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Agricultural Development and Long-Term Solutions to the Food Price Crisis Delivered before the U.S. House Hunger Caucus June 5, 2008

I would like to thank the Co-Chairpersons of this briefing and the Members and staff of the House Hunger Caucus for this opportunity to comment on long-term solutions to the current food crisis through new approaches to agricultural development.

ActionAid is an international anti-poverty agency working in 49 countries, taking sides with poor people to end poverty and injustice together. ActionAid’s approach to agricultural development is informed by over 35 years of experience working alongside poor and excluded people in Africa, Asia and Latin America. Our work is also rooted in the international legal framework that recognizes access to food not simply as one more output of a market system, but rather as a fundamental human right for all people.

Honorable Members, the recent upsurge in food prices—which by the World Food Program’s recent estimate¹ has added up to 100 million more people to the 850 million who were already hungry—presents the global community with short-term emergency obligations to provide for targeted food assistance, fortification of social safety nets and immediate investment in food production for the next agricultural cycle.

However, given the gravity of prognoses for the future of the global food and agriculture system, we must also seize on the current crisis as an opportunity **to fundamentally reassess the role of agriculture**, not only in food production but also in social development and the protection of rural livelihoods.

As reports on the impacts of the current food crisis pour in from ActionAid’s partners around the world, there is also an emerging consensus about what has caused this situation and what policy reforms will best prevent future recurrences. This consensus is bolstered by a string of recent high-level reports from eminent experts and political leaders, all of which point to a clear need for a new approach to agricultural development. Allow me to review some of the challenges to the current development paradigm before moving on to my recommendations.

¹ See <http://www.wfp.org/english/?ModuleID=137&Key=2820>

Challenges to equitable and effective agricultural development:

The orthodoxy on agricultural development over the past 25 years—led by the World Bank, but heavily endorsed by U.S. trade and development policies—has been to promote industrial, export-oriented agriculture at the expense of “inefficient” smallholder farmers. This logic was explicit in the Bank’s structural adjustment programs, reflected not only in a radical decline in Bank lending for agriculture (from \$419 million in 1991 to \$123 million in 2000), but also in World Bank and International Monetary Fund lending conditionalities that continue to prevent national governments from investing in their own agricultural sectors for domestic food production.²

When driven off their land by the impacts of rapid trade liberalization and reduced access to credit and extension services, smallholder farmers and landless agricultural laborers are supposed to be absorbed into burgeoning manufacturing and service jobs elsewhere in their economies. Unfortunately, displaced agricultural workers are as likely to end up in urban shanty towns or in the kind of undocumented migrant workforce that plays such a significant role in the U.S. economy—and in the ongoing debate on immigration policy.

In an implicit rebuke to the shock therapy of structural adjustment and the destabilizing impacts of sudden trade liberalization, the recent report of the high level Independent Commission on Growth and Development suggests that “markets alone will not produce the growth in developing countries that will lift them out of poverty. Government intervention in the economy, and a degree of protectionism, will be needed in the early stages of development.”³

The report concludes that “orthodoxies apply only so far,” and that the mantra of “stabilize, privatize and liberalize” took a far too limited approach to the appropriate role of developing country governments in promoting growth and welfare through measures such as subsidies and trade protections.⁴ Such measures have real relevance for agricultural development, given the consensus among experts that “GDP growth originating in agriculture is about four times as effective in reducing poverty as GDP growth originating outside the sector.”⁵

It is just as important to note that the efforts of the “adjustment/liberalization” model to move “corrupt” governments and “state monopolies” out of agricultural development has had another predictable, if unintended, consequence. In the absence of government-led agricultural development strategies, a small number of private companies now dominates

² See *The World Bank and Agriculture* by Raj Patel,
http://www.actionaidusa.org/assets/pdfs/food_rights/The_World_Bank_andAgriculture.pdf

³ See http://www.sidint.org/news_news_zoom.php?id=113 The Independent Commission was made up of prominent economists and policymakers such as former US Treasury Secretary Robert Rubin, former Mexican President Ernesto Zedillo, and South Korean president Han Duck Soo.

