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HIGH FOOD PRICES: ACCELERATING INVESTMENTS TO RESPOND TO FOOD AND NUTRITION INSECURITY

High Food Prices: Accelerating Investments to Respond to Food and Nutrition Insecurity¹

I. CONTEXT OF THE HIGH FOOD PRICES IN AFRICA

(a) Current Status

1. The world is experiencing a dramatic increase in international prices of basic food commodities. In 2006, the FAO Food Price Index rose by 8 percent and by a further 24 percent in 2007. In the first three months of 2008, the Index average was 53 percent higher than for the same period in 2007. This food price increase has been rapid, sustained and across all major crops, dairy and livestock products. Africa is one of the most affected regions. For example, in Cote d'Ivoire, prices of rice in March 2008 were double their level of a year earlier, while in Senegal wheat prices by February 2008 were twice the level of a year earlier and sorghum was up 56 percent. In Nigeria, prices of sorghum and millet have doubled in the past five months. In Somalia, the price of wheat flour in the northern areas has almost tripled over 12 months, and in Sudan (Khartoum), it increased by 90 percent. The price of maize in Uganda was 65 percent higher in March 2008 than in September 2007. In March 2008, maize prices in Mozambique (Maputo) were 43 percent higher than a year ago. In addition, there has been much greater price volatility than in the past, which has lasted longer than in past high price events. Prices remain high today although world cereal production recovered, increasing by 4.7 percent in 2007 and 2.6 percent in 2008 (projected). Available medium-term projections by the International Food Policy Research Institute (IFPRI) and by OECD/FAO indicate that food prices will remain above their previous trend level for the foreseeable future. Prices of food commodities for the next ten years are likely to be higher than during the previous ten years, even though a small decline is expected in 2009 or 2010.

2. Due to increasing food prices, the balance of payments situations have worsened in Low-Income Food-Deficit Countries (LIFDCs). The total cost of food imports for developing countries was US\$254 billion in 2007, some 33 percent higher than in 2006 which was already 13 percent higher than 2005. Annual food import bills for LIFDCs were more than twice their 2000 level. As a result, in some countries, the substantial deterioration in their current accounts reaches sometimes more than 3 percent of GDP. Thus, having to deal with higher food and energy import prices is placing a heavy burden on LIFDCs, especially as they have to tackle existing problems of under-nourishment. African countries have been particularly hard hit. In addition, the World Bank estimates that some 100 million people have been pushed into poverty as a result of high prices during the last two years. This has triggered demonstrations, riots and even contributed to political instability. Unrest linked to high food prices has already occurred in a number of countries in Africa, including Burkina Faso, Cameroon, Egypt, Guinea, Mauritania, Morocco, and Senegal. However, the hike of food prices can be looked at not only as a threat, but

¹ The AU Commission wishes to acknowledge the inputs of the FAO, WFP and IFPRI in the preparation of this report.

also as an opportunity. Net-exporting countries and net-sales households will usually benefit from rising prices, if the price signals are transmitted properly to the producers. Increased prices can raise incomes, induce an expansion in production and encourage additional investments in productive assets.

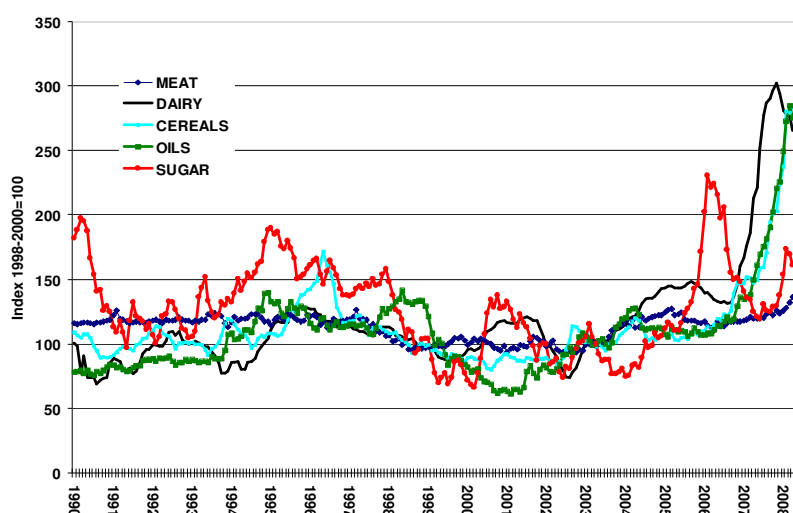
(b) Causes of High Food Prices

3. Five main reasons explain the increase in food prices.
 - i. World cereal production fell by 3.6 percent in 2005 and 6.9 percent in 2006 due to bad weather in major producing countries, such as Australia.
 - ii. Stock levels are very low, which magnifies the impact of production shortfalls as markets worry about the lack of a buffer.
 - iii. Petroleum prices and food prices are highly correlated, with an estimated correlation coefficient of more than 0.6. The rapid rise in petroleum prices exerted an upwards pressure on food prices as fertilizer prices nearly tripled and transport costs doubled over a two-year period.
 - iv. Increased demand from the bio-fuels sector also tended to push prices upwards. It is estimated that about 100 million tons of grain (some 4.7 percent of global cereal production) are being used for bio-fuels in 2007/8. In 2007/8, the United States alone is expected to use about 80 million tons of maize to produce ethanol, a 37 percent increase over the previous year.
 - v. Economic growth in some large developing countries is leading to changes in diet and increased demand for food crops. Over the last 15 years, meat consumption more than doubled in China and grew by 70 percent in Brazil and 20 percent in India. Since it takes some 7 kg of cereals to produce 1 kg of meat, this shift in diet is also leading to higher cereal prices.

(c) Long-Term Global Trends of High Food Prices

4. The prices of many food commodities have increased since 2001, and particularly steeply in 2007 and 2008 (see Figure 1). The current hike in food prices distinguishes itself from previous ones in its duration and breadth. The increase has affected nearly all food commodities, although to different degrees. Price volatility has increased as well.

