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FOOD AND NUTRITIONAL SECURITY: THE HUMAN RIGHT TO FOOD

I. INTRODUCTION

1. The food crisis that the region has had to face in the past two years, as a result first of a series of food price rises and then of the world economic crisis, has erased more than a decade of progress in food and nutritional security in just a short time. The estimated number of people suffering from malnutrition has already risen to 53 million, the same number as in the 1990–1992 period, before dropping to a low of 45 million in the mid-1990s.
2. In a food surplus region such as Latin America and the Caribbean, the main cause of hunger and malnutrition, which the crisis has only served to aggravate, is access to food for the most vulnerable social groups, especially children, women and indigenous people living in rural and poor urban areas.
3. To tackle this crisis, the governments of the region have deployed a variety of policy measures, changing the emphasis as the cycle of rising food costs – and in some cases even periods of relative food shortage – progressed to the stage of economic slowdown or open recession as a result of the world financial crisis. In the first phase, government actions were designed chiefly to control inflation, protect the most vulnerable sectors and increase domestic food production. In the second phase, efforts were directed mainly at tackling the credit squeeze, the economic slowdown and the resulting unemployment, maintaining and extending social protection programmes and networks as far as possible.
4. While the efforts undertaken by individual countries varied widely, depending on their fiscal capacity and other conditions specific to their own situation, which have a direct bearing on both achievements and difficulties, what the current crisis has done is to reinstate food and agriculture on the public agenda, not only of national governments but also of regional and subregional forums. Four main policy objectives are starting to emerge as cornerstones of that agenda: (a) boosting the domestic staple food market; (b) improving agricultural working conditions; (c) managing risk (including price volatility and climatic and financial risks); (d) strengthening social protection systems in rural areas.
5. This paper proposes examining the food crisis experienced by the region over the past two years from the perspective of the emerging policy agenda. Section II explores the thorny issues raised by the crisis and the challenges that it poses to food and nutritional security. Section III

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goes on to analyse the main measures and strategies that governments have employed to tackle the twin phases of the crisis. Section IV considers the policy agenda for the coming decade, emphasizing the contribution that FAO, in particular, is called upon to make.

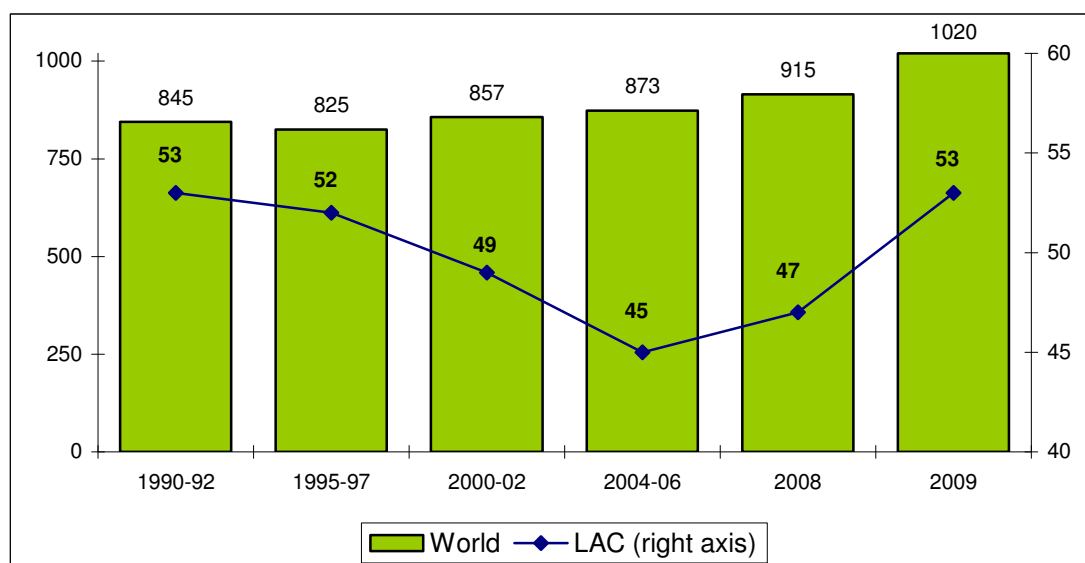
II. FOOD AND NUTRITIONAL SECURITY CRISIS AND CHALLENGES IN THE REGION

A. In the past two years, the food crisis has eroded nearly two decades of progress

6. In 2008 and 2009, twin crises were experienced: first one of food price rises and then a world financial and economic crisis, affecting household incomes, access to food and other commodities, and ultimately increasing rates of poverty and hunger.

