

The Economist

NOVEMBER 21ST-27TH 2009

Economist.com

Dealing with America's deficit

Obama's timid trip to Asia

Labour's final months

Peter Drucker, still king of the gurus

The scientist who saw Nessie

How to feed the world



£2.00



How to feed the world

Business as usual will not do it



IN 1974 Henry Kissinger, then America's secretary of state, told the first world food conference in Rome that no child would go to bed hungry within ten years. Just over 35 years later, in the week of another United Nations food summit in Rome, 1 billion people will go to bed hungry.

This failure, already dreadful, may soon get worse. None of the underlying agricultural problems which produced a spike in food prices in 2007-08 and increased the number of hungry people has gone away. Between now and 2050 the world's population will rise by a third, but demand for agricultural goods will rise by 70% and demand for meat will double. These increases are in a sense good news in that they are a result of rising wealth in poor and middle-income countries. But they will have to happen without farmers clearing large amounts of new land (there is some scope for expansion, but not much) or using up lots more water (in parts of the world, water supplies are stretched to their limit or beyond). Moreover, they will take place while farmers also wrestle with the consequences of climate change, which, on balance, will do more harm than good to farmland round the world.

It may be too late to avoid another bout of price rises. Despite a global recession and the largest grain harvest on record in 2008, food prices are heading up again. Still, countries have a brief window of opportunity in which to set long-term policy goals without being distracted by panic measures. They need to do two things: invest in the productive capacity of agriculture and improve the operation of food markets.

Governments have done one but not the other. Over the past year investment has risen faster than anyone expected. But distrust of markets and a reaction against farm trade are growing. Unless governments restrain those impulses, they will undermine the gains from rising investment.

The quarter-century slumber

For most of the past 25 years, investment in agriculture has declined relentlessly. In 2005 most developing countries were investing only around 5% of public revenues in farming. The share of Western aid going to agriculture fell by around three-quarters between 1980 and 2006. This disinvestment laid waste to productivity. During the Green Revolution of the 1960s, staple-crop yields were rising by 3-6% a year. Now they are rising by only 1-2% a year; in poor countries, yields are flat.

Fortunately, the food-price spike of 2007-08 shocked governments out of their quarter-century of neglect. The World Bank and many rich countries have doubled the money they put into poor countries' farming. In the poor countries themselves, agriculture has gone from being a sideshow for the government—something the minister of agriculture does—into its main event, which everyone needs to worry about. This is as it should be: farming is far and away the single most important economic activity in most poor places.

Some of the new splurge of public money is going on safe-

ty-net programmes for poor farmers, which are justified on anti-poverty grounds: three-quarters of the world's poorest live in rural areas. But the money will pay dividends in the long run only if it improves farmers' access to market. Lack of reliable markets is the biggest barrier to rural development, since without them farmers have little incentive to grow more. So the increase in rural road-building is welcome, as are measures to improve the operations of local markets by (for instance) spreading price information and building grain stores. There is also a case for temporarily subsidising better seeds and fertilisers in places where local markets are failing to provide them: this is an example of correcting market failure.

Boosting world food production without gobbling up land and water will also require technology to play a larger role in the next 40 years than it has in the past 40, when people have been more or less living off the gains of the Green Revolution. Technology means a lot of things: drip irrigation, no-till farming, more efficient ways to use fertilisers and kill pests. But one way of raising yields stands out: developing genetically modified (GM) crops that, for example, use less water. Here, too, public bodies can overcome resistance. GM crops may be more acceptable if they come from government institutes than big companies or if the seeds are given away, rather than sold (which may be why Monsanto is doing that; see pages 85-87).

I'm not all right, Jack

There is, however, a danger inherent in all this government activity: the temptation of self-reliance. The food-price rise of 2007-08 made all countries worry about "food security"—quite rightly. But over the past year "food security" (ensuring everyone has enough to eat) has shaded into "food self-sufficiency" (growing it all yourself). Self-sufficiency has become a common policy goal in many countries (see pages 76-78).

In itself, self-sufficiency is not bad. If poor countries have a comparative advantage in producing their own food, they should do so (and that will often be the case). The problem is that the new rhetoric of self-sufficiency coincides with a growing distrust of markets and trade. Grain importers no longer trust world markets to supply their needs. "Land grabbers" are snapping up land abroad to use for food production. Everywhere, governments are more involved in farming through input subsidies. In these conditions self-sufficiency could easily sprout protective walls.

That would be in nobody's interest. As Europeans have demonstrated over decades, pursuing self-sufficiency above all else is extremely wasteful. Self-sufficiency would also lock in patterns of agricultural production just when climate change is affecting different parts of the world differently, making trade between them all the more important.

The food-price trauma of 2007-08 is persuading some countries to say that they need to divert part of their wealth to subsidise food so they can be self-sufficient and avoid future crises. But the demands of feeding 9 billion people in 2050 tell a different story: farming needs to be as efficient as possible. That requires markets and trade. Investing in agriculture is a boon; rejecting agricultural markets would be a disaster. ■