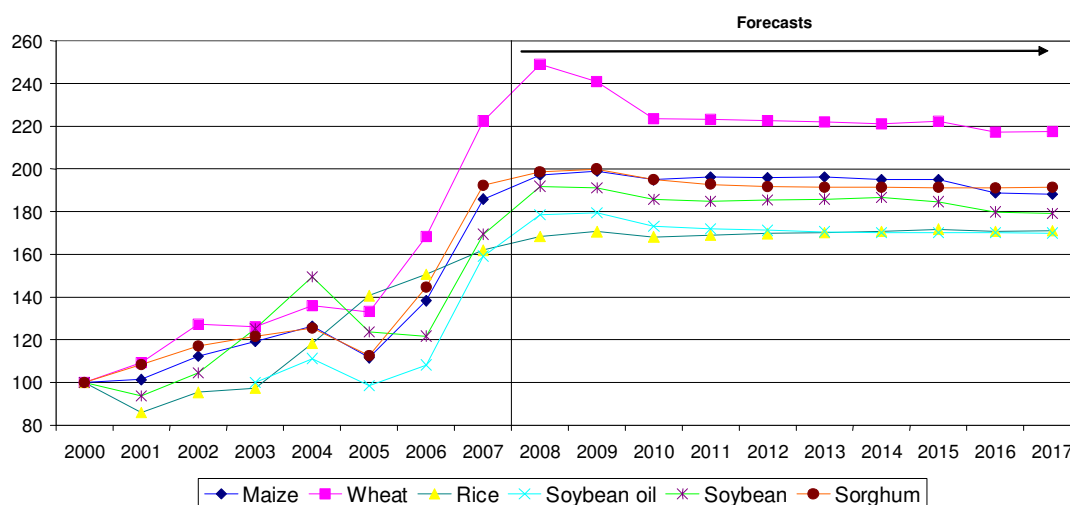
Figure 1: Monthly FAO price indices for basic food commodity groups (1998-2000=100)



Source: FAO

5. Future food prices are surrounded by uncertainty. Temporary factors, such as drought in Australia or a recession in the United States, will wane. But changing demand patterns, higher fuel and fertilizer prices and climate change are more structural. Higher prices should in principle lead to higher production, and lower prices. Yet, the effects of climate change on agricultural production and the demand for biofuels (linking the food and fuel markets) create considerable uncertainty about the “normal” market mechanism. Moreover, uncertainty also prevails around the potential for (bio) technology in raising yields and for the second generation of biofuels to address energy needs without affecting the food market. Despite these uncertainties, most institutions predict prices for most commodities to peak in 2008 or 2009, and then decline gradually but to levels that remain relatively high. Average food price levels for the next 10 years are likely to be higher than during the previous 10 years (see Figure 2).

Figure 2: Food Price Forecasts
Average of forecasts of EIU, FAPRI, IFPRI, OECD/FAO, USDA and World Bank
(2000=100)



6. Global stocks in cereals have been declining as demand has outstripped supply in recent years. Cereal stocks reached their lowest levels in more than two decades. Low stocks have contributed to price volatility, which has been relatively high in recent years. Higher transportation costs also have contributed to price volatility. The recent increase comes after a prolonged decline in the prices of many agricultural commodities, reaching historic lows in the late 1990s. Cereal prices had been declining because productivity benefited from the Green Revolution, while demand growth had been slowing down as a result of lower population growth, persistent poverty in some countries and the reaching of medium to high levels of cereal consumption in other countries, such as China.

II. IMPACTS AND IMPLICATIONS OF HIGH FOOD PRICES

(a) Impacts on national and regional economies

7. Rising global food prices affect countries differently depending on whether they are net exporters or importers of food. Net-exporting countries will benefit and experience higher terms of trade. Net-importing countries, on the other hand, will face lower terms of trade and a larger food import bill. African countries are generally net-food importers, suggesting that higher food prices have led to an overall loss of their terms-of-trade. In addition, most African countries are net fuel importers. They have, therefore, faced higher oil import costs on top of higher food import costs. Rising fuel costs are also contributing to the rising food prices through their impact on freight and transportation costs. For example, the cost of transportation for WFP shipments from Beaumont Texas to Djibouti was up by 55 percent between December 2006 and February 2007.

8. Rising world food prices lead to an increasing vulnerability of food importing developing countries. Imports of food as a “safety valve” when countries suffer from a domestic production decline have a dampening effect on prices. But rising international prices and export restrictions have made this safety valve more difficult to operate. Many countries such as Argentina, Egypt, India, Kazakhstan, Russia, Ukraine and Vietnam, have imposed export taxes, export bans or export restrictions. With few exceptions, most African countries tend to pursue restrictive food trade policies (such as import tariffs and bans on exports) and this limits the transmission of changes in international prices. Low transmission would seem to be beneficial in the case of rising prices (by shielding domestic consumers from rising food prices), but it can also be disadvantageous because benefits of lower international prices will not benefit consumers in importing countries. More generally, it can prove expensive to the treasury and cause structural distortions and cause long-term disincentives to domestic production and trade, which ultimately can be much more damaging to food supplies and food prices.

9. In developing countries, food typically accounts for a large share of the consumer price index, hence rising food prices will lead to increasing inflationary pressure. Overall inflation is expected to increase in Africa from 6.4 percent in 2006 and 6.3 percent in 2007 to 7.5 percent in 2008 with over 10 countries expected to have double digit inflation rates.

10. Higher food prices could also contribute to fiscal imbalances. Government expenditures on safety net programmes, whether food based or not, are likely to increase, either because the number of beneficiaries increases or the cost per beneficiary rises, or both. Moreover, several Governments have lowered taxes and tariffs on food to mitigate the impact.

(b) Impacts at the Household Level

11. Higher food prices may jeopardize the fight against hunger, as they make it more difficult for households to access food. The population groups that are most vulnerable to higher food prices are those that buy more food than they sell (net-buyers), spend a large share of their income on food and have few coping mechanisms at their disposal. These groups include the urban poor, rural landless, pastoralists and many small-scale farmers and agro-pastoralists (either because they grow non-food crops, depend on limited livestock sales or buy more food than they sell). Pastoralists are often particularly vulnerable as they might suffer at the same time from falling livestock prices. Hence the terms of trade between cereals and livestock might fall steeply, often in a short period of time.

12. For vulnerable households, higher prices will have an immediate impact on the quantity and quality of food consumed. They will reduce the number of meals, reduce the size of meals and reduce expenditures on non-staple foods. Non-staple foods are often the main providers of fat, minerals and vitamins, which are essential for growth and maintenance of a healthy and productive life. These strategies will have significant consequences, especially for the most vulnerable groups (the sick, elderly, children and pregnant women). Households might also reduce expenditures on other basic needs, such as education and health, or sell productive assets with negative effects on their current and future livelihoods.