7. This means that nearly two decades of progress in combating hunger in the region, during which Latin American and Caribbean countries had succeeded in reducing the total number of hungry people from 53 million to 45 million and thus bucking the global rising trend in hunger over that period, have been erased. The total number of undernourished people in 2009 is projected to reach the same level as in the 1990–1992 period, when around 10 percent of the region's population were hungry, as Figure 1 shows.

Figure 1. Trend in number of undernourished people in the world, 1990–1992 to 2009
(millions of people)



Source: Regional Office for Latin America and the Caribbean of the Food and Agriculture Organization of the United Nations (FAO-RLC), 2009.

8. However, the impacts of this food crisis have not been the same for every country in the region, the worst affected being those with the largest number of adverse factors: greater dependency on food and energy imports; high poverty rates; decreased demand for their exports; and lower external financial flows (remittances, financing and official development assistance) owing to the crisis. Several countries in the region have suffered the additional impact of natural disasters, with severe drought affecting a number of Central and South American countries in 2009, the flooding that followed in its wake in Mexico and Central America, which struck El Salvador with exceptional destructive force, and the dreadful earthquakes in Haiti and Chile.

B. Access to food, the principal food and nutritional security problem in Latin America and the Caribbean

9. If a sufficient supply of food were enough to secure adequate food and nutrition levels, the situation in Latin America and the Caribbean would have been excellent years ago, given that the amount of food produced in the region is easily able to feed its entire population, as the dietary energy supply index in Table 1 shows. Unfortunately, the problem for people suffering hunger and malnutrition in the region is not a lack of available food but the fact that they do not have enough income to buy food. Access to, rather than the availability of, food is the Achilles' heel in Latin America and the Caribbean's food and nutritional security.

Table 1: Dietary energy supply in Latin America and the Caribbean

Region/subregion	Dietary energy supply index (kcal per person per day/minimum requirement)		
	1990–1992	2003–2005	Percentage variation
Latin America and the Caribbean	1.5	1.6	5.5
Mexico and Central America	1.6	1.6	3.6
Caribbean	1.3	1.4	8.4
South America	1.5	1.6	6.0

Source: Regional Office for Latin America and the Caribbean of the Food and Agriculture Organization of the United Nations (FAO-RLC), 2009

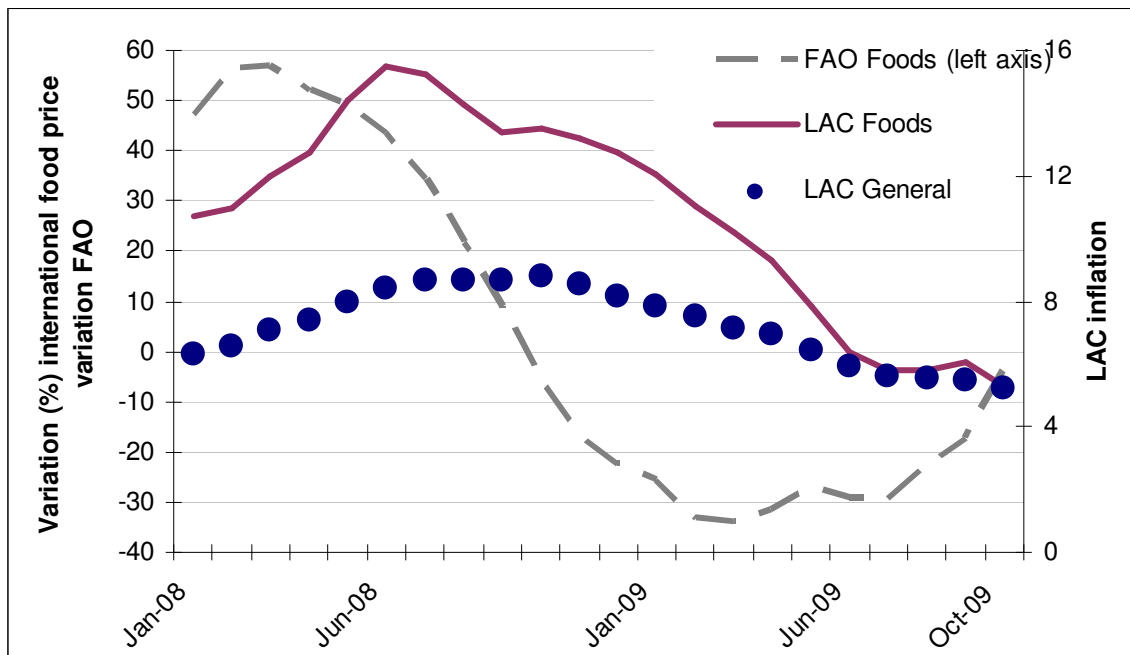
10. That is why cycles that erode the incomes of the most vulnerable households have a detrimental effect on the whole population's food security. This is precisely what has been happening in the region in recent years, as a result first of food price rises and then of a downturn in economic activity, which in both cases has undermined still further household incomes that were already extremely precarious.

