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FOOD FOR THOUGHT:

HOW THE G20 CAN HELP PREVENT
A NEW FOOD CRISIS

INTRODUCTION

Global food prices are currently soaring, reaching the highest ever levels on record during January 2011 and surpassing the heights of the 2007/8 food crisis. Official UN FAO figures already put the number of hungry at 925 million.¹ Perhaps another one billion people suffer from ‘hidden hunger’, in which important micro-nutrients, such as vitamins and minerals, are missing from their diet.² Higher food prices could add millions to the number who go to bed hungry each night or are forced to buy cheaper, less nutritious alternatives. In much of the developing world, where the poor spend 50-60 percent of their budgets on food, rises in the cost of basic foods push even greater numbers of people into poverty. The World Bank has recently estimated that since June 2010 high prices have pushed another 44 million people into extreme poverty in low- and middle- income countries and they are warning that food prices are at ‘dangerous levels’.^{3,4}

Right now, a range of factors is driving global food price rises. Droughts, storms and volatile weather are leading to crop losses. Hoarding and stockpiling of food by anxious governments is leading to global uncertainty. Structural changes in commodities markets, food and energy speculation, and trends on both sides of the food supply/demand equation are driving prices up. *Fully half* of all global grain production is now diverted towards animal feed, industrial use, and biofuels for cars and trucks.⁵

So far, the UN Food and Agricultural Organisation (FAO) is saying we are not in a ‘crisis’, however, the FAO is also quick to add that the spike could lead “if prolonged...to a food crisis...”⁶ With the current price shocks hovering at crisis levels, any additional trigger could spiral into a wider global crisis. And there are potential further weather related shocks looming heavily on the horizon such as the periodic La Niña weather phenomenon and drought in South China affecting wheat production.

Faced with this grim reality, it is imperative that world leaders take dramatic action to invest in fighting hunger and tackling food price volatility. Recognising the urgency of addressing this unresolved problem, France has accorded food security and food price volatility a prominent place on the G20 agenda in 2011. If breakthroughs are not made by the G20 this year, with collaborative mechanisms to address root causes and impacts, we could face years of increasing price volatility and rampant food insecurity.

ActionAid and its French associate, Peoples Solidaires, expect G20 leaders to take bold and ambitious steps. Rising and increasingly volatile food prices are widely acknowledged as being a major factor fuelling the food crisis and weakening access to fundamental social and economic rights, especially the right to food. G20 member states hold a special responsibility to take coordinated action: they possess the majority of global food reserves and resources, they host the largest commodity exchanges in the world and their agricultural policies play a dominant role in food price formation.

THE G20 SHOULD SUPPORT POOR FARMERS AND LIMIT THE IMPACT OF FOOD PRICE VOLATILITY BY:

- Explicitly adopting the G8 L'Aquila Food Security Initiative (AFSI) originally announced by the G8 Summit in 2009 and push for the fulfilment of the \$22 billion pledge.
- Channel their AFSI support through funds like the GAFSP, which ensure the contributions are “new” (not recycled development aid) and support country-owned agriculture plans. And seek additional and fresh resources to smallholder farmers by endorsing the levying of a tax on food commodity trades by speculators, with proceeds going to multilateral initiatives, such as GAFSP.
- Commit to supporting interventions which *specifically* focus on the unique needs of women and increase share of public budgets and agricultural aid supports women farmers. Prioritise investment in sustainable agriculture, extension and credit facilities, particularly for women farmers.
- Call for urgent studies of the potential to use strategic buffer reserves to address the devastating impacts of market failures and price volatility at the regional, national, and local level.
- Cushion the poorest and women farmers from food price rises by committing to support countries and regional bodies – both politically and materially – in setting up adequate reserve systems which prioritize food security and, where feasible, controlling price volatility. Urge that reserves be consolidated, or at least coordinated, on a regional basis in Asia, Africa, and Latin America. Offer assistance to regional bodies such as SAARC and ECOWAS, which are already working on such approaches, and encourage other regional actors to enter into such partnerships.

OTHER ACTIONS FOR THE G20 TO FIX THE GLOBAL FOOD SYSTEM AND TACKLE VOLATILITY...

