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2008 Clinton Global Initiative Annual Meeting
Poverty Alleviation: Food Security and Poverty: Part 1
Clinton Global Initiative
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FEMALE SPEAKER: Good morning. I think it was awfully kind of Senators Obama and McCain and the first plenary to tee up our working group for us. We're deeply grateful for that help, and it allows me to shorten my remarks.

Let me just note that, as I mentioned yesterday, the quality of the audience matches the quality of the panel, and this is what makes this so delightful. I want to in particular acknowledge that the President of Uganda is with us. The President of the Dominican Republic is with us. The King of Hollywood, Michael Douglas, is with us. [Laughter] I only mention that because he is not a recent convert to social change. He's been a voice of conscience from Hollywood for as long as he's been a grownup.

And I just want to particularly note Madeleine Albright, Secretary Albright. I'm sorry for calling you out like this, but when I was 24 years old, when I first met Madeleine Albright, it was her job — she worked on the Senate Foreign Relations Committee — and it was her job to help the organization for which I worked make sense on foreign policy. To the extent that I ever make sense that is because of Secretary Albright. To the extent that I don't, that's all of my own making.

Now, Bill Gates did a wonderful job yesterday of noting that one of the reasons for focus within a foundation and in your grant-making is that you can build capacity and expertise within your foundation so that you're adding value, not just through the grants you make but through the expertise that you share.

Raj Shah is one of the most innovative experts that I know, and so we are in extremely good hands this morning. We're going to follow the normal format this morning, but we're going to cut the table conversation short and we're going to cut the end short so that we can have the full panel. So Raj? It's for you.

RAJ SHAH: Great. Well, thank you and it's exciting to be able to follow a discussion where both presidential candidates, the president of the World Bank, the former President of the United States have all talked so eloquently about extreme poverty generally, but also agriculture specifically and addressing the current food and energy price crisis and what that's doing around the world.

So our goal for our discussion today will be to talk about the food price crisis, which is having a dramatic impact on the poorest parts of the world. Whereas in the United States today we spend 11 to 12 percent of our disposable income on average on food, in parts of the developing world where many of our panelists work and apply a lot of creativity and innovation to solve problems, households and families spend 70 or 80 percent of disposable income to secure food.

So when food prices double or triple as we heard President Zoellick talk about, that means people go hungry. And for the first time in a long time, now the number of actual hungry people around the world, people who don't get enough food to meet their basic energy needs, has gone up from 840 million to 923 million.

It's going in the wrong direction. It's a huge number. And most importantly, it does not have to be that way. And so the focus of our discussion will be to understand this problem in a little bit more detail and to learn about how we can all apply our efforts and energies to solve it.

One of the things that we're asking of you, of course, is to submit questions via the table moderators so that when we come back after the table discussion, our esteemed panel can address some of your specific questions and address some of your thoughts and observations.

I'd like to start by asking Secretary Albright, who needs no introduction, of course. As United Nations representative, Secretary of State and now with The Albright Group [she] has led us through many crises. We've been hearing about this food crisis as a global crisis, and you in your op-ed in *The Boston Globe* called on world leaders to address it.

Yet, extreme poverty and food crises seem to come and go, and people get interested for awhile and then the interest wanes. In fact, in 1980 we were spending 20 percent of official development assistance on agriculture. Today it's less than 4 percent. How do we get the world energized around this issue and do you think this type of issue can have the staying power of other national security crises?

MADELEINE ALBRIGHT: Well, I am truly delighted to be here and have an opportunity to discuss this very important issue. I think part of our problem is we get crisis fatigue. There are so many different crises, and we try to figure out how to address them. And the combination of crisis fatigue and short attention spans, I think, make things very difficult.

What I found interesting about the food crisis is that while experts actually understood that something bad was happening as a result of confluence of forces, all of the sudden it was on the front pages. Everybody was panicked about it. There were food riots and things. And now all of the sudden again, as you pointed out, it has kind of disappeared.

