

# Food Security in Africa:

Trade theory, modern realities and provocative considerations for policymakers

Raymond Saner, Charles Tsai and Lichia Yiu

Recent publications from the Food and Agricultural Organization of the United Nations (FAO) clarify how price “shocks” recorded for globally traded agricultural goods have led to tangible negative consequences for food security on a global level, but with pronounced effects on Africa (See Box 1).



This article takes a provocative perspective vis-à-vis mainstream trade policy thinking about food security in Africa, arguing that thinking around price volatility has yet to take the weight that it deserves in trade policy circles.

This piece will first review the standard conceptualisation on trade and food security as articulated by Director General of the WTO, Pascal Lamy, and argue that the challenges facing food security today are different than those in the past. These new challenges require different thinking on the question of what policymakers may consider in designing institutional mechanisms for policy governance particularly those relating to the trade and food security in Africa.

## Mainstream thinking on agricultural trade

Lamy addressed the relationship between global trade and food security during the course of a speech delivered on 21 February 2011 which highlighted key structural shifts that had taken place in global agricultural trade over the past half-century.<sup>3</sup> These are:

- From 1960 through 2011, the value of total global trade represented by agricultural products plummeted from 50 to 6%.
- During the same period, Africa experienced a consonant decline in its agricultural exports as a proportion of total merchandise exports from 42 to 6%.
- In the 1980s Africa transitioned from being a net food exporter to a net food importer.

According to Lamy, these facts demonstrated that the declining relative importance of agriculture in Africa’s merchandise exports could be linked with broader global trends. In discussing the potential complementarity between trade openness and food security Lamy underlined two key arguments namely “(1) colonial patterns of trade, that have locked Africa into commodity exports; and (2) macroeconomic and trade policies aimed at import-substitution and food self-sufficiency, that have achieved the exact opposite of their goal.”<sup>4</sup>

These arguments resonate with well-known explanations regarding the poor performance of African agricultural trade. Tariff escalation in rich countries, where higher tariffs are placed on imports of production with increasing levels of value addition has negatively impacted the possibilities for African economies to increase the value of their agricultural exports. Likewise, failed policies of import substitution, and, later, poorly implemented structural adjustment regimes that led to the privatisation of national agricultural resources, created policy environments un-conducive to investment in the agricultural sector.

In short, this approach to thinking about food security on trade underlines how mainstream thinking serves to distract attention away from structural impediments that keep the situation in Africa from improving. This distraction only makes structural problems more acute.

## Theoretical complementarity between trade and food security

Lamy cited the economic theory of comparative advantage and the benefits of specialisation - if countries could specialise in the products in which they have comparative advantage, all countries could theoretically benefit from improved productive agricultural capacity at the global level.

Mainstream thinking serves to distract attention away from structural impediments that keep the situation in Africa

Africa had substantial scope for improving food security by implementing supportive investment policies in their agricultural sectors, which have been neglected in recent decades and held back by taxation to subsidise development in the industrial sector. Increasing trade between African countries particularly between net food exporting and net food importing ones was also expected to provide a clear way for trade to enhance food security.

Lamy also cited an estimate that 80% of trade in agricultural produce and food within the East Africa region remained unrecorded in national statistics. The absence of such data constrained the efforts of policymakers to develop more reliable institutional frameworks to enhance food security via improved trade and domestic policy governance. In short, many impediments remain for African countries to find and harness their comparative advantage in agriculture.

## The modern reality of trade means growing volatility in global agriculture

Essentially unaddressed in Lamy’s speech and perhaps an even greater impediment to African countries’ attempts to identify their comparative advantage is the relatively

### Box 1. Recent FAO figures

- For 36 years from 1969-71 to 2005-07 the proportion of malnourished people in the world has declined consistently over time by more than half from roughly 33 to 16%.
- From 2005-07 to 2008, however, this trend reversed with the number of people experiencing malnutrition around the world increasing by roughly 2%.
- Whereas the number of malnourished people in Asia declined by over 10 million persons from 2006 through 2007, Africa experienced during the same period an increase of 2 million suffering from malnutrition.
- The reversal gained momentum in Africa with a dramatic increase of nearly 10 million additional people affected by malnutrition from 2007 through 2008 while Asia had seemed able to halt the reversal during the same period.<sup>1,2</sup>

novel challenge posed by growing volatility of prices in global agricultural trade. Africa's status as net food importer remains key to understanding the food security challenge facing African countries where the proportion of total expenditure on food can be as high as 50%.

This challenge is underlined at a time when both prices for internationally traded agricultural products and export earnings from primary commodities are forecasted to rise in volatility for the foreseeable future. Uncertainties facing developing countries, particularly net food importers, are considerable and uncertainties created by non-agricultural policies have and continue to affect agriculture in Africa. These include most importantly biofuels, but others as well including SPS and other policies that are often used as surrogate trade protectionist devices with disproportionate negative impacts on low income countries.

