

A CALL FOR A STRATEGIC U.S. APPROACH TO THE GLOBAL FOOD CRISIS

A Report of the CSIS Task Force on the Global Food Crisis
Core Findings and Recommendations

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Center for Strategic and International Studies
1800 K Street, N.W., Washington, D.C. 20006

Tel: (202) 775-3119

Fax: (202) 775-3199

Web: www.csis.org

CSIS TASK FORCE ON THE GLOBAL FOOD CRISIS

COCHAIRS

Senator Robert P. Casey
(D-PA)

Senator Richard G. Lugar
(R-IN)

PROJECT DIRECTORS

J. Stephen Morrison
Co-Director, Africa Program
and Executive Director,
HIV/AIDS Task Force, CSIS

Johanna Nesseth Tuttle
Vice President, Strategic
Planning, CSIS

TASK FORCE MEMBERS

Rev. David Beckmann
President, Bread for the World

Neil Brown
Professional Staff Member,
Senate Foreign Relations
Committee

Marc J. Cohen
Research Fellow, International
Food Policy Research Institute

Mauro De Lorenzo
Resident Fellow, American
Enterprise Institute for Public
Policy Research

Jeralyn Eddings
Independent Consultant

Charles Freeman
Freeman Chair in China
Studies, CSIS

General Carlton Fulford
U.S. Marine Corps (ret.)

Laurie Garrett
Senior Fellow for Global Health,
Council on Foreign Relations

Helene D. Gayle
President & CEO, CARE USA

Charlotte Hebebrand
Chief Executive, International
Food & Agriculture Trade
Policy Council

Julie Howard
Executive Director,
Partnership to Cut Hunger
and Poverty in Africa

Jofi Joseph
Foreign Policy Legislative
Assistant, Office of Senator
Robert P. Casey

David Kauck
Senior Policy Analyst,
CARE USA

Jim Kolbe
Senior Transatlantic Fellow,
The German Marshall Fund
of the United States

Gawain Kripke
Director, Policy & Research,
Oxfam America

Sarah O. Ladislaw
Fellow, Energy & National
Security Program, CSIS

Nora Lustig
Member, Board of Directors,
Center for Global Development;
Visiting Professor of
International Affairs,
George Washington University

Rev. James L. McDonald
Vice President for Policy &
Program, Bread for the World

Amr Moubarak
Center for Global Development

Phillip Nieburg
Task Force on HIV/AIDS, CSIS

Rajul Pandya-Lorch
Chief of Staff, International
Food Policy Research Institute

John S. Park
Senior Fellow & Director,
Northeast Asia Programs, U.S.
Institute of Peace

Eric P. Schwartz
Executive Director,
Connect U.S. Fund

Ann Tutwiler
Former President & CEO,
International Food &
Agriculture Trade Policy
Council

Connie Veillette
Senior Professional Staff
Member, Senate Foreign
Relations Committee

Frank A. Verrastro
Director & Senior Fellow,
Energy & National Security
Program, CSIS

Cathy Woolard
Executive Vice President,
Global Advocacy & External
Relations, CARE USA

Frank J. Young
Vice President, Strategic
Planning, International Line
of Business, Abt Associates



PREFACE

In May 2008, in response to the growing global food crisis, the Center for Strategic and International Studies (CSIS) launched a task force to assess the rising humanitarian, security, developmental, and market impacts of rising food costs and shortages. Its cochairs, Senators Richard G. Lugar (R-IN) and Robert P. Casey (D-PA) charged the task force with identifying, by late July 2008, a feasible but bold plan of action that the Bush administration, the presidential campaigns, Congress, and the next administration could embrace on a bipartisan basis. The result, outlined in the following report, is an argument for modernizing and doubling emergency assistance, elevating rural development and agricultural productivity to be new foreign policy priorities, revising the U.S. approach to biofuels so that fuel and food security objectives are effectively de-conflicted, acting on an urgent basis to conclude the Doha Development Round, and creating a strategic U.S. approach to global food security that interlinks approaches to relief, development, energy, and trade and that is backed by new robust organizational capacities.

The task force grew out of extensive prior work CSIS carried out with the UN World Food Program on global food relief issues, particularly with respect to Afghanistan, Sudan, Myanmar, Zimbabwe, and Somalia. In April 2008, Josette Sheeran, executive director of the World Food Program, delivered a major policy address at CSIS on the rising global food crisis. The evening prior to the address,

CSIS hosted a dinner at which Ms. Sheeran engaged with representatives from the Senate Appropriations Committee, the U.S. Department of State, the U.S. Agency for International Development, the U.S. Department of Agriculture, CARE, the Center for Global Development, the International Food Policy Research Institute, the Gates Foundation, and the military. Sentiment at that session was strongly in favor of CSIS launching the task force in order to better clarify for a Washington audience the gravity of the threat presented by the global food crisis, the major factors driving it, and a way forward. Subsequently, we were fortunate to receive, on a rapid basis, support for the task force from the Connect U.S. Fund and special thanks are reserved for executive director Eric Schwartz.