- Eliminate targets, mandates and financial incentives (such as subsidies and tax exemptions) that encourage the expansion of unsustainable industrial agrofuels production. Accelerate scientific research on alternative paths to reduced carbon emissions and improved sustainability and energy security, including improved energy efficiency
- Ensure that all agrofuels, whether domestically produced or imported, meet strict social and environmental sustainability criteria that ensures that their production and consumption does not compromise food, land and workers rights and that they result in lower net greenhouse gas emissions than fossil fuels when considering the full life-cycle of the agrofuel production process.
- G20 countries should consider mechanisms to tame speculation such as: Regulating food commodity derivatives and imposing ‘position’ limits -- the quantity, or proportion of the total market in any one commodity – controlled by any individual investor or group at a given time in all markets.
- Express clear support to the CFS work on land-grabbing through the development of the Voluntary Guidelines on Responsible Governance of Land and Natural Resources Tenure
- Support a moratorium on large-scale land acquisitions (lease and purchase) by private companies and states, until adequate national and international legally-binding frameworks have been adopted. Commit to adopt regulations at national or regional level making private companies accountable for their operations abroad, including for human rights violations resulting from land grabbing.

A POSITIVE G20 AGENDA FOR SUPPORTING POOR FARMERS AND LIMITING THE IMPACT OF FOOD PRICE VOLATILITY IN THE DEVELOPING WORLD.

Food price volatility is a grave threat to people around the world, and it cannot be brought under control without the G20. ActionAid is calling for action from the G20 in two key areas that will allow the people and governments of developing countries to strengthen their food security and limit food price volatility:

- The G20 must ensure sufficient investment in smallholders and women farmers, the bedrock of rural communities' food security and livelihoods.
- The G20 must also commit to political and material support for robust food reserve systems that ensure food security, support smallholders, and help manage price stability.

INCREASE INVESTMENT IN SMALLHOLDER AGRICULTURE

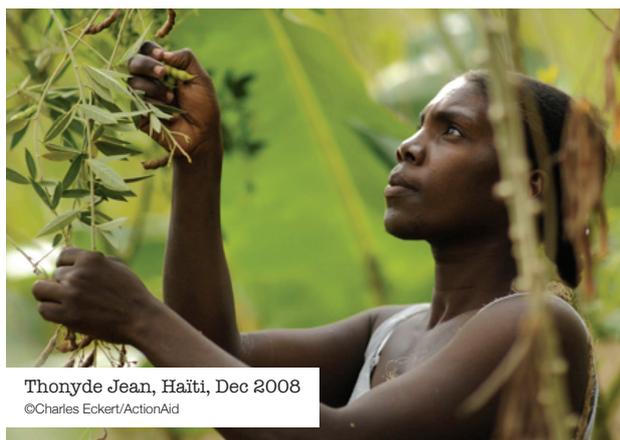
Low-income food-importing countries are particularly hard hit by increases in food prices. Most of these countries' food production has been compromised by deregulation and low investment in agriculture for the past 30 years. Rebuilding agricultural capacity will reduce countries' vulnerability to volatile price trends on global markets and increase their resilience not only to price shifts, but to crises caused by climate change, financial disruptions, trade imbalances, and more.

Women make up the majority of poor rural smallholder farmers worldwide, and smallholders produce as much as 90 percent of the food grown in Africa and 50 percent of the entire world's food, but many are still not producing enough to feed themselves and their families⁷. Moreover, the US government recently

predicted that without major investments in agriculture and rural infrastructure, hunger is likely to stagnate at the current unacceptably high levels for the next decade, declining only 1 percent globally by 2020⁸.

In spite of food price rises in 2011 which have nearly matched those of the crisis of 2007-08, we are not yet in crisis. In Africa, according to the World Bank, this is largely because harvests have been relatively good, due partly to increased investment in agriculture by governments, which has helped shield them from global food prices. Countries such as Rwanda and Malawi, which have recently increased government support to smallholder-based agriculture, are reporting stable local food prices and abundant supplies. But low income countries need more support to raise and maintain investments in agriculture, especially sustainable food production by small-scale farmers. After the last sharp price spike in 2008, the G8, along with a number of other donor countries, promised to invest \$22 billion over three years to help vulnerable

countries boost food production, in the L'Aquila Food Security Initiative (AFSI). AFSI, which the G8 said would focus on country-owned programmes benefiting key groups like women and smallholder farmers, was an unprecedented commitment. Two years later, the G8 'Accountability Report' shows that around two-thirds through the pledge only 22 percent have actually been spent, while some donors are not living up to their original pledges. The commitments should be fulfilled with fresh funds by the original deadline of July 2012. The G20 should play a role: it endorsed the pledge at its Pittsburgh summit in September 2009. South Korea, Spain, and Australia have made pledges; now the rest of the G20 should accept the challenge articulated by the French presidency to take full and effective ownership of AFSI.