13. The World Bank estimates that 100 million people have been pushed into poverty as a result of high prices during the last two years. Risk analysis conducted by WFP in a number of countries suggests that the impact on household food security will be significant. It is likely that high food prices will make the fight against hunger an uphill struggle if food prices remain high and no additional actions are taken to mitigate the impact.

III. PROPOSED RESPONSES TO THE HIGH FOOD PRICES

14. Although the current situation poses policy challenges on several fronts, there are effective and coherent actions that can be taken to help vulnerable people through humanitarian aid, trade, investment and social protection policies. In view of the urgency of assisting people and countries in need, the policy actions suggested here are listed in two sets: the immediate short-term actions and the longer-term actions to phase in now but whose impacts may take time. A focus on short-term crisis mitigation alone would fail to address the root problems and to bring the needed resilience into the food system.

15. This approach leads to eight major actions, all of which require immediate attention but whose impacts on the poor, on agriculture and on the economy as a whole will differ over time, ranging from immediate to future impacts. The first set of

actions, the immediate short-term actions, will address immediate needs for food assistance and increased food availability. The second set of actions, the medium to long-term investment actions, will address the need to build a more resilient food system that can meet ongoing and future challenges.

16. The eight policy actions proposed are the following:

(a) The immediate short-term actions:

1. **Expand emergency responses and humanitarian assistance.** National emergency agencies typically respond to natural disasters and complex humanitarian emergencies but not to slow-onset disasters like this price crisis. This pattern must change. Emergency agencies need to adopt triggers that will activate them under crises like the current one. They need to invest more in preparedness and mobilize their often strong capabilities to monitor and assist the population groups that need to be targeted. National emergency agencies also need to collaborate with organizations that deal with chronic food, agriculture and nutrition issues at the national and international level. Given the nature of the price crisis, decision makers must give due attention to the urban poor. Food or cash transfers should be expanded and should target the poorest people, with a focus on early childhood nutrition, regions in distress, school feeding with take-home rations, and food and cash for work. Nongovernmental organizations (NGOs) and civil society organizations have an important role to play in the related actions. Targeted transfers will protect the food consumption levels of people served by existing programs. Increased funding would prevent further deterioration of food and nutrition security and increase emergency preparedness.
2. **Eliminate agricultural export bans. The export bans** among developing countries have created a new trade policy theater. Governments have a legitimate interest in caring for their citizens first. Hence there should be no illusion: the problem of export bans cannot be addressed country by country. Although the new wave of export restrictions requires urgent international attention, this issue should not be added to the WTO Doha Round. Instead, it should be addressed by an ad hoc forum of global players negotiating according to a code of conduct and in a spirit of mutual trust building. At the very least, export trade for humanitarian purposes should be reopened now even before a forum is convened. The elimination of export bans will stabilize grain price fluctuations, reduce price levels by as much as 30 percent, and enhance the efficiency of agricultural production.
3. **Undertake fast-impact food production programs in key areas (seeds, fertilizer, credit).** Short-term action to promote agricultural growth requires access to seeds, fertilizers, and credit for the small farm sector. Today, good seeds for rainfed agriculture, especially in Africa, are essential for expanding production. Also, small farmers should have access to procurement programs for their agricultural products at guaranteed minimum prices that reflect long-term international market prices. Carefully subsidized programs for seeds, fertilizers, irrigation, electricity, and water should involve the private sector from the beginning and facilitate a transition from initial “cash programs” to

market-based arrangements. Such subsidized programs should be focused on and limited to least-developed countries. The timing of these actions is crucial for achieving a rapid production stimulus for smallholder agriculture and the small business sector serving agriculture. Banking and finance are also critical for success. These short-term programs should have clearly defined and communicated exit strategies. Even though the production response should be quick, it needs to be driven largely by higher yields rather than area expansion. Fast-impact production programs would jump-start agricultural growth in the short-term, create income-earning opportunities in the crisis and lower prices.

4. **Change biofuel policies.** A range of measures should be considered to make more grains and oilseeds currently used for fuel available for food and feed. These measures include freezing biofuel production at current levels, reducing it, or imposing a moratorium for biofuels based on grains and oilseeds (that is, temporarily suspending the use of grains and oilseeds for biofuel production) until prices come down to reasonable levels according to long-run supply and demand. At the same time, more support should go toward developing bioenergy technologies that do not compete with food. A grain-based biofuels moratorium would quickly unlock grains and oilseeds for food. This measure might bring maize prices down by about 20 percent and, as a consequence, decrease wheat prices by about 10 percent.

(b) Medium to Long-term Investment Actions

5. **Calm markets with market-oriented regulation of speculation, shared public grain stocks, strengthened food import financing, and reliable food aid.** Speculation is mainly a consequence, not a cause, of the price crisis, so overregulation and market policing would be inappropriate responses. Surveillance and regulatory measures, however, such as monitoring speculative capital or limiting futures trading, should be taken to curb excessive speculation in agricultural commodity markets. Under the current tight market conditions, it is infeasible to accumulate a global stock of grain that would bring the desired calming effect into the markets. Agreements on joint pooling of fixed portions of national stocks at the regional or global level would seem feasible, however. A coordinated set of pledges for a modest grain reserve to be made by the main grain-producing countries (including coordinated releases from the reserve for regional emergencies when prices increase excessively over what market fundamentals indicate) should be established at global or regional levels. A global intelligence network should inform the management of these international coordinated reserves. The pooling of global or regional public stocks, complemented by an import-financing facility, would allow countries with greater food deficits in a particular region to gain access to food supplies at reasonable and stable prices in times of crisis. It would also help contain the speculative expectations that fuel further price rises during the upswing. But such reserves have costs, depending upon their size, which need to be carefully weighed against potential benefits.