The task force is especially grateful to Senators Lugar and Casey, both champions of development, agriculture, health and nutrition, foreign affairs, and energy policy, and both highly supportive of the CSIS effort. Jofi Joseph in Senator Casey's office and Connie Veillette in the office of Senator Lugar were each also very helpful in guiding our efforts. The task force was led by J. Stephen Morrison and Johanna Nesseth Tuttle of CSIS and comprised a diverse group of senior-level representatives of nongovernmental organizations, food relief experts, and former government officials who generously gave their time and energy. Jeralyn Eddings, independent consultant, provided extensive drafting and editorial

expertise. Karen Meacham, Kate Hofler, and Kate Schuster of CSIS contributed mightily to organizing the task force.

The task force convened two high-level meetings in May and June 2008 that featured expert presentations by Henrietta Holsman Fore, administrator, U.S. Agency for International Development, and director of U.S. foreign assistance; Helene D. Gayle, president and CEO, CARE USA; Rajul Pandya-Lorch, chief of staff, International Food Policy Research Institute; Colonel Daniel Pike, Office of African Affairs, U.S. Department of Defense; Karen Monaghan, national intelligence officer for economics and global issues, National Intelligence Council; Laurie Garrett, senior fellow, Council on Foreign Relations; Doug Arent, director, Strategic Energy Analysis and Applications Center, National Renewable Energy Laboratory; Ambassador Al Johnson, Al Johnson & Associates, and former ambassador and chief agriculture negotiator, Office of the U.S. Trade Representative; and Suzanne Hunt, independent consultant and bioenergy specialist. All of these busy, gifted individuals gave generously of their time and energy.

The task force also received expert input from representatives in the fields of food supply, energy, biofuels, trade, relief efforts, and agriculture. We are particularly indebted to Ronald Trostle and other senior economists at the U.S. Department of Agriculture; Susan Offutt, chief economist, U.S. Government Accountability Office; Nazanin Ash; Josette Lewis, biotechnology adviser, U.S. Agency for International Development; Daniel Gustafson, director, Food and Agriculture Organization, Washington; David Jhirad, vice president for research and evaluation, Rockefeller Foundation; Michael Usnick, UN World Food Program; Jennifer Parmelee, UN World Food

Program; and Kirsten Knoepfle Thorne, Public Policy Advisor, Chevron Corporation.

Both the analysis and recommendations of this report reflect a strong majority consensus among task force members, but it is not assumed that the members necessarily endorse every finding and recommendation.



THE STAKES

The global food crisis is hitting with alarming speed and force, challenging the United States, other nations, and key international organizations to respond with a strategic and long-term approach.

The crisis is historic and a call to conscience. It is global in reach, not confined to a particular region of the world, or caused by a single disaster or event. It is a moment of great opportunity. It presents the chance for American leaders, joined with others, to place hunger, poverty, and rural development at center stage and to upgrade dramatically the United States' and others' approaches to food relief, energy, global trade, and foreign assistance. It presents the chance for accelerated growth of rural production and wealth in the developing world.

The crisis poses three fundamental threats.

- ***A moral and humanitarian threat***, which is pushing an additional 100 million people into poverty and deepening global hunger and chronic malnutrition, with the gravest impact among poor pregnant women and children. Efforts of the UN World Food Program (WFP) to meet immediate emergency shortfalls have risen from \$3.1 billion in 2007 to almost \$6 billion in 2008. Such radically elevated emergency demands will persist into the future.
- ***A developmental threat***, which is erasing the economic gains of the past decades, while putting at risk the recent historic investments in public health and nutrition, improved education, and community development in poor countries. Without effective action to reverse these trends, developing countries could see a disabled generation, stunted both physically and mentally and chronically in need of assistance.
- ***A strategic threat***, which is endangering the stability of developing countries due to rising cereal prices combined with rapidly rising fuel prices. The surge in prices has reduced the purchasing power of poor people and inhibited the ability of poor countries to import food for their hard-pressed populations. Thirty countries have experienced food-related riots and unrest in 2008, half in Africa. Acutely at risk are large, heavily urbanized nations such as Egypt, Pakistan, Ethiopia, and Afghanistan. The forecast for the next several years is that a wide range of developing countries will struggle to access affordable, adequate food supplies, with uncertain consequences.