ActionAid believes the Global Agriculture and Food Security Program (GAFSP), which was designed for new donations under AFSI, could be a good vehicle for supporting the kind of country-led agricultural development strategies promised by AFSI. In Africa, the fund specifically supports countries that have advanced through the Comprehensive Africa Agriculture Development Programme (CAADP) process. Yet many countries are woefully short of much needed funds for their CAADP plans – there is a funding gap of \$36.3 billion for just the 20 African countries that are an advanced stage of the CAADP process – and the GAFSP, despite receiving the G20's rhetorical support in Toronto, is suffering a serious shortfall in funding.

The G20 should:

- Explicitly **adopt the G8 L'Aquila Food Security Initiative (AFSI)** originally announced by the G8 Summit in 2009. The G20 has endorsed it, but has not committed to action. This will give added impetus to the G8 countries, and the rest of the G20, to fulfil the \$22 billion pledge to support country-owned programs that assist key groups like women and smallholders.
- **Channel their AFSI support through funds like the GAFSP**, which ensure the contributions are "new" (not recycled development aid) and support country-owned agriculture plans. No credible national plan should go unimplemented for want of funds. G20 countries that have not yet made a pledge to the GAFSP should contribute.
- G20 governments should seek additional resources to strengthen the capacity of smallholder farmers who provide the bulk of food consumed in developing countries. G20 leaders should therefore endorse the levying of **a tax on food commodity trades by speculators, with proceeds going to multilateral initiatives for supporting countries agricultural plans, such as GAFSP.**

The G20 Development Working Group should

encourage its members to ensure that future investment in agriculture prioritises support to smallholder farmers and sustainable agriculture, and takes into account the particular needs of women farmers by:

- **Supporting interventions which specifically focus on the unique needs of women**, including: public credit and financial services; guaranteeing secure access, use and control over good quality agricultural land and other productive resources; and targeting women smallholders through agricultural research and extension services.
- **Setting specific and measurable targets for actions on women farmers** in policies

and spending plans and ensuring that an increasing share of public budgets and agricultural aid supports women farmers.

- **Prioritising investment in sustainable agriculture, extension and credit facilities**, particularly for women farmers. The research, including that of the CGIAR system, should support and build on initiatives by farming communities and civil society.
- Supporting national governments and regional bodies to **overhaul and expand extension systems** to reach more smallholders and support their climate-resilient sustainable agriculture initiatives.

SUPPORT NATIONAL AND REGIONAL FOOD RESERVES

Managed correctly, local, national and regional food reserves can be a key tool in both safeguarding food security and maintaining price stability by strengthening the ability of governments to limit excessive price volatility on both farmers and consumers.

Reserves can be used to smooth out volatile agricultural commodity markets by purchasing grain or other foodstuffs when there is a surplus on the market and releasing it during lean times, at moderate prices. Effectively-managed public reserves, both regional and national, can help to ensure that food is available during humanitarian emergencies or climatic catastrophe. In so doing, they can provide food to the hungry and vulnerable when most needed, at moderate prices or if necessary for free. Food reserves have an important impact on food markets behaviours. Their mere existence can calm volatility, and they can support the easing of food price spikes by giving an injection into the market when supply is low, limiting the potential impacts of speculation during such periods.

Moreover, if reserves target public procurement from smallholder and women farmers, they can help to support small-scale agriculture. If domestic purchases for reserves can be made when prices are low and there is more in the market (i.e. during

harvest times) then it can help to push prices up in support of producers, thus stabilising prices paid to farmers and helping them to predict their markets and future agricultural investments. Reserves at both the regional and the national level can support each other and further enhance price stabilisation through collaboration.

The G20 has recognised the importance of food reserves, but has taken no concrete actions to ensure they are used well. G20 governments should commit to maintaining set levels of reserves, establish and contribute to regional and global reserves, and encourage other governments to do the same. Management of food reserves should be participatory and have as its primary aim food security.



