



BSR Conference 2008 | Sustainability: Leadership Required Growing Demand: A Systemic Look at the Food Crisis

Breakout Session Summary

Friday, November 7, 2008 | 10:30 a.m.-noon

Speakers

- **Marshall Burke**, Program Manager, Program on Food Security and Environment, Stanford University
- **William J. Martin**, Lead Economist, Development Research Group, Trade, The World Bank Group
- **Rajul Pandya-Lorch**, Chief of Staff, Director General's Office, International Food Policy Research Institute
- **Stacey Smith**, Managing Director, Advisory Services, Business for Social Responsibility (moderator)

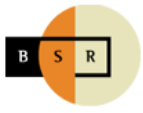
Highlights

- Local environmental impacts and global environmental issues are creating a vicious downward cycle affecting agricultural productivity. The pressures of increased food prices, higher fertilizer costs, and the financial crisis compound this problem by creating disincentives for farmers to invest in increasing productivity.
- Addressing environmental and social issues throughout agricultural supply chains is directly linked to a food/agricultural company's core business because these issues, combined with financial and public health risks, are all constraining global supply.

Memorable Quotes

- “[Climate change] could create food crises that would dwarf the crisis we saw in the last few years.” —Marshall Burke, Stanford University
- “A lot of energy is focused on immediate productivity, but companies really need to understand climate impacts upstream. ... Think about major crop inputs, where you're sourcing from, and make 10 to 20 year projections on productivity. How can you, from a business standpoint, secure your supply, and from a sustainability standpoint, where can you have a positive impact?” —Stacey Smith, Business for Social Responsibility
- Referring to global discussions between the UN and international agencies on the food crisis: “One major player is not at the table, and that is the business community. ... The implementation of many of these important solutions is going to be guided by, enabled by, or hindered by, the private sector. We [the public sector] can talk and





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talk but nothing is going to happen if the private sector is not there. We *have* to find better ways of talking to each other.” Rajul Pandya-Lorch, International Food Policy Research Institute

Overview

In the wake of the most sustained, significant increase of food prices in three decades, Pandya-Lorch emphasized the dire challenge on the ability to adjust to these prices and mitigate the shock. Pandya-Lorch identified the primary sources of the price increase as: income and population growth (demanding a new composition of food), energy and biofuels (the newest contributor), slow agricultural response (which has a compounding effect), and market and trade policy. Martin then dispelled the misconception that agricultural producers in developing countries must be benefiting from the food price increases. Farmers are often net purchasers of food, the cost of inputs has also increased, and rural poverty rates remain higher than urban poverty rates.

All agreed that very large demands placed on agricultural supply necessitate supply expansion—the question is how: through production area expansion or productivity improvements? In evaluating production area expansion, Burke emphasized the need to consider the impacts of land use change—further deforestation for farming would contribute to climate change impacts. With the goal of increasing crop productivity, we should consider resistance to the direct and indirect climate change impacts, as well as how we can invest in crops/environments where fewer efforts have already been made to reach peak yield.

Martin agreed that increasing productivity was important in the long term, but emphasized that providing targeted support to farmers and reforming policies contributing to market distortions—such as export taxes and ethanol mandates—should be seen as critical in the short term. At the peak of the crisis, several countries imposed policies to build stockpiles at home, which only put more pressure on the global market and exacerbated the problem.

Debating investment approaches, panelists also discussed investments in infrastructure and public health. Malaria transmission, for example, is increasing as a result of climate change. In some crops—such as cocoa and coffee—the private sector is already beginning to realize that there may not be a future generation to grow their crops.

The panelists concluded the session with both an acknowledgment of the complicated nature of the global agriculture system, as well as the urgency of taking a systemic, holistic look at the food crisis and opportunities for companies to begin looking for solutions.

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