THE DRIVERS

The root causes of the global food crisis are complex, fluid, persistent, and multidimensional. This is not a simple problem.

- Soaring global energy prices contribute to cost increases in agricultural production and transportation, impacting all points across the farm-to-market chain.
- The rise in the production of biofuels based on food grains has contributed to global food price increases since 2006, though estimates vary widely over the impact, ranging from 3 percent to 65 percent. High oil-price trends drive the demand for biofuels, while preferential tariffs, subsidies, and mandates contribute to the rise of American and European producer preferences for biofuel crops. This is a global phenomenon, affecting markets for wheat, maize, sugar, oil seeds, cassava, palm oil, and beyond. The shared dilemma for Europe and the United States is how to respond responsibly and effectively to intensifying pressures to promote food and fuel security simultaneously.
- Demand for cereal grains has outstripped supply over the past several years, generating a global imbalance and a decline in surpluses. Rising demand from China and India—resulting from their growing middle classes—has increased the strain on global supplies. China has almost doubled its consumption of meat, fish, and dairy products since 1990 as over 200 million people have been lifted out of poverty. So long as the rise of China and India continues, the structural shift in global cereal demands will intensify.
- Bad weather, linked possibly to global climate change, has hampered production in key food-exporting countries. Severe weather events have impacted harvests from Australia to West Africa to Bangladesh and are now striking at America's heartland. Although we know that climate change is a factor, we know less about how it will shape specific global food outcomes in the near to medium term and what specific ameliorative steps to take today.
- A gross underinvestment in the past several decades in agricultural production and technology in the developing world—by donors and developing countries alike—has contributed to static productivity, weak markets, and underdeveloped rural infrastructure. The question now is how to correct systematically for this historic underinvestment.
- The present global agricultural production and trading system, built on subsidies and tariffs, creates grave distortions. It structurally favors production among wealthy countries and disadvantages producers in poor developing countries. Imperiled developing countries are today responding to the current crisis by restricting or banning food exports. Until macro incentives are reordered to open the way for investment and production in developing countries' rural sectors, no durable solution is in sight.

- An antiquated international system of mobilizing and deploying food relief slows the response to emergencies and imposes unacceptable costs and inefficiencies. Under the current U.S. system, U.S.-procured commodities (mandated by law, and accounting for over 40 percent of WFP's supplies) can take up to six months to reach intended beneficiaries; shipping, handling, and other management costs were consuming 65 percent of budgets as of early 2007, with the percentage continuing to rise; and U.S.-origin grain often arrives late and dampens rural grain prices. It is a broken, expensive, \$1.6-billion per year program that is yielding declining returns at the very moment when performance to meet urgent new needs is most acute. Any effective U.S. long-term strategic approach has to somehow transcend this inheritance and devise policies in tune with emerging new global realities.

WHAT IS TO BE DONE?

The stakes in this crisis are high. Demand and supply for global food have changed fundamentally, are out of synch, and generate human, developmental, and security havoc. The crisis is expected to persist at least into the next three or four years, and even though food prices may eventually decline somewhat, experts believe the era of cheap food and fuel is over—at least for the foreseeable future. Urgent action is needed on two fronts: emergency relief and related safety net programs; and longer-term efforts to reduce poverty and hunger.

UN secretary general Ban Ki-moon, World Bank president Robert Zoellick, and WFP executive director Josette Sheeran have each demonstrated exceptional leadership. And several important emergency mea-

asures have been taken recently to ameliorate the immediate food relief crisis. The Bush administration requested \$770 million in emergency food and development assistance, and Congress built on the president's request by enacting FY 2008 supplemental funding legislation that allocates more than \$1.8 billion in emergency food assistance and related disaster relief. Saudi Arabia committed \$500 million toward the WFP. The World Bank allocated \$1.2 billion and allowed emergency budgetary support. The United Nations launched the Secretary General's High-Level Task Force on the Global Food Security Crisis, which issued a comprehensive action plan. In early July, the Group of Eight (G-8) nations made food security a top priority at its Hokkaido Summit, reinforcing the call for a coordinated response and comprehensive strategy. These steps are all very welcome, but more is needed to address the structural roots of the current crisis.

AN OPENING FOR U.S. LEADERSHIP

With the current crisis, a window has opened. Today's food crisis is an abrupt wake-up call and a powerful incentive to put together a new, coherent vision that is not piecemeal or business as usual, but instead strategically integrates U.S. approaches to emergency relief, development, global trade, and energy.

