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2009 USDA Agricultural Outlook Forum
February 26 Session on “Global and Domestic Perspectives on Food Security”
Presentation by Allan Jury, Director, U.S. Relations Office, World Food Program (WFP)
“Global Safety Net: The New Challenges Facing Food Aid”

Ladies and Gentlemen, I thank you for the opportunity to speak to you today on the new challenges facing food aid. The global food and economic crisis has dramatically changed the hunger situation in the world over the last year and we need to look afresh at the role of food aid in addressing this new situation. Reexamining food's role as part of a “global safety net” to help the world's most vulnerable hungry people provides a good strategic framework for responding to these new challenges.

I would suggest a starting point in this reexamination is to broaden the discussion from a specific focus just on food aid to a broader concept of food and nutritional assistance. This broader concept will allow us to think in a more integrated way about the appropriate role of food assistance in a comprehensive global strategy to fight hunger.

My remarks today will cover three main topics. First, what have been the historic trends in global food aid in the five years leading up to the global food crisis of 2008? Second, what changes have we seen in the global hunger situation and its implications for food aid as a result of the global food, fuel, and financial crisis of the past year. Finally, I would like to offer a few thoughts on how the global food and nutrition assistance system might better respond to these new challenges.

The World Food Programme International Food Aid Information System (INTERFAIS) provides us with an overall picture of the trends in food assistance over the period 2003-2007. INTERFAIS data shows four main trends in food aid over these years. One, there was a significant decline in the overall volume of international food aid, decreasing from 10.2 million tons in 2003 to 5.9 million tons in 2007, the lowest level in over 40 years. Two, the share of food aid provided through multilateral channels (primarily WFP) has been steadily increasing, reaching 55% of all food aid provided in 2007. Three, there has been an increase in food assistance sourced in developing countries, either through local or regional purchase or direct commodity donations from new donors in middle-income countries. In 2007, 45% of all food aid originated from developing countries. Finally, there has been a steady increase in the amount of global food aid provided through targeted assistance programs direct to beneficiaries, with 77 % of all food aid in 2007 going direct to beneficiaries and only 23% sold on the market, also known as “monetization.”

2008 was a watershed year in terms of the demands on the global food and nutritional assistance system. Food prices rose sharply beginning the second half of 2007, with prices on some grains nearly doubling in a year when prices reached their peak levels in the summer of 2008. This had two dramatic effects on the global food and hunger situation. First, the costs of providing food to the hungry poor already receiving such assistance increased significantly. WFP raised the alarm in March 2008 that rising food and fuel prices would increase its costs to feed the same number of people by about \$750 million. Secondly, higher food costs resulted in greater numbers of the poor being unable to feed themselves, swelling the ranks of the hungry in need of food assistance. According to statistics of the UN Food and Agricultural Organization (FAO), 115 million undernourished people were added to the ranks of the hungry in 2007 and 2008, bring the total number of hungry at the end of 2008 to 963 million. Most of this increase in hunger was the result of higher food prices.

These two factors produced what many have called a “global food crisis” starting in early 2008. The UN system, under the leadership of the Secretary-General and with the strong support of the World Bank, played a key role in mobilizing international support to respond to the crisis. Looking specifically at the global food assistance portion of the global response, WFP expanded its programs of direct food and nutritional assistance to millions of the most vulnerable people affected by rising food prices and other food shocks, such as drought, other natural disasters, and conflict. By end of 2008, WFP was reaching almost 100 million beneficiaries with its total operational budget nearly doubling to \$5.7 billion. Fortunately, the international community responded generously to the new needs identified by WFP, increasing their contributions to WFP in 2008 to \$5 billion. The US government led the way, contributing nearly \$2.1 billion, for which WFP is deeply grateful.

By the end of 2008, world food prices were starting to decrease from the unprecedented high level of earlier in the year. In addition, global attention turned to the financial and economic crisis, decreasing the focus on the “food crisis.” The casual observer might have been tempted to conclude the “food crisis” was over. But nothing could be further from the truth.

More people are likely to go hungry as a result of the financial crisis, which followed swiftly on the heels of the crisis caused by high food prices. In both cases access to food is being pushed beyond the reach of tens of millions of people. In the high food price crisis, the elevated cost of food made it inaccessible to the world’s poor. In the financial crisis, reduced incomes limit the ability of poor people to buy what they need to feed their families.

The financial downturn is making itself felt just as much in developing countries as in industrialized nations – but in different ways.

