



## Brussels Rural Development Briefings A series of meetings on ACP-EU development issues

### Briefing session n° 7: Rising Food Prices: an opportunity for change?

**16<sup>th</sup> October 2008 - 8h30 – 12h30**

**European Commission, Building A. Borschette, Rue Froissart, 36 - 1040 Brussels  
Room 1D**

<http://brusselsbriefings.net/>

#### **The Food Price Crisis: what is happening and why?**

International food prices of all major food commodities reached, in the first three months of 2008, their highest level in nearly 30 years and are likely to remain high for the next decade. The world food prices have roughly doubled in the past three years, while witnessing an alarming 85% increase between April 2007 and April 2008<sup>1</sup>.

World market prices are rising. The price of wheat has risen 130 per cent over the past year, and the price of rice has doubled during the first three months of this year alone and this despite a record 2.3 billion-tonne cereal output in 2007, or 4 per cent more than the previous year. Since 1961, world cereal production has tripled whilst the population has «only» doubled. What is absurd is that although more cereal per capita is being produced, some one billion people can no longer afford it. At the same time, roughly 50 per cent of world cereal production is being used as animal feed and an increasing amount is also going into biofuels production. Soaring food prices will affect most developing countries' markets.

#### **A multiplicity of factors**

The present crisis is the result of many factors, including declining agricultural productivity in many developing countries and rising demand, largely due to population growth, urbanisation and rapid economic development in East and Southeast Asia. The effects of this unbalanced relationship between offer and demand were amplified by several factors, among which we can list:

- lack of investment in the agricultural sector;
- poor harvests in major producing countries, linked to extreme weather events and recent droughts, as well as to transboundary animal and plant diseases;
- food stocks decline - world stocks are at the lowest levels since the 1970s;
- subsidized production and increased demand for bio-fuels, that substitute food production;
- slow supply response;
- high oil and energy prices raising the cost of inputs like fertilizers and irrigation as well as the cost of transport of inputs and food;
- the weakening of dollar;
- speculative transactions (include large commercial traders who are hedging in futures markets and small traders that hedge and build up storage);
- the imposition of export restrictions leading to hoarding and panic buying.

#### **The impact of rising food prices**

The consequences of rising food prices have a cascading impact on the economy fuelling inflation besides restraining MDG goals and political turmoil.

According to FAO, countries most affected, especially in Africa, will need at least a total of US\$1.7 billion to start reviving agricultural systems that have been neglected for several decades. And this amount is just for immediate and short term measures during 2008-2009<sup>2</sup>.

Low-income, net-importing countries are especially vulnerable due to a high incidence of chronic hunger and poverty as well as dependence on imports of petroleum and, in many cases, of cereals and oilseeds. The food import bill of the Low-Income Food-Deficit Countries is expected to reach USD 169 billion in 2008, 40 percent more than in 2007<sup>3</sup>. Africa, which has considerable agricultural potential but where currently the majority of countries are net importers of cereals, is particularly affected. FAO estimates that another 50

<sup>1</sup> United Nations Conference on Trade and Development (UNCTAD) report

<sup>2</sup> FAO, World Food Situation: High Food Prices - Initiative on soaring food prices now covers 54 countries, <http://www.fao.org/worldfoodsituation/wfs-home/en/>

<sup>3</sup> FAO, Food outlook, June 2008, <ftp://ftp.fao.org/docrep/fao/010/ai466e/ai466e00.pdf>

million people are being pushed back into hunger. The world's poorest people, most of them subsistence farmers, spend up to 80 percent of their income on food. Malnutrition worsens when the poor are unable to afford higher quality foods. They eat less and less well.

### **High prices: not just a threat ...**

High food prices also represent an opportunity to reverse the decades-long decline in investment in agriculture and secure a sustainable future for world food supplies. However, to ensure that small farmers benefit from higher food prices, price rises must reach the farmers and they must have confidence that high prices will continue in the medium term.

Besides historically low prices, farmers in the developing world have had to battle with a lack of storage facilities, infrastructure, access to technology and well-functioning marketing and credit systems. Lack of irrigation, especially in sub-Saharan Africa, is another major problem that must be resolved. When food prices soared in the 1970s many Asian governments chose to invest in irrigation and agricultural research, and this set the stage for rapid productivity growth that saved millions from poverty and hunger. A similar response is urgently needed today - particularly in sub-Saharan Africa.