The United States has the opportunity, through intensified bilateral and multilateral initiatives, to put global hunger and malnutrition at the forefront of U.S. policy concerns. U.S. leadership is essential, as it has been traditionally in earlier global crises, in devising durable solutions.

Internally, within the U.S. government, a new strategic approach to the global food crisis

will require sustained high-level leadership, greater interagency coherence and flexibility, and new resource levels. Success will hinge on the current and future administrations working with Congress to cement a *new bipartisan compact* on redressing the global food crisis.

Bold U.S. leadership, carried out over several years, will not be easy. There will be new costs, difficult trade-offs, and sensitive issues that cut across domestic and international boundaries, such as changes in subsidies for developed country food production, adjustment of subsidies and mandates for biofuel production in the United States and Europe, and enlargement of trade access to global markets by developing country producers.

The challenge comes at a time when Americans are anxious about rising food and energy prices at home, when floods and other severe weather events have damaged farm crops and displaced many in the farming community.

But Americans understand and have always embraced the core values of U.S. global humanitarianism. They empathize with poor, vulnerable populations whose ability to feed their children is under siege. They also understand that it runs counter to U.S. global security interests to see rising violence and social upheaval among weak states.

We are also at a moment in history when our leaders are being called on to restore America's weakened standing in the world and to demonstrate a new ethic of close cooperation with partner states, international organizations, and civil society in redressing transnational threats. The global food crisis is a zone where U.S. strengths and moral commitments can generate major returns.

It is essential that the United States focus on immediate adjustments, on bold new steps, and on taking care not to worsen matters. A special challenge is answering immediate short-term emergency needs without compromising long-term development requirements. If not careful, expanded international engagement might focus overwhelmingly on immediate response, reinforce urban biases to the detriment of long-term rural development needs, and encourage more migration into urban areas.

FIVE PRIORITY RECOMMENDATIONS

The CSIS Task Force recommends:

1. Modernize emergency assistance.

- Increase the scale of U.S. commitment and significantly improve the speed, agility, liquidity, and flexibility of the U.S. response. In the face of this massive crisis, the United States should concentrate on devising the means to deliver assistance to larger numbers of people earlier, more reliably, and at a much lower cost per beneficiary and with much higher nutrient benefits. The United States should also give priority to the development of improved national policies and local emergency response capacities within at-risk countries.
- Double the U.S. level of annual commitment to emergency food relief from \$1.6 billion to \$3.2 billion. It will be essential also to monitor volatile global market conditions closely to ascertain whether this increased level of U.S. assistance is adequate to deliver the intended tonnage and nutrient content.
- Require that no less than 25 percent and as much as 50 percent of these expanded emergency funds be available for local and regional purchases. The targets for local and regional purchases should be raised over a five-year period, so that ultimately at least 50 percent and as much as 75 percent of emergency funds is available for local and regional purchases. Under this scheme, no less than 25 percent of U.S. emergency assistance (\$0.8 billion)

will be set aside for U.S.-origin food shipped on U.S. carriers.

- Pursue a robust multilateral approach: reconstitute the Food Aid Convention to better reflect current tonnage and nutritional needs and reinvigorate donor commitments; renew regular international consultations on emergency food relief response; actively test the feasibility of emergency regional food stocks and the capacity for rapid regional purchases (“virtual stocks”).
- Intensify U.S. food security diplomacy: encourage major oil-producing countries to contribute more to food relief; press for more stable and predictable international financing mechanisms for supporting the WFP and its implementing partners.
- Enlarge, bilaterally and multilaterally, emergency social safety net programs such as budget support, school feeding, and food for work. Pursue innovative financial and risk management tools such as vouchers and insurance schemes. Expand nutritional assistance programs to pregnant women and children.

2. Make rural development and agricultural productivity U.S. foreign policy priorities.

- Elevate agriculture to be a top priority of the U.S. foreign assistance strategy. Set an official target to significantly increase productivity in the developing world in the next decade and to significantly reduce hunger, poverty, and malnutrition.