But it is a serious crisis, and it's long term. And I don't know all the different ways that one counts the number of people that are affected by poverty or hunger. There are many different ways to count it. But clearly, there are a lot of people who are poor and who are not eating right, who are either actually starving or just malnourished.

And I think there are a lot of different ways to look at it, and I think it goes to the point: how do you really motivate national political will and international political will to do something about it? You can either think about it from humanitarian terms; our fellow human beings are starving. Or you can think about it more kind of in terms of general instability in fragile states. Or you can think about it as a national security issue.

I have learned in my political life that there are few ways to get the attention of leaders except if you say it is a national security issue. And I can argue that on a whole host of subjects, and I have actually, but I think one can make that point very clearly on this issue.

First of all, there is no doubt in my mind that this is a manmade problem. Man, I underline that problem, [laughter] and can be solved by the activities of men and women together by results of policies and pressures on the state. But we have to realize that it has come from kind of a combination of a perfect storm of rising oil prices, climate change, urbanization and, frankly, the desire for a quick fix. There was some discussion of the ethanol issue earlier, and I think it's an example of a quick fix that has unintended consequences.

Obviously, in terms of how those issues work – on oil, the rise of oil prices – again we had a great introduction this morning I think, so we can just say all this in code, to a great extent. Clearly, you need it in order to farm, either to move the tractors or for fertilizer.

The climate issues are very serious in terms of desertification, generally the usage of water, all the aspects that you need for that.

Urbanization I think is a real problem for two reasons. One is that it actually takes the land and two, it puts a lot of people into an area where they can't supply themselves with food, and so they are dependent on their fellow human beings. And then the quick fix, as I said, ethanol.

Now, in order to make this a national security issue, I will give you the perfect example: Pakistan. Pakistan has everything as a country that gives you an international migraine. [Laughter] It has nuclear weapons. It has poverty, extremism, corruption, terrorism and a weak government. And it has hungry people.

In terms of some statistics that Oxfam puts out, 56 million people in Pakistan are urbanized, and 21 million people of that are food-insecure. And part of what happened in Pakistan — they had food riots recently over the increasing food prices — they decided then to ban the export of flour. And they banned it to go to Afghanistan. And we already know the importance of how Pakistan and Afghanistan are linked together. In Pakistan they started having ration cards.

And so the result of higher food prices in one country specifically affected what was going on in a place that has been called by Obama as the "central front of terror." And so

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by creating hunger, not only in Pakistan but additionally in Afghanistan, it has what I call the "billiard ball effect." A lot of people always think of international relations as chess. It's not chess.

Those are two people quietly in a room with plenty of time between their moves. It is more like pool, billiards, where somebody picks up a cue stick, knocks a ball into – thinks they're going to get it into some other pocket on the other side. In the meantime, it hits a lot of other balls on the way, and that is what is happening with the food crisis.

So I would, in fact, call it a national security issue and try to get the attention of our political and international leadership on that basis because hungry people are much more likely to be angry people, and that creates instability.

RAJ SHAH: Well, that certainly gets us started. And, Namanga, I'd like to go to Namanga Ngongi next. Namanga, you are no stranger to crises. You've been the Deputy Executive Director of the World Food Program, the U.N. Representative in the Congo and now the president of the Alliance for a Green Revolution in Africa.

You're pursuing a strategy to bring a green revolution to sub-Saharan Africa in particular to address the complexity that Secretary Albright just described. Yet, your strategy is focused and you're targeting smallholder farmers. Why are you pursuing that strategy? Why are smallholder farmers so critical to solving this problem in the long term? And why do you think you'll succeed when many others have tried this somewhat less successfully?

NAMANGA NGONGI: Thank you, Raj, thank you. Thanks to Secretary Albright for really introducing the national security angle of the issue of security that is very critical.

