fell by as much as 80 percent last year, traders did not have the financing to buy and store grain in large quantities. As part of its structural adjustment reform, the government completely privatized grain trade in the early 1990s and no longer stores or distributes grain.

What happened to the surplus if nobody stored it? It seems to have vanished overnight. In Ethiopia, many feel that, as prices collapsed last year, some farmers simply abandoned grain in the fields.

This tragic outcome is directly caused by the weakness of the marketing system. Traders are sorely challenged to buy food from farmers and sell it in places where it is needed. Our research shows that most grain traders operate small-scale businesses with very few assets, and trade only with people they know, over very short distances.

Two-thirds of Ethiopian traders cannot get bank loans. Only 6 percent own a vehicle, and fewer than half have a telephone or permanent storage facilities. Most traders have not completed high school and lack formal business training. Ethiopia has few and very poor roads and virtually no telecommunications. Traders and farmers do not have public information on grain prices around the country. They have no way to know the quality of the grain they buy without inspecting it themselves. There is no commercial legal system to enforce contracts, which are mostly verbal.

Ethiopia's food distribution operates much like a flea market. To carry out a sale, traders must physically bring their grain to the market, buyers must be physically present to inspect this grain, and the sale is strictly in cash terms. There are no long-distance orders, no deliveries at a future time, no sophisticated contracting. Only a quarter of food produced even reaches the market.

Ethiopian farmers receive a mere one-third of the final price, compared with Asian farmers who receive 70 to 80 percent.

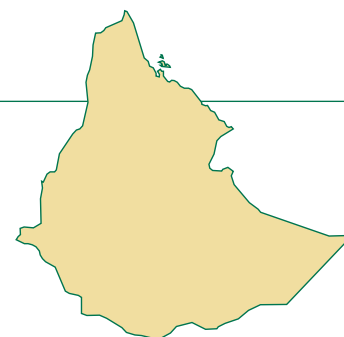
The market is also very risky. Abdu Awol, whom I met in the western region of Wollega, is one of the rare traders who has attempted a long-distance sale. He took his grain to northern Ethiopia, where he heard that demand and prices were higher. Because of poor roads, it took him two and a half weeks to transport his grain 900 kilometers, and many of his sacks burst along the way. He was stopped at least 10 times by local officials whom he had to bribe.

Once he arrived, he couldn't find a trustworthy buyer. In the end, he sold at a loss and never tried again.

When markets fail, everybody loses, from bankrupt farmers to starving consumers. To make markets work, the government and its donors need to get serious about supporting the private sector, investing in roads and telecommunications, and putting in place institutions to deliver financing, information and legal enforcement. ■

The writer is a research fellow at the International Food Policy Research Institute.

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## A Level Playing Field *(continued from page 8)*

Governments also use export subsidies to help make their farmers more competitive in world markets, paying exporters the difference between high domestic prices and low world market prices. Again, the message to farmers is: Keep producing. Price doesn't matter.

Finally, governments protect their farmers from foreign competition by using tariffs and quotas to restrict access to domestic markets. These protections help keep domestic prices high by shutting out cheaper imports. Because prices are relatively high, domestic consumers buy less, and more of the product flows into international markets—pushing international prices down.

### The High Cost of Cheap Commodities

The first people to pay the cost of agricultural support are the taxpayers and consumers of the industrialized countries, whose taxes go to farmers and who pay higher prices for food than they otherwise would. The United States now spends about \$19 billion a year on its taxpayer-funded farm support programs—about double its budget for foreign aid. The E.U. spends more than \$40 billion a year.

The next to pay are farmers in the developing countries, and their losses can be enormous. For example, U.S. cotton subsidies totaling \$3.9 billion a year have contributed to oversupply in the world market. The consequent dive in cotton prices has been disastrous for cotton producers in West African countries like Chad and Mali, as well as in Brazil. Brazil's National Agriculture Confederation estimates that low cotton prices cost the country more than \$600 million in 2001/02. In September 2002 Brazil filed a complaint against the United States with the World Trade Organization (WTO) over the subsidies, and the parties are still awaiting a decision.

The United States and the European Union sometimes point out that they have participated in specific agreements designed to give poor countries preferential access to rich-country markets, such as

the E.U.'s Everything but Arms agreement and the U.S. Africa Growth and Opportunity Act. Although such agreements offer some trade opportunities to some poor countries, Robinson notes that the United States and E.U. still restrict the entry of high-value and potentially more profitable agricultural products, like sugar, meat, fruits and vegetables, and processed goods. "If you want to export cocoa beans to the E.U., that's fine," he says. "But if you want to export a chocolate bar, it's going to be much more difficult."