Recent publications by the FAO articulate the enormous difficulties posed by volatility in global market for agricultural goods.<sup>1,2</sup> Enhancing trade openness between net food exporting and net food importing countries within Africa regionally could certainly serve to reduce food insecurity. But broadening domestic agriculture's exposure to global trade is increasingly dangerous, given the negative impacts resulting from 'alternative' energy policies currently being applied internationally. The case of biofuels in particular has been the subject of at least five significant economic studies including by the US Federal Reserve and the World Bank which have linked biofuel subsidy programmes to increases in global food prices ranging widely from 12 to 75% (respectively) over the period from 2006 through 2008.<sup>3</sup>

Biofuel subsidies amplify volatility in global agricultural trade. Biofuel subsidy programmes are normally based on proportional requirements to blend petroleum and biofuel substitutes meaning that the demand for feedstock (normally substitutes for food or intermediate food imports such as corn) is unresponsive to price increases. In practice their effect is to literally shift the burden of reducing demand to sectors of the global market that cannot afford the price increases. Such policies, if durable, seem set to institutionalize unprecedented increases in the structural volatility of global agricultural trade.

### Perspectives towards better policymaking for food security

Kostas Stamoulis, Director of the FAO Agricultural Development Economics Division, underlines three areas to focus policy responses to increased volatility in global agricultural trade.<sup>6</sup> The first is creating a

policy environment conducive to investment in the agricultural sector. After decades of neglect and taxation to support industrial development, the renewed importance of national agricultural capacity and productivity has created an important focus for efforts to revitalise this long neglected sector of economic activity particularly in Africa.

Secondly, the avoidance of unilateral measures is a key principle that must be adhered to. Unilateral policy responses to combat food insecurity at home can contribute to it on a global level. Export bans on agricultural products are a case in point.

developing countries most vulnerable to the multiple shocks of the current world agricultural trade and markets, should be supported by research and monitoring of global food and agriculture market transactions.

The third and perhaps most important short- and long-term focus of policymaking effort should be directed towards increasing transparency and coordination among national agricultural policies. The responsiveness of policymakers in Africa as reflected in launching of the Comprehensive Africa Agriculture Development Programme (CAADP), and the progress made in clarifying its relationship with Regional Agricultural Policies is a good indication that food security through increased transparency and coordination both within and among the various economic regions of Africa is being given the attention it deserves.

Moreover, developing countries most vulnerable to the multiple shocks of the current world agricultural trade and markets should be supported by research and monitoring of global food and agriculture market transactions for instance through an independent organisation outside of mainstream organisations like WTO/FAO/WB. A food & agriculture observatory, monitoring price movements by key market makers like large transnational food companies, by key commodity speculators and by monitoring global supply and value chain shifts in agro commodity exports and global food processing market developments. Such an

observatory could advise them proactively on the formulation of policy in the face of anticipated scarcities and support them in forward planning of their agriculture and commodity exports. It could also advise vulnerable economies on the magnitudes of impact that catastrophic weather conditions could have on global food prices and food stock availabilities thus supporting increased precision in the design and improvement of food security policy infrastructures.

This article is based on previous papers by its authors: *The implications of trends in food production and of trade rules on agriculture and food security for all*, CSEND, 2008; *Report on the conference on WTO rules and the food crisis in the LDCs*, WTO, 2008; *Commodity Development Strategies in the Integrated Framework* (UNDP, 2009); *The Planet Earth: Agriculture and Food security*, Fundación R. Areces, 2010.

### Notes

1. FAO, Undernourishment around the world: From: *The State of Food Insecurity in the World: Addressing food insecurity in protracted crisis*, (Rome: Food and Agricultural Organization: 2010), p. 8.
2. FAO, Undernourishment around the world: impact of the 2006-2008 price shock; From: *The State of Food Insecurity in the World: How does international price volatility affect domestic economies and food security?* (Rome: Food and Agricultural Organization: 2012), p. 8.
3. Lamy, Pascal, 2011, "Doha Round can help lift Africa's agriculture", Speech by the Director General, Geneva: World Trade Organization.
4. From: CUTS Geneva Resource Centre (CUTS-GRC), *Agriculture in Development of Select African Countries: Linkages with Trade, Productivity, Livelihood and Food Security*, (Geneva: CUTS Geneva Resource Centre: 2011).
5. Gerasimchuk, Ivetta, Richard Bridle, Christopher Beaton, Chris Charles, 2012, "State of Play on Biofuel Subsidies: Are policies ready to shift?", Research Report, Winnipeg: International Institute for Sustainable Development, p. 18.
6. Stamoulis, Kostas, 2012, "Interview with the Director FAO Agricultural Development Economics Division", Rome: Food and Agricultural Organization.

### Authors

Raymond Saner is the co-founder of CSEND, and director of its Diplomacy Dialogue branch. Charles Tsai is Senior Trade Analyst at CSEND, and Lichia Yiu is CSEND's President.