AGRA was created to focus on smallholder farmers essentially because they constitute the vast majority of the farmers in Africa. At least 70 percent of the farmers in Africa are smallholder to [inaudible]. Secondly, because a lot of the smallholder farmers themselves are deficient producers, they don’t produce enough. They are farmers, but they don't produce enough for their own families to eat.

And thirdly, because the smallholder farmers have been starved, starved for let me say technology that will enable them to break the cycle of poverty by increasing their productivity, production, and let me say, surplus for market so that they can be able to make a go, a little bit of a living.

And if we are able to do that and we also know that at least 70 percent of the smallholder farmers are women. If we want to attack household food security or want to attack health issues at a family level or want to attack education as a problem, therefore we have to have resources in the hands of those who spend a lot of their energy worrying about family welfare, so really that's why we are focusing so much on smallholder farmers.

And it is feasible. It is feasible to note there is evidence throughout Africa, little pockets of progress that has been made. The large scale recently has been Malawi where there has been really at a national level a wonderful turnaround from a deficient country to a food surplus country.

Uganda, as President Museveni is here, Uganda has also done that for many years. It recently went also from gross deficits, especially during the '80s crisis of the country, to now. I would say it's a stable production and a more or less national balance with huge surpluses of bananas, which are difficult to use. So it is feasible to be done, and it does not cost so much money.

The difference of AGRA is that whereas before, various aspects of the, let me say, value chain have been attacked by different individuals, AGRA is trying to have a comprehensive approach to the value chain from seed/soil production to transportation to markets and value addition to try to have some kind of a comprehensive approach to smallholder agricultural development.

RAJ SHAH: Thank you, Namanga. I had the opportunity to visit some of AGRA's seed programs in particular recently in Tanzania and Kenya, and it is unbelievable the progress that African scientists on national research stations are having at

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producing crop varieties that are hardier, that are more drought-resistant, that protect farmers from pest and disease.

And we're beginning to see farmers plant those varieties on their fields already, three years after the inception of your program, and it's already making a difference in the quality of their lives and their ability to feed their children and their families.

But often when we talk about a green revolution or hunger, we talk and focus on seeds and on fertilizers, soil management strategies, things that are fundamentally about the production of food. And we know, especially in sub-Saharan Africa, it's been very difficult to have small farmers that live very far from markets, maybe don't have access to basic market price information. It's hard to connect them to markets and create the commercial and financial incentives for them to adopt those improved seed varieties and for them to use improved means to invest in their soil and water management.

Eleni Gabre-Madhin is the Chief Executive Officer of the Ethiopian Commodity Exchange. And what is amazing about this program — and Eleni's background is as an agricultural economist, a Stanford-trained agricultural economist, an expert at the International Food Policy Research Institution where she has studied Ethiopian famines since 1984.

Eleni, you believe the program you are creating is a specific project that will, in fact, prevent future famines,

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the kind that many of us grew up seeing on the television and motivated us to get involved in this type of work. Could you tell us about the solution you're putting in place and how you think that's creating markets for smallholder farmers?

ELENI GABRE-MADHIN: Thank you, Raj. Obviously, I'm from Ethiopia, and famine is no stranger to my country. And yet, when we look at the last few major famines – 1984, 2002 – there were, in fact, surpluses in certain parts of the country, and that was a staggering fact for me to become aware of, that simply distributing grain within the country would have partially, if not totally, alleviated the major famine in 1984 where 1 million people starved to death.

Now, obviously, food aid is currently the only solution that we tend to think of, and yet, I think food aid is a very expensive and unsustainable way to clear markets.

Moreover, as Raj has said and Namanga as well, that if we are going to bring about a green revolution in Africa, and we're all working on that, then we really have to harness the power of the market in a way that no other region has had to do at this similar stage of development.

A few years ago, I had the opportunity to ask Dr. Normal Borlaug, the 1974 Nobel Laureate, Father of the Modern – of the Green Revolution in Asia – I said how did Asia do this with, you know, with markets? How did you address the collapse of prices that happens after a bumper harvest and how did you get farmers to adopt technology? And he sort of looked at me and said, "We didn't have to worry about the markets. Governments absorbed everything."