⁴ See <http://www.growthcommission.org/storage/cgdev/documents/Report/Overview.pdf>

⁵ See
<http://www.worldbank.org.in/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/INDIAEXTN/0,,contentMDK:21651539~menuPK:50003484~pagePK:2865066~piPK:2865079~theSitePK:295584,00.html>

global markets for seeds, fertilizers, processing and trading functions, food manufacture and food retail.⁶ Not surprisingly given these highly concentrated markets, corporate profits have risen dramatically during the current food price crisis.⁷ The net result is that the adjustment/liberalization paradigm has replaced public monopolies (which were at least nominally accountable to citizens) with private monopolies accountable only to their shareholders. And the paradigm has no patience for corporate regulation to protect the interests of small farmers and hungry people.⁸

From ActionAid's perspective, the combination of structural adjustment, trade liberalization and unchecked corporate oligopoly power is directly responsible for the loss of national government control over food production and reserve policies.⁹ This lack of effective domestic policy control in developing countries, combined with increased demand for food based on changing consumption patterns and increased volatility due to speculation in commodities markets, has created a food price spike that is beyond the capacity of any democratically accountable public institution to manage.

Growing demand for grain for the biofuel industry also represents a potential threat to agricultural development, as fragile ecosystems and land suitable for food production are ploughed under for fuel crops and competition drives up food prices. ActionAid is currently conducting research in Brazil and Africa on the impacts of biofuel production on the livelihoods of small producers, the potential for processing biofuels for local energy use, and the degree to which small producers can access biofuel markets.

Problems with the prevailing model for agricultural development will only be augmented by the increasingly dire impacts of global climate change. The Nobel Peace Prize-winning Intergovernmental Panel on Climate Change (IPCC) predicts that yields from rain-fed agriculture in some countries in Africa could decline by up to 50% by 2020.¹⁰ Despite all the talk of magical drought-resistant technologies—the patent rights to which are again controlled by a handful¹¹ of companies—the April 2008 report of the International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) makes clear that a purely technical approach is simply not sustainable over the long term, emphasizing instead that agricultural challenges can only be met “by combining local and traditional knowledge with formal knowledge,” and that “business as usual is not an option”¹² for agricultural development.

⁶ See <http://www.agribusinessaccountability.org/>

⁷ See *Grain Companies' Profits Soar As Global Food Crisis Mounts*, by David Kesmodel, Lauren Etter, Aaron O. Patrick, Wall Street Journal, April 30, 2008 at <http://www.globalpolicy.org/soecon/hunger/economy/2008/0430profitssoar.htm>

⁸ See *Power Hungry: Six Reasons to Regulate Global Food Corporations* by ActionAid International, http://www.actionaid.org/docs/power_hungry.pdf

⁹ See *Trade Invaders* by Mark Curtis, http://www.actionaid.org/docs/trade_invaders.pdf

¹⁰ http://nobelprize.org/nobel_prizes/peace/laureates/2007/ipcc-lecture_en.html

¹¹ *Patenting the “Climate Genes...” and capturing the Climate Agenda*. ETC Group Communiqué at http://www.etcgroup.org/en/materials/publications.html?pub_id=687

¹² http://www.agassessment.org/index.cfm?Page=Press_Materials&ItemID=11

This injunction is particularly important in an era of expensive oil that prices agricultural inputs and modern technologies beyond the reach of small farmers. It also calls attention to a prevailing international legal framework in which Intellectual Property Rights rules guarantee disproportionate profits for companies that succeed in patenting genes and technologies.

Recommendations for new thinking on agricultural development:

The immediate needs of nearly one billion hungry people should command our attention and generate quick responses in the form of targeted food aid and social protections, as well as emergency subsidies for smallholder production in the next harvest cycle.

However, the conclusions of the IAASTD, the IPCC and the Growth Commission bolster the demands ActionAid is hearing from our partners around the world that the quest for long-term solutions to the crisis must start with a fundamental revision of the “adjustment/liberalization” paradigm.

- We must refocus agricultural development strategies on investment in smallholder agriculture, as even the World Bank has acknowledged.
- We must recognize the pivotal role of women both in agricultural production and in food distribution and social development, especially in rural areas where poverty is greatest and where women’s education and empowerment can generate substantial welfare gains. This attention must recognize the continuing discrimination women face in securing access to credit, extension services and land tenure rights.
- We must reform trade and investment systems that limit the capacity of developing countries to elaborate their own food security and agricultural development plans. Many elements of this alternative approach are summarized in the concept of “Food Sovereignty”¹³ that ActionAid and our partners endorse as the basis for an alternative paradigm.
- We must generate new funding streams in the global north to address the immediate impacts of climate change on food production in the global south—acknowledging that the countries least responsible for creating global warming are those whose agricultural systems will be most adversely affected.¹⁴
- But perhaps most importantly, we must recognize that agricultural development must be oriented toward fulfilling the basic human right of all people to food and a decent livelihood.¹⁵

¹³ See a detailed definition of Food Sovereignty at http://www.nffc.net/resources/statements/viacamp_article.pdf

