Food Security and Trade Issues for Poor and Small Vulnerable Economies

Michanne Haynes and Teddy Y Soobramanien*

Background

At the November 1974 World Food Conference in Rome, Italy, Commonwealth delegates held three meetings in which members noted that climatic events combined with high fertiliser prices led to a shortage of food production, calling for increased support in domestic food production in low income food-importing countries. Such high importance was given to the issue that it was decided to convene a ministerial meeting for further intensive discussions. The seven-day long London Commonwealth Ministerial, held four months later, and where 34 member countries participated, was based on the subsequent research undertaken since the World Food Conference with the objective of exchanging information and sharing views on the challenges to rural development and food production.

Four decades later, another food crisis still affects the lives of millions of people around the globe. In 2008, the food crisis caused riots and unrest in a large number of countries. The situation remains critical, with food prices maintaining historically high levels. Both the price hikes and volatility adversely affect poverty reduction efforts and sustainable development strategies. Furthermore, the uncertainty in the global economic environment also confronts the prospect of food security for many of the poorest and small vulnerable economies (SVEs). Recent Food and Agriculture Organization (FAO) estimates suggest that two-thirds of the world's hungry people (some 600 million people) live in just seven countries, of which three are in the Commonwealth (India, Bangladesh and Pakistan). Sub-Saharan Africa is also a badly affected region where the number of undernourished has soared in recent years.

This issue of *Commonwealth Trade Hot Topics* looks at the multiple dimensions of food insecurity and highlights the complexity in trying to design suitable trade policy to improve the food security needs of these countries.

Food insecurity — a persistent and recurrent problem

Food security is defined as all people at all times having physical and economic *access* to *sufficient, safe, nutritious food* to maintain a healthy and active life. The Commonwealth has on several occasions highlighted the need to tackle food insecurity, as reflected in, among others, the Declarations of the Commonwealth Heads of Government Meetings (CHOGMs) in Port of Spain, Trinidad and Tobago (2009) and Perth, Australia (2011). The 2011 CHOGM saw Commonwealth leaders issue the Perth Declaration on Food Security

* The authors are Research Officer and Economic Adviser respectively in the Economic Affairs Division, Commonwealth Secretariat. Any limitations and views expressed here are those of the authors and do not necessarily reflect those of the Commonwealth Secretariat.

Principles, which provides an important rallying point for Commonwealth members and others to consider, and lists a series of prioritised actions. There is recognition in the Perth Declaration that 'the world's poor and most vulnerable suffer most from food insecurity'. Among other points, the Perth Declaration calls for 'improving international market access for food producers, including smallholders and women, through trade liberalisation measures such as the elimination of tariff and non-tariff trade barriers and avoidance of restrictions on food exports'.

In a recent Global Food Security Index (October 2012), produced by the Economic Intelligence Unit (EIU) based on 25 indicators related to its definition of affordability, availability, nutritional quality and safety of the food consumed, 105 countries were ranked.[1] Included in this exercise were 32 Commonwealth countries, of which 12 were placed among the bottom one-third. Of these, 11 (viz. Bangladesh, Botswana, Kenya, Mozambique, Pakistan, Rwanda, Sierra Leone, Sri Lanka, Tanzania, Uganda, and Zambia) are designated by the World Trade Organization (WTO) as "Net Food Importing Developing Countries" (NFIDCs) and nine are also considered to be Low-Income Food-Deficit Countries (LIFDC) by the FAO.[2]

From the data and analysis provided by the EIU, the food affordability measure seems to have the greatest influence on aggregate food insecurity in these countries. The average food affordability score for all 105 countries included in the ranking is 50.5, but for the lowest ranked 14 Commonwealth countries, the comparable figure is as low as 27.9 — nearly 23 points lower.

Botswana, the highest ranked Commonwealth NFIDC in the list, has above average measures of food affordability and food availability, and food consumption as a share of household expenditure is the lowest of the group.[4] However, when food price inflation in Botswana is compared to that of Canada, the highest ranking Commonwealth country, evidence of food security challenges emerges. At the beginning of the new millennium, Botswana and Canada both had similar levels of domestic food price inflation, but since 2005 there has been acceleration in Botswana's food price inflation that was not matched in Canada. By 2012, Botswana's food price inflation was nearly double that of Canada's. The literature seems to indicate that domestic policies implemented to mitigate the inflationary pressures of rising global prices, are less effective in poor and small economies than in large, rich ones.

