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“ONE YEAR ON FROM THE FOOD CRISIS”**

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I want to thank you Douglas for organizing this timely and strategic conference. I also want to commend you for what must be one of the best background papers that I have seen. Your themes strike tones of urgency and warning, and tones of confidence and hope. I think both are right. And you properly explore the link between the world’s most vulnerable and the three F’s – the food, fuel and financial crises – and the real and potential impacts and responses.

Food security is, of course, non-negotiable. If neglected, we face catastrophe. History shows that without adequate access to food, people migrate, nations can fall and millions can die. We must not only produce more food, but protect those that are denied access to it.

I would like to emphasize four points:

1. This battle is winnable;
2. We are not out of the woods;
3. We must fully utilize the mitigating structures created after the Great Depression and World War II to help the world weather such storms – the World Bank, IMF and UN agencies such as WFP;
4. We must simultaneously unleash a paradigm change in our approach to food security and hunger and new perils, such as climate change.

We truly must remember that we can do this – today the world is nourishing more people than ever before in human history. Ending hunger and malnutrition is not rocket science – it requires no new huge scientific breakthroughs. Between 1969 and 2004 we cut the proportion of hunger by half. Most recently, nations such as China, Brazil, Ghana, Malawi, Vietnam, Thailand and many others have been making serious gains against hunger.

In fact, less than 20 years ago China was WFP's biggest program. Today we provide no food aid to China. These nations follow the success of Europe and Japan in beating hunger after World War II, and many nations, such as Ireland, which only broke the cycle of famine, hunger and agricultural impoverishment a few generations ago.

Unfortunately, the three F's – the food, fuel and financial crises – have gravely set us back, leaving us with the three U's – food security that is unstable, unsustainable and unequal. The new face of hunger is one driven not only by poverty, discrimination or local crop failure and natural disasters, but by global economic factors.

International Development Secretary Douglas Alexander recently pointed out that these crises have "been an object lesson in the extent in which we are all in this together and we now live in an interdependent world."

I agree, and will tell a brief story to underscore this point: last year, at the height of the high food price crisis, I visited with a food trader in Addis Ababa, Ethiopia. His creaky wooden stall was filled with burlap sacks of teff – which he called white gold because of its record price – and other grains and his donkey. When I asked him how he set his prices he said, "I go on the Internet every morning and check prices on the Chicago board of trade. I use those prices, but discount them 10 percent since we are poorer here."

We now live in a world where even humanitarian disasters such as hunger can be globalized – riding in to remote villages on high prices, or now, with the global economic slowdown, riding in to remote villages on the loss of income from remittances, or sharply decreased exports or a drying up of foreign direct investment. To the bottom billion it is a double whammy – food prices are already out of reach, and then their meager income takes a hit.

In short, we have gotten ourselves in a pickle.

The silent tsunami of the most aggressive pattern of food commodity price increases on record left devastation in its path. A year later we know how that story turned out.

Heroic, innovative and generous efforts by many, including bold action by the UK and DFID which greatly increased assistance, prevented the worst form of suffering for more than 100 million urgently hungry people. And yet hunger relentlessly marched on, adding an additional 115 million people to its ranks in just the last two years. Today, nearly one billion, or one in six people go to bed hungry.

The price storm also triggered a wave of negative market behaviors. More than 30 nations blocked exports of food. Many nations instituted price controls that pushed food onto black markets and led to decreased agricultural investment. Nations and individuals hoarded, speculators triggered price fluctuations and food contracts were routinely broken as sellers sought better deals. WFP alone routinely had contracts for humanitarian food broken as sellers could earn much higher prices from new buyers just days later.

And we are not out of the woods. While global food prices have fallen off from their highs early last year, cereals are still 71 percent higher than they were in 2005. And in many developing nations, local market prices, driven in part by short supply, continue to ramp up. For example maize prices in Malawi are up 100 percent year over year, and

wheat prices in Afghanistan are 60 percent higher year over year.

Weather is also not on our side. Prices are expected to climb again due to poor weather patterns. For example, in China and Argentina, severe drought has reduced the winter wheat crop by almost half. New Zealand, Australia, and India and the State of California also report serious droughts.

Crop disease is also an emerging threat with an especially virulent wheat stem rust epidemic already seen in Uganda and Iran with more than six countries on high alert. Green Revolution father Norman Borlaug, who led the world in defeating the latest outbreak wheat stem rust epidemic in the 1950s, warned that this has “immense destructive potential.”

Unfortunately all signs point to the fact that last year’s food crisis is far from over. A new study from Chatham House warns of the coming “global food crunch.” The long term drivers of high prices such as climate change, scarcity of land and water, lack of investment in agriculture and fuel production as well as rising rates of food consumption due to population growth seem poised to continue.