The heavy cost to developing countries of these policies is particularly damaging because, without a healthy and growing agricultural sector, many poor countries are simply unable to climb out of poverty. Whereas the industrialized countries have relatively small farming populations, many developing countries are still largely rural and agricultural. In developing countries overall, agriculture accounts for nearly half of all employment. Given agriculture's central role in these economies, when farmers and farm workers find their livelihoods threatened, the entire economy is weakened.

Trade in agricultural goods can play a key role in reducing poverty. Research by Díaz-Bonilla, Robinson, and Xinshen Diao from IFPRI shows that, if industrialized countries eliminated their agricultural supports and opened their markets, devel-

oping countries would triple their net agricultural trade, and an additional \$26 billion in annual income would flow to their farmers and agroindustrial workers. This figure does not include the additional effects in the rest of the economy that would flow from this boost in income.

Not everyone in the developing world loses from the current situation. In addition to the rich-country farmers who gain from subsidies and protection, cheap food benefits developing-country



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consumers whose income does not depend on agriculture and countries that have agricultural sectors that are small or that cannot be expanded, like the net food-importing countries of West Asia and North Africa. But, says Díaz-Bonilla, “there are other more efficient and just ways to compensate those potential losers without having to maintain the current system with its large costs for developing countries and the world as a whole.”

### Hope from the Doha Round?

Agricultural policies were for the first time fully on the table in international trade negotiations during the Uruguay Round. Now, in what is known as the Doha Development Round, trade negotiators meeting at the WTO in Geneva are working to hammer out an agreement on how to continue the process of reform initiated during the Uruguay Round, including the three main forms of agricultural support—domestic subsidies, export subsidies, and restrictions on market access.

Negotiating parties are still far apart on their key demands. The E.U. maintains that some form of domestic support is necessary to cope with the volatility of commodity prices and to help maintain its rural population and protect the rural environment. With regard to protecting its rural people and environment, an E.U. fact sheet states, “On its own, the market will fail to guarantee the provision of these desirable public goods, or at least provision will not be assured at an acceptable level.” The Europeans are considering some options for decoupling subsidies from production by, for instance, giving farmers direct income supports or paying them for preserving land for environmental purposes. Whether those changes would help reduce the overproduction that lowers prices and harms developing-country farmers is an open question.

Although the United States moved in this direction in the mid-1990s, its 2002 farm act reversed course in response to political pressure from farm groups. The act effectively institutionalized price supports that the country had given farmers on an emergency basis in recent years. Passage of the act gave rise to a storm of protest by trading partners, who argued that the shift flew in the face of the country’s own free-trade rhetoric.

As far as export subsidies, some countries want to phase them out quickly and completely whereas others want to reduce them slowly. The E.U. argues that in any case low prices are actually the result of falling transport costs and increasing productivity by farmers worldwide rather than of export subsidies by industrialized countries.

Finally, disagreement exists on how tariffs and other barriers should be reduced. Should all countries have to reduce their tariffs by equal shares, even though some countries’ tariffs are much higher than others? Or should all countries be required to bring their tariffs down to more or less equal levels? These questions are subject to intense political posturing and negotiation.

Gawain Kripke, senior trade advocate for Oxfam, is concerned

that the developing countries are not well equipped to benefit from these complicated negotiations. “Negotiations are a rich country’s game,” he says. “Developing countries don’t have the resources to play the game. They don’t have the phalanxes of negotiators and lawyers and researchers.”

Kripke points out that the negotiations have high stakes for the developing countries and that they may fear putting at risk their special aid relationships and bilateral trade preferences with the industrialized countries. “The developing countries need better support in terms of legal mechanics and technical assistance. We think the northern countries should provide more assistance in that way.”

Albert Walker of the Jamaica Dairy Farmers Federation also fears that developing countries will be the big losers from the negotiations, because industrialized countries are likely to get poor countries to open their markets still further while avoiding giving up their own agricultural subsidies: “You will have a wide open playing field that isn’t level.”

Some countries are counting on negotiating blocs to give them a greater say in the negotiations. Brazil, along with 14 other agricultural exporters, including Argentina, Australia, Colombia, New Zealand, and South Africa, is a member of a coalition called the Cairns Group that pushes for freer trading rules. The group takes credit for putting and keeping agriculture on the agenda and hopes that by negotiating together they can put more muscle into their demands. “For us the ideal outcome would be the complete elimination of all trade-distorting policies in the agricultural world market,” says Antonio Donizeti Beraldo, director for international trade of the Brazilian National Agriculture Confederation. “It means the complete elimination of export subsidies and other measures with equivalent effects, such as export credit and food aid, as well as all the trade-distorting domestic support measures and high tariffs, with the aim of rapidly improving market access for developing countries.”