11. With regard to the first point – food price inflation – food prices in the region rose steeply during the first semester of 2008, far above each country's general price index, before falling gradually over the remainder of the year and much of 2009, as Figure 2 shows. However, this decrease has not meant that prices have returned to the levels preceding the price-rise cycle. Indeed, food prices in late 2009 are still higher than two years ago, ranging from 10 percent to 25 percent, depending on the country.

12. Regrettably, there are signs of a further cycle of price rises in the near future, as Figure 2 shows. The international FAO Food Price Index (which has proved to be a very good predictor of food prices in Latin America and the Caribbean) resumed its upward trend in February 2009, rising more steeply as from July 2009.

13. The economic crisis has drastically reduced production activity and hence employment, with regional gross domestic product (GDP) expected to shrink by between 1.5 percent and 1.9 percent in 2009, and unemployment rates expected to rise to around 8.5 percent of the economically active population, according to projections by the Economic Commission for Latin America and the Caribbean (ECLAC) and the International Labour Organization (ILO). Added to this is an estimated reduction in remittances to Latin America and the Caribbean of around 11 percent compared with 2008.

Figure 2: Interannual variation of international food prices (FAO) and LAC average general and food CPI



Source: Official information from 14 countries: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Peru and Uruguay.

14. For example, 50 percent of Haiti's consumption of cereals and grains (rice, maize and beans) relies on imports and between 15 percent and 25 percent relies on food aid, which makes the country very vulnerable to international food prices. The negative outlook for domestic production, inflation and unemployment further compounds the population's risk and vulnerability. The earthquake in January 2010 was dramatic proof of this acute level of food vulnerability.

15. This combination of factors – inflation, unemployment and reduced remittances – has eroded the real income of the poorest sectors of the population and worsened their already difficult access to a proper diet. Some of the most vulnerable groups are indigenous people and those of African descent, whose level of exclusion exceeds the regional average.

C. Principal challenges for the region

16. The current scenario is characterized by highly volatile commodity prices, especially for food, which heightens households' uncertainty and vulnerability to food insecurity.

17. In economic and social terms, even though signs of a worldwide revival are starting to appear, it looks set to be slow and gradual, and the crisis is expected to have lasting repercussions on Latin American and Caribbean countries, particularly in the hardest-hit population sector. ECLAC predicts that the number of people in the region living in poverty will increase by around 1.1 percent in 2009, equivalent to some 9 million, a little over half of whom are extremely poor. This represents almost one-quarter of the population that had overcome poverty between 2002 and 2008.¹

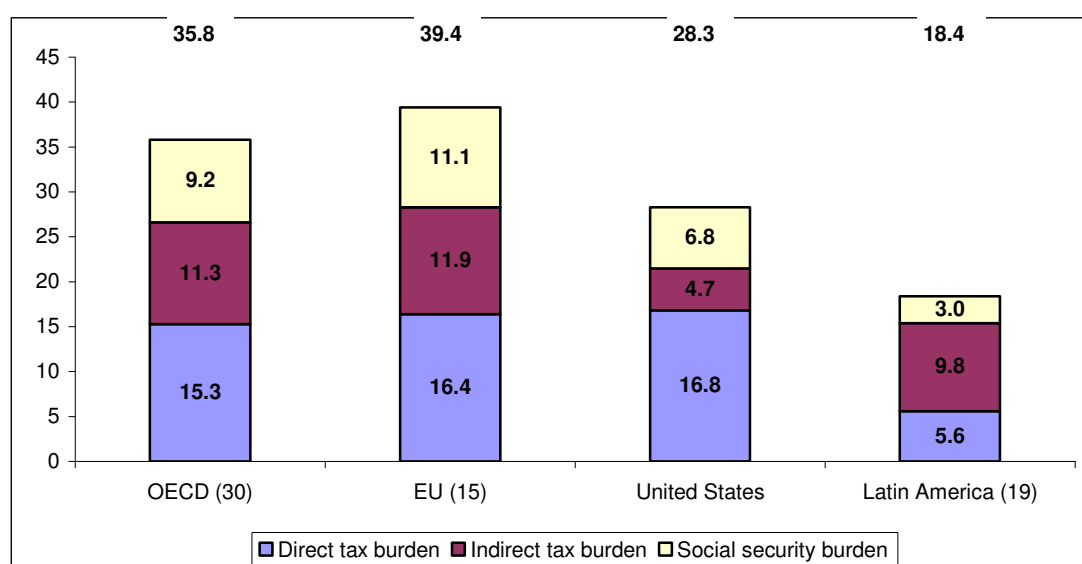
¹ Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America 2009*. Santiago, Chile.

