

## **INTERNATIONAL FOOD SECURITY: FINDING A PATHWAY**

*Address to the Inter-American Development Bank-International Food and  
Agricultural Trade Policy Council*

*Washington 17 May 2012*

*Hon Tim Groser, NZ Minister of Trade*

Distinguished guests.

It is always a pleasure to address these two important institutions, the Inter-American Development Bank and the International Food and Agriculture Trade Policy Council. I was honoured to be invited to join the Council in 2005 when I retired from being the Chairman of the WTO Agriculture Negotiations and to join such a great group of people who have made such a contribution in research, agribusiness or public life, to a more rational approach to agriculture policy.

Of course, in keeping with the IPC tradition, I had to resign when I became Minister of Trade for my country. But I continue to follow closely your research and other activities and commend you for it. I also want to acknowledge the support given to the IPC by our private sector funders, without whose financial support, the IPC would not exist.

The IPC is not, and never has been, an extreme organisation pushing a hard-line, über-liberal view of markets. We have always had in our membership people who have had years of experience dealing with agriculture in countries with pockets of high protection and subsidies.

We all understand why. Agriculture is about as sensitive an issue as you can find. There are deeply held and often conflicting views in our various countries and policy will inevitably need to be shaped taking those views and interests into account. The important thing, however, is to have what we call 'fact-based' analysis and policy and that is where the IPC can assist.

### *Food Security: The Political Dimension*

Nowhere is this clearer than in the subject we are addressing today – food security. Nothing, other than peace and physical security, trumps food security; and in the worst of times, they may not be distinguishable. War and famine have been only too frequent bed-fellows. The darker shadow of the 20<sup>th</sup> Century, as well as its fantastic achievements, still hangs over us today, influencing our thinking on food security.

Food security, one could say, is therefore non-negotiable. It sits at or near the absolute apex of human concerns. The problem is too often food security has been interpreted as one and the same thing as trying to produce all your own food. The massive distortions this has created, the huge loss of welfare, and (I would argue) occasional food crises this mentality has produced are directly linked to this misaligned view.

I suppose the idea of not relying on other countries for your food is rooted in our DNA. In mankind's early history, when we were all hunters and gatherers, individual families, tribes and other communities would have gathered all their own food. Presumably, limited trading between families, tribes or villages would have taken place as our ancestors discovered that some communities had access to foods in abundance and others had shortages.

They would also have discovered some were more efficient at hunting or gathering than others. One could say they would have discovered the efficiency gains of trade in agriculture goods, and food would have been exchanged for weapons and other non-agriculture goods. We can be confident that our ancestors would have worked this out, thousands of years before Ricardo and Hume systemised the theory of comparative advantage.

But we can assume that in these brutal and warlike conditions – recall that the average life expectancy of a male in the Neolithic Age was 20 - the idea of relying on others for your food, would have been 'challenging', to say the least. Even when classical Rome was at its height thousands of years later life expectancy was still only between 28 and 30 – about the same as Māori life expectancy in 1800 prior to the non-Polynesian migrants arriving in New Zealand in large numbers. These are facts (or at least professionally derived estimates), not political statements.

When the first country moved from an agrarian society to embrace the industrial revolution (the UK), it became a tradition for the new industrial working class to have access to gardens – and not necessarily co-located where they were housed. That tradition still exists in the United Kingdom today, as keen watchers of Food TV will be well aware.

I am myself a recovering Food TV junkie. I just wish some of the programmes were a little more informed about sound economics, real understanding about the carbon cycle as opposed to junk concepts like food miles and demonstrated a more scientific base to food safety issues which understands that local food, organic or not, can also poison people and frequently does. But Hell will freeze over first. You would certainly not want to hire me as a TV programmer – I would drive your ratings into the dust in a matter of months.

My hunch is that at the start of the Industrial Revolution, this need to ensure the new phenomenon of the urban industrial worker could continue to grow food was

powered in part by income insecurity. But I suspect it was also influenced by a deeper psychological need to continue to produce at least some of your own food.

After all, the first workers to fill the so-called 'Satanic Mills' of Lancashire, Manchester and the first industrial cities of the World were former agriculture workers. It is the same thing in China today. The people who arrive from rural China to try their luck in the great new mega-cities of Dalian, Shenzhen, Guangzhou, Chongqing, Wuhan and Chengdu are undertaking the same personal journey. I suspect these people too find the idea of buying all their food, an unusual concept after centuries of their families and ancestors growing their own.

My professional life has been dominated by my country's fight to liberalise markets for our high quality, safe food produced efficiently and today I would add, generally less carbon intensive processes. But I have always understood the fear of countries losing their capacity to produce their own food. And I have always suspected this was, deep down, a reflection of a fear that is based on our historical DNA.