6. **Invest in social protection.** Comprehensive social protection initiatives are required to address the risks facing the poor due to reduced access to food as a consequence of high prices. A hierarchy of appropriate social protection interventions includes both protective actions to mitigate short-term risks and preventative actions to preclude long-term negative consequences. Introducing or scaling up these interventions is complex, associated with substantial costs, and dependent on knowledge base and capacity. At the core of the protective actions are conditional **cash transfer programs, pension systems, and employment programs**. These programs exist in many low-income countries and should be scaled up. Where such interventions do not exist, targeted cash transfer programs should be introduced in the short term. If food markets function poorly or are absent, however, providing food is a better option than providing cash. **Microfinance**, which includes both credit and savings, is also advisable to permit the poor to avoid drastic actions such as distress sales of productive assets that can permanently damage their future earning potential. The large global networks of microfinance institutions should consider responding to the price crisis by temporarily loosening repayment conditions, as the poor need access to food consumption credit and debt relief. **Preventative health and nutrition** programs targeted to vulnerable population groups (such as mothers, young children, and people living with HIV/AIDS) should be strengthened and scaled up to ensure universal coverage. This measure is essential to prevent the long-term consequences of malnutrition on lifelong health and economic productivity. In addition, **school feeding** programs can play an important role in increasing school enrollment, retaining children in school, and enhancing their academic achievement. Interventions should be coordinated with the emergency actions already mentioned (action 1). Many of these actions must take place at the national level, but many countries lack the resources to implement them. Donors should expand support for such programs in conjunction with sound public expenditure reviews. These steps can prevent the long-term adverse consequences of early childhood malnutrition, protect the assets of the poor, and maintain school participation rates.
7. **Scale up investments for sustained agricultural growth.** To transform the crisis into an opportunity for farmers and to build resilience to future food crises, a transition to viable long-term investments in support of sustained agricultural growth is urgently needed. Such investments are particularly needed in view of the emerging stress factors for agriculture from climate change that threaten to perpetuate the current crisis. Investments for sustained agricultural growth include expanded public spending for rural infrastructure, services, agricultural research, science and technology. New and innovative crop insurance mechanisms should be introduced and tested at a larger scale. Information technology, improved weather data, and the expected high returns to insurance make innovation in this field now much more feasible. Developed countries should facilitate the sharing of agricultural innovation and research that are relevant to enhancing productivity and transforming small-farm agriculture. African leaders must implement their commitment to the Maputo Declaration to allocate at least 10 percent of their budgets to agriculture as soon as possible in order to achieve much-needed agricultural growth to meet poverty and hunger reduction targets. The needed

supply response is not just a matter of the farm-level expansion of production, but must comprise the **whole food value chain**, with private sector actors in the food-processing and retail industries playing key roles. These investments would have high returns not only in terms of agricultural growth, but also in terms of poverty reduction in both rural and urban areas through increased production and employment and lower food prices.

8. **Complete the WTO Doha Round.** The completion of the WTO Doha Round is even more relevant in times of high food prices in order to strengthen rule-based trade. A world short in supply and facing regional and country-specific fluctuations needs more options to trade, not less. It should be easier for countries to agree to lower agricultural tariffs when market prices, especially for sensitive commodities, are high. With high global food prices, there may be no need to provide large domestic support or export subsidies to farmers in developed countries. The EU has already eliminated its applied tariffs on cereals, but it has not yet decreased its bound tariffs, which means that there is no certainty about these levels in the long term. Similarly, U.S. farmers are holding tight to low loan rates and countercyclical payment programs despite the fact that they are projected to benefit little from them in the coming years. Policymakers in developed countries want to keep their options open in case prices fall. The current food situation should be viewed, however, as an opportunity to introduce major changes in the agriculture negotiations pertaining to market access, domestic support and export subsidies. If these opportunities are realized, they would lead to more fair and open trade, more efficient resource use and higher welfare for people in developing countries. They would also have a stabilizing effect on agricultural prices and help prevent future crises.

IV. RECENT PERFORMANCE OF AFRICAN AGRICULTURE

(a) CAADP as a Collective Agenda for Agricultural Growth, Poverty Reduction and Food and Nutrition Security

17. The Comprehensive Africa Agriculture Development Programme (CAADP) and the Sirte Declaration on Agriculture and Water are at the heart of efforts by African governments under the AU/NEPAD initiative to accelerate growth and eliminate poverty and hunger among African countries. The main goal of CAADP is to help African countries reach a higher path of economic growth through agricultural-led development which eliminates hunger, reduces poverty and food insecurity, and enables expansion of exports. As a program of the African Union, it emanates from and is fully owned and led by African governments. Although continental in scope, it is an integral part of national efforts to promote agricultural sector growth and economic development. It is not a set of supranational programs to be implemented by individual countries. It is rather a common framework, reflected in a set of key principles and targets that have been defined and set by the Heads of State and Government, in order to: (i) guide country strategies and investment programs, (ii) allow regional peer learning and review, and (iii) facilitate greater alignment and harmonization of development efforts.

18. CAADP, as a common framework for accelerating long term agricultural development and growth among African countries, rests on the following key principles and targets:

- i. the principle of agriculture-led growth as a main strategy to achieve the Millennium Development Goal of poverty reduction;
- ii. the pursuit of a 6 percent average annual agriculture sector growth rate at the national level;
- iii. the allocation of 10 percent of national budgets to the agriculture sector and the exploitation of regional complementarities and cooperation to boost growth;
- iv. the principles of policy efficiency, dialogue, review, and accountability, shared by all AU/NEPAD programs;
- v. the principles of partnerships and alliances to include farmers, agribusiness, and civil society communities;
- vi. the implementation principles assigning the roles and responsibility of program implementation to individual countries; that of coordination to designated Regional Economic Communities; and that of facilitation to the NEPAD Secretariat.

(b) Overall economic and agricultural growth performance has vastly improved among African countries over the last 10 years

19. Three major periods can be distinguished in Africa's recent economic growth and performance towards poverty reduction and food and nutrition security: a first period of positive per capita gross domestic product (GDP) growth rate throughout the first post-independence decade, followed by an almost 20-year period of negative per capita income growth from 1974 to 1993. The decline in per capita income halted in the middle of the nineties, followed by a third period, the longest period (1994-2005) of sustained positive per capita income growth on the continent since the early seventies.