18. Regrettably, social indices take much longer to recover than economic indices, as experience of the 1980s crisis has shown. While the main economic indicators took 12 years to recover from that crisis, social indices took 24 years to reach their pre-crisis levels.

19. Should high unemployment rates persist, added to the latent risk of a new inflationary cycle, food access could worsen, bringing with it irreversible consequences for the millions of boys and girls who are already suffering, or are at risk of suffering, from acute and chronic malnutrition. The economic crisis is therefore the primary threat to household incomes, raising fears that the food security status will continue to deteriorate.

20. It is not just household incomes that are affected by the crisis, as government actions are also being hampered by a decline in production, trade flows and, ultimately, tax revenues. A point of note is that the tax burden in the region represents barely 18 percent of GDP, much less than in developed countries, as shown in Figure 3. Moreover, around 53 percent of this burden comes from indirect taxes, which indicates a highly regressive tax structure. Paradoxically, the most vulnerable countries with the greatest social demands are the very countries that collect the least tax revenues and consequently those that have the least financial resources available for social expenditure.

Figure 3: Tax burden in different regions of the world



Source: Economic Commission for Latin America and the Caribbean (ECLAC), 2006.

21. Lastly, one of the biggest challenges facing the region, and the planet as a whole, is climate change and its impact on food production. As FAO has stated, natural variability in rainfall, temperature and other climatic conditions is the main factor explaining variability in agricultural production, which is in turn one of the main factors in food insecurity.

III. PUBLIC POLICIES IMPLEMENTED IN THE REGION TO TACKLE THE CRISIS

22. While it is true to say that the region has been experiencing a single food crisis in recent years, two phases need to be distinguished within it, in terms of decisive factors and policy measures taken by individual countries to tackle the crisis. As Figure 4 illustrates, the food crisis can be divided into a first phase characterized by rapid food price rises, and a second phase marked chiefly by a downturn in economic activity and, in many cases, open recession.

A. Phase one: measures to counter food price rises

23. During phase one of the crisis – a rise in international commodity prices – not surprisingly, the main public policy challenge in most countries of the region was to control inflation or, more accurately, to contain food price rises in domestic markets by means of such measures as the abolition or reduction of tariffs on food imports, value added tax and other specific taxes on staple foods.

24. Additional instruments were used during this phase to stabilize the prices of mass consumption foods. They include, first, government purchases of food, indirect price control by building up and gradually releasing public reserves and the promotion of public-private negotiations in agrifood chains, all with the aim of temporarily maintaining the price levels of some key food products. Second, on the supply side, incentives were introduced to boost staple food production, including the distribution of seeds and agricultural inputs, reductions in import tariffs and exemptions from domestic taxes on agricultural inputs and machinery.