But now the liberalized market era that we live in, we simply can't let the market be purely at the hands of the government. We live in the market era, and it's my view that we are expecting African farmers to absorb far more risk than any other region of the world than in any period of history.

In Ethiopia, for example, maize prices vary by as much as 50 percent annually. That's a huge amount of risk to expect farmers to bear. So when markets don't clear, meaning when supply doesn't match demand, then we're in a very volatile market situation where everybody loses. Producers lose because they're not able to get price incentives.

Prices are too low in years of bumper harvests or they don't have markets at all so they can't even access the market. Consumers lose because prices are too high, and so welfare goes down. So our initiative, the Ethiopian Commodity Exchange, is an effort to realign markets and to enable markets to clear at the appropriate price that reflects the underlying supply and demand market fundamentals.

A quick point about why markets don't clear or why markets don't work in Africa is, I think, because we are in the context of very high costs, high transaction costs of using the market, very high risks as already mentioned, very weak enforcement system, some of the things that Hernando de Soto referred to yesterday, very limited market information and, therefore, a very non-transparent or non-coordinated market. So it's very difficult to find a buyer if you're a seller and vice versa.

So I've spent quite a few years looking at how to create a market mechanism that can address these concerns. And of course, a commodity exchange is not a new concept to the world. In this country we have several major organized markets: the Chicago Board of Trade, the New York, now the International Commodity Exchange, ICE, and many other commodity exchanges worldwide.

But it is a very new concept to Ethiopia, and what we plan to do with this commodity exchange, which was launched about five months ago in an effort supported by various donors around the world, is to do essentially four things: to bring order, integrity, efficiency and transparency to all market actors.

So how we do that is through introducing standardized products, a system of grading and standardizing products, so that's the integrity of the product through a system of warehouse receipting that brings security to all the market actors, so you know what products you're getting. You know where it is, and you can get your hands on it when you want it.

Secondly is to bring security or integrity to the transaction through a trading system, standardized trading parameters, delivery terms, quotation basis, and a system — an in-house clearing and settlement system where basically we have created a zero-default system with our partner banks.

Thirdly, through taking market information to all the market actors using the power of technology. We have set up electronic price boards around the country that transmit real-time prices to farmers and consumers and traders around the country, and this is a very aggressive system, also using SMS as well as networked electronic price stickers.

And then finally through a system of membership so we have members. The former traditional trading community and farmers and large factories have joined the exchange as members of the exchange, and we have — it's a rule-based system, so again, referring back to de Soto's comments about the importance of the legal framework to create an enforceable contract.

So all of these four things really combine to do something quite exciting and innovative. We're quite new, so it's hard to report on the impact so far. But what we're doing is essentially nudging the country a few inches on many different fronts.

RAJ SHAH: And, Eleni, you're doing an incredible job of it. I had the chance to visit the Chicago Mercantile

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Exchange and ask executives there how do you solve this problem? How do you create markets? And a whole team of their specialists and executives had just come back from Ethiopia where they said, "Well, look, we are helping them establish this kind of a system in Ethiopia, and if it's successful, you know, that country could avoid future famines." And they were so empowered by the idea that their expertise was contributing to solving such an important problem.

Ken, you have a different example of helping the poorest and the smallest farmers gain access to international markets. You have for more than 13 years run Lotus Foods, which is a program where you're buying and convincing smallholder farmers to sell heirloom rice varieties in California and other parts of the U.S. market where they're getting a premium.

A lot of people say it's very hard to work with small farmers and to get them to produce things that can actually meet safety and quality standards and consumer standards in the United States. How did you do it?

KEN LEE: Well, thanks, Raj. I just want to say I'm so pleased and honored to be here. I'm sitting here listening to all these distinguished guests and panelists and wondering why am I here? But really I do have a different side and a different take.