Not surprisingly, *food affordability*, in the face of rising food prices, is felt most acutely in poorer countries. Nigeria and Sri Lanka have both experienced similar food price inflation since 2000 yet Nigeria ranks 103 out of 105 while Sri Lanka ranks 61st in food affordability. With per capita incomes in Sri Lanka nearly twice as much as in Nigeria, the former is likely to have a greater capacity to maintain consumption levels in the face of higher food prices.

Table 1: Measures of food security in selected Commonwealth developing countries[3]

Country ranking (Lower ranking indicates better measure of food security)	Country classification	Affordability (100 represents highest level of affordability)	Availability Measures (100 represents highest level of availability)	Safety and Quality (100 represents highest level of safety)
Botswana (47)	Upper Middle Income	50.9	62.0	46.0
Sri Lanka (62)	Lower Middle Income	42.9	49.2	46.8
Uganda (71)	LDC	36.5	42.5	47.2
Cameroon (74)	Lower Middle Income	32.7	41.5	42.4
Pakistan (75)	Lower Middle Income	30.7	37.4	55.5
Kenya (77)	Low Income	32.4	41.7	33.4
Nigeria (80)	Lower Middle Income	14.4	51.5	37.2
Bangladesh (81)	LDC	31.2	37.6	30.4
Rwanda (90)	LDC	20.7	33.4	39.2
Mozambique (91)	LDC	21.6	37.1	23.2
Sierra Leone (94)	LDC	21.8	32.2	35.5
Zambia (95)	LDC	20.3	34.8	28.2
Malawi (98)	LDC	15.5	36.2	29.7
Tanzania (99)	LDC	19.5	30.3	32.0

Source: Economist Intelligence Unit October 2012 Global Food Security Index

Despite the low income level, Nigeria scores relatively high on the *food availability* index, when compared to the rest of the Commonwealth group, and particularly in terms of the average food supply component which estimates the per-capita food available for consumption. For Nigeria this measure is 20 per cent higher than that of Botswana. The food availability index is not only related to the consistent production and supply of food, but also takes into account the quality and efficiency of the distribution network that supplies food to consumers. Nigeria highlights the problem facing many poor Commonwealth countries, which is how to make food both available and affordable to the domestic population.

Challenges to the availability and affordability of quality food

The domestic production and supply of food could be disrupted by a number of environmental factors such as extreme climate conditions and natural disasters, land degradation and water shortages, change of land use from agricultural production, or the use of agricultural output for purposes other than food. The increase in demand for biofuels has been identified as another cause for the sharp increases in agricultural commodity prices.

Estimates indicate that by 2050, the world's population will be 9.1 billion and that agricultural production would need to grow globally by 70 per cent over the same period, and more specifically by almost 100 per cent in developing countries, to feed the growing population alone, excluding the resultant additional demand for crops as feedstock by the biofuel sector. At the same time, low levels of investment over time in agriculture in many developing countries have led to an increased dependency of these countries on food imports, particularly staples, from a limited number of sources. This thinning of global agriculture supply sources increases the probability of food crises in net-importing countries caused by any production shocks to the main food exporters.

The most recent food crises have shown that even when there is an adequate food supply, affordable access can be hindered by distribution mechanisms. Poor infrastructure limits the access of consumers in remote areas and this was identified by Commonwealth representatives during the first food crisis. In recent years, it has been pointed out that the rapid development of supply chains, and the existence of barriers to entry into domestic wholesale and retail markets, have implications not only for local providers of these services, but also for local producers who have to meet additional requirements in order to have their goods sold domestically.

Is there a trade solution?

During the recent crisis, countries used various international trade instruments to address the problem of availability and affordability of food. Some net food importers were able to change tariff policies to mitigate against volatile global food prices. Some net food exporters adopted export restraints seeking to ensure their own domestic food security. This action, however, led to further thinning of global food supply — which had rippling and often devastating consequences for food importers.

