The world is experiencing a food crisis that is affecting more than a billion people globally. Small-scale farmers, women, and children are finding themselves among those most vulnerable to hunger. Meanwhile, food prices are hitting all-time highs and demand is showing no signs of slowing. Food security – assured sufficient access to safe and nutritious foods – is a simple concept that presents complex challenges requiring short-, medium- and long-term policy responses. While the need for sustainable solutions is widely understood, the role of shorter-term policies is often underappreciated. Short-term policies other than food aid can be implemented and successfully provide hungry people with immediate relief.

Latin America’s approach to improving food security since 2008 has made extensive use of short-term policy responses. Albeit a net food-exporting region, food security remains a concern for Latin Americans given the high degree of income inequality and persistent levels of poverty they experience. Recently, their concerns have been exacerbated by global developments arising from growing demand for commodities and its impact on food prices. Yet by implementing short-term measures such as controlled food prices, tariffs and subsidies, Latin American policymakers are successfully mitigating the effects of the on-going food crisis.

The lessons from this experience can be of help to CIDA, which has identified food security as one of its priority themes (CIDA 2009). That initiative focuses on improving agricultural production of nutritious food and improving access to food through better management of global, regional, and national food value chains. However, these are mid- to long-term solutions and this CIDA policy priority would certainly benefit from a clearer take on how to address the challenge of improving food security in developing countries in the short-term as well.
Impact of the Global Food Crisis

In the mid-1990s, the cost of food began to increase around the world as greater global demand, particularly in emerging economies, combined with biofuel policies in the United States and the European Union, placed upward pressure on international food prices. In Latin America, the effects were exacerbated by a number of supply and demand factors, including:

- Reduced productivity per hectare of cereals and oleaginous seeds partly resulting from climate change
- Reduction in cultivable land dedicated to food crops as more arable land is dedicated to growing crops for biofuel production
- Greater global consumption of meat
- The rise in global fuel prices, which has increased fertilizer costs

These factors have resulted in a progressive shift in the balance between global supply and demand for food, translating into a 30 per cent increase in the food price index for consumers in Latin America between 2006 and 2008 (Piñeiro and Bianchi 2009). Central America and the Andean region experienced particularly large increases: food prices in Nicaragua and Honduras increased by 45 per cent and by 40 per cent in Bolivia (Cuesta and Jaramillo 2009). As all Latin American countries have been deeply affected, this has led to an overall increase in poverty levels. Lower-income countries, such as Nicaragua and Honduras, have been the most negatively affected, with a 7.8 per cent rise in total poverty and a 10.8 per cent rise in urban poverty. Bolivia has also seen its poverty rates increase significantly (6.9 per cent) (Bianchi et al. 2009).

The effects of the food crisis in Latin America have varied from country to country, depending on food balance (imports and exports) and overall capacity to fund food imports. Moreover, while a country that is a net food exporter may see segments of its population profit from higher food prices, it may also be jeopardizing the food security of its poorer citizens as domestic food prices increase too. The result is a level of food insecurity comparable to that of net food-importing countries. For instance, while Andean countries have benefited from seeing the price of their main agricultural exports stay relatively low compared to the price of cereal, Central America and the Caribbean suffered because of their lesser capacity to import food (Bianchi et al. 2009).

Among the potential negative effects of the rise in the cost of food are:
- A decline in purchasing power of foods for which substitutes are not easily found locally
- A reduction in the profitability of non-food agricultural activities and the impact of this on rural employment and income levels
- A reduction in household income because of the need to scale back other subsidies directed at poor sectors of the population or an increase in taxes (Bianchi et al. 2009).

Together, these factors have been shown to increase the percentage of people living below the poverty line, with some families becoming poor and others falling into extreme poverty (Bianchi et al. 2009). Those most at risk of suffering from food insecurity are the urban poor and rural families, who can be grouped as either landless labourers or producers in marginal agricultural areas. As consumers, both groups are penalized by the same high food prices that benefit the larger-scale producers (Piñeiro and Bianchi 2009). Women, the elderly, and children are even more at risk because of unequal distribution of resources within households and, in the case of children, because of their greater nutritional vulnerability (Piñeiro and Bianchi 2009).