And so Lotus Foods, as Raj mentioned, for 14 some-odd years has been connecting small shareholder farmers all around the world in countries like Bhutan, Bangladesh, China, Argentina, even domestic varietals. We were the first organic jasmine rice to be marketed in America.

And so this has been something that's essential. If you're going to have small shareholder farmers participate in some type of a global economy, you need some type of connection to markets. And so, as Raj mentioned, it's very difficult, and it's probably why it's taken us 14 years to get to where we are [with such] tremendous challenges in working with developing countries.

Just in Bhutan, for example, it's a landlocked country, and so the transit times are tremendous. The cultural differences, when someone buys rice in Bhutan or any other part of the world that is rice-focused, they know to sort the pebbles and the mud balls and the chafe and the seed pod hulls. All, any of these things could jeopardize your container at the port when it's entering the United States.

So these are like death knells for a company as small as Lotus Foods when we started. So lots of little details had to be, you know, we've been talking about macro issues. I'm kind of sunk into these micro issues.

And then when you get the rice to America, it's like nobody knows what you're talking about because agribusiness has

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been such that, you know, the state of specialty rice was like basmati rice or jasmine rice, but nobody knew about Bhutanese red rice or kalijira rice, dwarf aromatic rice from Bangladesh. So we had to then educate people in the states, and so there's like two sides of it. It required a lot of education.

But the thing is that Americans in our market and now in Canada, they pay a premium for these traditional varieties of rice, the culinary treasures of these countries, which they would never have experienced without us bringing them here. So we started with white tablecloth chefs, and they got to like puff their chest out and show what they can do with these new varieties.

And so it was very exciting but very labor-intensive. And because they were treated as specialty rice, not commodity rice, we could command a premium and we could share that with farmers.

But really I don't want to spend too much time on Lotus Foods in terms of the past because what's really driving us now is something called SRI. SRI stands for the system of rice intensification. And when you hear intensification, some people think that's chemical farming, but it's not. This is a revolutionary new methodology of growing rice that's been fostered around the world in 42 countries by Cornell University through its – well, through Cornell. I'll just leave it at that. It's a long answer.

But through Cornell, they've been propagating this new methodology, which uses less seeds, 90 percent less seeds, 50 percent less water and less land where they can grow more like high-value vegetables and crops, whether they sell in markets or even to supplement their own diets. And so in all of this, these yields, these gains without using agrichemicals. So I'm sure we are going to get into more of this in the details and how is it done, and I'll just leave it at that.

RAJ SHAH: Thank you and Ken, we will. One of the things with the system of rice intensification is it does, it is a different style of production of rice and it requires farmers to invest more effort and labor in managing their land, in bonding the land, in creating effective water management systems and in weeding and taking care of their land.

Secretary Albright, you've spent sometime recently thinking about land and what convinces farmers to make those kinds of human investments in managing their land, and since we are all talking about how small farmers can participate in agricultural revolutions which require making better investments in their land in terms of its production and the quality of what comes off of it, and its sustainability, do you have any insights on how some of the issues related to legal property rights affect that?

MADELEINE ALBRIGHT: Thank you, Will. Eleni has mentioned Hernando de Soto. He actually asked me to co-chair an international commission with him on the legal empowerment of the poor and based on the issues that he has been working on forever on property rights, and so we began to look at the various AGRA aspects to do with how do you get poor people to be a part of the economies in which they exist, because my motto is poor people are not stupid.

The bottom line is they are very entrepreneurial if they are given a chance to do so and so we began through this international commission that had four former presidents on it and various other former foreign and finance ministers to look at how we could empower over four billion people.

And one of the interesting things in terms of land itself was we were operating on something that Larry Summers, who is on the commission said, and that was "nobody washes a rented car," that the bottom line is if you actually own the land and you then have access to the capability of money of some kind, you are much more likely to spend it on improving the land and so the basis, kind of the practical effect of this is, first of all that legal empowerment creates identity for people.