Ana Marccos Tuaia, with her lettuce crop in the Marracuene district, May 2008.
© Gisele Wulfsohn/Panos/ActionAid

The G20 should:

- **Call for urgent studies of the potential to use strategic buffer reserves** to address the devastating impacts of market failures and price volatility at the regional, national, and local level
- **Commit to support countries** and regional bodies – both politically and materially – **in setting up adequate reserve systems** which prioritize food security and, where feasible, controlling price volatility.
- **Urge that reserves be consolidated, or at least coordinated, on a regional basis in Asia, Africa, and Latin America.** Offer assistance to regional bodies such as SAARC and ECOWAS, which are already working on such approaches, and encourage other regional actors to enter into such partnerships.

OTHER ACTIONS FOR THE G20 TO FIX THE GLOBAL FOOD SYSTEM AND TACKLE VOLATILITY

STOP AGROFUELLING PRICE SPIKES: FOOD NOT FUEL!

The expansion of agrofuel investments, production and targets has been seen by many commentators to be a significant driver of recent food price volatility. European targets for agrofuels expansion could push prices of grains and food oils 15 percent higher by 2017, according to the OECD. The diversion of U.S. maize production from food and feed to fuel has put stress on food reserves and threatened global food price stability.

In Europe, if current targets are not revised, by 2020, agrofuels will provide 9.5 percent of total energy in transport. 92 percent of these fuels will come from food crops (such as oil seeds, palm oil, sugar cane, sugar beet, wheat). This will require an expansion of cultivated land globally meaning the conversion of forests, grasslands and peat lands into crop fields, as well as the diversion of agricultural resources from producing food for people to producing fuel for cars and other vehicles. In the U.S, agrofuel targets and subsidies have provided incentives for maize producers to convert 40 percent of production from food and feed to fuel. This year, the U.S. announced the lowest projections for stocks of maize and soy in decades, causing prices to spike even higher.

Meanwhile women are seeing their right to land and food increasingly challenged. Agrofuel expansion and “land grabs” have exacerbated this problem.

ActionAid and Peoples Solidaires call on G20 leaders to jointly commit to ensuring that their agrofuels plans do not threaten global food security. Agrofuel policies (including blending targets, financial incentives and land zoning) must not threaten food reserves or contribute to food price volatility. National and international food and energy policies need to be brought into a

balance that will protect peoples’ right to food in G20 countries and in those countries where most of the world’s poor, excluded and hungry live.

The G20 should:

- **Eliminate targets, mandates and financial incentives** (such as subsidies and tax exemptions) that encourage the expansion of unsustainable industrial agrofuels production.
- **Accelerate scientific research on alternative paths** to reduced carbon emissions and improved sustainability and energy security, including improved energy efficiency
- **Ensure that all agrofuels, whether domestically produced or imported, meet strict social and environmental sustainability criteria** which ensures that their production and consumption does not compromise food, land and workers rights and that they result in lower net greenhouse gas emissions than fossil fuels when considering the full life-cycle of the agrofuel production process.

COORDINATE MARKET REFORMS AND REGULATION GOVERNING COMMODITY SPECULATION

During the last ten years, commodity markets have seen sharp increases in activity by financial speculators and institutional investors, including hedge funds, investment banks, and pension funds. Between 2003 and 2008, following major deregulation of derivatives by the U.S. government in 2000, the amounts invested in commodity index funds – vehicles used by institutional investors to bet on derivatives – jumped from \$13 billion to \$317 billion.

An explosion of speculative activity on commodity futures markets may also be amplifying price movements, although evidence is mixed on how big a role speculation plays. However, speculation on food commodity markets is believed to have played a 'significant role' in increasing food prices and price volatility during the 2007/8 food price crisis, and a special session of commodities experts at FAO in October 2010 concluded that speculation was one of the 'main factors' behind the recent escalation in prices.^{9,10,11} A massive expansion of investment in under-regulated commodities derivatives by non-traditional investors such as hedge funds, pension funds, sovereign wealth funds and investment banks 'accelerated and amplified price movements' in food commodity markets between 2002 and 2008, according to UNCTAD.¹²



A family's failed crops. Langobaya, Kenya June 2008
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Recent financial reform legislation in the U.S. took steps to increase transparency on all derivatives trading, including "over-the-counter" (OTC) trades. It also gave the US Commodity Futures Trading Commission (CFTC) greater supervision over OTC trading, including the ability to set position limits on traders, and required that more trades be moved to formal exchanges. It will be important to ensure that the European Union, which recently launched a process to revamp its own rules on derivatives and commodity markets, matches at least the U.S. regulations. G20 member states should commit to adopt regulations consistent with each other that strengthen markets' regulation in order to fight food price volatility and discourage traders from changing their base of operations in order to evade stricter rules.

