

Statement on Rising World Food Prices April 2008

In this emerging era of higher food prices, milk and meat consumption are contributing to the spike in costs. More people in the developing world are consuming larger quantities of milk and meat, even as consumption of both has remained flat in the developed world. The rise in consumption is particularly dramatic in China, where consumers ate an average of 20 kilograms of meat in 1985 and today eat an average of 50 kilograms per year.

This rising demand for livestock foods, particularly in the huge emerging economies of China and India, is a major factor in driving up the costs. In some areas, the price of milk has doubled or more over periods of even months. The price of milk in northern India has risen from 17 rupees to 24 rupees in last 2 years, an increase of 50 percent). Meat prices, while not rising quite as dramatically, are expected to keep increasing in large part because the corresponding price jumps of cereal grains that feed industrial-style livestock production.

The main driver in the increase in livestock prices has been the surge in demand for the products in China and India. Other factors include rising oil prices, diversion of food resources to make biofuels, and bad weather.

These surging prices of milk and meat, as well as for rice, wheat and other cereal grains, is a global problem that has the greatest impact on the world's poorest 2 billion people, who live on less than USD \$2 a day. For most of the 800 million people who live on even less – USD \$1 a day – these price increases mean they will go hungry more often, and their diets will include less nutritional value.

The world's growing population, obviously, will keep up the pressure on demand. Some estimate that by 2030, global food demands will double from current consumption.

This doesn't mean that the result is all bad news for the poor. Many poor farmers, in fact, should benefit from rising prices. For these farmers and their families, the rising prices of milk and meat offer new opportunities to climb out of poverty as they produce and sell more livestock and livestock products. India is a great example. With its sprawling crowded cities and population approaching 1 billion, tens of millions of people could use dairy products as a path out of poverty.

But with such growth comes more livestock, and that produces more environmental concerns. We believe that all of our long-term research aims for sustainable animal agriculture that helps small farmers intensify their production systems while conserving their land, water and other natural resources. And secondly, livestock farming in poor countries is radically different from the industrial, grain-fed, feed-lot form of livestock production practiced throughout the West. In industrial systems, it takes 8 kilos of grain to produce 1 kilo of meat. The ruminant livestock of poor countries also do not compete with people for their feed, eating grass, forages and crop wastes.

One complicating factor in all efforts to increase food production is the diversion of grains and oilseeds to produce ethanol and biodiesel. The World Development Report 2008 estimates that filling up a typical 4x4 SUV with ethanol uses enough maize to feed a person for a year. The report also found that biofuels would raise the prices of grain globally, leading to higher rates of malnutrition among the poor in the world's least developed countries.

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The spike in commodity prices, in fact, could soon pit the globe's poorer south against the relatively wealthy north, elevating demands from the south for reform of rich nations' farm and environmental policies. There are no quick fixes; however, here are nine recommendations:

- 1) Develop smart subsidies for the most vulnerable groups. Put more funds into the hands of the poorest people to buy the food they need instead of resorting to protectionist trade barriers to keep prices low.
- 2) Cut subsidies to European and US farmers and open rich markets to poor suppliers.
- 3) Get the higher prices into the hands of small-scale livestock producers to encourage them to produce more.
- 4) Invest in rural market transport and infrastructure to ensure food supply from rural producers, especially of perishable, high value (livestock) products.
- 5) Consider ways to reduce consumption of animal products by affluent consumers mainly in the North for the sake of their health as well as the nutrition of poorer groups and the environment.
- 6) Use science options to refine the integration of crops and livestock so as to raise smallholder productivity.
- 7) Exploit the fact that the new prices make many livestock technologies developed over the last 30 years financially feasible.
- 8) Provide support systems for technology use – especially in livestock production that needs animal health, genetics and feeds support: so invest in public-private partnerships to better provide sustained smallholder services.
- 9) Invest in strategic international agricultural research to leverage investments in research and development by developing countries.

The politics of food have grown complicated – with almost as much speed as the rise in food prices. For many people who are poor, this has become an immediate crisis in their lives; it has suddenly become much more difficult to secure nutritional food. But for many millions of small-holder livestock farmers, this crisis also could turn into an opportunity: They can now earn more for milk and meat, giving them higher earnings and more hope for the future.