



Towards a Secure and Fast Recovery

Indonesia Economic Prospects, December 2020

Part B: Food Security

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COVID-19 has brought food security into focus, inviting a new perspective on agrifood policy

The pandemic generated...

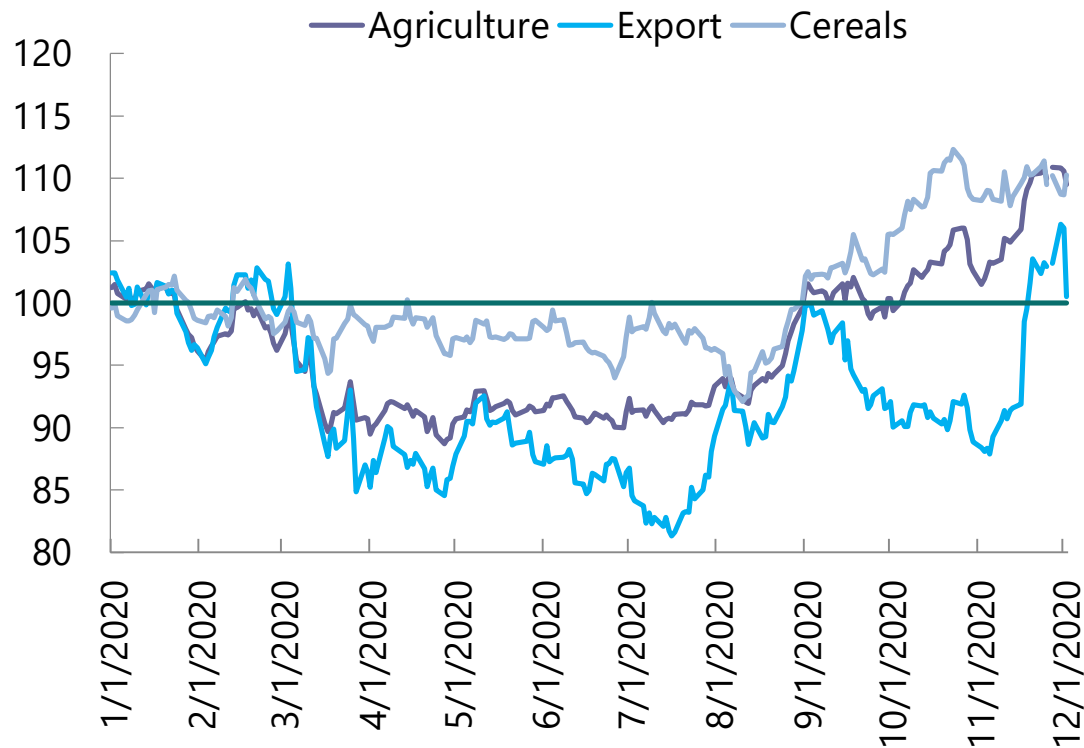
- Temporary spike in household food shortages (up 33% in May)
- Some disruptions in local food supply chains
- Focus on mitigating impacts: additional social support programs

In the process it revealed...

- Food supply is robust
- Food insecurity is less about (rice) availability and more about food access and affordability
- Agrifood policy needs to focus more on nutrition and healthy diets