- Commit \$1 billion per annum of U.S. bilateral development assistance toward:
 - Improved, pro-growth developing country policies; expanded delivery of seeds, fertilizers, extension services, rural credit; improved access by small farmers to markets; and development of new farming technologies.
 - Investment in a global network of universities committed to training, applied research, and exchanges.
 - Expansion of public-private partnerships that mobilize the U.S. government, private foundations, universities, and corporations to bring forward new seed varieties and other new biotechnologies.
 - Expansion of research and pilot projects to ameliorate the effects of climate change on agricultural production.
- Support the doubling of agricultural programming by multilateral institutions such as the World Bank and the International Fund for Agricultural Development in the least-developed countries.
- Better coordinate and integrate U.S. foreign assistance programs—including U.S. HIV/AIDS programs under the President's Emergency Plan for AIDS Relief (PEPFAR) and the Millennium Challenge Corporation (MCC)—to ease food insecurity. MCC has the potential to strengthen agricultural productivity and affordable market access to food by the poor, and the next administration and Congress should consider augmenting MCC programs to more directly address food insecurity challenges in present and future MCC-compact countries. Worsening food insecurity and malnutrition directly affect many PEPFAR beneficiaries and, by implication, threaten the integrity of mass antiretroviral programs and related prevention and care efforts.
- Open a dialogue with the Chinese, Indian, and Brazilian governments to coordinate

efforts at promoting agricultural development in Africa. The Chinese have become a major player in Africa and will focus on agriculture at the next Forum on China-Africa Cooperation (FOCAC) summit in Cairo in late 2009.

3. **Revise the U.S. approach to biofuels.**

- Issue an official policy statement outlining the steps the United States will take to expand food crops for consumption purposes and to decouple food and energy issues so that the debate progresses from one of fuel *versus* food to fuel *and* food security.
- Accelerate efforts to bring on line the next generation of cellulosic-based and other biofuels in order to reduce dependence on corn.
- Bring into force new sustainability criteria to assess the life-cycle costs and carbon requirements for alternative biofuels. Adjust subsidies to reflect true input costs.
- Aggressively foster trade in biofuels to allow the most efficient producers and feedstocks access to U.S. and world markets: through a phaseout of barriers to trade, including preferential tariffs; improved technical standards to facilitate biofuels trade; and expanded trade from countries that currently have access to the U.S. market under free-trade agreements (FTAs).
- Commission analyses of agricultural production's dependence on energy inputs, in both developed and developing countries, including options for reducing agriculture's reliance on fossil fuels.

4. **Focus U.S. trade policy on promoting developing country agriculture.**

- Make the promotion of developing country agriculture a goal of U.S. trade policy.
- Press on an urgent basis for a successful conclusion of the Doha Development

Round that promotes investment and trade in developing country agriculture and reduces long-standing subsidy and tariff barriers. Focus U.S. executive-congressional dialogue on concrete measures that could expedite U.S. approvals of Doha outcomes. Make the successful conclusion of the Doha Development Round a foreign policy priority in diplomatic relations with member states of the European Union (EU), member states of the African Union (AU), and emerging markets such as India and Brazil.

- Pursue targeted international and regional trade discussions that can bring rapid follow-on benefits to developing country agriculture. Examine how existing U.S. trade preferences, already in place for many developing countries, might be used to reduce technical barriers to developing country agricultural exports to the United States and build trade capacity in those countries.
- Take deliberate bilateral and multilateral diplomatic action to ease export bans and restrictions that have contributed to higher food prices, including strengthening World Trade Organization (WTO) rules on export restrictions. The World Bank says that 26 net-food-exporting countries have maintained or introduced such measures, making it hard to acquire and ship food to the most needy even when funds are available.

5. Strengthen U.S. organizational capacities.

- Create a White House–led standing interagency mechanism on global food security. Charge that body with rapidly devising and overseeing a comprehensive, long-term strategic vision on global food insecurity that interlinks U.S. approaches to food, energy, development, and trade; that better coordinates with partner countries and with the World Bank, the World Food Program, and other UN organizations; and that prioritizes building agri-

cultural production and trade capacity in developing countries.

- Create a Food, Agriculture, and Nutrition Bureau at the U.S. Agency for International Development (USAID) charged with leading U.S. operational programs. Ensure that bureau is restaffed with adequate career expertise.
- Conclude a National Intelligence Estimate on global food security by the end of 2008. This should be ready for the next administration and for public dissemination.
- Authorize and fund the U.S. Africa, Southern, and Pacific Commands to initiate civil-military dialogues and exchanges on nutrition and food security, including information sharing and analysis.

THE CHALLENGE

The current crisis is unlike any food emergency the world has faced in the past. It is caused by a web of interconnected forces involving agriculture, energy, climate change, trade, and new market demands from emerging markets. And it carries grave implications for economic growth and development, international security, and social progress in developing countries. Time is of the essence in formulating a response, and U.S. leadership and bipartisanship are essential, as well as expanded U.S. coordination with international organizations. The Bush administration, the presidential campaigns, the congressional leadership, and the next administration all have a responsibility to move U.S. leadership forward.



1800 K Street NW | Washington, DC 20006
Tel: (202) 887-0200 | Fax: (202) 775-3199
E-mail: books@csis.org | Web: www.csis.org