20. Moreover, there has been a steady increase in the level of per capita food production over the past 10 years. The recovery process which started in the late 1990s has accelerated over the last decade and has now reached average growth rates of 6 percent per year for GDP and 4 to 5 percent for agriculture. Unlike in preceding years, the growth in agriculture has been accompanied with a strong growth in overall productivity levels in the sector. Another encouraging development is the fact that the economic and agricultural growth recovery is not just accelerating but is also spreading wider to cover more countries, the number of countries with higher growth rates has gone up considerably over the last 5 years. The evidence of a more sustained and faster growth over the last 10 years compared to the preceding two and a half decades is a positive sign. The challenge is now to sustain this in the medium to longer term, and even accelerate it over the next few decades if the continent is to effect a real transformation of the agricultural sector and reach the CAADP objectives. As a comparison, it is worth noting that India, during the green revolution, experienced growth in agricultural production of 6 percent, very similar to the growth rates many African countries are witnessing today. There are about a dozen countries that grew at annual rates of 5 percent or more between 2003 and 2005, which is very close to the targeted CAADP goal of 6 percent.

Overall, the number of countries that have reached or exceeded the 6 percent CAADP growth target for agriculture has gone up from 5 to 11 since 2003.

21. The recent positive changes notwithstanding, the current trends in Africa's economic and agricultural sector performance would need to be accelerated and broadened in order to achieve the desired changes in poverty and malnutrition levels within the timeframe defined under the Millennium Development Goals (MDGs). The key message is that the recent growth performance in Africa needs to be sustained, broadened, and accelerated in order to significantly reduce poverty. What is necessary for African countries to do is to learn from the successes of the last 10 years and undertake the necessary policy and investment measures to accelerate and broaden the growth process.

22. **Agriculture remains the sector through which broad growth and poverty reduction can be achieved.** The growth performance of the agricultural sector over the last 10 years indeed indicates that the required changes to significantly reduce poverty and eliminate malnutrition should be within reach for many African countries. Projections by the International Food Policy Research Institute (IFPRI) indicate, in fact, that African countries could achieve significant progress towards poverty reduction and food and nutrition security over the next 15-20 years by targeting policies and investment strategies to: (i) raise the average growth rate of crop yields by 50 percent; and (ii); accelerate overall GDP growth rates to the range of 6.5 to 8.0 percent, in addition to a 50 percent increase in livestock numbers.

23. For the foreseeable future and the large majority of African countries, agriculture will remain the most important sector in the battle to reduce poverty and achieve food and nutrition security. The vast body of research on economic growth and poverty reduction has shown that the most effective way to sustainably reduce poverty is to raise the productivity of and returns to resources that poor people depend on for their livelihood. In almost all African countries, these resources are agricultural land and labor and off-farm rural labor.

V. ONGOING INITIATIVES BY THE AFRICAN UNION THAT ADDRESS HIGH FOOD PRICES

24. Working with the New Partnership for Africa's Development (NEPAD), the AU Commission, through its Department of Rural Economy and Agriculture (DREA), has undertaken to initiate, promote and facilitate the implementation of policies, strategies and programs that contribute to the transformation of the rural economy by increasing agricultural productivity, conserving and protecting natural resources as well as enhancing environmental sustainability. Within the framework of CAADP, the Sirte Declaration of 2004 on Agriculture and Water, the Abuja Declaration of 2006 on Fertilizer, the Abuja Declaration of 2006 on Food Security and the Millennium Development Goal No. 1 to halve the number of people living in extreme poverty and hunger by 2015, the Commission is currently implementing a number of initiatives that aim to increase agricultural productivity and reduce food and nutrition insecurity.

25. The Commission's Action Plan for agriculture identifies four strategic objectives as follows:

- a. Improve agricultural systems and productivity so as to attain food security, enhance nutritional quality, and expand export markets for agricultural products;
- b. Promote measures to enhance the development of sustainable agriculture with concurrent improvement of the environment, water and other natural resources;
- c. Promote the diversification of the rural economy so as to increase employment and incomes; and
- d. Enhance human and institutional capacities for rural development.

Presented below are a few initiatives that have a direct bearing on the current problem of high food prices:

(a) The African Common Market for Food Products Initiative

26. International trade in agricultural products from Africa accounts for less than 5 percent of global agricultural trade. Because of limited access to regional and international markets, many African countries are unable to generate adequate revenues needed for acquiring the farm inputs required for increasing agricultural productivity. To promote greater access to regional and international markets for African agricultural and food products, the Commission, in collaboration with the Food and Agriculture Organization (FAO) is currently undertaking an initiative to establish an *African Common Market for Food Products* that will act as a catalyst to increase agricultural productivity, ensure food security and reduce poverty. The initiative's vision draws from Pillars 2 and 3 of the CAADP framework as well as from the various Declarations and Decisions of African Heads of State and Government, notably the Lagos Plan of Action, the Abuja Treaty, the Constitutive Act of the African Union and the Treaties establishing Regional Economic Communities. It aims to assess the state of supply of and demand for food commodities in Africa; address issues of barriers to market integration; identify policy and legal changes that member states would have to implement; identify strategies to assist governments in assessing and harmonizing their legislative frameworks and legal commitments; and identifies options for reinforcing and harmonizing trade regimes within the context of existing regional economic communities.

(b) The Pan-African Land Policy Initiative

27. An important factor that has contributed to the poor performance of African agriculture and the resulting high prices of major food commodities is the limited access to productive resources, particularly for small- and medium-scale farmers. Small and medium-scale agricultural producers in Africa do not have adequate access to productive resources such as land. For example, women produce most of Africa's food but do not have equitable access to productive land. As a key input in agricultural production, access to productive land is essential for increasing agricultural productivity. Addressing land related issues is therefore critical for achieving increased agricultural production in Africa.

28. A good starting point for guaranteeing equitable access to land, especially for small and medium-scale farmers is for national governments to have good land policies in place. To assist African Governments to formulate and implement sound

land policies, the Commission is collaborating with the United Nations Economic Commission for Africa (UN-ECA), the African Development Bank (AfDB) and Regional Economic Communities (RECs) to develop a Framework and Guidelines on Land Policy in Africa that will support national, regional and international efforts to formulate and implement sound land policies that strengthen property rights, facilitate investment and guarantee security of access to land for rural and urban poor as a basis for secure livelihoods and improved food security.

