

“IMPACT OF RECENT RISE IN OIL AND FOOD PRICES ON AFRICA’S ECONOMIES”

Remarks by
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Thank you Excellencies. I am honoured to be here especially on this occasion marking the fiftieth anniversary of the Economic Commission of Africa, and I am honoured to be here with all of you today.

High global food and fuel prices is a critical subject; one that has hit the World Food Programme hard given our responsibility to meet the urgent food needs throughout the world. The challenge is one that knows no borders and is hitting virtually every country hard.

I would like to start with a series of questions and then seek to give some thoughts on each of those, and a few thoughts on how we approach this challenge together.

First, what is driving the soaring food prices? How do global markets affect local markets? Is this a cyclical market phenomenon or speculative bubble? Or is this a structural shift in global agricultural markets requiring immediate and long term adjustments?

What tools do we have in our global toolbox to meet this challenge? If this is a structural shift, how can we ensure that African farmers benefit, including subsistence farmers?

How can we, as Prime Minister Meles said yesterday, turn this challenge into an opportunity for the most vulnerable? Who benefits and who loses? How can we use this challenge to move from dependency to permanent solutions to food security? I would like to talk a little bit about what is driving this. There are four factors that experts agree are important to recognize on this issue.

First, is the high price of oil which affects the entire value chain of food production. It affects the price of diesel, it affects the price of fertilizer, it affects the ability to access water, and that has certainly raised prices across the food chain.



Second, is the economic growth, not only in India and China, and in Brazil and South Africa, but also in the 20 or so countries in Africa with strong economic growth, where food demands change and expectations change.

A couple of years ago China was a major food exporter, now it is a major food importer. Also affecting this are climatic shocks like the droughts in Australia, the floods in Africa and the drought in southern Africa. We also know that there are some predictions that by the year 2020 we may see half the yield in some countries in Africa due to long term climatic changes.

Lastly, but maybe even more fundamentally, is the interlinking of energy and fuel markets and the growth in biofuels which affects food prices in three ways.

The first point is that we are seeing food in many places in the world priced at fuel levels. For instance, palm oil is being bought on markets as an input for biofuels, and is being priced out of the reach of many households.

The second point is that we are also seeing the food supply affected. It is estimated that one hundred million metric tonnes of grains will be used for ethanol production during 2007 and 2008. That is a significant amount of food taken off the food chain.

The third point is something that Joachim von Braun, the Director General of the International Food Policy Research Institute who is here today, has pointed out strongly to me and others, and that is the interlinking of these two markets. We are now seeing food being bought by energy markets and there is no control over which markets they will go into. If oil prices remain high, or if they reach US\$120 a barrel, we may see even more purchasing of foods to go into the biofuels market.

I would argue that we are seeing a structural shift and we need to look at both the immediate challenges and the long term benefits, opportunities and challenges.

We are also seeing a difficulty for the smallholder farmers in Africa to take advantage of this opportunity, and it will require specific strategies to ensure that can happen.

This issue is not only about meeting the MDGs, very specifically the first on poverty and hunger, but also about economic growth and inflation. It is also one of the major peace and stability issues of our day.

At WFP we have done a significant amount of vulnerability analysis throughout the world and we do feel that we are seeing a new face of hunger emerging and it is more urban than it has been before. Sometimes we are seeing large amounts of food on the shelves and people simply unable to afford it. We are seeing farmers who have small plots unable to get enough benefit, while the price of their inputs has gone up considerably.

In particular, we are seeing countries that are import-dependent facing additional shocks such as Bangladesh did when the cyclone hit, or countries faced with droughts, floods or conflict, left reeling from these pressures.



As I mentioned, this challenge knows no borders. In El Salvador we are seeing in many communities, half the nutritional intake today compared to one year ago and this is due to the high prices. In specific, we are seeing those who exist on US\$1 a day or on 50 cents a day getting hit hardest because they have no resiliency and no place in which to retreat.

Let me tell you, though, why I am a long term optimist on this issue. If food and fuel markets are linked and if demand will continue to increase, handled right, I think this could be the moment for the African farmer where we will finally see the kind of investment, not only within countries, but also from investors, technology, seed and increased yields as we saw a couple of decades ago in Brazil and elsewhere, that will help break the cycle of poverty at the root.

My ancestors are from Ireland and just two generations ago suffered a severe famine. We know that Europe, in our lifetimes, suffered a profound need to increase yields. Japan, Sweden, virtually every country has faced this and we know that with the right strategies we can break the cycle of poverty and hunger at its root. For WFP we feel this requires a rethinking of our institution, and for all of us to rethink old strategies to take advantage of this historic opportunity to move ahead of the hunger curve.

At WFP we will present to our Board in June, a historical document that calls for a shift for WFP from a food aid agency, into what I call a food assistance agency. This shift would allow us to become a partner with governments to use food assistance as a productive investment whenever possible, and wherever possible to help break the cycle of hunger at its root. I call this my 80-80-80 solution because right now WFP is spending 80 percent of its cash on local purchase in developing nations. Uganda, South Africa, Kenya, Zambia, Malawi, Ethiopia, Mozambique, Tanzania and Sudan are in our top twenty purchase markets in the world.

In addition, 80 percent of our transportation is locally procured, leaving behind real capacity for the kind of food security systems that are essential and that every country needs to have in place. Also, 80 percent of our national staff is hired in developing countries. These investments help build capacity to meet the kinds of challenges that the food system will face in the coming years.

We will also get authority to broaden our tool box of response. Sometimes commodities are needed such as the situation in Darfur where we feed up to three million people a day who simply do not have access to food. But sometimes there is food available from local farmers but there is no infrastructure to access it. Today we buy a large amount of food in DRC and help move it with our infrastructure system.

We also know that many governments want to be able to respond to urban hunger with vouchers so that local food can be purchased by people who simply cannot afford it. Targeted programmes such as vouchers can help move systems and help protect markets more strongly.

For WFP, it is important to embed into our systems a partnership with governments to help the transition from dependence to independence. For example, the work that we are doing in southern Sudan where we have been able to cut general distribution in



half by working on rebuilding the roads, helps farmers access to markets and employs many young people in the area to help build hospitals and schools so that we will be able to pull back and that community can stand on its feet.

We have also created an Office of Hunger Solutions under my deputy Sheila Sisulu that will work with the African Union, NEPAD and all the regional economic commissions on how we can use the power of food assistance to help break the cycle of hunger at its root.

We are working with many governments on school feeding which we think can provide a productive safety net by using locally produced food, as called for in NEPAD and in the Africa Union and SADC, to help provide not only safety nets for children, but also guaranteed markets for local farmers.

We feel a key challenge today is recognizing that economic growth and food security require separate strategies. We will work very closely with FAO, IFAD and AGRA to be supportive of such strategies. The World Food Programme is starting the Purchase for Progress programme to help strengthen our local purchasing efforts, and we will work with our partners to make sure we pair up the science and technology investments with WFP's local purchase to help local farmers and governments deal with demand.

We feel however, that we need to raise the level of political dialogue in order to seize this opportunity. Today, the World Food Programme offers to stand with all our partners to do our part to ensure that the smallholder farmers in Africa can benefit from this opportunity and that governments can meet this short term and longer term challenge, hopefully as we get more production. There is some thought that we may need an international food summit to join a discussion about the humanitarian short term price and supply issues and also the long term response.

Again this is not only about hunger and the challenge we face, but also about solving and breaking the cycle of hunger. Let us remember that in this current challenge, perhaps the opportunity has come where we can attract the kind of investment that can help break the cycle of hunger at its root. Therein lies our hope.

