Brussels Policy Briefing n° 21

Geopolitics of Food: implications for ACP countries

Wednesday 2nd February 2011 – 8h30 – 13h00

European Commission, Building Charlemagne: Rue de la Loi 170, Room Mansholt

http://brusselsbriefings.net

"Hunger is a political issue rather than an agricultural issue"[1]

A wide range of factors influence agricultural production and the nutritional levels of the poor in ACP countries. These include climate change, energy security, population growth, youth unemployment, global land acquisition, migration and urbanisation, water scarcity, the decrease in expatriate remittances, the demand for biofuels and declining investment in research over the past two decades[2] [3]. Other factors, such as the increase in the purchasing power of the emerging middle classes in countries like China, and the competition between food and fuel production, are also influencing food policy and pose complex challenges to global agriculture, whose goal must be to ensure food and energy security in ways that are environmentally and socially sustainable[4].

To meet rising demand without a significant increase in prices, the world will need to produce 70–100% more food by 2050 (FAO, 2009). We also need to tackle inequalities in access to food. Today we produce enough food to feed the world, but over one billion people suffer from food insecurity and malnutrition (IAASTD, 2009). Since 2007, spikes in world food prices have threatened global food security and sparked off food riots in some poor countries. The result has been political instability, government intervention in food markets and the closure of borders to food exports.

To understand what is happening, we need to look at the power relationships that shape our planet, the economic drivers behind key policy decisions and the role of traditional and emerging actors, such as investors and speculative funds, in the food system.

New policy challenges affecting food production

Food commodity prices and their volatility

The recent surge in food prices was caused by a number of factors, including an increase in demand for food, driven by population growth and rising prosperity in many developing countries, especially in Asia; an increase in demand for biofuels; and severe droughts, possibly related to climate change, leading to declining crop yields in certain countries. Low short-term elasticity of demand and supply has led to an increase in the volatility of commodity prices during recent years. It is quite possible that we may see further increases in volatility as result of variable weather patterns related to climate change. Speculation by financial investors may have further increased the volatility of commodity prices. Price volatility has deterred investment in the agricultural sector and placed a heavy burden on governments. Buffer stocks are now at their lowest level for decades and the rebuilding of global food stocks should be a priority.

New conflicts over resources?

The rising demand for energy is likely to have an impact on the availability, reliability and affordability of supplies. This could heighten tensions between states competing for limited resources, especially if accompanied by a loss of confidence in the market's ability to satisfy rising demand. In major grain exporting countries such as the US, Canada, Argentina and Australia, demand for biofuels, stimulated by government subsidies, will lead to more land and irrigation water being devoted to non-food crops, even though biofuel production and processing technologies are becoming more efficient. This 'fuel farming' tradeoff, coupled with periodic export controls for food crops among Asian producers and the rising demand for protein, is likely to lead to further increases in global grain prices.

[1] Olivier de Schutter, Le Vif, 3/09/2010
[2] Oxford Policy Management, 2007, UNCTAD 2007
[3] The number of undernourished people in the developing world has increased from 848 million to 1,020 million from 2003-05 to 2009, mainly because of the food crisis and the world economic recession (FAO).
[4] National Research Council, 2010

Energy and changes in land use

Some 95% of food production is oil-dependent, with gains in agricultural productivity relying on the use of fertilizers and machinery. The increase in demand for biofuels has been caused, in part, by higher oil prices and subsidies, but biofuel consumption targets in OECD countries have also contributed to rising demand. Apart from increasing demand for corn, grains, sugar and oilseeds, biofuel production has reduced the amount of land available for food crops such as rice. This is changing land-use patterns in many developing countries, and led to a pressure on tropical forests.

Sustainable land and water use

Growing more food will require more land and water. Yet, every year arable land is lost to desertification, industrial activities and urban sprawl. These pressures, combined with increasing distrust in the functioning of regional and global markets, have focused attention on investing in agricultural land to secure long-term supplies of food, feed and biofuels.[5] At present, households use 10% of drinkable fresh water, industry 20% and agriculture 70%. Agricultural expansion will put further pressure on water supplies. After decades of expanding irrigation and improving productivity, farmers face emerging crises related to poorly performing irrigation schemes, insufficient modernization and declining investment.