We are also seeing nations again shutting down food exports as many have just done in West Africa to ward off food inflation and protect supply. This is five months before they shut down exports last year during the lean season. Last year less than 7 percent of global rice was even traded. Others are trying to rebuild depleted stocks; there is again the specter of hoarding.

And this year we have a new issue – in an editorial last month entitled "Barter Beware", the *Financial Times* warns that many nations are entering into a "secret web of barter deals as a substitute for global commodity markets" because financing for the international food trade is drying up or becoming too expensive. Some report they cannot get lines of credit to buy food for their nations.

Once again we must ask ourselves if we are witnessing a fundamental breakdown in some aspects of the global food markets.

U.S. President Barack Obama's new Director of National Intelligence, retired Admiral Blair, told the United States Senate a few weeks ago that the global economic crisis and its geopolitical implications is now the primary near-term security concern – topping terrorism or nuclear proliferation. I do not think his concern is ill-placed.

And as Prime Minister Gordon Brown said just last week in Washington: “our society cannot be truly strong when millions are left so weak and this much we know, when the strong help the weak it makes us all stronger.”

So what are our priority areas for action?

Leaders must lead. Food security is an issue for Prime Ministers, Presidents, Kings and

Queens. The G-8, the G-20, the African Union, APEC, the Secretary-General's High Level Task Force must keep both the issues of food production and food access as key pillars in all work and must ensure they are a funding priority.

We must keep a bridge over troubled waters. We must not let down our guard on emergency action.

Last year, thanks to the enormous generosity of many nations, WFP ramped up to reach 100 million people in need, helping more than 80 nations cool down food instability and helping prevent massive suffering. Many other institutions – including Oxfam, Concern, MSF, CARITAS, ICRC – also reached many millions. I must also commend the thought leaders from AGRA, ODI and Simon Maxell, IFPRI and Joachim von Braun, Lawrence Haddad, the Secretary-General's High Level Task Force including FAO, IFAD and others.

And this was not your grandmother's food aid – 80 percent of our cash for food was spent in the developing world, helping poor farmers break the cycle of hunger at its root.

And where the hunger was not caused by a lack of food, but because food was priced out of reach, we deployed innovative cash and voucher systems. For example, in Burkina Faso our emergency operation to address high food prices is targeting 180,000 people with a voucher that can be redeemed in local stores for maize, cooking oil, sugar, salt or soap. Among the people being served, 36,000 are children between the ages of 6 to 24 months old, who will receive a highly nutritious supplementary food called "Plumpy Doz." This is a win-win venture that leverages the aid dollar to also help the local economy directly – shops accepting the vouchers are located in the poorest neighborhoods and are very happy to see their business resuming.

We must prioritize and target those nations, farmers and those individuals most in need.

On the input side, FAO, Jeffrey Sachs, the World Bank and others have identified priority nations for interventions.

On the hunger front, WFP has created over several months what we call the Economic Shock and Hunger Index (ESHI), to identify the most vulnerable nations in the inter-play between the food and financial crisis and its effect on national vulnerability.

The vulnerability indicators, independently reviewed and vetted, include:

- High levels of remittances
- Heavy reliance on trade
- High foreign direct investment
- Currencies sharply weakened against major currencies
- High current account deficits
- High dependence on official development assistance

Then we added a screen to look at food security by viewing:

- Per capita income under US\$8,000 per year
- Nations with a food deficit
- More than 20 percent of the population is undernourished
- More than 20 percent of children under five are underweight

There were some surprises on our list of the 40 most vulnerable. For example, 27 percent of Kyrgyzstan's GDP is made up of remittances. The dramatic slowdown of those remittances has thrown 600,000 into urgent hunger. The government has requested WFP to come back for the first time since 1992.

We must get the biggest bang for the food buck. At WFP we are asking, not only is the cup full, but what is in the cup? How can it be, in this day and age when we know – absolutely know – what causes stunting and brain damage in children, that we still have epidemic proportions of stunting and severe malnutrition? Today, according to *The Lancet*, one-third of children under five in the world are stunted. A new study jointly released two weeks ago by WFP and the Swaminathan Research Foundation revealed that 40 percent of children below three in rural India are way behind adequate growth.

In fact, we know a child dies every five seconds from malnutrition and 60 percent of child mortality deaths in the developing world are from malnutrition. It is almost criminal that we – all of us – don't act with boldness and purposefulness to end this scourge. Today WFP is transforming the way we do business, deploying ready-to-use foods such as this locally produced baby food in India and date bars in Gaza. But we must expand our reach to ensure universal fortification of basic commodities. Given the cost of malnutrition to GDPs – our studies show a 6 percent reduction in GDP – it is cheap at that price.