¹⁴ See *Compensating for Climate Change* by Ilana Solomon at http://www.actionaidusa.org/assets/pdfs/climate_change/compensating_for_climate_change.pdf

¹⁵ See *UN Special Rapporteur’s report on the food crisis*, May 3, 2008, at <http://www.apo-opa.org/080503.pdf>

The IAASTD has made clear that the industrial, export-oriented, oil-dependent model of agricultural development promoted over the past 25 years is simply not sustainable beyond the next quarter century. The current food crisis thus creates an opening for implementing the report's core recommendation that ***“the way the world grows its food will have to change radically to better serve the poor and hungry if the world is to cope with a growing population and climate change while avoiding social breakdown and environmental collapse.”***¹⁶

From ActionAid's perspective, that “radical change” should involve a series of agricultural development policies that the U.S. Congress can explore and implement in the near future. While some of these measures involve new funding commitments, others will actually result in net savings to the U.S. budget. Either way, the cost of maintaining the status quo—nearly a billion hungry people in a world of plenty—is simply too high a price to pay.

ActionAid recommends that Congress:

- Consider more significant reform of U.S. food aid policies, switching from expensive shipment of commodities to local and regional purchase procedures that stimulate agricultural production in and around areas affected by chronic hunger.
- Work for immediate appropriation of new funds to invest in smallholder agriculture, with special emphasis on women farmers, to stimulate or reactivate local production for local consumption, and to facilitate access to agricultural extension, credit, value-adding technologies, and marketing support.
- Focus on both adaptation and mitigation in the pending deliberations on climate legislation. Such legislation should create new revenue to help fund the costs of adaptation to climate change in developing countries, which the United Nations Development Program estimates at \$86 billion per year by 2015.¹⁷
- Pay immediate attention to the impact of rapidly expanding biofuel production on food availability and market access for small producers. The U.S. Government should reconsider its role in driving international demand for biofuels, which has contributed to the recent increase in food prices.
- Promote new international trade policies, encouraging support for developing country proposals to protect the sectors of their economies that are crucial for food production and agricultural development.
- Fulfill its oversight role on international lending policies, pushing for an end to restrictive conditionalities that compromise the capacity of developing countries to develop their agricultural sectors. Specifically, this oversight should sustain the right of developing countries to adopt plans of action to regain their food self-sufficiency and secure their people's right to food, through measures such as the establishment of strategic grain reserves, land reform programs, and other investments and subsidies to stimulate sustainable, resilient smallholder agriculture.

¹⁶ See http://www.agassessment.org/docs/Global_Press_Release_final.doc

¹⁷ See <http://content.undp.org/go/newsroom/2007/december/bali-climate-adaptation-20071211.en>

Conclusion

Honorable members and distinguished colleagues, the current global food price crisis is the outcome of a set of adjustment and liberalization policies that have failed to deliver on the fundamental purpose of the global food system—to provide adequate nutrition to a growing population. Despite the repeated pledges of leaders from the developed countries to halve the number of hungry people in the world,¹⁸ we are witnessing instead a dramatic increase in that number. After 25 years of the adjustment-liberalization paradigm, it is now clear that the market’s “invisible hand” simply will not hold out enough food to hungry people without responsible regulation and targeted investments from accountable governments and international institutions.

The United States Congress—led by the committed Members of this Hunger Caucus—can play a critical role in charting a new course for agriculture over the next quarter century that will recognize its importance not only for food production but also for poverty alleviation and social development. Through legislative direction on U.S. food policy and foreign assistance, as well as through responsible oversight of the Executive Branch’s approach to international trade and finance, Congress can help change the direction of agricultural development policy.

In your deliberations on these vital matters, whose advice will have greatest influence? Will it be those who have profited from a broken global food system that simply does not have answers for the “bottom billion” who cannot compete in their markets? Will it be the champions of that system who claim that the best solution to the current crisis is to ramp up the adjustment/liberalization agenda, as some world leaders have suggested this week at the U.N. Food and Agriculture Organization meeting in Rome?

Or will it be the scientists and experts who have already proclaimed that in agricultural development, “business as usual is not an option?” Will your advisors include the social movements of farmers and agricultural workers from around the world—the one half of the world’s labor force that still works in agriculture—who demand respect for the right to food and the sovereign right of their governments to chart their own agricultural development policies?

ActionAid thanks you for the opportunity to express these views today, and stands ready to share the perspectives and experiences of our partners around the world as you set about the complex but necessary work of reorienting agricultural development policy towards a more sustainable and equitable future.

¹⁸ See http://www.fao.org/es/ess/mdg_kit/contrib.asp