One veteran of past negotiations, Clayton Yeutter, who has served as both U.S. trade representative and U.S. secretary of agriculture, thinks that countries like Brazil may be closer than ever to getting what they want. The conditions are in place for much greater progress in agricultural trade negotiations, he says, because trade barriers are now quantified and countries have a common vocabulary for discussing them, a situation that did not exist in the earlier Uruguay Round. In addition, the developed countries are facing budget problems that may make their agricultural supports unsustainable.

He also sees much greater determination among many of the developing countries than in the past. “They are not going to be intimidated. They’re saying, ‘We’re going to make progress or there will be no successful Doha Round.’ It behooves the developed countries to appreciate that and respond to it.”

*(continued on page 12)*

### Reform Begins at Home

No matter what happens during the Doha Round negotiations, the developing countries already have it within their power to make their farmers better off, encourage agricultural growth, and make their agricultural exports more competitive internationally. "It is true that industrial-country agricultural policies hurt some developing countries," says the IMF's Stephen Tokarick. "But developing countries' own policies, such as tariffs, hurt themselves substantially more in most cases." High tariffs in the developing countries cause people to move resources like capital and labor into the protected industry instead of into more efficient industries with export potential. Additionally, cautions Díaz-Bonilla, "it is important to understand that protection is a regressive hidden tax that is paid in proportionally greater amounts by poor consumers and collected mainly by large private producers and agroindustrial operators."

But while some developing countries may use protection to increase prices to farmers (hurting consumers in the process), the opposite happens in other developing countries. In a recent study Ashok Gulati, director of IFPRI's Markets and Structural Studies Division, points out that from 1982 to 1992 the value of domestic supports for farmers in Japan amounted to 71 percent of the value of that country's agricultural production, while in a number of developing countries that figure was below zero, according to data from the U.S. Department of Agriculture. In Tanzania, for example, it was -78 percent. Instead of seeking high prices for farmers, many developing countries are concerned with keeping food cheap for growing numbers of poor and urban people. To reduce farmers' costs and help ensure low food prices, India, for instance, subsidizes inputs like water, energy, and fertilizer, leading to wasteful use of these resources.

It is perhaps tempting for countries like India, Gulati points out, to believe that in order to compete they must vastly increase their subsidies and trade protections for agriculture. This approach would be misguided, and in any case unaffordable, he says. Instead, India and other developing countries need to lower their input subsidies and redirect the funds to investments in public goods, like infrastructure, that will help create thriving rural economies. Then governments can more carefully target assistance only to those poor farmers who cannot afford the higher-priced inputs. But the lack of a level international playing field for their farmers makes it difficult for developing countries to cut their own subsidies.

"Even as developing countries push developed countries to open their markets," says IFPRI Director General Joachim von Braun, "they need to invest at home in roads, market organizations, health, education, agricultural research, and food quality and safety. This will position their agriculture sectors to make the most of emerging trade opportunities in OECD countries. Just cutting subsidies in OECD countries will not be enough to tap the potential of agricultural growth in developing countries."

Although the industrialized countries are the major players in international agricultural markets for the moment, IFPRI research shows that in the coming decades their share in world trade will be dwarfed by that of developing countries. So for most developing countries, the best hope for profitable agricultural trade in the long term will lie in fair and active trading with their developing-country neighbors.

For now, developing-country farmers want the chance to compete on an equal footing with those in the rest of the world. "Some developed countries pay lip service to free trade while keeping their domestic support for farmers," says Gulati. "What the developing countries really need is free and fair trade with much reduced levels of domestic support in the developed world, as well as much better market access."

Ironically, observes von Braun, "developing countries use WTO anti-dumping mechanisms against each other almost twice as often as they do against developed countries. In any event, what we need is to maintain and expand rule-based global trade adhered to by all countries, and this must be at the top of the global agenda." ■

Reported by Heidi Fritschel

### Quick Poll

Do you think an agreement that emerges from the WTO negotiations will yield a fair, rule-based agricultural trading system?  Yes  No

(Please go to <http://www.ifpri.org/pubs/newsletters/ifpriforum/forumpoll.htm> to respond to this poll. We will announce the results on our website and in the next issue of this newsletter.)

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**International  
Food Policy  
Research  
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2020 Vision  
Initiative**

2033 K Street, NW  
Washington, DC  
20006-1002 USA

T +1.202.862.5600  
F +1.202.467.4439

[ifpri@cgiar.org](mailto:ifpri@cgiar.org)

[www.ifpri.org](http://www.ifpri.org)