

From “A Challenge of Economic Statecraft” Robert B. Zoellick

**President of The World Bank Group
Center for Global Development, Washington D.C.
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High Food Prices: A New Deal for Global Food Policy

As financial markets have tumbled, food prices have soared. Since 2005, the prices of staples have jumped 80 percent. Last month, the real price of rice hit a 19-year high; the real price of wheat rose to a 28-year high and almost twice the average price of the last 25 years.

The good news for some farmers adds a crushing load to the most vulnerable – children, as young as four or five, forced to flee the safety of their rural communities to fight for food in teeming cities; food riots threatening societal breakdown; mothers deprived of nutrition for healthy babies. The World Bank Group estimates that 33 countries around the world face potential social unrest because of the acute hike in food and energy prices. For these countries, where food comprises from half to three quarters of consumption, there is no margin for survival.

The realities of demography, changing diets, energy prices and biofuels, and climate changes suggest that high -- and volatile -- food prices will be with us for years to come.

We need a New Deal for Global Food Policy. This New Deal should focus not only on hunger and malnutrition, access to food and its supply, but also the interconnections with energy, yields, climate change, investment, the marginalization of women and others, and economic resiliency and growth. Food policy needs to gain the attention of the highest political levels, because no one country or group can meet these interconnected challenges.

We should start by helping those whose needs are immediate. The UN’s World Food Program requires at least \$500 million of additional food supplies to meet emergency calls. The United States, the European Union, Japan, and other OECD countries must act now to fill this gap – or many more people will suffer and starve.

Skyrocketing food prices have increased attention to the larger challenge of overcoming hunger and malnutrition, the “Forgotten” U.N. Millennium Development Goal (MDG).

Even though hunger and malnutrition fall under the very first MDG, beyond traditional food aid, they receive only about one tenth of the resources appropriately directed to HIV/AIDS, another killer. Yet malnutrition is the MDG with the greatest “multiplier” effect: it is the largest risk factor for kids under five and the underlying cause of an estimated 3.5 million of their deaths each year. More than 20 percent of maternal deaths are traced to malnutrition. It weakens immunities to diseases. Research in Guatemala has shown that boys who received nutritional supplements during their first two years

earned on average 46percent higher wages as adults. When impoverished families cut back, young girls are the first to lose out. Hunger and malnutrition are a cause, not just a result, of poverty.

This New Deal requires a stronger delivery system, to overcome fragmentation in food security, health, agriculture, water, sanitation, rural infrastructure, and gender policies.

A shift from traditional food aid to a broader concept of food and nutrition assistance must be part of this New Deal. In many cases, cash or vouchers, as opposed to commodity support, is appropriate and can enable the assistance to build local food markets and farm production. When commodities are needed, purchasing from local farmers can strengthen communities. Funds can buy micro-nutrients customized to locations. School lunch programs draw children to classrooms, while helping healthy kids to learn, and some offer parents food, too.

The World Bank Group can help by backing emergency measures that support the poor while encouraging incentives to produce and market food as part of sustainable development. Countries as diverse as Bhutan and Brazil, Madagascar and Morocco, have feeding programs for vulnerable groups. Mozambique, Cambodia, and Bangladesh employ locally-selected public works programs in exchange for food – developing roads, wells, schools, protections against natural disasters, and forests. Others, such as China, Egypt, Ethiopia, and Mexico offer cash transfers conditional on self-help steps – sending children to school or preventive health checkups. Countries also have to stop dangerous border barriers to the trade in food, which put neighbors in need at greater risk and stifle signals to stimulate more production.

We will work with countries, especially in Africa, and partner institutions, to seize an opportunity from the higher demand for food. Our World Development Report 2008, on Agriculture for Development, points the way. We can help create a “Green Revolution” for sub-Saharan Africa by assisting countries to boost productivity throughout the agricultural value chain and help small-holder farmers to break the cycle of poverty. We will almost double our own lending for agriculture in Africa, from \$450 million to \$800 million, and can help countries and farmers manage systemic risks, including through financial innovations to counter weather variability, such as drought. We can offer access to technology and science to boost yields.

The International Finance Corporation, or IFC, our private sector arm, will scale up investment and advisory support to agribusiness operations in Africa and elsewhere, including through working with the Bank on land titling and productivity, local currency financing, working capital, distribution and logistics, and support for the intermediary services on which farmers must rely.

To be most successful, we will need to integrate and mobilize a diverse range of partners – the FAO, WFP, and IFAD; other MDBs; private donors such as the Gates Foundation; agricultural research institutes; developing countries with great agricultural experience, such as Brazil; and most of all, the private sector.

A New Deal for Global Food Policy will contribute to inclusive and sustainable development. Poor, middle income, and developed countries will benefit together. Income gains from agriculture have three times the power in overcoming poverty than increases in other sectors, and 75 percent of the world's poor are rural, with most involved in farming. Almost all rural women active in the economies of developing countries are engaged in agriculture. With support, women can seize the opportunities of globalized food demand.