(c) The Framework for African Food Security and the Pan-African Nutrition Initiative

29. CAADP Pillar III focuses on the chronically food insecure, and on populations vulnerable to and affected by various crises and emergencies. The pillar draws together the central elements of the CAADP vision to ensure that growing agricultural productivity, well-integrated markets and expanded purchasing power of vulnerable groups combine to eradicate hunger, malnutrition and poverty. To operationalize CAADP Pillar III, the AU and NEPAD in collaboration with the African Center for Food Security of the University of Kwazulu-Natal (UKZN) and the Comité Permanent Inter Etats de Lutte contre la Sécheresse dans le Sahel (CILSS) have developed a Framework for African Food Security (FAFS) to guide and assist stakeholders in Africa to simultaneously meet the objectives of CAADP Pillar III and the broader African agriculture development agenda. The framework addresses three important food security challenges namely, inadequate food supply; widespread and persistent hunger and malnutrition; and inadequate management of food crises. The framework aims to provide principles, recommended actions, coordination, peer review, and tools to guide national and regional policies; and strategies, investments, partner contributions and advocacy efforts to overcome these challenges, leading to increased food supply, reduced hunger and malnutrition, and improved food security risk management.

30. Alongside the FAFS is the *Pan-African Nutrition Initiative (PANI)* intended to address the multi-sectoral and cross-cutting nature of nutrition. It aims to catalyze a process of investment planning, facilitating capacity building and mobilizing resources to address the burden of malnutrition. Through a “Nutrition Lens – NL” approach, the initiative offers a tool for integrating nutritional perspectives and expertise into the mainstream investment planning process. The PANI has been developed as a key and main reference to provide guidance to the various sector players and to bring to bear effective project and programme design as well as tangible results and impacts. The PANI is expected to find full use at REC and country level as food security and nutrition programme implementers tackle food security and nutrition priorities on the ground.

(d) Improving Rural Infrastructure and Trade Related Capacities for Market Access

31. CAADP Pillar II aims to accelerate growth in the agricultural sector by raising the capacities of private entrepreneurs, including commercial and small-holder farmers, to meet the increasingly complex quality and logistic requirements of domestic, regional and international markets, focusing on strategic value chains with the highest potential to generate broad-based income growth and create wealth in

the rural areas and the rest of the economy. The Pillar focuses on the required policy and regulatory actions, infrastructure development, capacity building efforts, and partnerships and alliances that would facilitate a smallholder friendly development of agricultural value chains to stimulate poverty reducing growth across African countries. To address issues of market access for African agricultural and food products, the AU and NEPAD in collaboration with the Conference of Ministers of Agriculture of West and Central Africa (CMA/WCA) are developing a Framework for Improving Rural Infrastructure and Trade Related Capacities for Market Access. The framework focuses on efforts to expand the supply base to respond to future demand opportunities and develop value chains to raise the competitiveness on domestic, regional and international markets.

VI. RECENT SPECIFIC INITIATIVES TO ADDRESS THE HIGH FOOD PRICES

(a) AU/NEPAD Workshop on High Food Prices

32. In response to the crisis caused by the high food prices, particularly taking note of the demonstrations and riots in some African countries, the AU/NEPAD convened a four day workshop for 18 African countries, from May 20-23, 2008, to identify food price induced constraints and propose practical solutions to the crisis. The participants included representatives of over 30 development partners, NGOs, farmer associations and research institutions and Regional Economic Communities (RECs). A total of 160 persons attended the workshop. The workshop represented an important milestone in building a coordinated African agriculture and food and nutrition security response to the high food prices within the framework and principles of the Comprehensive Africa Agriculture Development Programme (CAADP).

33. The workshop recognized that the impacts of the high food prices have far reaching consequences in Africa, especially for countries which are net food importers where the rising food prices will divert the meagre national resources from development activities to meet the urgent food import needs and will make the fight against hunger an uphill struggle. However, the workshop also recognized that the crisis has provided the opportunity to build a coalition of responses across the African continent, offering a vehicle for an African agricultural renaissance that raises small scale farmers' incomes, enhances livelihoods, nutrition and ultimately food security for Africa.

34. The workshop made the following recommendations:

1. The AU/NEPAD encouraged member countries to honour their commitment to the Maputo Declaration of allocating at least 10 percent of their national budgets to agricultural and rural development and also invited development partners to honour their pledges and commitments to support the agriculture sector development.
2. The participating countries stated that they have already begun addressing the crisis using their national resources. The participants acknowledge the assistance provided by the development partners and called upon them to increase and sustain the urgent financial and

technical assistance to address the current crisis and the long-term development agenda within the CAADP framework.

3. The participants call upon the private sector (traders, transporters, input dealers, financing institutions, etc.), farmers organisations', NGOs, development partners, national and regional research organizations and Regional Economic Communities to play prominent roles in the growth and development of the African agricultural sector.
4. The workshop participants acknowledge the need to increase the AU/NEPAD human and financial resource capacities to follow up on the outcomes of the workshop, facilitate the implementation of CAADP and to support member countries in their pursuit to respond to the significant shock brought about by the high food prices.
5. The participating countries recommended that the recommendations of this workshop be tabled at major upcoming fora and meetings such as TICAD IV, the FAO High Level Summit on Food Security, the 25th FAO Africa Regional Conference, the AU Summit and the G8 Summit.
6. The participants called for immediate action by member countries to implement the following priorities while seeking additional financial and technical assistance from development partners.

(a) The immediate/ short terms responses include:

- Immediate assistance to the vulnerable groups through targeted food assistance and safety net measures including cash and/or food transfers and nutrition support;
- Intensify agricultural production through the use of targeted input subsidies, particularly fertilizer and improved seed, and enhance access to water & small scale irrigation for agricultural production;
- Strengthen market infrastructure; and
- Improve post harvest management and minimize crop storage losses.

(b) The medium / long term responses include:

- Develop regional infrastructure to support agricultural and rural development;
 - Adhere to regional trade policy agreements;
 - Develop irrigation schemes and water harvesting techniques;
 - Enhance sustainable land management practices including soil and water management and conservation;
 - Develop micro-finance capacity and access;
 - Improve agricultural & related risk management;
 - Enhance productive safety net measures for small scale and vulnerable farmers;
 - Enhance agricultural extension and research development;
 - Improve post harvest management and minimize crop storage losses;
 - Enhance institutional and human capacities of countries for agricultural development.
7. The participants identified and called upon all stakeholders to develop the following thematic priority-options for African agricultural renaissance:

- a. Improved risk management and vulnerability analysis.
- b. Increased supply of affordable commodities through increased production and improved market linkages.
- c. Improved food access and increased economic opportunities for the vulnerable.
- d. Improved quality of diets through diversification of nutritious food among the target groups.