### *The Food Challenge for the 21<sup>st</sup> Century*

We are forever bombarded by the metrics:

- World food production must increase a 'staggering' 70% by 2050 to feed the 2-3 billion extra people on the planet;
- The rate of growth of cereals production (wheat, milled rice and coarse grains) has been in downward decline for some time now, with the growth rate having fallen from 3.7% pa in the 1960s, to 2.5%, 1.4% and 1.1% in the subsequent decades of the 20<sup>th</sup> Century; intriguingly however, recent data suggests a reversal of this decline. Since 2000 total food production in both real and per capita terms has increased significantly. I am certain this is not unrelated to higher average real prices.
- There is pressure on resources fundamental to food production – arable land, water in particular. China, with 23% of the world's population and 9% of the world's arable land has huge competing pressures for its water. In India, some 94% of all land suitable for arable production in India is already in production; satellite data indicates that ground water has been falling recently by 2-3 cm per annum. To put the latter point in plain terms – farmers and villagers are having to dig deeper and deeper for their wells.
- Climate Change will, according to the IPCC, result in some large shifts in water supply. Given that 70% of the world's supply of fresh water is used in producing food, this is a non-trivial point. The negative impact on India will be particularly difficult according to their projections.

It all sounds impossible. Well, if not impossible, it certainly provides great speaking material for after-dinner speeches by those who adore apocalyptic thinking.

My core point in this speech is exactly the opposite. We can meet all these challenges, provided minimum rationality prevails. Specifically, I would highlight the following four central points.

First, the issue of 'food poverty' is fundamentally an income, not an agriculture production problem. Singapore has no farms. As far as we know nobody starves in Singapore.

Second, the problems around food security are localised, not global. We are perfectly capable, for example, of increasing food supply by 70% over the next 40 years – we increased global food supply by over 140% in the 45 year period to 2005. Can we achieve about half the increase in production we achieved globally over the last 4-5 decades? Sounds rather modest to me as a global goal.

Third, it is completely irrational to assume current technologies applying to any of these issues. This lies at the heart of the Malthusian fallacy. On the contrary, we should assume at the minimum the same creativity and innovation of the past 40 years and that is probably very pessimistic. With billions more people likely to receive elite education and all linked around the world in their specialisations by the internet, I think it is far more likely that the next two generations will accelerate invention and innovation.

Apply that historically to agriculture and you can see the point. One calculation I have come across is that if the same average agriculture yields that prevailed in 1961 (hardly ancient history) prevailed today, we would have had to farm 82 per cent of the land area of the Earth to feed the current population of the planet, not the 38 per cent that is used in ploughing, cropping or grazing.

There is an issue, however, here: agriculture R&D has not kept up with economic growth in several major developed and developing countries. I know the current US Administration – and I want to acknowledge the presence here of a long-standing colleague of mine, Ambassador Siddiqui, USTR Chief Agriculture Negotiator - is very much aware of this as is Secretary of State, Hilary Clinton.

I also want to add a brief advertisement for our own international research collaborative exercise – The Global Research Alliance on Agriculture Emissions. This is a very successful international initiative, strongly supported by the United States and USDA in particular. NZ put it together organisationally and politically, the United States provides the muscle. Good combination. Agriculture scientists from over 30 countries are now split into five core groups developing research projects.

Our aim is simply stated, but difficult to achieve: to ramp up internationally coordinated research into producing more food with less emissions intensity. At the end of the day, highly emissions intensive food is a mark of economic inefficiency, as well as a huge contributor to global anthropogenic greenhouse gases. Emissions from food contribute 14% of global emissions – about the same quantum of

emissions as every car, truck, train, plane on the planet. I know that after the apparent chaos of Copenhagen, few want to talk about climate change at high political level. But we have to do something here, and this is what we in New Zealand are focussing on.

Fourth, it is vital to let markets work better, domestically and internationally. This is the way to resolve the paradox that in aggregate these issues around food security can be easily managed, given that the problems are localised, not global. The role of markets here is simply crucial. This is not an ideological point. It is a practical reality. It is the role of markets to respond to resource constraints, local shortages (both temporal and permanent) and to drive productivity increases.

Think of some of the worst famines in the last 50 years. I have in mind, the huge population losses in China during the Cultural Revolution, localised severe famines in parts of Africa, the tragic starvation of hundreds of thousands in North Korea. Poverty or central planning, not global food shortages (there were none), allied, at least in the first and last case, to deliberate policies of economic autarchy, caused the famines.

As World Bank research so clearly illustrates: the vast majority of the very poor today – around 1 billion people - live in conditions of quasi civil war or conditions of deep physical insecurity. Properly targeted emergency food aid is what they need, but let's not pretend that is real and sustained development assistance. For the rest of the world's poor, freer agriculture trade policy to establish better functioning global food markets is absolutely part of the answer. I understand there will be a thousand voices who claim to speak in the name of the poor who will find that difficult to accept. They will be proven wrong as they have been proven wrong in the past.

There is a particular issue around food price volatility. The trend in the last ten years has been higher prices, but accompanied by more volatility. I do not want to delve into this complex matter which has attracted a high degree of international attention at recent G20 meetings amongst other fora. There are many drivers – USDA has done some excellent research into the clear links between rising oil and food prices for example. There are some politically understandable but very controversial export restrictions that have undoubtedly transferred some of the burden and heightened international price volatility.