Latin American Policy Responses

All Latin American countries have adopted a wide range of short-term policies to respond to the rise in food prices. However, they fall into three main categories:

- Immediate input and credit subsidies to increase agricultural production
- International trade policies, such as tariffs and export controls to stabilize prices
- Consumer-oriented policies, including price controls and transfer programs
So far, the provision of fertilizer, seeds, and credit subsidies has had little effect, although it might result in increased food production later on. Increased public investment in physical infrastructure and improvements in natural resource management (water, especially) will have a greater positive effect in the long-term. It is important to note that to take full effect these policies often require, or at least greatly benefit from, temporarily high levels of trade protection (Bianchi et al. 2009).

On the other hand, trade policy measures that aim to keep domestic food prices low, such as the export bans and quotas implemented in Brazil and Argentina, have been much cheaper and quicker to implement and have had immediate effects on prices. However, in the mid-term, these policies have introduced further volatility into agricultural production decisions, which may be more onerous than the short-term (and affordable) loss of export earnings (Bianchi and Uzquiza 2009).

Some consumer-oriented policies that target the most vulnerable sectors of the population and which intend to increase food availability and raise household incomes have been stepped up in the region and are often explicitly linked to issues of food security. Examples are the deployment of conditional transfer payments, school nutrition programs, and food rations or coupons (Bianchi et al. 2009). There is no evidence to suggest that the Latin American countries most affected by food insecurity have increased their use of these types of interventions beyond existing programs. Nevertheless, Bolivia, Ecuador, and Peru have plans to do so in the near future.

The research suggests that conditional transfer programs have had a positive and non-distortionary effect, reducing extreme poverty caused by the food crisis by increasing the buying power of the poor and diversifying their diets without reducing the income of poor food vendors or creating disincentives to produce (Bianchi et al. 2009). By focusing on vulnerable households or individuals, these policies have had the greatest positive effect in the short-term, increasing immediate access to food. The most successful examples include Oportunidades in Mexico and Bolsa Familia in Brazil (Piñeiro et al. 2009).

In sum, the effects of these short-term policy responses to the food crisis — production subsidies, trade measures, and income policies — have naturally varied with the mix of instruments applied, the nature of the emergency faced, and the institutional capacity available. The success of these policies depends on several factors:

- They must have a consistent design — either with wide-coverage when deployed early on or be focused on the poorest sectors of the population if started after price increases are already in full swing
- Their fiscal cost must be low to moderate, apart from clearly scalable projections
- Their level of market distortion must be low and they must include production-increasing incentives
- They must be easily reversible or down-sizeable once the desired outcome is realized

**Conclusions and Policy Recommendations**

The Latin American experience with the food crisis demonstrates that successful policy responses must be multidimensional and, simultaneously, incorporate short- and long-term goals. The research cited above finds that such policies must entail a strategy that links a number of previously poorly linked areas in public policy:

- Investment in agricultural research and development;
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“The Latin American experience with the food crisis demonstrates that successful policy responses must be multidimensional and, simultaneously, incorporate short- and long-term goals.”

• Spending on communication and transportation infrastructures in rural areas;
• Agro-industrial policies that maximize the effectiveness of supply chains;
• Environmental sustainability;
• A macroeconomic framework that facilitates appropriate access to credit for farmers.

The complexity of the required response to the food crisis means that no one-size-fits-all policy prescription or policy support exists — in terms of both the short and long-term goals and instruments used. This complexity makes the task of donor agencies, such as the Canadian International Development Agency, particularly difficult. However, recommendations include:

• Provide technical and financial support for the implementation of new, or the extension of existing, consumer-focused transfer programs that can meet the immediate and urgent food needs of vulnerable populations
• Encourage developing-country production and investment in food-producing agriculture by reducing in-kind food aid when not urgently needed;
• Invest in agricultural sector physical infrastructure to improve the efficiency and productivity of developing-country agriculture
• Support long-term research and development in developing countries to increase agricultural productivity in an environmentally sustainable manner.

References


