



Long term issues in food prices and humanitarian assistance Presentation to IASC Principals' meeting Geneva, 30 April 2008

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Thank you very much for the invitation to speak here today. In this short presentation, I'm not going to talk about the reasons why food prices have suddenly emerged as such a major issue, as I think we're all by now familiar with the list – high income growth, especially in emerging economies; biofuels, low stock levels, bad weather in some parts of the world, slow supply responses; and (more recently) the problem of one set of countries suspending exports while another set tries frantically to maintain imports and even increase stockpile levels.

Instead, I thought it would be more useful to look ahead, and ask: what long term drivers of change should we be focusing on most – analytically, operationally and in what we say publicly? Are recent food price rises just a blip, or are we looking at a long term structural shift? If it's the latter, then what does that mean for humanitarian agencies and their role in building resilience and providing relief?

So let's start by looking at the period between now and 2030. By then, if the World Bank's estimates are right, demand for food will have risen by 50 per cent, and demand for meat by 85 per cent. In this context, the two big questions on food will be:

- Is there enough food to go around?
- And even if there is, is enough food actually *going* around – which is to say, are poor consumers, whether in cities or rural areas, able to afford it?

The problem is that to *answer* those two deceptively simple questions, we need to know about a whole host of other long term issues: issues that matter not only for food supply, but also in their own right as drivers that will shape the future context for humanitarianism. Let me say a brief word about four key trends in resource scarcity, and four key trends in the socio-economic context.

First, the biggest threat multiplier of all: **climate change**. With Martin Parry¹ here I needn't say more on that, save to reiterate the key point: that climate change has the potential to be a major constraint on our ability to grow global food production.

But climate isn't the only factor that might limit the supply side response on food. Take **energy security**. We've mentioned biofuels, of course, but as well as turning food into fuel, remember that we turn fuel into food too. Think of the extent to which modern agriculture depends on fossil fuel inputs: to plough the land, harvest the crops, then process, refrigerate, freight and distribute it. On top of that, much of our fertiliser comes from fossil fuels too, and is also getting more expensive as oil prices rise – the cost of urea has tripled since 2003.

So high oil prices – \$115 yesterday – tend towards high food prices. As we look towards 2030, do we think oil prices will come down markedly? Few analysts think so. On the contrary, the International Energy Agency reckoned last year that \$22,000 billion of investment in new energy

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infrastructure would be needed, largely because new oil supplies are so hard to get at. That's a little under half of last year's gross world product, and there's no sign yet that the investment is on the way. So there's another factor that could make higher food prices a structural shift, rather than a short term blip.

Then, think of **land**. Many commodities analysts say that to meet a 50 per cent increase in demand, we'll need to expand not just productivity of existing land, but also the acreage that's covered. But that too is easier said than done. FAO estimates that there's only 12 per cent more usable arable land (although estimates on this vary widely). But however much more land there is, there's also increasing demand for it from other uses: as well as food, feed and fuel, there's fibre (paper and timber); carbon sequestration; forest conservation; and of course urbanisation. All this is before we take into account erosion and desertification – FAO reckons 16 per cent of the land we use now is already degraded.

Water is another highly strategic commodity where we can expect to see intensifying competitive dynamics. Global demand for fresh water has tripled in the last fifty years. As population grows and as per capita consumption levels rise, less is available per person. Already, half a billion people live in countries chronically short of water; by 2050, this will rise to more than 4 billion. We need to worry especially about depletion of groundwater stocks – from which over 99 per cent of the world's fresh water comes. In many countries, the amount withdrawn from these aquifers is greater than the annual rate of recharge; in others, they aren't recharged at all. Many parts of the world have been enjoying a free ride – and now the penalty for mismanagement of water resources is coming due.

So there are four different kinds of resource scarcity – water, land, energy and climate change – that will affect the outlook for world food supply between now and 2030. But think also of a few socio-economic trends.

First, the massive change we can already see in **urban – rural dynamics**. As we know, humanity last year became a majority urban species. And that's already changing political dynamics. Looking at the range of countries that have suspended food exports, or slashed food import tariffs, it's not farm lobbies whose interest we see being played out: instead, it's the interests of consumers, who tend to be more visible in urban areas – especially when they riot. If the world's urban population continues to rise to 2030, then we need to think through what that will mean for the politics of food – as well as what it will mean for the kind of agriculture we have in the countryside.

Urbanisation changes the game for humanitarian action too, of course. There are increasing concentrations of vulnerable people in cities; and it's fair to say that the humanitarian system is less well practiced at reaching urban populations than rural people.