I will just stick to one simple precept: if we are to use international food markets to meet the more sophisticated food security needs of the vast middle class of the emerging economies – and we must – you cannot turn the trade tap on and off. For exporters like us, Australia, many of our Latin colleagues and the United States, we need stability of market access to invest in food for export. And what's more: once we have a flourishing commercial stake, we start to invest in agriculture production in the importing country. Investment follows trade. We can and will do both since our intellectual property in agriculture is far larger than our exporting capacity.

I recall clearly several requests we received in 2009 from some markets with very high protective barriers. Facing deep disturbances at home from rapidly rising prices, they wanted large volumes of food and they wanted it 'now'. We did what we could for political reasons, but we could not do much – we had reliable customers who had signed up to trade agreements and our customers come first.

Second, it is simple economics that illiquid markets fuel volatility. A small and thin international market relative to highly protected and large domestic production is a recipe for volatility. I come back again to the need for an increased role for markets.

### *Declaration of Interest*

Let me declare, not a self-interest, but a strong New Zealand interest in this policy prescription. Of course we, as a significant exporter of sophisticated food, fibre and energy products and services stand to benefit from this approach over the next 40 years. And we fully expect to benefit. The current fragile international economic situation notwithstanding, we are very bullish about our future in the 21<sup>st</sup> Century. It is the consequence of these underlying drivers and the recent negotiating advances we have enjoyed that allow us access to the markets of emerging Asia.

I think of us more and more these days as a virtual water exporter. Seventy per cent of the fresh water on the planet is used in producing food. So our role in the world, at least in part, is to convert, through applied science and entrepreneurship, our natural abundance of fresh water into high quality food and beverages to the giant emerging economies that face such large challenges on water. NZ does other things too very competently, but this lies at the core of our exporting future.

By importing dairy products from NZ you could say China is rationally out-sourcing what would otherwise be additional huge investments in water infrastructure. I see a similar model here for our trade in energy-intensive goods with the emerging economies, given our abundance in renewable energy: some 80% of our electricity comes from renewable energy, wind, hydro and geothermal and we plan to do more. However that is another story, rooted again in rational economics and sound, moderate climate change strategies. But that's another speech.

That middle class of the emerging economies – and we use rather modest definitions of income in that phrase – has by and large gone beyond the primary issue of physical hunger. But millions will still be short of real food security in the sense of the definition by the World Food Summit in 1996. Let me read out their definition, since I think it is a great definition:

*“Food security exists when all people, at all times, have physical and economic access to meet their dietary needs and food preferences for an active and healthy life”.*

Of course, I doubt any country any country in the world ever has, or ever will fully achieve that goal defined as 'all people, at all times'. But if you focus on the term 'access to', the World Food Summit definition makes sense. And it is inconceivable that for many of these countries, access to food that meets all their dietary needs and food preferences can be met by domestic food production alone.

Obviously, NZ is positioned well here. Our market is not the absolute 'top end' of any market. That belongs to Louis Vitton, Rolex and the high-end brand names that populate Fifth Avenue, la Rue St Honoré and less well known elite streets in Shanghai, Mexico City and St Petersburg. Generally, that is not our market. Our successful production of high-end super-yachts is the only obvious exception of some scale that comes to my mind. The NZ market is the middle and upper-middle income bracket. Today, after stellar growth in Asia, there are some 500 million in the so-called 'middle class'. This is expected to be 3 billion in 2030 – only 18 years away.

The United States – still the world's largest agriculture exporter – has exactly the same interest and opportunity. That is, at least in part given the far wider US export interests, what is driving the Administration's strong support for the TPP, or Trans-Pacific Partnership, Negotiations. There will be some difficult political choices of course for the United States to make – no negotiation is a one-way street. But the strategic prize is considerable.

Let me make our negotiating position quite clear. If TPP is to fulfil its promise of being (in the words of our Leaders' statement, under the chairmanship of the President in Honolulu late last year) "*a comprehensive, next-generation regional agreement that liberalizes trade and investment and addresses new and traditional trade issues and 21st-century challenges*" it will have to tackle some deeply imbedded historical pockets of high agriculture protection in some of the member economies, including in the United States.

That will not be straightforward and will take lengthy – and I mean lengthy - transition paths. But it has to be done because there has been a flight to quality of late in Asia Pacific regional FTAs. Trying to sell today as a model for Asia Pacific integration a traditional 20<sup>th</sup> Century FTA, chock full of permanent exceptions for agriculture would be like trying to sell a 1997 Palm Pilot to a Californian digital native. It is not going to work, ladies and gentlemen. The sale won't be made.

But I am confident we can find a way through this and build a real model for putting the United States and its TPP partners into the driving seat of trade and investment integration in the Asia Pacific. You don't need to speak Greek to understand that is the real growth story of the 21<sup>st</sup> Century. I think it is worth taking a few tough calls to get there.

Thank you very much.