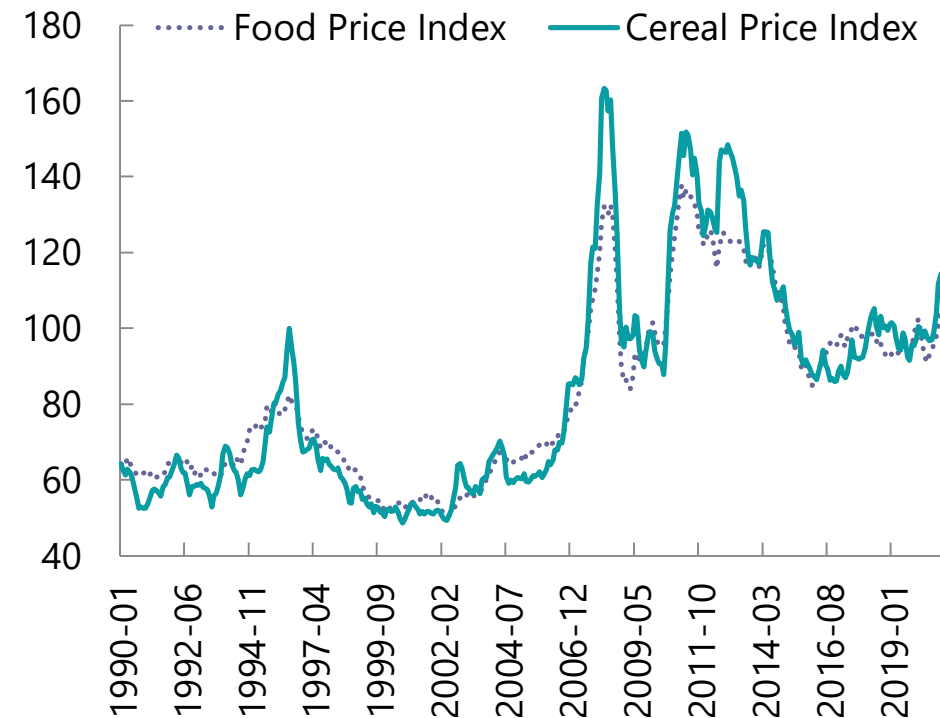
Global food situation has remained stable during the pandemic

Trends in Agriculture and Cereal Prices (nominal terms)
(Index Jan., 2020=100)



Source: World Bank Commodity Price Data

Global food price index remains below the levels of
the 2007-08 and 2011-12 crises
(FAO Food and Cereal Price Indices (Jan 2000 – Nov 2020;
nominal, 2014-16=100))

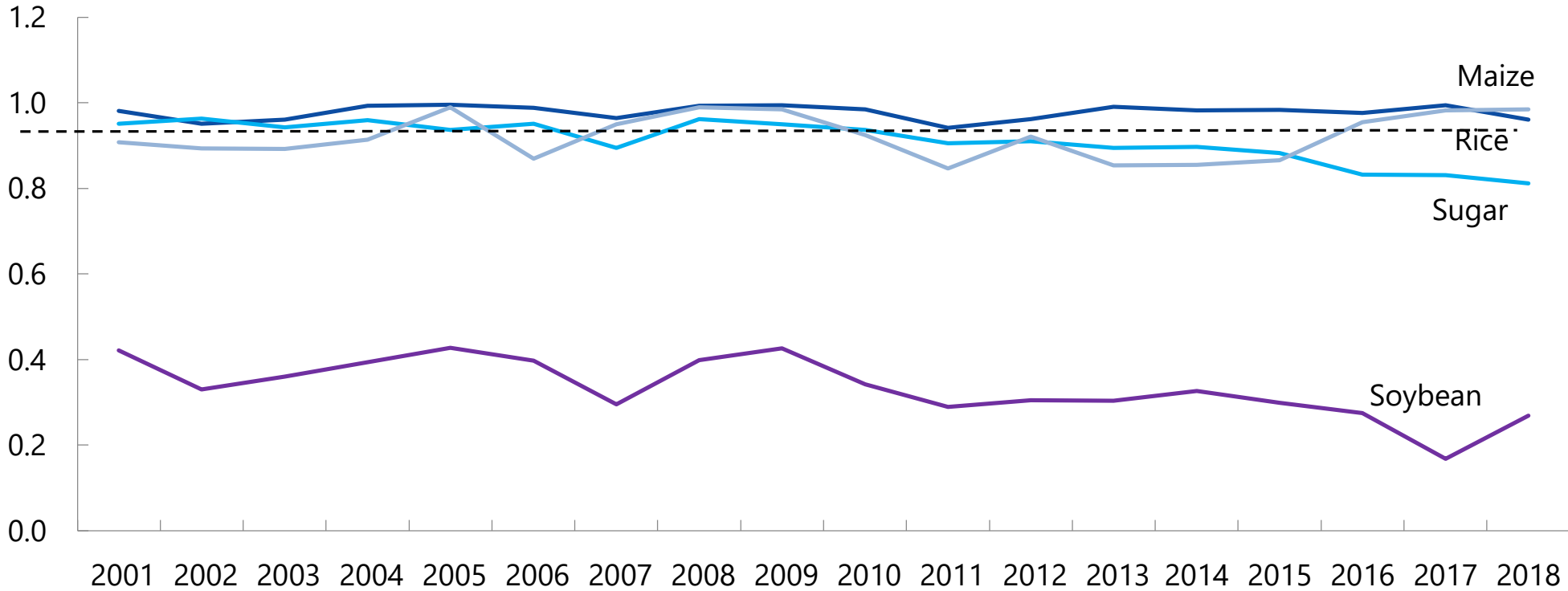


Source: FAO Monthly Food Price Index



Agriculture and food security policies have been dominated by rice and by self-sufficiency focus