Climate change effects

The weather has a major influence on food prices because it determines the size of harvests. Climate change is likely to have a negative impact on food production in some parts of the world. However, some predictions suggest that food production could increase in certain parts of the world. While some areas experience new opportunities (for example, Canada, Siberia, North China) others, such as Brazil, could be threatened by desertification. Agriculture and food systems are estimated to account for a third of greenhouse gas emissions, more than twice that of the transport sector (IPCC, 2007). The goal of the agricultural sector is no longer simply to maximize production, but optimize it across a far more complex landscape of production, rural development, environmental and social justice outcomes.[6]

One of the greatest challenges we face is how to feed a projected population of some 9 billion people by the middle of the 21st century. As the population continues to grow, the pressure on natural resources will increase, especially in less-developed regions which experience rapid population growth. At the same time, consumers in emerging countries such as India or China are consuming more meat, [7] thus leading to an increase in the demand for grain.

Agribusiness concentration

Modern food systems are accelerating towards a highly concentrated structure[8]. The comparative advantage of smallholder farming, in terms of its labour and land productivity, may be offset by the cost of dealing with markets with high levels of industrial concentration and new forms of private sector governance, such as private and voluntary standards. Excessive concentration within input markets (such as seeds and agrochemicals) and output markets (trading, processing, manufacturing and retailing) can work against the interests of small producers in poor countries by creating barriers to market entry, or by worsening the terms on which they engage in trade. Concentration is particularly striking in some globalised food chains (three or four companies control 40--80% of world trade in coffee, tea and cocoa.)[9]

Consumer and power

Traditionally, food consumers were interested in quantity, quality and price. Recently, however, consumers have developed an interest in the way food is produced and processed and the implications for animal welfare, carbon and water footprints, food miles and fair trade. As a consequence, producers and distributors increasingly provide information about their activities and some have set their own private standards. These can be a barrier to market access for small-producers.

The way forward

The UN Food and Agriculture Organization (FAO) and the World Food Programme (WFP) predict that the food crisis of 2008, which led to riots and political turmoil in several countries, will be repeated over the

[5] Joaquim Von Braun, Food and Financial Crises - Implications for Agriculture and the Poor, IFPRI Food Policy Report No. 20, December 2008, http://www.ifpri.org/pubs/fpr/pr20.pdf

[6] IAASTD, 2009

[7] Meat consumption per capita in China more than doubled between 1995 to 2008 from 25kg year/per person to 53kg- *Meat vs Fuel: Grain use in the U.S. and China- 1995-2008,* Jim Lane

[8] Concentration in food supply and retail chains, DFID-IIED, 2004 - http://dfid-agriculture-consultation.nri.org/summaries/wp13.pdf

[9] Addressing concentration in food supply chains- Olivier de Schutter , United Nations Special Rapporteur on the Right to Food- http://www.srfood.org/images/stories/pdf/otherdocuments/20101201_briefing-note-03_en.pdf

coming decades. It is clear that current levels of investment in agriculture are insufficient to drive the 70% increase in food production necessary to feed 9.1 billion people by 2050. During the fiscal crises in the 1980s and 1990s, agriculture suffered from a reduction in investment that has never been restored despite the increase in the recent years. With its current level of resources, production of food has to become more efficient (investment in technology, ecologically crop nutrition and protection products…).

Future food production systems should be ecologically intensive[10]. We need to overcome the dichotomy of producing more food *or* producing better food, and find a way to produce more *and* better food while consuming fewer resources. In future, farmers could increasingly be rewarded for sustainable management of natural resources as well as food production.

New forms of food governance at global, regional and local level will be required. As the economies of industrialized countries become weaker, and new economic powers emerge with important food production capacities or food needs, the trend towards deepened South-South relations is accelerating. In addition, trade and investment relations between developing countries are accounting for an increasing share of world total trade exchanges. The G20 Seoul Consensus on development (a first from this grouping and the first under the leadership of a non-G8 country) is a first step towards more inclusive governance systems.

How global agricultural and trade policies will develop (on production subsidies, trade restrictions and other market interventions) will be determinant to stabilise the global food system and improve the livelihoods of millions of poor farmers. The financial crisis has resulted in a reduction of investments in poor countries, a decrease in aid flows and remittances affecting the rural poor[11]. Developing countries will need to count more on their own resources (taxation revenues, improved trade, and productive use of remittances…) than on official development assistance.