8. Follow-up Actions

(a) By Member Countries

Countries will immediately convene an initial meeting of stakeholders to establish a timeline for stakeholder consultations and finalization of the short and long-term response plan:

- Prepare a work plan with a short term horizon for addressing the short term response;
- Draft a long term schedule for the broader CAADP process as the country roadmap; and
- Establish an accelerated process of stakeholder consultation and fund raising.

(b) By Regional Economic Communities (RECs)

The RECs will take proactive measures on their assistance to countries on the short term response and longer term CAADP processes:

- Update list of joint missions to cover workshop participating countries
- Plan for accelerating CAADP roundtable implementation, identification of technical assistance required; and
- Prepare a work plan with a short term horizon for addressing the short term response.

(c) By AU/NEPAD

A taskforce led by AU/NEPAD Secretariat supported by FAO, WFP, IFAD, the World Bank, Lead Pillar Institutions and RECs will coordinate active and timely follow-up to decisions made at the workshop. The taskforce's actions would include:

- Facilitate the coordination of development partners support for country level programming activities in connection with both immediate and longer term responses to the food price crisis;
- Manage the compilation and dissemination of information flows, monitoring progress with implementing decisions taken at the workshop in order to be able to report to major regional and global events in the coming few months;
- Support the dialogue with development partners at national level on responses to the crisis, and ensuring that local representatives of development partners are adequately briefed on the decisions of the workshop and the commitment of governments and development partners;

- Assist in the formulation of requests for the reprogramming of resources from on-going operations or, where there are no current operations, preparing proposals for new resources;
- Take concrete steps with key national stakeholders and development partners on the key steps required to formulate specific programmes for short, medium and longer term responses to the food price crisis consistent with Pillar 3 objectives and the wider CAADP round table process, including setting up a local team, arranging for technical support, and agreeing on a timetable for completion of planning and organization of a round table;
- Facilitate the engagement of RECs to provide political support to the process, and of Pillar lead institutions to provide advisory technical inputs for the design of interventions;
- Review tentative schedules of joint programming missions in response to the food price crisis; and
- Assist countries in linking short, medium and long-term programmes.

35. Joint missions of the AU/NEPAD, FAO, WFP, IFAD and the World Bank to implement the workshop recommendations have already been conducted in Mozambique and are planned for the following countries in June and July: Sierra Leone, Senegal, Malawi, Mali Mauritania, Uganda and Zambia with other countries to follow shortly.

(b) High-Level Conference on World Food Security: the Challenges of Climate Change and Bio-energy

36. The High-Level Conference on World Food Security: the Challenges of Climate Change and Bio-energy, was held at the Headquarters of the Food and Agriculture Organization of the United Nations (FAO) in Rome, Italy from 3 to 5 June 2008. Of 180 participating countries, 43 were represented at the level of Heads of State, the rest were represented at the level of Deputy Heads of State, Heads of Government, Deputy Heads of Government, Crown Prince, Ministers and Ambassador or other high level Government official representation.

37. One of the key developments of the Conference was the renewed financial effort and the commitment made by various institutions to fight against hunger and for agricultural development. The money will benefit countries hard hit by the current world food crisis, allowing them to grow enough food for themselves in the coming planting seasons, and helping them to achieve continuing food security through investment in agriculture and research. The institutions below made the following financial commitments (US\$):

- African Development Bank: 1 billion dollars
- France: 1.5 billion dollars (over five years)
- Japan: 150 million dollars
- Islamic Development Bank: 1.5 billion dollars (over 5 years)
- Kuwait: 100 million dollars
- Netherlands: 75 million dollars

- New Zealand: 7.5 million dollars
- Spain: 773 million dollars (over 4 years)
- United Kingdom: 590 million dollars
- Venezuela: 100 million dollars
- UN CERF 100 million dollars
- World Bank: 1.2 billion dollars

38. The Declaration adopted by the High-Level Conference on Food Security is attached as Annex 1.

II.

AFRICAN UNION

الاتحاد الأفريقي



III.

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ASSEMBLY OF THE AFRICAN UNION

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Annex

DECLARATION OF THE HIGH-LEVEL CONFERENCE ON
WORLD FOOD SECURITY: THE CHALLENGES OF CLIMATE
CHANGE AND BIOENERGY

DECLARATION OF THE HIGH-LEVEL CONFERENCE ON WORLD FOOD SECURITY: THE CHALLENGES OF CLIMATE CHANGE AND BIOENERGY

WE, the Heads of State and Government, Ministers and Representatives of 180 countries and the European Community, have met in Rome at this High-Level Conference convened by the Food and Agriculture Organization of the United Nations, together with the United Nations World Food Programme, the International Fund for Agricultural Development and Bioversity International on behalf of the CGIAR system, to seek ways of achieving world food security and, in this context, to address challenges of higher food prices, climate change and bioenergy.

1. We reaffirm the conclusions of the World Food Summit in 1996, which adopted the Rome Declaration on World Food Security and the World Food Summit Plan of Action, and the objective, confirmed by the World Food Summit: five years later, of achieving food security for all through an ongoing effort to eradicate hunger in all countries, with an immediate view to reducing by half the number of undernourished people by no later than 2015, as well as our commitment to achieving the Millennium Development Goals (MDGs). We reiterate that food should not be used as an instrument for political and economic pressure. We also recall the Voluntary Guidelines to Support the Progressive Realization of the Right to Adequate Food in the Context of National Food Security. We reiterate that it is unacceptable that 862 million people are still undernourished in the world today.

2. We are here to address the challenges of bioenergy and climate change, and the current situation of soaring food prices that is having adverse impacts on food security, particularly in developing countries and countries in transition, all the more because the indications are that food prices will remain high in the years to come.

3. We are convinced that the international community needs to take urgent and coordinated action to combat the negative impacts of soaring food prices on the world's most vulnerable countries and populations. We are further convinced that actions by national governments, with the support of the international community, are required in the short, medium- and long-term, to meet global and household food security needs. There is therefore an urgent need to help developing countries and countries in transition expand agriculture and food production, and to increase investment in agriculture, agribusiness and rural development, from both public and private sources.

In adopting this Declaration, we pledge to embrace food security as a matter of permanent national policy, renew our commitment to achieving the World Food Summit objectives and the Millennium Development Goals, and commit ourselves to the following measures.