Self-Sufficiency Ratios of Strategic Commodities

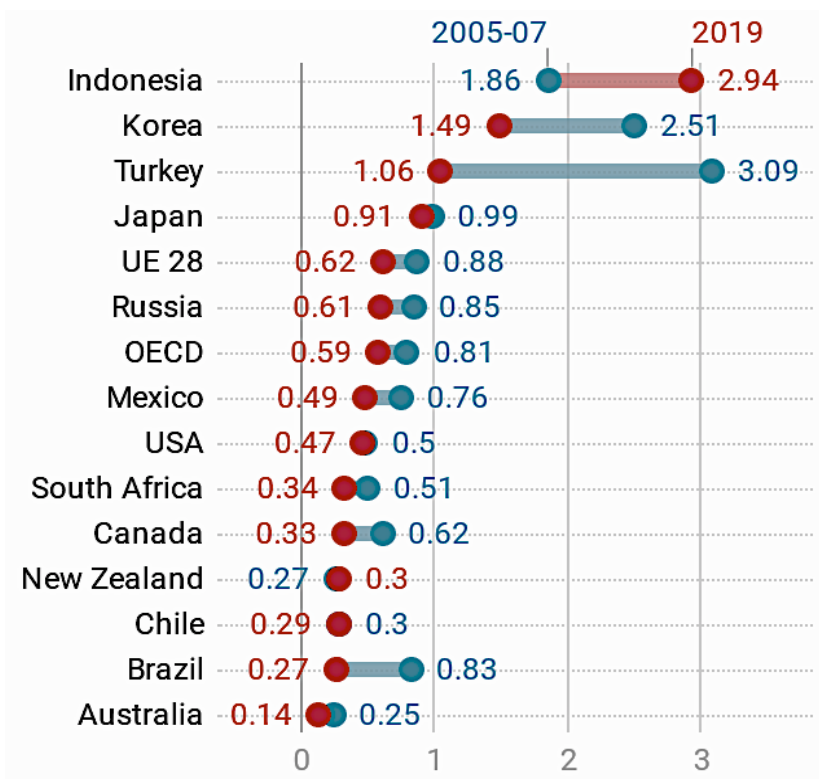


Source: Own estimates, based on data from FAOSTAT, International Trade Center/UN COMTRADE