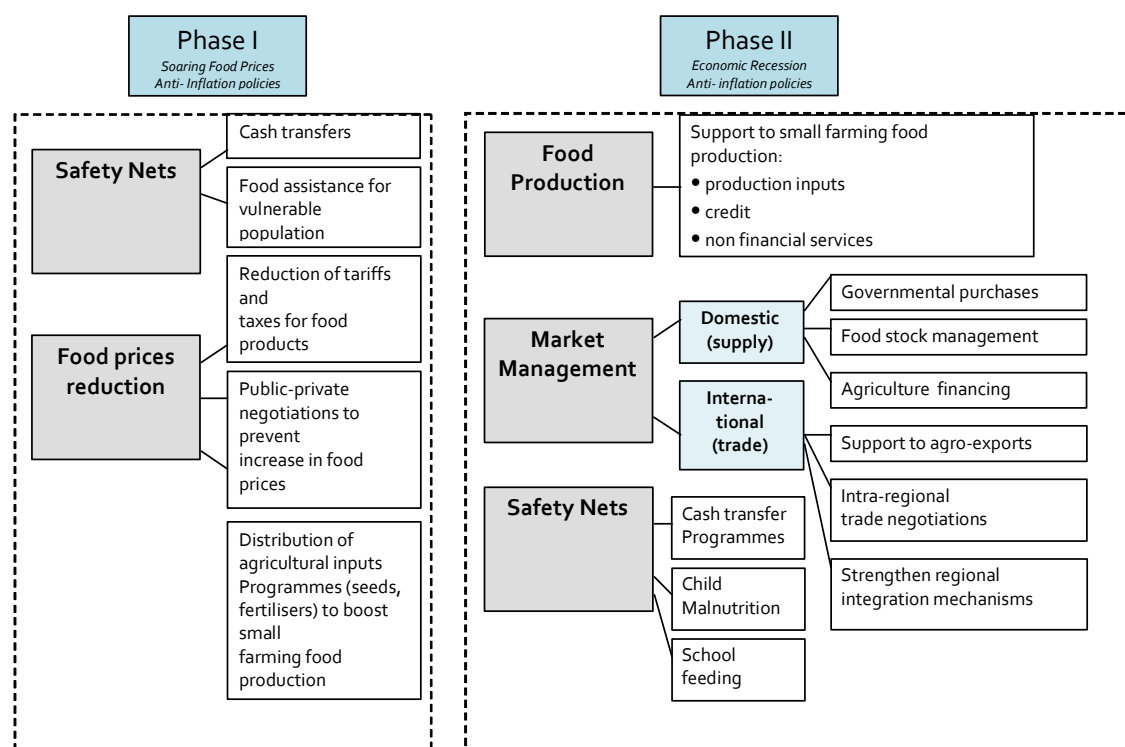
25. In the majority of countries, this set of economic measures was backed by safety nets, including cash transfers and measures targeted specifically at food assistance, such as school feeding and mother and child healthcare programmes.

B. Phase two: world economic and financial crisis

26. When phase two of the crisis struck – the economic recession – the policy priority shifted to cushioning the most harmful social effects, chiefly unemployment, with the primary aim of curbing the downturn in economic activity and boosting the production sector within a framework of countercyclical macroeconomic policies, whilst continuing to strengthen the social protection systems already in place.

27. Two main policy areas can be distinguished from a specific food and nutritional security standpoint: domestic food supply and the functioning of markets. In relation to the former, namely boosting domestic production of staple foods, which in many countries relies essentially on smallholder food production, public policies came up against serious constraints, some of them structural, such as the weakness of public agricultural institutions, and other more short-term economic constraints, such as the strong credit squeeze that affected all agricultural activities starting in late 2008.

Figure 4: Policy measures taken by Latin American and Caribbean countries to tackle the food crisis in two phases



28. Thus the majority of governments in the region created initiatives to support the production sector, channelling large flows of government grants into such items as inputs, credit, debt cancellation and non-financial services.

29. Regrettably, in spite of these efforts, the results have not been as good as expected, particularly in the case of cereals, owing mainly to two factors. The first was natural disasters (drought and floods in some areas of Mexico and Central America, as mentioned earlier). The second was institutional constraints imposed by the oligopoly in food and agricultural markets, hampering the transfer of international prices to local level, compounded by the weakness of the public agricultural sector in terms of designing and managing policies, as already described.

30. As regards policies for managing food and agricultural markets, a new trend has emerged in a number of countries for increasing the public sector's powers of intervention in processes impacting on food supplies and price formation, including: direct purchases on both the domestic and foreign markets, where this has proved necessary; building strategic cereal reserves as a means for regulating domestic prices; public funding for agriculture; diversification of sources of imported food supplies; and, lastly, new intraregional trade agreements, using national currencies as a medium of exchange.

31. As regards safety nets, the governments of most countries continued to expand existing programmes without introducing any particular new approaches or innovations. During this phase, the idea of linking social protection with the local economy gained ground throughout the region, in the form of government transfers to boost local food markets and the incorporation of small family farmers as suppliers of the staple foods used in school feeding programmes.

IV. FUTURE POLICY AGENDA AND OPPORTUNITIES FOR FAO TO CONTRIBUTE

32. The food crisis has helped to reinstate food and nutritional sovereignty and security on the national policy agenda of Latin American and Caribbean countries as a matter of urgency and, in so doing, to reappraise the role of agriculture and the importance of making social protection systems universal. Similarly, the crisis of confidence in the functioning of food and agricultural markets has opened up new opportunities for administering public policies to tackle the increasing tensions between private and public interests.