G20 countries should consider mechanisms to tame speculation such as:

- **Regulating food commodity derivatives** and imposing 'position' limits – the quantity, or proportion of the total market in any one commodity – controlled by any individual investor or group at a given time in all markets.
- **Limiting the volume of trades or size of investment** by large institutional investors, especially the "index funds" (pension funds, endowments, etc.).
- **Standardising and guaranteeing all transactions by mutual agreement** including "over the counter" (OTC) trading through their registration and supervision by market regulatory authorities.

ENSURE STRONG LINKS WITH CFS WORK ON VOLATILITY

The Committee on World Food Security (CFS) is the United Nations body that aims at coordinating all stakeholders involved in ensuring world food security. It is thus recognised by international civil society – which participates in its debates and decisions - as the legitimate and relevant forum to discuss coordinated food and agriculture policies. The CFS decided in October 2010 to commission its High Level Panel of Experts to put forward proposals for appropriate and coherent policies, actions, tools and institutions to effectively manage the risks linked to price volatility in agriculture. Those proposals will be examined in October 2011.

The G20 should express clear support for the CFS as the primary focal point for global policy coordination on issues related to food. The G20 should ensure that its decisions and actions are consistent with the work carried out by the CFS.

STOP LAND-GRABBING

An estimated 50 million hectares of fertile land – an area double the size of the UK, or more than two-thirds of the size of France – has been acquired over the last few years by companies, investors, sovereign wealth funds and sometimes governments, almost always to the detriment of poor people and local economies. These large-scale land acquisitions aim at producing food or agrofuels, mainly for export. In certain cases, those acquisitions are simply driven by speculation that the price of land will increase in the future. The transactions are often non-transparent – even secret – and in violation of national laws (many of which are weakly understood and enforced), and result in numerous human rights violations, especially when people are relocated. As a result, local farmers and populations lose their land, and large-scale agriculture for food export replaces food production for local consumption and markets.

In the “food security” pillar of the Multi-Year Action Plan on Development adopted in Seoul in November 2010, the G20 “encourage[s] all countries and companies to uphold the principles of Responsible Agricultural Investment (RAI). However, the RAI, elaborated by the World Bank, has been widely criticized by civil society organizations because it is not an adequate instrument to regulate private investment and was formulated without the participation of communities affected by agricultural investments. The CFS decided in October 2010 not to endorse the RAI, but rather to start an inclusive process to consider them and other proposals, such as the guidelines formulated by the UN Special Rapporteur on the Right to Food.

ActionAid and Peoples Solidaires have endorsed the Dakar Appeal Against Land Grabs which was issued at the World Social Forum in February 2011. Consistent with it, we believe that any international legal framework on land acquisitions should prioritize access to land and resources for local communities, especially women, and should be legally binding and include safeguards to ensure that land acquisitions do not hamper the realization of the right to

food. They should also require the free and informed consent of the affected communities, be transparent, require impact studies, be ecologically sustainable, and honour the rights of land-users, whether they access land through ownership, rental, employment, sharecropping, or custom (including collective ownership and pastoralism).



Jaqueline Tabu, Uganda, Oct 2008
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The G20 should:

- **Express clear support to the CFS work on land-grabbing** through the development of the Voluntary Guidelines on Responsible Governance of Land and Natural Resources Tenure and to an effective implementation of Article 14 of CEDAW on women’s rights to ownership of, access to and control over land, and abstain from referring to the RAI as they stand.
- **Support a moratorium on large-scale land acquisitions** (lease and purchase) by private companies and states, until adequate national and international legally-binding frameworks have been adopted.
- **Commit to** adopt regulations at national or regional **level making private companies accountable for their operations abroad**, including for human rights violations resulting from land grabbing.

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ActionAid is a partnership between people in rich and poor countries, dedicated to ending poverty and injustice. We work with people all over the world to fight hunger and disease, seek justice and education for women, hold companies and governments accountable, and cope with emergencies in over 40 countries.

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