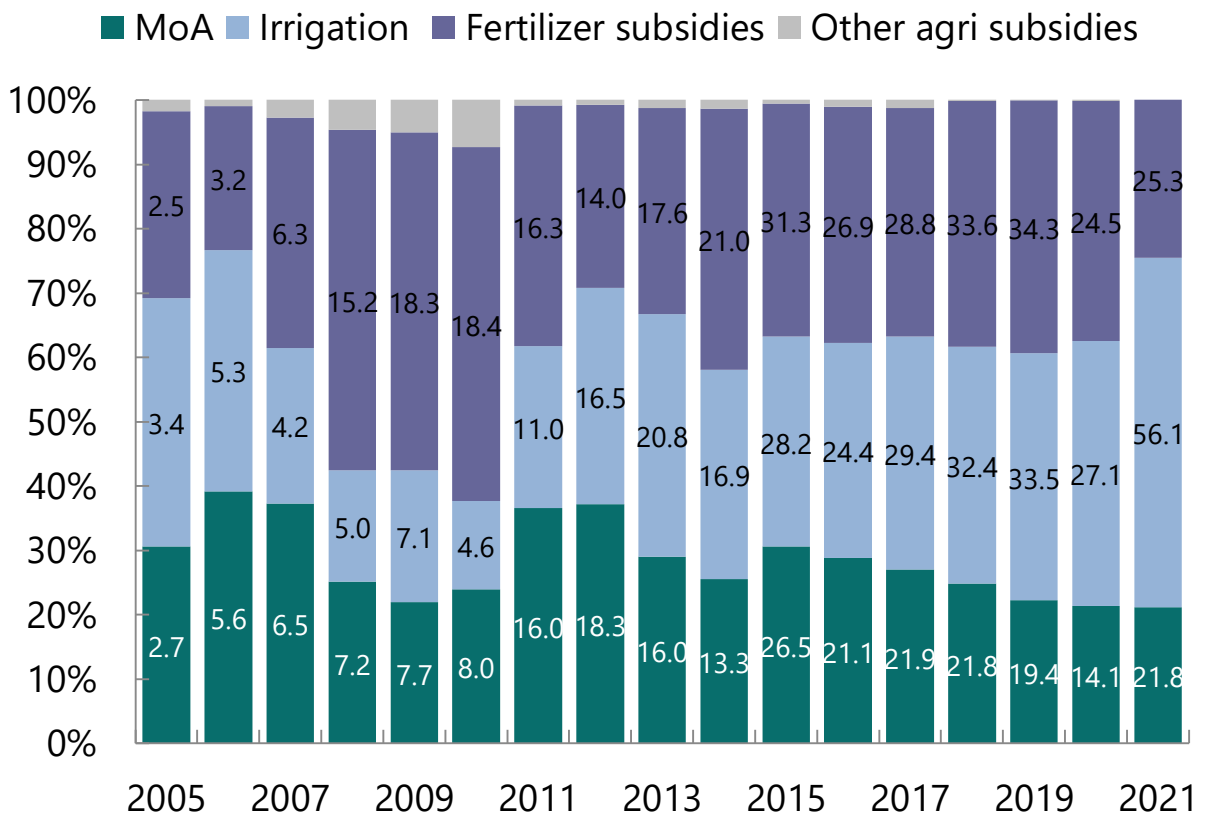
The level of agricultural support has been high but concentrated in a few areas

Total Support to Agriculture as percent of Gross Domestic Product (%): Average 2005-07 vs 2019