Second, we need to know about **inequality**. While inequality *between* countries is today falling for the first time in a generation, it's widening rapidly *within* them – above all in the fastest growing economies like China. We're already seeing this in the food context, where the changing diet patterns of a burgeoning global middle class are contributing to a situation in which some poor people are finding staple foods out of their reach – because they lack the relative purchasing power to be able to compete with the new global middle class. Relatively inequality, then, can have absolute impacts when we're talking about food – or indeed water or energy.

Third, food security in 2030 will be very much affected by the kind of **trade** system that we have in place. Already, we can start to see three very different trade paradigms contesting food as a key battleground. One storyline emphasises liberalisation and reliance on world markets: think of recent statements by Bob Zoellick. A second approach suggests greater national self sufficiency or reliance on import substitution: think of some of FAO's recent statements, or the Philippines' aim of rice self-sufficiency within three years. A third approach – being pioneered by China – emphasises long term

bilateral contracts, of the kind she is already making increasing use of to try to ensure energy supplies.

These three approaches diverge sharply from one another. And the difference between them matters not only in terms of its practical outcome for world food markets in 2030, but also in the implications for multilateralism and collective action. There are big underlying questions here about equity and fair shares – and what kind of approach to trade will work best for which kinds of country.

Fourth and finally, of course, we should note world population, which will increase from around 6.5 billion today to close to ten billion by mid-century.

So there are eight issues that we *have* to know about before we can make any estimate of global food supply in 2030. In conclusion, let me ask some very brief questions to try to flesh out what they mean for humanitarianism.

- First, while food prices may fall back significantly in the medium term (for instance over 2 to 5 years), there are still good reasons to worry about the longer term outlook – especially because of the scarcity issues discussed earlier. Overall, the issues touched on in this presentation imply a **more turbulent world**. We're entering a period of transition – a stretch of rapids on the river ahead, if you like. That's not just because of each of these change drivers individually, but also because of how they interact with each other. So first question: are we tracking these wider issues enough? How could we do better at ensuring we hear “news from elsewhere”?
- Second, dealing with **uncertainty**. If we know that the issues we've touched on here will matter, we still have little idea of *how* they will matter, or *where* or *when*. But while we can't predict everything that will come at us, we can do much more to *anticipate* it: not only through scenario building and thinking about possible futures (though that should be second nature – in all agencies, at all levels), but also through wargaming responses to hypothetical scenarios, such as a rapid melting of Himalayan glaciers or a mass migration out of sub-Saharan Africa resulting from sustained drought. Lack of evidence shouldn't hold us back from thinking about what-ifs.
- Third: **financing**. In a more turbulent world, more people will rely on us – and this will increase the global humanitarian bill. It must be in the interests of humanitarian agencies to start making that case now, rather than waiting for the crises to mount up. As we do so, we need to anticipate the counter-arguments. For instance, what if some development lobbies start to argue that Official Development Assistance intended for investment in infrastructure or growth should not be spent on “palliative care”? Perhaps the question here is whether we should consider developing a discourse of *additionality* around humanitarian aid, akin to the argument that debt relief should be additional to 0.7. On a related note, we also need to think about whether the humanitarian system is well placed to scale up its work. If we faced a doubling of the number of people needing assistance within five to ten years, could we cope?
- Fourth: proactive investment in **resilience and risk reduction**. The tsunami led to welcome emphasis on disaster risk reduction (DRR), but as we know, much more needs to be done to build bottom-up resilience to slow onset disasters and longer term stresses. We need to ‘connect the dots’ between DRR, conflict prevention, peace-building, climate adaptation, and other ‘stability agendas’, and above all. How can we set about that?
- Fifth: the importance of **narrative**. As we head into this period of turbulence, there are real risks for humanitarianism if the overall political narrative becomes dominated by fear - of increasing instability, of scarcity, of conflict with different regions, ethnicities or

nationalities. Fear is fertile ground for kneejerk policy responses, and for publics focusing on 'people like us' rather than a wider humanitarianism. As humanitarians, we clearly have a big stake in promulgating a different storyline, stressing *transition to a new stable state* rather than just *the new instability*. The question here, then: how can we set out a storyline to explain and encompass global transition, that brings people together rather than fracturing them apart?

- Sixth and perhaps most fundamentally, we need to look to **resilience and vulnerability within the humanitarian system itself**. We need to be asking now what are the biggest long term challenges for the humanitarian system – be they external or internal – and where are its weakest points? And to make the system more than the sum of its parts, we need to be asking what are the concrete steps that we can take now to improve interoperability between agencies, and what new partnerships – with civil society groups, the private sector or the media – have most potential to help us in our work.

These are big questions, some of which go well beyond our day to day operational scope. But the biggest risk of all would be to regard asking them as a luxury that we can't afford – or to allow the urgent to crowd out the essential.