It does also work on gender issues in that in a lot of countries women are not able to inherit anything, much less land, and so by looking at the legal empowerment aspects we are able to work on what is a problem about getting more than half the population, and as people have said, women actually work the farms so that part, and then also if you have the title to your land – most of the people actually own the land but they don’t have title to it – you then can monetize it. You can go to a bank, you become part of the system, you get a loan, and maybe it’s exactly what happens with your other things is that you then have the capability to improve your land.

And if I might say I think [that] the brilliance of CGI is, I’m about to point something out, I wrote in my book about my work with Hernando – Craig [inaudible] read it. He then last year made a commitment, two years ago now I guess, at CGI, to work on helping to plot out the land so that there actually would be people would know what they were doing and I think it’s a perfect example of the billiard, the positive billiard ball effect in terms of hearing something and then being able to pick it up – so salute.

RAJ SHAH: Great, thank you. What is so exciting about CGI and about this panel is you are hearing about specific examples, whether it’s land reform through that initiative, the rural development institutes, another outstanding organization that is pursuing land reform in ways that helps small farmers, efforts to create local markets or international markets for some of the poorest and most vulnerable people on earth, or AGRA’s recent successes in helping to introduce improved crop varieties that are solving the problem we started with, the

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severe problem of extraordinary hunger and poverty and how that's getting worse in a sustainable way.

I wonder if – and that's great and that should inspire us all to do more – I wonder if you could also address some of the challenges of scaling these efforts, making sure we can get to tens of millions or hundreds of millions of people over time, and Namanga, maybe I'll ask you to help us think about how is AGRA thinking about turning some of these winds in certain communities into at scale change and impact in transformation throughout the continent of Sub-Saharan Africa?

NAMANGA NGONGI: Thank you. First of all, the easy route will be to ask you for more money. [Laughter]

RAJ SHAH: It won't. [Laughter]

NAMANGA NGONGI: But we actually are working with communities, working with local institutions, first of all to try to mobilize internal resources, to ensure that the private sector within African countries is participating in this effort, but if you just think, Africa plants 100 million hectares of grain, of maize. You need two million tons, two million tons of seed for the 100 million hectares, so if we can develop seed companies in Africa to be able to produce a seed that is wonderful.

That is money which is generated internally, used internally, and do not need to ask for, let me say, just more external assistance. External assistance is required. If we

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also mobilize the financial resources in banks which are in Africa, which we are doing now, let me say, on a four-scale level in which we are leveraging banks to be able to get money to go to the rural areas and to agriculture in particular. That would be a wonderful contribution to bridging the gap of the resources that are required.

But a lot more resources are required and especially in the area of building institutions that will carry on the research, the education research and training for the future generations, because it’s not a one-shot deal.

RAJ SHAH: No, it’s absolutely not and we are now going to go to our table conversations. I am going to ask Daniel Stone from America Speaks to come up but I will say when we come back I notice that Ken was shaking his head a little bit because I know there is a debate in agriculture about what’s the best way forward.

KEN LEE: Equal time.

RAJ SHAH: And we’re going to address that head on when we come back. So thank you very much and now we will have the table discussions. [Applause]

DANIEL STONE: Thanks very much. Once again, our panel has explored a wide range of issues here related to food security, dealing with both production, marketing, legal, political kinds of issues, and we now again want to engage you folks in the conversation at your tables.

Again, our question that we would like you to engage with is based on the issues you've just heard about in relationship to food security. What do you believe are two or three actions that can be taken by different sectors, be it government, be it industry, NGO, civil society, in order to address these issues? And, also, are there things that people such as individuals in this room can actually do by way of commitments that might be able to have a significant impact on these issues?

Now this table group discussion is going to be a little bit shorter. As you noticed, we started a little bit late so I want to encourage you to move your best ideas to the front of the discussion. We will be back later.

[END RECORDING]