### **Response strategies: national, regional or international level?**

Some key policy options and actions need to be considered such as:

- the need to gear agricultural policies to the needs of small farmers and vulnerable households, promote the biodiversity and sustainable production methods;
- to implement land reforms to guarantee reliable access to land and other resources;
- to strengthen investment in agricultural research, counselling and credits by means of new investments;
- a stronger orientation toward sustainability and expanding and improving the access to safety nets and risk management instruments;
- agricultural and trade policy reforms and the regulation and taxation of commodity futures trading as well as speculative investments in agricultural produce;

Given the potential impact of trade on food prices and supply, what types of policy actions should countries and the international community be taking--or not be taking--in the face of such crises? Is a regional response the way to go? What national plans are showing already factors for success?

### **Objectives of the Briefing**

In order to improve information sharing and promote networking, several partners - CTA, the EC-DG Development and EuropeAid, the EU Presidency, the ACP Secretariat, Euforic, Concord and IPS - organise bimonthly briefings on key issues and challenges for rural development in the context of EU/ACP cooperation.

The briefing on 16<sup>th</sup> October 2008 will be held in the context of the World Food Day organised by FAO on the Right to Food.

The briefing will discuss "*Rising Food Prices: an opportunity for change?*" by (i) raising awareness on existing and emerging key challenges; (ii) promoting exchange of information and expertise sharing among the development groups based in Brussels; (iii) feeding in the debate on food prices crisis by bringing various perspectives around the table.

### **Target group**

More than 120 ACP-EU policy makers, representatives of EU Member States, civil society groups, European research networks, researchers and development practitioners, international organisations based in Brussels.

### **Outputs**

Input and comments before, during and after the meetings will be included in the Briefings blog: <http://brusselsbriefings.net/>. Short reports (briefings) in printed and electronic format will be available shortly after the meeting. Articles by IPS Europe, partner in this event, will be widely disseminated.



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### Programme

- 8h00-8h30 Registration  
 8h30-9h00 Welcome remarks by the organizers
- *Dr Hansjörg Neun, Director of CTA*
  - *Prof. Lluís Riera, Director, DG Development, European Commission*
  - *Sir John Kaputin, Secretary General of the ACP Secretariat*
  - *Special guest: Jacques Diouf, Director-General, FAO (in videoconference from Rome on the occasion of the World Food Day)*
  - *Programme and objectives of the Briefing, Mrs Isolina Boto, Head, CTA Brussels Office*

### 9h00-10h45 **Panel 1 - Rising food prices: trends and impacts**

This panel will review the causes, trends and impacts of the food prices crisis from a development perspective, with a special focus on ACP countries and on the rural households and small-scale farmers. It will also touch upon the immediate actions which have been taken to respond to the most urgent needs.

#### Panellists:

- *What caused the food price spike?*  
*Steve Wiggins, Research Fellow, Rural Policy & Governance, Overseas Development Institute, ODI, United Kingdom*
- *Food security strategies: a leading role for farmers organisations*  
*Rose Renwick, WINFA, the Caribbean, on behalf of the ACP regional producer's organisations*
- *A civil society perspective on the food prices crisis*  
*Stineke Oenema, European NGO Confederation for Relief and Development, Concord*

Discussant: *H.E. Mr Kadré Désiré Ouedraogo, Ambassador of Burkina Faso and Chair of the ACP Committee of Ambassadors*

10h45-11h00 Coffee break

### 11h00-12h30 **Panel 2 - Food for all: achieving a long term resiliency**

This panel will discuss the best policy options and actions for the medium and long term that the international community, regional organisations and governments have to take to ensure food security for the most vulnerable households and market stability for ACP economies.

#### Panellists:

- *The EU response to the food crisis*  
*Philip Mikos, Head of Unit, Rural Development, DG Development, European Commission*
- *Food price rises: is regional trade the answer?*  
*Cris Muyunda Common Market for Eastern and Southern Africa (COMESA)*
- *The role the private sector can play in responding to the food crisis impact in the poorest countries*  
*Dr Mike Bushell, Head of Jealott's Hill International Research Centre, Syngenta*

Discussant: *Dr Hansjörg Neun, Director of CTA*

Conclusions : *Professor Eric Tollens (Katholieke Universiteit Leuven), Mr Luca Alinovi (Senior Economist at FAO) and Dr Hansjörg Neun (Director of CTA)*

12h30-13h30 Networking Buffet Lunch