33. This repositioning of food and nutritional security reinforces three major public policy trends that have been taking shape in the region over several years: (a) a higher priority for staple food production in a bid to reduce dependency on imports; (b) an emphasis on trade and interregional cooperation based on complementarities, rather than on comparative advantages between countries; (c) strengthening of legislation and institutions to guarantee enforcement of the human right to food.

34. This repositioning should take the form of a policy agenda that results in concrete national and territorial food and nutritional security programmes in four key areas of action: (a) boosting the domestic staple food market; (b) improving agricultural working conditions; (c) risk management (price volatility, climatic and financial risks); (d) broadening the scope of safety nets and nutrition education in rural areas.

A. Initiative for Latin America and the Caribbean without Hunger (ALCSH) and national and territorial programmes for food and nutritional security

35. The ALCSH Initiative, which embodies supranational efforts to guarantee food security in the region, received the political backing of the 16th Ibero-American Summit, meeting in Montevideo (November 2006), and later that of the Summit of Latin America and the Caribbean on Integration and Development, held in Salvador de Bahía (December, 2008), with the region's Heads of State and Government for the very first time incorporating food and nutritional security as a priority item on their joint agenda.² The ALCSH Initiative was also acknowledged by the World Summit on Food Security (November, 2009) as providing a framework for coordinating agriculture and food security support.³

² Salvador Declaration, 2008.

³ Declaration of the World Summit on Food Security, Rome, Italy, 2009
<http://ftp.fao.org/docrep/fao/Meeting/018/k6050s.pdf>

Box 1: A region committed to food security

At the Summit of Latin America and the Caribbean on Integration and Development (Salvador de Bahía, December 2008), as proof of their firm resolve to move swiftly forward with cooperation on the various items on the joint agenda, the region's Heads of State and Government decided to adopt a set of measures for promoting food and nutritional security, including:

- To promote actions for guaranteeing food and nutritional security, by means of public policies to boost rural development, sustainable food production, and food safety, distribution and marketing.
- To use existing subregional organizations to promote the regional coordination of initiatives on food and nutritional security and technology sharing.
- To incorporate the human rights perspective when drafting and revising national strategies to guarantee food and nutritional security, with extensive citizen participation, especially by the most vulnerable sectors.
- To strengthen integration processes in the food sphere and combine efforts in support of the 'Latin America and the Caribbean without Hunger 2025' initiative (ALCSH 2025).

Source: Salvador Declaration, 2008.

36. The Parliamentary Front against Hunger (FPH) was set up within the Latin American Parliament (PARLATINO) in Panama, in September 2009⁴ to boost legal frameworks for food security and foster the implementation of national strategies against hunger. This initiative was later backed by the Central American Parliament (PARLACEN)⁵, the Latin American Parliament's health, agriculture and human rights committees and the Inter-Parliamentary Forum of the Americas (FIPA). The Union of South American Nations (UNASUR) has also made the fight against hunger and malnutrition a priority in its Plan of Action.

Box 2: Parliamentary Front against Hunger

The Parliamentary Front against Hunger (FPH) is an effort by legislators throughout the region to position the fight against hunger at the highest level on the policy and legislative agenda. FPH aims to: boost legal frameworks for food security; promote the allocation of budgets for setting up national food security systems; foster the creation of national food and nutritional security strategies; and develop national and international networks for raising awareness of hunger and the pressing need to eradicate it.

37. The widespread political support given to this Initiative by countries in the region has endowed it with the necessary legitimacy to become a broad policy platform in which countries are making increasing commitments to boost legislation on the human right to food, to adopt policies and to allocate resources to hunger eradication. It has also become a platform enabling Latin American and Caribbean countries to enhance sharing and horizontal cooperation activities in the area of food and nutritional security.

⁴ Interparliamentary Conference on the Right to Food (Conferencia Interparlamentaria por el Derecho a la Seguridad Alimentaria), Panama, September 2009.

⁵ Plenary Assembly of the Central American Parliament, December 2009.

