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Global food security

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In my view, three issues have contributed to the poor performance in reducing food insecurity in the recent past: (1) the neglect of agricultural development both by governments in developing countries and by the international donor community, (2) the ineffective use of food aid, and (3) the failure to capitalize on international trade as a means to ensure food security.

A basic premise of my thinking is that food security is a poverty problem - the lack of food is due to the lack of the means to acquire it. It is not, in general, due to a shortfall in food production. This is the familiar finding of Nobel laureate Amartya Sen from his studies of famines in China and India.

Another point useful in understanding this analysis is that food security problems can be of a short-term or a long-term nature. In other words, people may suffer either from short-term fluctuations in their incomes, or they may suffer chronically from low per capita incomes. The policy prescriptions for these two problems are quite different.

Both the governments in developing countries and the international development community have in recent years sorely neglected agriculture as a component of their programs for economic development. This neglect reflects an enormous institutional memory loss: back in the 1960s and 1970s such neglect would have been unheard of.

The apparent logic behind this neglect appears to rest on two perceptions. First, observers of the development scene note that as an economy grows and per capita incomes rise, the share that agricultural employment makes up of total employment declines, as does the share that agricultural gross domestic product (GDP) makes up of total GDP. They conclude from such trends that agriculture declines in importance as economic development proceeds, so one can neglect the agricultural sector.

The difficulty with that argument can be seen by considering the modernization of the production of staple foods by the introduction of new production technology into the sector as the basis for agricultural modernization and development. Staple commodities tend to have low price elasticity of demand, with the result that the introduction of new production technology to the sector will result in a lower price for the staple, other things being equal. That decline in real prices will be equivalent to an increase in real per capita incomes for consumers. This points to the ultimate importance of agriculture in the development process. It is important because everybody consumes food.

The contribution from modernizing the production of food staples does not stop there, however. It turns out that poor-income groups benefit in a relative sense from the modernization of agriculture, in part because low-income groups spend a larger share of their income on food than do middle and upper-income groups. It is difficult to find a sector of the economy in which the benefits of the development process will be spared as widely as in the case of agriculture, and so much in favour of the poor.

Similar arguments can be made about the modernization of tradable agricultural commodities. In this case, the price of the commodity does not decline with modernization. However, the sector becomes more competitive in the international economy, and the net result is either an increase in export earnings or an increase in savings of foreign exchange earnings. The benefits will again be widely distributed in the domestic economy, since the foreign exchange can be used either to service international debt or to finance higher rates of economic growth and development.

There is a certain irony in the finding that food insecurity is not due to shortfalls in food production, but that the modernization of agriculture has such an important role to play in alleviating food insecurity. The explanation for what to some might appear to be an anomalous result is that agriculture can be a key to more general economic development of the economy. To be even more specific, the modernization of agriculture contributes to widespread distribution of the benefits of modernization to consumers, with those benefits distributed in a relative sense in favour of the poor.

Food aid is one component of foreign aid that continues to garner ample political support in the developed countries. That support reflects in part the strong political constituencies in the agricultural sectors of the developed countries. It also reflects an appreciation of the direct benefits of food aid to its ultimate beneficiaries.

Of course, food aid is not without its problems. Academics such as Nobel laureate Theodore W. Schultz and others were at one time fairly critical of food aid, largely on the grounds that it had strong disincentive effects for poor producers. At one time those critics made substantial progress in addressing these problems, and much care was exercised in how the food aid was introduced into the economy of the recipient country.

Later, however, the lexicon of foreign aid was enriched with the addition of a new word and concept - "monetization". This new concept referred to the sale of the food aid in the market for cash, which in turn was used for fiscal purposes in general economic development programs. Regrettably, monetization quickly became popular in the new lexicon, and disincentive effects soon disappeared as an issue of concern. One hardly hears the term disincentive effects mentioned in today's policy debates, and monetization has rapidly conquered the day.

Again, there is a serious side to this problem. The political support for monetization comes largely from nongovernmental organizations (NGOs), which still depend heavily on food aid for their financial resources. Their support for food aid and for monetization is obvious. Their livelihood depends on it - never mind the consequences for the poor farmer.

The point to be emphasized is that there are other means of making more effective use of the food aid, and we need to move in those directions. One such approach is to use the food aid to pay the families of school-age children to send their children to school. This will introduce the food aid into the economy as an increase in income to very poor families. In so doing, the disincentive effect will be minimal.

At the same time, children of low-income families are seldom able to go to school, largely because they are needed to earn the income needed to support the family. In rural areas, these children typically work on the farm. In urban areas, such children typically beg on the street corners or sell apples or pencils. In either case, the families need the income the child earns to survive.

The use of food aid to "pay" the family to send the child to school has multiple contributions. The disincentive effects are minimal. The child is able to go to school, thus increasing educational attainment. The health and nutrition of the family is improved. And the per capita income of the family is improved.

International trade can be an important means to promote economic development. The sectoral specialization and division of labour it makes possible lead to increases in per capita incomes. Moreover, it eliminates the limit on economic growth and development that is so characteristic of small countries. Despite the progress of globalization and the growth in international trade in general, protectionism continues to be a problem, especially in the global agricultural sector.

The United States and the European Union and especially protective of their agricultural sectors. Moreover, these countries continue to make effective use of dumping policies, in the form of food aid and in the form of export subsidies - both explicit and implicit.

The developed countries are not alone in having weak economic policies for their agricultural sectors, however. They discriminate against their agriculture by shifting the domestic terms of trade against their agricultural sectors. This leads to premature migration from agriculture and the rapid urbanization of domestic economies that one sees all around the world. The result is a failure to take advantage of the contribution that international trade can make in bringing about balance in the flow of exports and imports, and thus to address the basic food security problem through international trade.

Progress will be made in addressing the global food security problem only as progress is made in alleviating global poverty. Poverty, in turn, will be alleviated only as agriculture is modernized and the benefits of that modernization are realized through the liberalization of trade policies and the opening of national economies. Although increased food production is not the means to alleviate food insecurity problems directly, the modernization of agriculture can contribute mightily in alleviating poverty on a global scale.

(Note: The opinions expressed in this article do not necessarily reflect the views or policies of the U.S. Department of State.)

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