

**Statement by Supachai Panitchpakdi,
Secretary-General of UNCTAD**

High-level Conference on World Food Security

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Excellencies,

Ladies and Gentlemen,

We are here to address a crisis that some are now calling a "dire emergency". But beyond its immediate humanitarian dimensions, it is also a crisis of global development policy. This is in itself a tragedy, especially at a time when the new generation of globalization has brought great benefits to many. While development policy has failed in some countries, it has succeeded resoundingly in others. We need desperately to understand why – and this crisis has much to teach us.

I need not elaborate at great length here on the confluence of factors that provoked the crisis. But some analysis, however brief, is essential. Without it, not only is the crisis likely to recur in one form or another, but the policy failures I have mentioned will be with us for decades. So once we have resolved the food security problem in the short term, we must consider the policy issues in our search for long-term solutions at both the national and international levels.

Most experts trace the start of the crisis to the long-term trend of increased demand for food. That rising demand – itself largely the result

of population growth and rapid economic development in East and South-East Asia in particular – was amplified by recent droughts, a slow supply response, a fall in the dollar, high energy prices, and concerns over increased demand for biofuels. The effects of these factors on food commodity prices were in turn exacerbated by speculative investors looking to diversify their portfolios and by export restrictions imposed by concerned governments.

It is probably no coincidence that global food prices have surged in the wake of recent volatility in global finance sparked by last year's collapse in the US subprime market. Speculators looking for assets with rising prices may well have sensed the strains in the world food markets and re-oriented their portfolios to buy food commodities. This would go a long way to explaining why the FAO food price index rose by 54% over the past 12 months, when a much more gradual increase might otherwise have been expected. In 2006, for example, the index was up by only 6%, even though both China and India were already growing at record rates. If speculation did indeed play a leading role in the current price hike, it must be dealt with forcefully, and collectively. It is simply obscene to let greed and speculation cause massive starvation.

But the crisis also has much more deep-seated, longer-term causes. One such cause is the decline in agriculture in many developing countries – a decline brought about by distorted international markets, lack of investment, and absence of institutional support. Declining investment has in turn resulted in low, and even decreasing, agricultural productivity. UNCTAD research has shown that in the LDCs in particular, between 1960 and 2003, total factor productivity in the agricultural sector actually slumped; in fact, the sector was more productive 50 years ago than it is

today. Moreover, in terms of yield, the annual growth of cereal crops in many LDCs declined from 3-to-6% in the 1980s to just 1-to-2% today.

There are many reasons for these low levels of agricultural productivity. One is the dwindling availability of arable land. Average farm size is diminishing, and more and more farmers work on ecologically fragile land. In countries like Ethiopia and Malawi, for example, during the 1990s average farm size has fallen by one third, to now about 0.8 hectares. And this worrying trend is only being accelerated by climate change.

In some countries, however, the decline of the agricultural sector was reinforced by policies that abolished or weakened the role of key institutional support measures, including state-supported extension services, marketing boards, and state subsidies for agricultural inputs (such as seeds, pesticides, herbicides and fertilizers). And there has been little investment in the infrastructure needed to distribute agricultural products.

Worse still, international aid to the agricultural sector in developing countries has been seriously inadequate, and actually declined in recent years. Donors' new emphasis on social-sector and emergency aid, while essential, has meant less investment in productive sectors like agriculture. Between 1980 and 2002, multilateral institutions slashed ODA on agriculture from US\$ 3.4 billion to US\$ 500 million, an 85% decline. Bilateral donors reduced spending by 39%, from US\$ 2.8 billion to US\$ 1.7 billion. Most crucially, donors appear to have neglected aid for science, technology and innovation in agriculture.

Cheap food products are widely available on international markets, largely as a result of subsidized exports from developed countries. It is thus not surprising that many developing countries have not invested substantially in agriculture. Recent analysis by the FAO and UNCTAD has shown that agricultural subsidies in developed countries have been associated with rapidly increasing food imports in developing countries, alongside a decline in agricultural production. Indeed, a number of developing countries that have traditionally been food exporters – many of them LDCs – have become net food importers over the past 20 years. Sadly, these are the countries that are hit the hardest by the current crisis, a crisis made even worse for them by mounting oil prices.

What is to be done? The immediate priority, of course, must be to meet the nutritional needs of those worst affected. This means providing emergency assistance, strengthening social safety nets, and supporting balance-of-payments difficulties. We must also provide subsidized inputs like fertilizers to compensate for rising energy prices. But such assistance must not create disincentives for the domestic agricultural sector.

Ladies and Gentlemen,

This crisis is – and must be seen as – a wake-up call. Heeding that call requires addressing the fundamental distortions and policy failures in the agricultural sector, so as to build a foundation for sustainable food security and development. As I said at the outset, ultimately it is a development failure that is at the heart of the crisis, and if we do not rectify that failure, the crisis is bound to recur. But this will mean going far beyond pure emergency assistance and providing strategic support to farmers. It will involve a fundamental rethinking of agricultural policies.

This will not be easy. At the international level, it will mean removing the distortions in the international market for agricultural products. Current high prices provide a good opportunity to phase out agricultural support and subsidies in the developed world through the Doha Round.

Addressing the crisis will also mean reversing the decline in ODA to the agricultural sector, and financing the necessary infrastructure, especially transport and logistics networks, for transporting food.

In addition, it will mean strengthening agricultural R&D, especially through knowledge-sharing, support to modern farming technologies, and adapting proven technologies to suit local conditions. I cannot overemphasize the role of science and technology here. Jointly with the UN Commission on Science and Technology for Development, UNCTAD will explore how to broaden developing countries' access to much-needed agricultural scientific and technological resources. UNCTAD is also involved in boosting investment and productivity in the agricultural sector through its work on competition policy, FDI and organic product marketing.

But increases in international assistance or other international measures will not suffice without concomitant national measures. Developing countries must design a policy framework that creates the right incentives for investment in agriculture. They must provide the necessary infrastructure and extension services. They should calibrate their national trade policies to promote agriculture production. They should eliminate tariffs on agricultural inputs. And they should provide

better training and knowledge to farmers, as part of a broader, nationally owned commitment to strengthening this sector.

Excellencies,

Ladies and Gentlemen,

As long as globalization fails to reduce hunger, no one can claim that it engenders development. This is why we at UNCTAD believe that the current food crisis is ultimately *a development crisis*. In a world of such relative economic prosperity as ours, where development is not just within reach but already in progress, there is simply no excuse for hunger. And if we fail to meet this most basic of the Millennium Development Goals, none of the other goals will be even remotely attainable.

UNCTAD stands ready to do its part in the UN systemwide search for a long-term solution.

Thank you very much.

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