38. FAO has provided technical support to the secretariat of the ALCSH Initiative working group, which comprises representatives from 10 countries. In the next two years, FAO priorities in this respect would be to:

- a) Facilitate the development of joint partnerships and work programmes between the ALCSH Initiative and subregional integration organizations (the Central American Integration System [SICA], the Southern Common Market [MERCOSUR], the Caribbean Community [CARICOM] and the Andean Community [CAN]). These joint work programmes, together with participation in various subregional dialogue mechanisms, including the Union of South American Nations (UNASUR) and the Special Meeting on Family Farming (REAF), would ensure that eradicating hunger from the region becomes a shared goal and is included in policies and mechanisms for subregional economic integration.
- b) Promote the formation of national alliances against hunger that call upon all sectors of society to help in eradicating hunger.
- c) Help to improve information measurement and quality in order to make a more accurate assessment of the food and nutritional security status of both the region and individual countries. In this respect, it would contribute to setting up national observatories for food and nutritional security.
- d) Promote improvements in food quality and safety and in nutrition education. In addition to the support that it provides to sanitary and phytosanitary regulations and to Codex Alimentarius, FAO would broaden technical assistance to food control systems and to strengthening food safety policies. It would also give special priority to supporting communication campaigns on food safety.

39. Since 1996, FAO has provided technical assistance to countries intending to implement a Special Programme for Food Security (SPFS), using funds from: the FAO technical cooperation programme in Haiti since 1997; the Spanish International Cooperation Agency for Development (AECID) in Central America (Guatemala, Honduras, Nicaragua, El Salvador), the Andean region (Ecuador, Peru) and Paraguay; and Italy as part of a regional programme to support Caribbean countries in CARICOM/the Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM). As from 2000, direct funding from governments was provided in Mexico, the Dominican Republic, the Bolivarian Republic of Venezuela, Colombia and Brazil. As time has gone by, these programmes have secured a satisfactory level of local, national and international recognition.

40. Over the next two years, FAO will continue to support the design and implementation of regional, national and territorial food and nutritional security programmes that provide feedback to processes for formulating, implementing and monitoring public food and nutritional security policies.

B. Boosting the domestic staple food market

41. The widely accepted policy objectives of increasing the supply of staple foods and broadening access by the lowest-income sectors call for new sectoral policy approaches, moving away from the overriding priority in recent years to exploit comparative advantages for promoting exports, towards exploiting the production and income potential of the domestic market as part of a long-term approach. This does not necessarily mean seeking food self-sufficiency so much as substituting imports of staple foods in order to meet the objectives of food sovereignty and security.

42. There are two key policy areas for boosting the domestic food market: production incentives for smallholder agriculture and the development of more competitive, efficient and equitable food and agricultural markets.

Production incentives for smallholder food production

43. It is generally agreed that this could be a great opportunity for a sector hitherto considered solely as part of the poverty and food insecurity problem, to be seen instead as part of the solution⁶. Indeed, smallholder agriculture benefits from unused production capacity, a large domestic market demanding popular consumer foods⁷ and great potential for supplying local and regional markets.

44. FAO has provided technical support to a variety of public programmes for boosting food production and food and nutritional security in the broadest sense, in which smallholder agriculture has played a key role. Based on this experience, FAO priorities over the coming years should be to:

- a) Help to develop the potential of smallholder agriculture in staple food production, in reducing food insecurity in rural areas and in controlling food inflation, as part of its effort to support an integrated public policy for smallholder food production.
- b) Facilitate South-South cooperation in areas such as the dissemination of available technology for increasing productivity in smallholder food production, research and agricultural extension, irrigation, natural resource management, producer associations and assistance in promoting institutional change in technician education and training systems.
- c) Promote national and subregional systems for producing and marketing seeds from staple foods (staple grains, cereals, roots and tubers), which has proved to be one of the severest constraints on the short-term expansion of food production. FAO, with the support of the Spanish International Cooperation Agency for Development (AECID), is initiating technical assistance projects for seed production and marketing in Andean and Central American countries.
- d) Encourage and assist in the implementation of policies to promote the production and consumption of traditional commodities and, in general, products not currently traded on international markets, which help to increase food security and sovereignty, improving access to food for the poorest sectors.

More competitive, efficient and equitable food and agricultural markets

45. There has been a significant increase in agribusiness in all agricultural activities. (For more details, see document LARC/10/INF/B on family farming).

46. In this policy area, FAO should give special priority over the coming years to such issues as:

- a) Development of public market information systems, with the aim of reducing the information asymmetries that have led to market segmentation.
- b) Improving knowledge of recent changes in the structure and dynamics of domestic food and agricultural markets in order to support public policy proposals more effectively.

⁶ Smallholder agriculture accounts for an average of more than 70 percent of all farms in Latin America, makes a contribution of at least 40 percent to the gross value of agricultural production and provides employment for approximately two out of every three farmers. Small-scale producers, who suffer the highest poverty rates, are those that produce the majority of popular consumer foods, which represent up to 80 percent of the dietary energy and protein consumption of the lowest-income households (Food and Agriculture Organization of the United Nations/Inter-American Development Bank, 2007).