Immediate and Short-Term Measures

4. The global food situation calls for a strong commitment from governments as well as from all other stakeholders. We call upon all donors and the United Nations System to increase their assistance for developing countries, in particular least developed countries and those that are most negatively affected by high food prices. In the immediate future it is essential to proceed along two main lines.

5. The first line of action is to respond urgently to requests for assistance from affected countries:

- a) The relevant United Nations agencies should be assured the resources to expand and enhance their food assistance and support safety net programmes to address hunger and malnutrition, when appropriate, through the use of local or regional purchase;
- b) The appropriate regional organizations which have emergency food security arrangements should enhance their cooperation with a view to effectively cope with soaring food prices;
- c) All efforts by governmental and non-governmental organizations to strengthen immediate humanitarian and development assistance should be synergized with those of the multilateral organizations, and made coherent, to deal with the continuum from urgent to longer term assistance;
- d) All national and international efforts should be made to ensure that international emergency food assistance is delivered as quickly and efficiently as possible to populations in distress;
- e) To facilitate adjustment to higher food prices, donors and international financial institutions, in accordance with their mandates and in consultation with recipient countries, should provide in a timely manner, balance of payments support and /or budget support to food-importing, low-income countries. Other measures should be considered as necessary to improve the financial situation of the countries in need, including reviewing debt servicing as necessary. We also call on the relevant international institutions to simplify the eligibility procedures of existing financial mechanisms to support agriculture and environment.

6. The second line of action is immediate support for agricultural production and trade.

- a) All relevant organizations and cooperating countries should be prepared to assist countries, on their request, to put in place the revised policies and measures to help farmers, particularly small-scale producers, increase production and integrate with local, regional, and international markets. South-south cooperation must be encouraged;
- b) Development partners are invited to participate in and contribute to international and regional initiatives on soaring food prices and, in particular, under the FAO initiative launched on 17 December 2007, in support of country-led measures to give farmers in low-income food-deficit and the most affected countries access to appropriate locally adapted seeds, fertilizers, animal feed and other inputs, as well as technical assistance, in order to increase agricultural production;
- c) Development partners are called upon to undertake initiatives to moderate unusual fluctuations in the food grain prices. In particular, we call on relevant

institutions to assist countries in developing their food stock capacities and consider other measures to strengthen food security risk management for affected countries;

- d) Members of WTO reaffirm their commitment to the rapid and successful conclusion of the WTO Doha Development Agenda and reiterate their willingness to reach comprehensive and ambitious results that would be conducive to improving food security in developing countries. Implementing an aid for trade package should be a valuable complement to the Doha Development Agenda to build and improve the trading capacity of the developing countries;
- e) We will strive to ensure that food, agricultural trade and overall trade policies are conducive to fostering food security for all. For this purpose we reaffirm the need to minimise the use of restrictive measures that could increase volatility of international prices.

IV. Medium and Long-Term Measures

7. The current crisis has highlighted the fragility of the world's food systems and their vulnerability to shocks. While there is an urgent need to address the consequences of soaring food prices, it is also vital to combine medium and long-term measures, such as the following:

- a) We urge national governments, all financial institutions, donors and the entire international community to fully embrace a people-centred policy framework supportive of the poor in rural, peri-urban and urban areas and people's livelihoods in developing countries, and to increase investment in agriculture;
- b) It is essential to address the fundamental question of how to increase the resilience of present food production systems to challenges posed by climate change. In this context, maintaining biodiversity is key to sustaining future production performance. We urge governments to assign appropriate priority to the agriculture, forestry and fisheries sectors, in order to create opportunities to enable the world's smallholder farmers and fishers, including indigenous people, in particular in vulnerable areas, to participate in, and benefit from financial mechanisms and investment flows to support climate change adaptation, mitigation and technology development, transfer and dissemination. We support the establishment of agriculture systems and the sustainable forest management practices that positively contribute to the mitigation of climate change and ecological balance;
- c) In addition, we reaffirm the Mauritius Strategy for the sustainable development of small island developing states and call for its implementation in the context of the challenges of climate change and food security;
- d) We urge the international community, including the private sector, to decisively step up investment in science and technology for food and agriculture. Increased efforts in international cooperation should be directed to researching, developing, applying, transferring and disseminating improved

technologies and policy approaches. We urge member states, to establish in accordance with the Monterrey Consensus, governance and policy environments which will facilitate investment in improved agricultural technologies;

- e) We encourage the international community to continue its efforts in liberalizing international trade in agriculture by reducing trade barriers and market distorting policies. Addressing these measures will give farmers, particularly in developing countries, new opportunities to sell their products on world markets and support their efforts to increase productivity and production;
- f) It is essential to address the challenges and opportunities posed by biofuels, in view of the world's food security, energy and sustainable development needs. We are convinced that in-depth studies are necessary to ensure that production and use of biofuels is sustainable in accordance with the three pillars of sustainable development and takes into account the need to achieve and maintain global food security. We are further convinced of the desirability of exchanging experiences on biofuels technologies, norms and regulations. We call upon relevant intergovernmental organizations, including FAO, within their mandates and areas of expertise, with the involvement of national governments, partnerships, the private sector, and civil society, to foster a coherent, effective and results-oriented international dialogue on biofuels in the context of food security and sustainable development needs.

V. Monitoring and Review

8. We request the Food and Agriculture Organization of the United Nations, in close partnership with WFP and IFAD and other relevant international organizations, including those participating in the High-Level Task Force on the Global Food Crisis and in collaboration with governments, civil society and the private sector, to monitor and analyse world food security in all its dimensions - including those addressed by this Conference - and to develop strategies to improve it.

9. In realizing the contents of the measures above, we stress the importance of the effective and efficient use of the resources of the United Nations system, and other relevant international organizations.

We firmly resolve to use all means to alleviate the suffering caused by the current crisis, to stimulate food production and to increase investment in agriculture, to address obstacles to food access and to use the planet's resources sustainably, for present and future generations.

We commit to eliminating hunger and to securing food for all today and tomorrow.

Rome, 5 June 2008.

This Declaration was adopted by the High-Level Conference on World Food Security: the Challenges of Climate Change and Bioenergy, on 5 June 2008. On the adoption of the Declaration, statements were made by Argentina, Cuba and Venezuela, which will be included in the Report of the High-Level Conference

