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Rising Food Prices: an opportunity for change?

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A Reader[1]

Resources on

Rising Food Prices

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[1] Most text in this Reader has been directly taken from the original documents or websites. The Reader is not intended to exhaustively cover the issue of Rising Food Prices but to provide for a brief overview and for a selection of information resources. For any input, kindly contact at CTA Isolina Boto (boto@cta.int) or Camilla La Peccerella (lapeccerella@cta.int).
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RISING FOOD PRICES

Introduction

The sharp increase in food prices over the past couple of years has raised serious concerns about the food and nutrition situation of poor people in developing countries, about inflation, and—in some countries—about civil unrest. Real prices are still below their mid-1970s peak, but they have reached their highest point since that time. Both developing and developed-country governments have roles to play in bringing prices under control and in helping poor people cope with higher food bills.

In 2007 the food price index calculated by the Food and Agriculture Organization of the United Nations (FAO) rose by nearly 27%, compared with 9% the year before, and in the first months of 2008 prices again increased drastically[2]. Nearly every agricultural commodity is part of this rising price trend. Since 2000—a year of low prices—the wheat price in the international market has more than tripled and maize prices have more than doubled. The price of rice jumped to unprecedented levels in March 2008. Dairy products, meat, poultry, palm oil, and cassava have also experienced price hikes. When adjusted for inflation and the dollar's decline (by reporting in euros, for example), food price increases are smaller but still dramatic, with often serious consequences for the purchasing power of the poor.

National governments and international actors are taking various steps to try to minimize the effects of higher international prices for domestic prices and to mitigate impacts on particular groups. Some of these actions are likely to help stabilize and reduce food prices, whereas others may help certain groups at the expense of others or actually make food prices more volatile in the long run and seriously distort trade. What is needed is more effective and coherent action to help the most vulnerable populations cope with the drastic and immediate hikes in their food bills and to help farmers meet the rising demand for agricultural products [3].

1. Rising food prices: setting the framework

Agricultural commodity prices rose sharply in 2006 and 2007 and continued to rise even more sharply in the first three months of 2008. While the FAO food price index rose, on average, 8% in 2006 compared with the previous year, it increased by 24% in 2007 compared to 2006 [4].

Currently, the increase in the average of the index for the first three months of 2008 compared to the same three months in 2007 stands at 53%. The continuing surge in prices is led by vegetable oils, which on average increased by more than 97% during the same period, followed by grains with 87%, dairy products with 58% and rice with 46%. Sugar and meat product prices also rose, but not to the same extent. Recent large increases in some commodity prices point also to increased volatility and uncertainty in the current market environment [5].

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[2] Data source: FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required (Information Documents for the High-Level Conference on World Food Security: The Challenges of climate change and bioenergy, Rome, 3 - 5 June 2008), April 2008, ftp://ftp.fao.org/docrep/fao/meeting/013/k2414e.pdf, p. 4.

[3] IFPRI, Rising Food Prices. What should be done? Policy Brief, April 2008, http://www.ifpri.org/pubs/bp/bp001.asp#read

[4] The FAO food price index is a trade-weighted Laspeyres index of international quotations expressed in US dollar prices for 55 food commodities (see http://www.fao.org/worldfoodsituation/FoodPricesIndex).

[5] Source: FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.

It is worth to note that the direct links between current commodity prices and retail food prices are often difficult to make without an analysis of the food production and distribution structure as well as the relative costs of inputs. For importing countries, the link between international commodity prices in local currency depends on a number of factors, including exchange rates, transportation costs and border policies, as well as the structure of the food distribution system.

Trade policy measures such as import tariffs also add to the price of imported commodities. These costs can be easily modified by governments so as to limit price increases, for instance, if governments adopt import tariffs which decrease automatically if the price of the imported commodity rises beyond a certain level, as in the case of rice for Bangladesh, or even be suspended if the world price rises beyond a threshold level, such as in Indonesia. These mechanisms function

High-price events, like low price events, are not rare occurrences in agricultural markets, although often high prices tend to be short lived compared with low prices, which persist for longer periods. What distinguishes the current state of agricultural markets is the occurrence of the hike in world prices of not just a selected few but, as noted above, of nearly all major food and feed commodities and the possibility that the prices may continue to remain high after the effects of short-term shocks dissipate. Many factors have contributed to these events, though it is difficult to quantify their contributions. Among the most important factors are the strengthening of linkages among different agricultural commodity markets (i.e. grains, oilseeds and livestock products) as a result of rapid economic and population growth in many emerging countries; the strengthening of linkages among agricultural commodity markets and others, such as those of fossil fuels; biofuels and financial instruments that influence not only the costs of production of agricultural commodities but also the demand for them; and the depreciation of the US dollar against many currencies. The price boom has also been accompanied by much higher price volatility than in the past, especially in the cereals and oilseeds sectors, highlighting the prevalence of greater uncertainty in the markets. Yet the current situation differs from the past in that the price volatility has lasted longer, a feature that is as much a result of supply tightness as it is a reflection of changes in the nature of the relationships among agricultural markets of individual commodities, as well as their relationships with others as noted above.
These differences compared to the previous periods of agricultural price hikes suggest that the observed long-term decline in real prices could come to a halt, signalling a structural change in agricultural commodity markets [6].