Source: OECD

Composition of Central Government Agriculture Spending: 2005-2021; IDR trillion



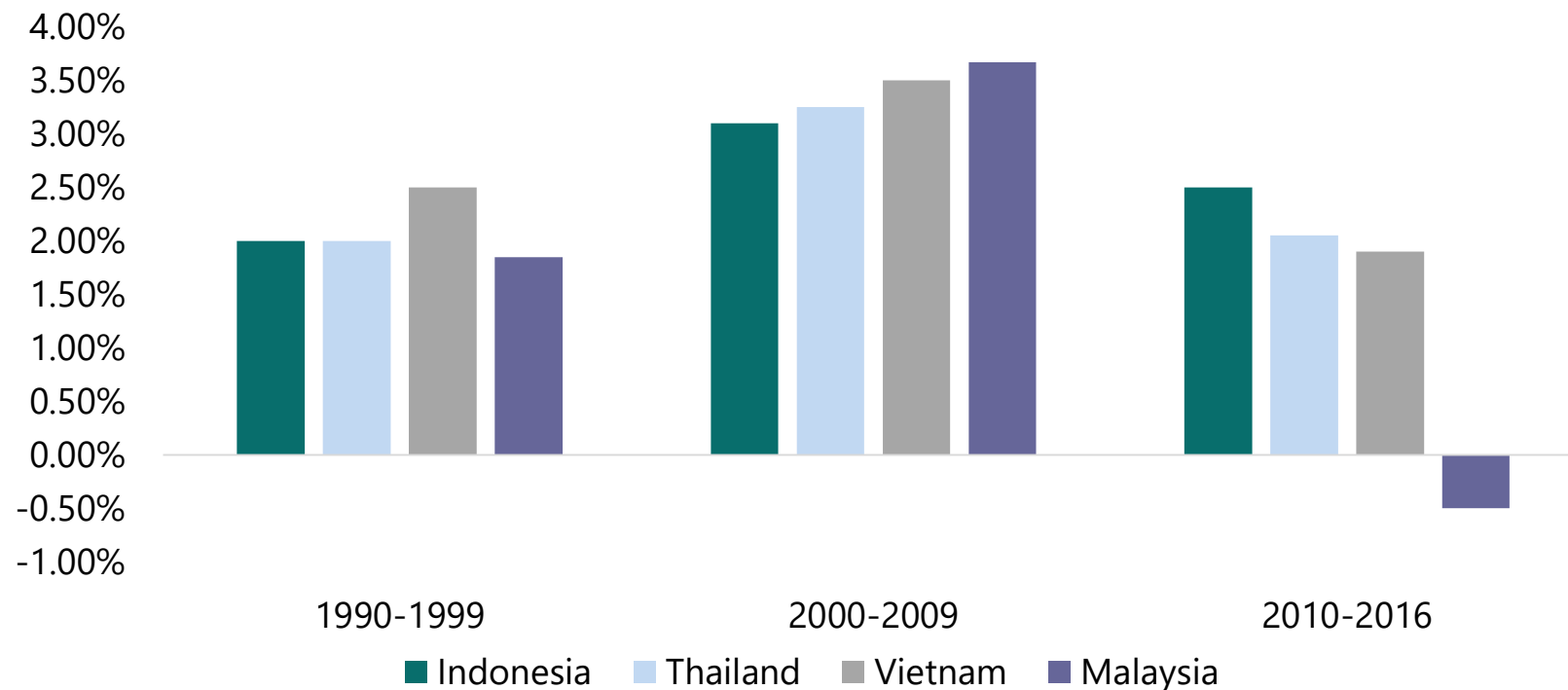
Source: World Bank



Growing expenditure on agriculture has not been matched by growing productivity

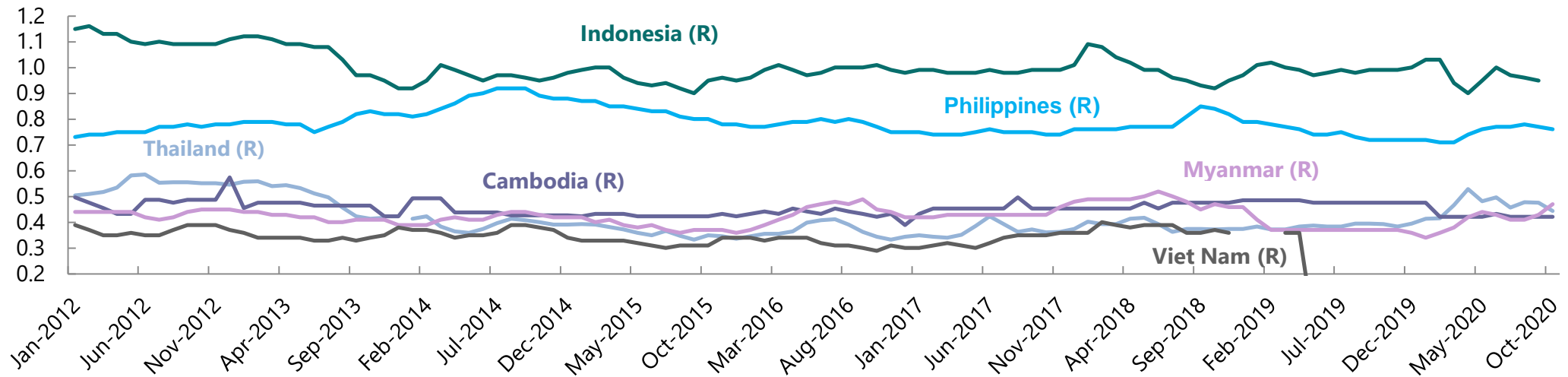
Total factor productivity may be running out of steam