As part of a medium to long-term strategy, trade policy also has a role to play in securing domestic food security, particularly with respect to improving food availability. Under the prevailing situation of world trade in agricultural products being overwhelmingly dependent on a relatively few exporting countries, any impact on production in any one of the suppliers has an amplified effect on global food availability. An increasing response to this dependency has been a drive towards self-sufficiency and enhanced investment in domestic agricultural production in food importing countries. This approach should consider the practical realities of how these countries would competitively engage in domestic agricultural production given that for many, particularly for many small vulnerable economies, the small local market may not support an economically viable farm sector. The viability of a domestic agriculture sector in these countries would rely on the availability of export opportunities. Of course, supply-side constraints remain a major concern.

Countries with the potential to export agri-food products face a number of challenges, not least the tariffs and non-tariff barriers still obstructing agricultural trade. In addition, new challenges are emerging, contributing to rising costs of engaging in agriculture. The impact of climate change and the

1 Available at http://foodsecurityindex.eiu.com/ (last accessed 8 November 2012).
2 The FAO list of LIFDC for 2012 consists of 66 countries, 19 of which are Commonwealth countries. Ten of the Commonwealth countries on the FAO list of LIFDC do not appear on the WTO list of NFIDCs.
3 The indices are determined from the most recent data available which may be of different years for different countries.
4 Both food affordability and food availability indices for Botswana use some data from 2003 so there should be some care in assessing the current situation of food security.

associated mitigation and adaptation measures sought globally could prove commercial farming challenging for capacity constrained SVEs and LDCs. The development of appropriate technologies and processes to promote agricultural development within a climate constrained world requires resources to address both the appropriate infrastructural investment to support irrigation, transportation, processing requirements, etc., as well as the need to develop new plant varieties and species that are suitable to the climate challenges on the domestic environment. Accessing these resources now requires traversing a complex legal framework either under the Agreement on TRIPS, the GATS or some other regional or bilateral trade agreements that would support the transference of financial, technological, scientific resources to allow the recipient countries to capitalise on export opportunities.

Second, potential developing country agricultural exporters face sanitary and phytosanitary measures governing food safety, as well as technical barriers such as labelling requirements that can limit their market entry options. Widespread use of different standards and requirements used by private firms also aggravate the supply-side capacity. While it is understood that a system of standards plays a vital role in the effective control of the spread of diseases to plants and animals and hence can have a positive impact on food safety, balancing this requirement with that of ensuring opportunities exist for those countries with the potential capacity to engage in agricultural trade needs to be struck.

Conclusion

The lack of access to quality, nutritious food is the result of wide-ranging multifaceted factors, which makes it a difficult crisis to tackle. Given the rise in demand and structural changes in food composition and likely rising use of land for biofuels, the problem of lack of food security may continue to persist. Multilateral trade discussions on this issue have focused on the concept of 'availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions', emphasising the need for continuous access for food, even during crises, through food aid or concessional financing of food imports. The outcome of the most recent food crisis has been a renewed call from some quarters for food importing countries to become more self-sufficient in food production, and reduce their dependency on food imports. This solution, however, must consider whether self-sufficiency is economically sustainable for all countries. For many Commonwealth small states, economically viable agricultural production is limited by the availability of crop land. For many developing countries where the domestic market is too small to support profitable levels of production, achieving an economically viable programme of agricultural self-sufficiency would require access to export markets which would absorb output and support larger scale, more efficient production.

The impact on the global food market, if all countries aim to achieve self-sufficiency in food production, requires further discussion. One can argue that as more countries pursue food self-sufficiency, there would be thinner global supplies. This gives rise to that argument that a sustainable solution to food crises would require a co-ordinated effort that reduces the dependency of many on the supply of a few.

Trade solutions to this problem are very complex. Dismantling the current barriers and agricultural policies in major exporters, it is argued, can cause an increase in food prices, the effects of which in the short term can lead to adverse consequences for food security as well as macroeconomic management. The long-term effect of whether the rise in prices can generate automatic supply responses from small vulnerable economies and LDCs with the potential to increase agricultural production is unclear. Such countries with potential for significant export response can benefit from Aid for Trade for productive capacity development and also for developing and implementing a system of standards, but there may still be hurdles to overcome in entering foreign markets especially if no global consensus is reached on how the poorest and most vulnerable countries are to be supported in their efforts to achieve food security.

COMMONWEALTH
trade hot topics

ISSN: 2071-8527 (print) **ISSN: 2071-9914** (online)

Series editor: Dr Mohammad A Razzaque

Produced by the Economic Affairs Division of the Commonwealth Secretariat

For further information or to contribute to the Series, please email m.razzaque@commonwealth.int