⁷ The widespread introduction of cash transfer and other social programmes, as well as subsidies for promoting production and public credit, have boosted food demand from the lowest-income sector.

- c) Public-private partnerships or agreements for promoting value chains that include smallholders, as well as facilitating negotiations on mark-ups or price agreements between food producers and processors.
- d) Country initiatives for building national or territorial public or private grain reserves, the planned release of which onto the market would have a positive influence on price formation, as past experience in Brazil, Colombia and Nicaragua has shown.
- e) Capacity-building for government purchases from smallholders, which have proved to be highly effective in increasing producer prices, stimulating productivity and boosting local economies.

C. Improvement of agricultural working conditions

47. Paid employment is a major source of income for the rural population of Latin America and the Caribbean, especially poor rural households. According to analyses by the FAO Regional Office, based on information from recent household surveys in most Latin American and Caribbean countries, wage income represents between 20 percent (Peru) and 61 percent (El Salvador) of the total income of poor rural households and, in most countries, it is equal to or greater than 40 percent of their income. However, the wage incomes of the poor have been falling, as ECLAC describes in its *Social Panorama of Latin America 2009*, hitting hardest the poorest sectors that rely on farm employment.

48. Even though it is widely acknowledged that productive employment provides an opportunity for overcoming poverty in rural areas, that is not what normally happens in the region, as most of the jobs available to people from poor rural households are of poor quality. This is particularly true of temporary employment and migrant populations that move frequently from one casual job to another.

49. FAO, together with ILO and ECLAC, have proposed to help ensure that the issue of the functioning of the labour market (agricultural and non-agricultural) in rural areas is placed on the region's public policy agenda, in order to foster national policy dialogue between stakeholders (governments, employers and workers).

D. International and regional food and agricultural trade

50. In a context of stalled progress in the Doha Round, an increase in bilateral and interregional free trade agreements and a decline in global and regional trade arising from the 2008–2009 economic crisis, continued efforts must be made to improve market access, strengthen cooperation, prevent protectionist pressures and boost intraregional markets. This calls for an analysis of current trade policy and measures emerging from negotiations, particularly in relation to food security for all and the incomes of smallholder producers. In addition, there is a need to ensure that governments have at their disposal enough information to play an effective role in the negotiations on international trade rules in the respective forums.

51. FAO should prioritize policy monitoring, analysis and recommendations on issues such as:
- a) Trade policy and related aspects of multilateral and regional trade negotiations and their repercussions on smallholder producers.
 - b) Status and prospects for international agricultural product markets.
 - c) Development of intraregional trade agreements, strategies and action plans for improving food security and for trade schemes using national currencies as a medium of exchange, to reduce the vulnerability associated with international trade in food and commodities.

E. Development of risk awareness and management instruments

52. In a climate of uncertainty and loss of confidence, one of the chief objectives of public policies should be to bring about changes in the risk exposure, mitigation and management of firms, producers and rural households, as well as financial institutions. That is why governments should be actively involved in implementing mechanisms for mitigating risk in the short term, as well as for managing risk in the medium term, with reasonable private and social costs. To expand the supply of agricultural and rural financing, priority must be given to broadening the coverage of existing risk management and transfer instruments. These instruments, as well as government guarantee funds and agricultural insurance, partially cover the risks run by financial institutions and the incentives to be provided.

53. FAO aims to contribute to the development of instruments for managing risk, especially in smallholder agriculture. The priority would be placed on price-volatility, agroclimatic and financial risks.

F. Extension of social protection systems to rural areas

54. Cash transfer programmes are playing a key role in several countries of the region, as they reduce the impact of income fluctuations faced by poor rural households. Even in countries like Brazil, Chile and Mexico, cash transfers, together with other welfare benefits, make up a major part of the incomes of poor rural households. The main benefit of cash transfer programmes is that they increase the purchasing power of the lowest-income consumers, with a multiplier effect on local economies. It is considered essential for cash transfers to be accompanied by nutrition education programmes in order to tackle child malnutrition problems (including obesity) more effectively.

55. School feeding programmes have proved effective in improving child nutrition and reducing school drop-out rates, and are even more effective when combined with cash transfers to families. Such programmes could have multiplier economic effects if foods produced by smallholders were incorporated into the diet, thereby helping to boost local economies.

56. FAO aims to continue holding annual regional meetings of public cash-transfer programme executives, to allow them to share experience and to facilitate reciprocal technical cooperation.