Agriculture TFP, growth by decade, 1990–2016

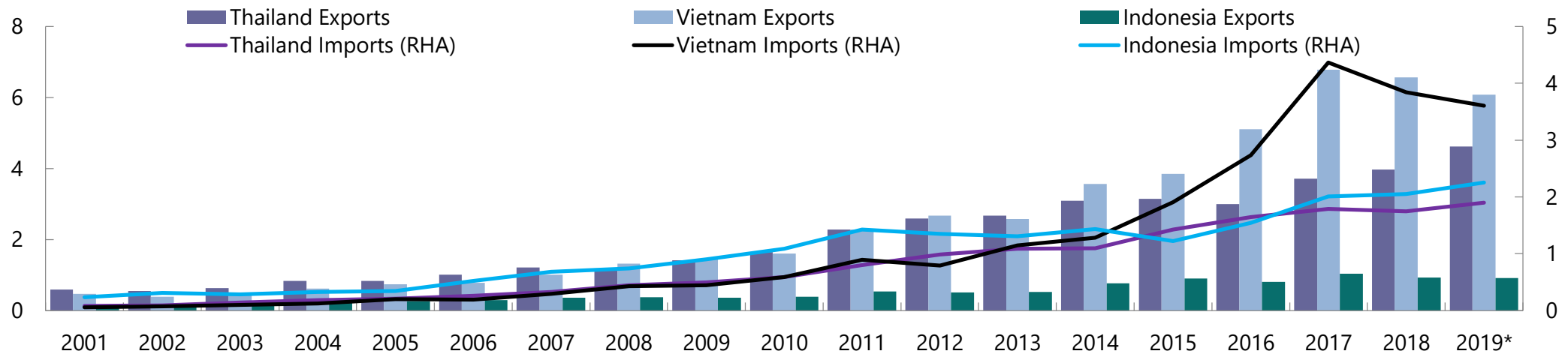


This has contributed to high Indonesian food prices and insufficient diversification ...

Retail price of rice in selected Asian countries, 2012-20 (USD/kg).



Export and Import Value of Fresh Fruits and Vegetables in Selected EAP Countries (USD billion);