- **Remittances:** As the economic downturn affects the construction and manufacturing sectors of many developed countries, immigrant workers are losing their jobs. And they are the backbone of remittance flows – a crucial source of revenue for developing economies - to their countries of origin. In 2009, remittances are expected to fall by between 1 and 6% (Source: World Bank)

- Exports, trade and tourism: Many developing countries rely heavily on earnings from commodity exports. As demand falls for primary commodities, and prices drop unemployment will increase for skilled and unskilled labor alike. According to the IMF, growth in the global market for sub-Saharan African exports will decline by half from 4% in 2007 to 2% this year.
- Investment: External investment in developing countries will halve from 2007 figures, to US\$530 billion from US\$1 trillion (Source: World Bank). Research by British think-tank ODI suggests a 25% fall in international financial flows to the developing world.

The repercussions of 2008's high food prices are still being felt in the poorest countries. The cut-backs and changes that people make to their diets and lifestyles when prices rise such as eating less, buying less nutritious food, cutting out education and healthcare and taking on more debt, can have consequences that far outlast a spike in food prices or a financial downturn. For example, when the price of a staple goes up, people face a stark choice: either skip meals or lower the nutritional content. This can have a long-term effect on nutritional status for children, often leading to stunted growth and, eventually, higher disease occurrences and lower birth rates. The poorest people get trapped in a downward spiral of destitution; it will take more than a few months of declining prices to help them recover.

The financial crisis might temporarily contribute to lower food and energy prices, but prices are likely to remain relatively high compared to historical levels. Prices of the three main commodities – maize, wheat and rice – that WFP trades in have fallen in recent months, but they remain significantly high compared to early 2007. Furthermore, many of the structural factors that lead to price increases remain in place:

- the second lowest cereal stocks in 3 decades, which are not expected to be fully replenished over the coming ten years
- climate change, the effects of which can already be seen on world food production in a series of droughts, hot/dry summers and bitterly cold winters
- income growth and prosperity in Asia, which has led an increase in demand for meat and dairy produce

Prices are still high – and even increasing - in parts of the world where people are most vulnerable. Let me cite just a few examples from some of the poorest countries in the world:

- In parts of Chad, the price of a kilogram of both millet and rice is around a quarter higher than in January 2008
- In Afghanistan, the price of wheat is three-quarters higher than this time last year
- In Kenya, despite the harvest season, the likelihood of some traders hoarding maize to keep prices high has led to the cost of a 2kg pack of maize meal rising more than 130% since January 2008

Let me conclude by offering a few thoughts on how the global food and nutrition assistance system might better respond to these new challenges.

First, the world needs to continue in 2009 the strong level of financial support to international food and nutritional assistance that it provided in 2008. **The poor are least responsible for setting the financial crisis in motion, and are also the least protected from its negative impact.** In the industrialized world, people experiencing hardship will most likely have a broad net of social securities to fall back on – a family loan, investments, unemployment insurance, welfare benefits. In contrast, most people in developing countries have already drawn down their savings and productive economic assets to mitigate the effects of the high food and fuel crises. The world needs to view international food and nutritional assistance as the basis of the only “global safety net” many of the world’s hungriest people can hope for.

Second, the world needs to continue to broaden the range of tools the world uses to provide a “global safety net” so that the transformation of the system of food aid to a broader system of “food and nutritional assistance” becomes a reality. Innovative uses of local and regional purchase of food assistance, cash and voucher based food safety nets, expanded school feeding and child nutrition programs, and greater attention to micronutrient issues are all important elements of this expanded toolbox.

But it is equally important to stress that commodity based, in-kind food aid remains a vital element of that toolbox. The US government has led the way in programming its assistance in ways that strengthen the value of in-kind food aid in meeting the needs of the world’s hungry. USAID’s commitment early in the fiscal year of substantial amounts of food aid to major WFP humanitarian programs, such as Sudan, is an excellent example of more effective and predictable use of existing food aid resources. USDA’s multi-year commitments under the McGovern-Dole school feeding is another case that illustrates of how food aid can be used to provide more predictable support to food assistance programs that address chronic hunger needs.

Finally, the international community, led by the US, should implement food and nutritional assistance as part of a broader comprehensive strategy to address the causes and effects of global hunger. Agricultural development, for example, has not received the increased resources it needs to play its part in reducing global hunger. We need to think and act as a global system to end hunger, not just as a series of separate programs. Only then can we make substantial progress toward a hunger free world, a goal that is truly worth pursuing.