

“Around the world you’re starting to see food shortages that could end up leading to real hunger and food riots . . . That’s something that we have an obligation to not ignore . . . We’re going to have to shift to cellulosic ethanol, using biomass that is not part of the food chain.”

– President-elect Obama, April 26, 2008

The Problem

Global food prices are up 83 percent compared with three years ago. The resulting food price crisis constitutes an unprecedented threat to the livelihoods and well-being of millions of rural and urban households who are net food buyers. Soaring prices force people to eat less food, or less nutritious food, and drive poor households to cut back on health care, education, and other necessities. The current food price crisis occurs against a backdrop of continuing hunger and vulnerability for millions. Persistent hunger affects 854 million people across the world. Oxfam estimates that the current food crisis has brought another 119 million people into poverty, raising the total to nearly 1 billion worldwide.

Despite subsequent commodity price declines in response to the global financial crisis, food prices are projected to remain high and volatile for years to come due to increased demand pressures and erratic supply responses. In addition, climate change is expected to lead to more unpredictable weather and climate-related disasters, exacerbating volatility in yields and markets, and undermining food availability and the livelihoods of millions of people, especially in sub-Saharan Africa.

Recommendations

Responding effectively to the food crisis requires addressing the underlying structural causes of food insecurity and poverty beyond the immediate humanitarian response.

The next US Administration should seek to (1) reform the US food aid system to be more effective and efficient when responding to emergencies; (2) reform US farm policy that undermines growth in developing countries; and (3) re-consider production and consumption support policies for biofuels that compete with food production.

Reform the US Food Aid System

The US contributes more than half of all food aid worldwide. But this generosity is undermined by legal restrictions and bureaucracy that create waste, delay, and added expense. To promote a more effective and responsive food aid system, the next Administration should consider the following:

- Consolidate food aid programs across US agencies.
- Authorize new Development Assistance (DA) funds for local and regional procurement of commodities.
- Reduce the practice of monetization – selling food aid commodities abroad to finance development projects – to reduce the costs of procuring, transporting, and marketing food aid, as well as diminish unintended consequences that destabilize trade and critical local markets in developing countries.
- Improve food aid quality and tailor rations to different populations, particularly those infected with HIV/AIDS or high-risk groups like infants and pregnant women.
- Replenish the Bill Emerson Humanitarian Trust.
- Re-engage in global dialogues to negotiate a new Food Aid Convention.

For more information, please visit: <http://www.gao.gov/products/GAO-07-905T>

Increase Development Assistance to Agriculture

Agriculture production in most developing countries falls far below its potential and is an important factor in the breakdown of food security in many parts of the developing world. To adequately respond to the food crisis and meet the challenge of the first Millennium Development Goals to halve poverty by 2015, the next Administration should consider the following:

- Increase development assistance for agriculture to a minimum of \$750 million per year.
- Invest in agricultural research, extension, and education in developing countries.
- Emphasize the importance of strong public and social institutions to assist in the application, adoption and sustainability of newly devised technological advancements.
- Focus investments in agriculture on the most marginalized groups: smallholders, landless laborers, nomadic pastoralists, and women.
- In Africa, bolster the achievements of institutions like the New Partnership for African Development (NEPAD) and the Comprehensive Africa Agriculture Development Program (CAADP), which are working towards improved democracy and economic development.
- Repeal the 1961 Bumpers Amendment in the US Foreign Assistance Act that forbids assistance to producers of competing US agricultural products.

For more information: <http://siteresources.worldbank.org/INTWDR2008/Resources/2795087-1192111580172/WDRover2008-ENG.pdf>

Revisit support policies for biofuels that compete with food production

Demand for biofuels in the US has more than doubled, and since 2005 the US has increased corn ethanol production 25 percent per year, from 4.86 billion in 2006 to 6.5 billion gallons in 2007. Increasingly, high oil prices and a complex system of supports valued at around \$7 billion in 2006, expected to increase to \$100 billion by 2012, are also significant drivers of industry growth. The 2007 Energy Act and the 2008 Farm Bill also served as major boosts to the industry. The 2007 Energy Act mandates the production of 36 billion gallons of biofuels by 2022, of which 60 percent is to be sourced from ‘advanced’ biofuels. The 2008 Farm Bill continues the 51 cent per gallon “blender’s” tax credit (Volumetric Ethanol Excise Tax Credit) until the end of 2012.

With global grain stocks at all time lows, diverting 50 percent of global grain production increases to corn ethanol has undoubtedly placed unmanageable pressures on the global grain market, contributing to the recent spike in prices. Therefore, it is critical that major developed countries achieve a consensus on a sustainable approach to bio-fuel production and use. Going forward, it is essential that the next Administration avoid implementing policies and practices that negatively affect global food security. The establishment of guidelines and best practices in the bio-fuel industry’s development, coupled with research and development into new technologies specifically for non-food bio-fuel crops, will be important steps in this direction. Thus, the next Administration should consider the following:

- Reducing existing production mandates and prevent future ones that compete with food.
- Gradually reducing barriers to imports of ethanol and other biofuels into the US.
- Gradually reduce subsidies and tax incentives for producing and blending corn ethanol.
- Increase research and development for cellulosic ethanol and other ‘second’ and ‘third’ generation biofuels to reduce GHG emissions and compete less for arable land for food.
- Participate in multi-stakeholder initiatives to develop industry guidelines and criteria for the development of the global biofuels industry that promotes food security, generates economic development in developing countries, while respecting labor rights and environmental sustainability.

For additional information please visit www.oxfamamerica.org/transition