

The Global Food Crisis: Creating an Opportunity for Fairer and More Sustainable Food and Agriculture Systems Worldwide

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Time for a Fresh Look at Sustainable Agriculture Policy Alternatives
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Outline

- **The Food Price Crisis: What is Going On?**
- **Why Did Prices Rise?**
- **The Food Crisis: Who Is Affected and How?**
- **How to overcome the food crisis and set the foundations for the transformation of agriculture**

Agriculture and Poverty

- **Developing world**
 - 5.5 billion people
 - 2.5 billion are in households involve in Ag
 - 1.5 billion are smallholder households
- **800 million people food insecure**
- **80% of food insecure people are in rural areas**
- **In many developing countries:**
 - >50% of employment
 - >25% of GDP
- **Increase in GDP from Ag is twice more efficient for poverty reduction than any sector**

The Food Price Crisis: What is Going On?

- **Agricultural commodity prices reached record levels of nominal prices in early 2008..**
- **World attention is focused in food prices.**
- **Human made crisis.**
- **Poor policy choices:**
 - **Elimination of public stockholding in the USA.**
 - **Failure to invest in agriculture, support small farmers and encourage local food production.**
 - **Failure to protect ecosystems.**
 - **Government deregulation.**

Why Did Prices Rise?

- **Long Term Trends Relevant to the Performance of the Agricultural Sector**
- **Short-Term Factors in the Price Crisis**

Long Term Trends Relevant to...

- **Failure to address poverty:**
 - Decades of low agricultural prices have depressed rural income and discouraged investment in productive capacity of agriculture.
- **Failure to address food security:**
 - Little progress in improving food security.
 - Focus on exports has directed new investments to export high value products to high income markets.
- **Failure to address environmental performance:**
 - Agriculture and Forestry second to fossil fuels in GHG.
 - Inability to introduce environmental costs into producers balance sheet.

Short-Term Factors in the Price Crisis

- **Rapid increase in use of grains and oilseeds for biofuels.**
- **Low level of stocks-to-use ratios.**
- **Deregulation of US commodity futures trading and increase price of oil, triggered high speculative demand for grains and oilseeds.**
- **Impact of China, India, and weather have been over estimated.**

The Food Crisis: Who Is Affected and How?

- **Consumer prices increase, producer prices also increase.**
- **Most net sellers and marginal buyers of food are in rural areas where most of the poor and food insecure are.**
- **High prices have positive impact in rural labor markets.**
- **Shift to lower input agriculture and traditional food stuffs.**
- **Impacts can not be generalized.**

How to Overcome the Food Crisis and set the Foundations for the Transformation of Agriculture (1)

- **Higher agricultural prices: opportunity to invest in agriculture. But which type of investment matters.**
- **Goal: poverty reduction, increase food security, and enhance environmental performance.**

How to Overcome the Food Crisis and set the Foundations for the Transformation of Agriculture (2)

- **Actions of short-term impact**
- **Actions of mid/longer term impact**

Actions of short-term impact

- **Smarter production and use of biofuels**
- **More and better humanitarian aid**
- **Regulated commodity exchanges**
- **Domestic policy space in trade policy**

Actions of mid/longer term impact

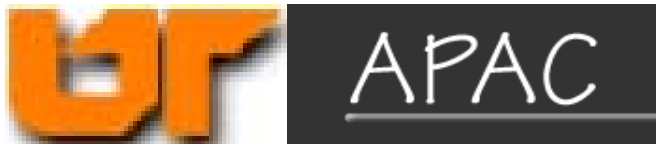
- **National objective: more sustainable agricultural production**
- **Investment in infrastructure**
- **Investment in production capacity**
- **Investment in institutions: democratize access to land, water, credit, policy making**
- **A reformed multilateral trade system**
- **Regulated market power**
- **Re-establish food grain reserves**
- **Agriculture and energy policy**

Concluding Remarks

- **We can not afford to go back to the pre-crisis agriculture. If nothing is done, missed opportunity for poverty reduction, agriculture, and climate change.**
- **Agriculture priorities: production and consumption of local crops, invest in productive capacity in the South, revalorization of small holders and rural development.**
- **Introduce environmental costs in producers balance sheet.**
- **Domestic food policy objectives before trade objectives.**
- **Be prepare for lower prices !**

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