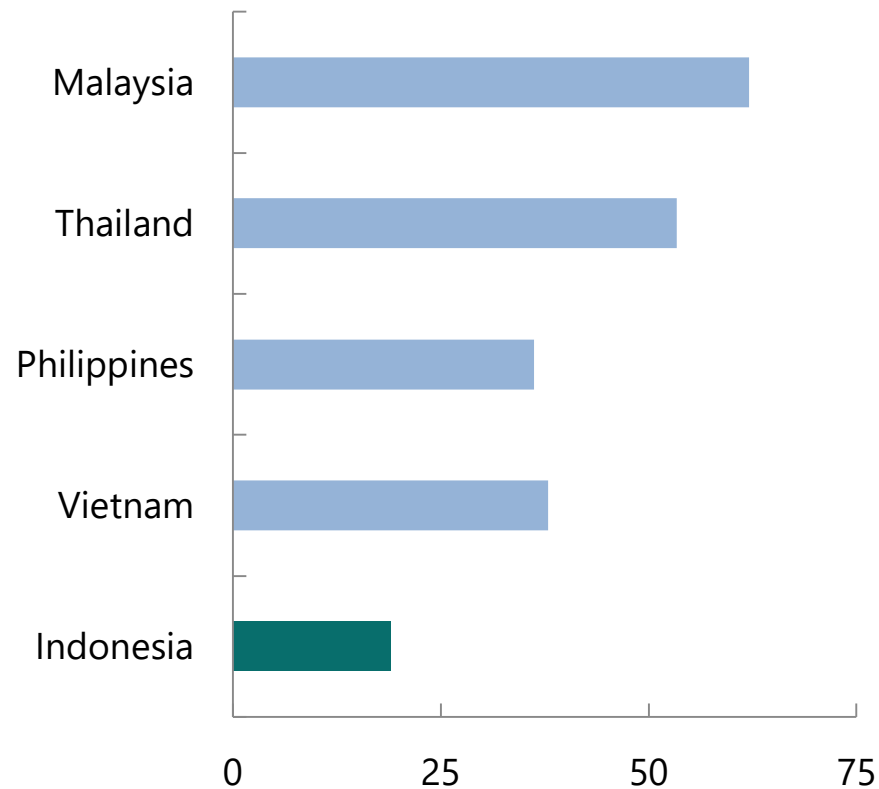


Source: Own estimates based on FAO GIEWS; Own estimates from ITN/UN COMTRADE



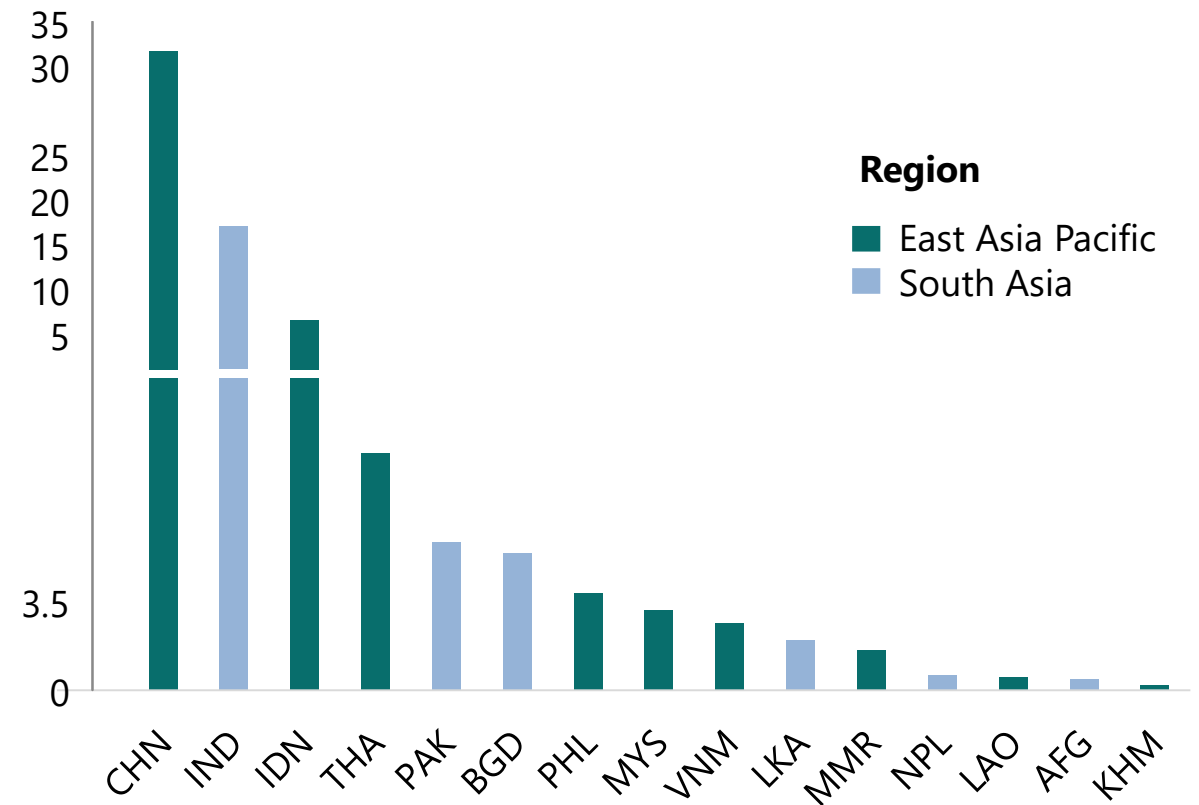
... and significant nutritional gaps

Diet Diversity Index
(range: 0 – 100)



Source: 2019 Global Food Security Index,
The Economist Intelligence Unit

Human Capital Productivity Loss due to Food-Borne
Diseases, (current US\$ billion, 2016)



Source: Jaffee et al. (2019)



Three shifts are recommended to address food security challenges and modernize the agri-food system



Broaden the food security approach to address **affordability and nutritional adequacy** issues



Re-adjust food security **policy goals and instruments**



Improve **quality of public spending** to enhance productivity and innovation in the agri-food system



Recommended adjustment to food security policy goals

- 1 Shift from exclusive focus on increasing output to **increasing productivity** of crops and livestock
- 2 Transition from protecting farmers of selected crops to enabling **structural transformation** towards a **diversified agriculture** that benefits all farmers
- 3 Move away from protecting the domestic market with import restrictions to supporting the improved **competitiveness** of agriculture, and open up vast **export markets** for domestic producers



Development of the agri-food system could also help advance other national priorities

Development and modernization of the agrifood system can help to:

Boost agricultural **incomes**

Grow agriculture and food **exports**

Promote **nutritional adequate and healthy diets**

Enhance economic **inclusion**

Promote **environmental sustainability**

Establish **lower** and more stable agricultural **prices**

Increase agricultural **jobs**, especially in processing, trading and food-services

Increase food **choice and convenience** for consumers

Create a more **competitive agriculture** & enhance its longer-term **growth potential**