Rehabilitating the role of research (the missing link) will be the way to bring modernization and innovation to rationalize and maximize agricultural land. The development of higheryielding
crop varieties, and others that are better adapted to extreme climatic conditions, new farming techniques will help smallholders get increased yields from poor soils and also prevent land degradation. Agricultural research capacity is an important factor in building food security and economic stability in ACP countries. Furthermore, new and better-targeted technologies are essential to this process, and a well-developed and well supported agricultural research system is a prerequisite not only for the design of these technologies but also for their dissemination and adoption. Funding of R&D has become increasingly scarce, irregular, and donor-dependent.

Objectives of the Briefing

To improve information sharing and promote networking, CTA, the DG DEVCO from the European Commission, the ACP Secretariat, Concord and various media organise bimonthly briefings on key issues and challenges for rural development in the context of EU/ACP cooperation. The Briefing on 2nd February 2011 will discuss the Geopolitics of Food, especially in the context of the ACP countries, and will aim to: (i) raise awareness about existing and emerging key challenges; (ii) promote the exchange of information and expertise; (iii) feed into the debate various perspectives on the policy options.

Target group

More than 150 ACP-EU policy makers, representatives of EU Member States, civil society groups, research networks and development practitioners, international organisations based in Brussels.

Available material

Input and comments before, during and after the meetings will be included in the Briefings blog: http://brusselsbriefings.net/. A short report and a Reader in printed and electronic format are produced shortly after the meeting.

[10] Michel Griffon, *L'audace d'inventer une nouvelle agriculture « écologiquement »intensive ; Les défis de l'agriculture mondiale au XXIème siècle* ; 2009 ; http://www.groupe-esa.com/IMG/pdf/defis__agriculture_au_XXIe_groupe_esa.pdf

[11] J.C. Anyanwu and A.E.O. Erhijakpo.2008. Do International remittances affect poverty in Africa? Tunis, African Development Bank. http://siteresources.worldbank.org/INTAFROFFCHIECO/Resources/Migration_and_Remittances.pdf

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8h00-8h30 Registration

8h30-8h45 Objectives and Programme: *Isolina Boto, Head, CTA Brussels Office*
Introductory remarks: *Michael Hailu, Director of CTA; Dr Mohamed Ibn Chambas, Secretary-General of the ACP Group*

Moderator**:** *Jean-Pierre Boris, Journalist, Commodities specialist, RFI*

8h45-10h15 Panel 1: New challenges in the global food system and ACP agricultures
Feeding the world is no longer just a question of increasing agricultural production and trade. In a globalised world, the global food system is becoming increasingly complex. The food, fuel and financial crises, the effects of climate change, the choice of global agricultural and trade policies - all have an impact on the food production. What are the lessons learned and consequences for the ACP agriculture and what does the future hold for the most vulnerable farmers?

Panellists:
- Major challenges in the food system impacting ACP countries
  Hans Herren, President of the Millennium Institute, co-chair, IAASTD
- Food insecurity and malnutrition: the result of political dysfunctions?
  Sylvie Brunel, Professor of Sustainable Development, Paris IV, Sorbonne
- Which future for small-scale producers in a changing environment?
  Jethro Greene, Chief Coordinator, Caribbean Farmer's Network (CaFAN)

10h15-10h30 Coffee break

10h30-13h00 Panel 2: What policy options and future governance to secure food for all?
In view of all these challenges, how will farming systems be in future, especially in ACP countries? What policy actions and changes could promote food security and resilient food systems that generate growth in the poorest countries while protecting and empowering small-scale farmers?

Panellists:
- New forms of food governance: towards a new global architecture?
  Olivier de Schutter, UN Special Rapporteur on the right to food
- Greater transparency for a better management of agricultural price volatility
  Hafez Ghanem, Assistant Director-General, Economic and Social Development Department, FAO
- Agricultural governance and food security: the African perspectives
  Ousmane Djibo, Agribusiness advisor, NEPAD
- World food security and international trade: can global trade policies work for poor farmers?
  Doaa Abdel Motaal, Counsellor, Agricultural and Environmental issues, Office of the DG, WTO

Conclusions

Networking Lunch