We must ramp up targeted safety nets, such as school feeding, or the productive safety net in Ethiopia that has kept 7.5 million people off of emergency food aid. This is urgent as many nations have hit the wall on their ability to afford overall food subsidies. This is an explosive issue, and one that must be addressed to help ensure the stabilities of many fledging democracies.

We must work on security of supply. Last year we saw record harvests in many nations, but a break down in global markets. Nations such as the Philippines, Liberia or Ethiopia had severe trouble purchasing enough food, even if they had the cash, as more than 30 nations restricted food exports. WFP also had extreme difficulty securing adequate purchases.

There are three short term aspects to this:

First, the world must call in all fora for an immediate ban to export restrictions on humanitarian food.

Second, next month, WFP will be unveiling a Global Advance Purchase Financial Mechanism, already in pilot phase, which will allow us to pre-buy and secure supply and

pre-position food on a large scale for the first time in our history, saving money and allowing us to work with – not against – markets.

As Paul Collier said just this morning, WFP is the world's insurance policy, and WFP needs an insurance policy. This will be a historic humanitarian reform, which is being modeled in partnership with the World Bank, getting WFP out of panic-buying and positioning, and out of the risk of massive pipeline breaks when markets fail. We will soon be talking with nations to provide seed capital to this fund, which should be self-funding.

And third, we must consider calls by Chatham House, IFPRI, FAO and nations themselves for a pre-positioning of actual or virtual stocks, to calm market nerves and help prevent hoarding and panic buying. This can also help give nations assurance of adequate supply. As one Minister of Agriculture told me, many nations now have "the jitters." WFP currently helps more than 20 nations procure and manage emergency stocks. We have created a task force, tapping into the best minds in this area, to advise us on whether WFP can or should play a more significant role in this area.

Of course, security of supply is also dependent on adequate production. We know the world must produce twice as much food by 2050. This is in face of scarcity factors such as climate change and water shortages. After the 1974 food crisis, and the United States' decision to restrict soybean exports, there was a flood of investment into Brazil and Argentina in efforts to secure alternative supply.

Today we see such a gold rush into Africa, with billions of investment going into cultivating land, most of it for export. It would turn this food crisis into a huge opportunity if those investments can be structured as a mutual win – local communities win through investments in infrastructure and through reaping a portion of the harvest to market locally.

Even as we meet emergency needs, we must build an anti-famine mechanism for the 21<sup>st</sup> Century – one that enacts bold reforms and partnerships to ensure adequate access to food for all. I will speak more on this tonight at Chatham House.

I would like to end with a pop quiz – this is a test to make sure you are awake. This is interactive. I am going to quote someone famous who has said all I want to say, but in words that are better than mine. See if anyone can guess who said this – and when:

The threat of famine, the fact of hunger have haunted men and nations throughout history.....This eternal problem has now taken on unprecedented scale and urgency and...can only be dealt with by concerted worldwide action.

Our challenge goes far deeper than one area of human endeavor....We are faced not just with the problem of food but with the accelerating momentum of our interdependence.....In the past thirty years the world came to assume that a stable

economic system and spreading prosperity would continue indefinitely.

Now there are fundamental questions about our capacity to meet even our most basic needs....Partly due to bad weather around the globe, world grain production declined for the first time in two decades. We [are] made ominously conscious of the thin edge between hope and hunger, and of the world's dependence on the surplus production of a few nations.

The contemporary agenda of energy, food and inflation exceeds the capacity of any single government, or even a few governments together, to resolve. All nations...are linked to a single economic system. Preoccupation with narrow advantage is foredoomed.....The poorest and the weakest nations will suffer most. Discontent and instabilities will be magnified in all countries. New dangers will be posed to recent progress in reducing international tensions.

This need not be our future. There is great opportunity as well as grave danger in the [current] crisis.

We must begin here with the challenge of food. No social system, ideology or principle of justice can tolerate a world in which the spiritual and physical potential of hundreds of millions is stunted from elemental hunger or inadequate nutrition. National pride or regional suspicions lose any moral or practical justification if they prevent us from overcoming this scourge.

In short, we are convinced the world faces a challenge new in its severity, its pervasiveness, and its global dimension.....Let us agree that the scale and severity of the task require a collaborative effort unprecedented in history.

And let us make global cooperation in food a model for our response to other challenges of an interdependent world – energy, inflation, population, protection of the environment.

Any guesses? Was it the UN Secretary-General? The head of the UN Food and Agriculture Organization? Or, perhaps, someone from the Red Cross?

In fact, it was U.S. Secretary of State Henry Kissinger, speaking at the United Nations World Food Conference in 1974.

As it has been said, history may not repeat itself, but it sometimes rhymes. Let us not miss the opportunity this time around to end the devastating and destabilizing scourge of hunger and malnutrition once and for all.

Thank you.

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