2. Factors underlying the current state of the food markets

The dramatic rise in global food prices is not the result of any specific climatic shock or other emergency, but rather the cumulative effects of long-term trends and more recent factors, including supply and demand dynamics and responses which have caused further price increases and higher price volatility [7].
Driving forces behind soaring food prices are many and complex where both supply-side and demand-side factors play a part. Long-term structural trends and underlying growth in demand for food have coincided with short-term cyclical or temporary factors affecting food supply, resulting in growth in demand for food commodities continuing to outstrip growth in supply. It appears that a confluence of different forces has created the unique developments that have been observed over the past two seasons. These can be summarized as follows.[8]

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to moderate price increases once goods reach the border. In the face of rising domestic prices of key commodities, exporting countries may put in place export taxes or bans. India and Vietnam recently banned rice exports when prices reached what were deemed to be unacceptable levels in domestic markets.
Once commodities reach the domestic market, the issue of price transmission through the supply chain to retail markets predominates. The link between commodity prices and retail food prices is a hotly debated issue, and depends on many factors that vary by country. In general, farm gate prices of agricultural commodities in many developed countries account on average for 25 to 35% of the final retail price. While this is not negligible, the share is often much less and varies across fresh and processed foods. The higher the degree of processing, the lower will be the share of the raw commodity in the final price at retail. This means that food prices reflect not only commodity price changes but also those of other inputs, in particular wages, energy, transport and storage. It also means that depending on the circumstances, retail food prices can change by more or by less than what would be determined by the change in commodity prices if these factors do not change to the same degree.
In developing countries the share of processed goods in the food basket is generally small, thus the increases in commodity prices are likely to be more directly transmitted through to retail prices. This fact, coupled with a larger share of income devoted to food expenditures, implies that the rise in agricultural commodity prices has a significant impact on developing country consumers. Source: OECD-FAO Agricultural Outlook 2008-2017 – Highlights, http://www.fao.org/es/ESC/common/ecg/550/en/AgOut2017E.pdf

[6] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.

[7] UN, High-level Task Force on the Global Food Crisis: Comprehensive Framework for Action, July 2008, http://www.ifad.org/operations/food/documents/cfa/cfa_draft.pdf

[8] FAO, Assessment of the world food security and nutrition situation, Document prepared for the 34th session of the Committee on World Food Security (Rome, 14-17 October 2008), ftp://ftp.fao.org/docrep/fao/meeting/014/k3175e.pdf

2.1 On the supply side

2.1.a. Short to medium-term causes

Weather-related production shortfalls - A critical trigger for the price hikes has been the decline in the production of cereals in major exporting countries, which beginning in 2005 and continuing in 2006, declined annually by 4 and 7% respectively. Yields in Australia and Canada fell by about one fifth in aggregate, and yields were at or below trend in many countries. There was a significant increase in cereal output in 2007, especially in maize in the US, in response to higher prices. On the other hand, production of all the other major food commodity groups by major exporting countries was not affected in a similar way during the same period. The quick supply response for cereals in 2007 came at the expense of reducing productive resources allocated to oilseeds in some countries (especially soybeans in the United States), resulting in an important decline in oilseed production [9].

Stock levels - The gradual reduction in the level of stocks, mainly of cereals, since the mid-1990s is another supply side factor that has had a significant impact on markets recently. Indeed, since the previous high-price event in 1995, global stock levels have declined, on average, by 3.4% per year as demand growth has outstripped supply. Production shocks at recent low stock levels helped set the stage for rapid price hikes [10].
This is one of the important reasons that international cereal prices spiked so sharply in 2006 and are expected to remain at high levels for some time. By the close of the 2008 seasons, world cereal stocks are expected to decline a further 5% from their already reduced level at the start of the season, reaching their lowest levels in 25 years. The ratio of world cereal stocks to utilization ratio is expected to fall to 18.8%, down 6% from the previous low in 2006/07[11].
Low stock levels contribute to higher price volatility in world markets because of uncertainties about the adequacy of supplies in times of production shortfalls. As a result of unfavourable weather, world cereal production fell by 3.6% in 2005 and 6.9% in 2006 before recovering slightly in 2007[12].

Increasing fuel costs and production costs - The increases in fuel prices have also raised the costs of producing agricultural commodities with, for example, the US dollar prices of some fertilizers increasing by more than 160% in the first two months of 2008, compared to the same period in 2007. Indeed, the increase in energy prices has been very rapid and steep, with the Reuters-CRB (Commodity Research Bureau of the FAO) energy price index more than tripling since 2003. With freight rates doubling within a one-year period beginning in February 2006, the cost of transporting food to importing countries also has been affected[13].
With fertilizer, pesticides and seeds all getting more expensive, oil price increases are behind much of the food inflation in developed countries and are hitting poor countries hard, too. Industrial agriculture is heavily dependent on oil, both on the farm and upstream, in globalized processing and distribution systems. Higher input costs have two big effects on hunger: they make it more

[9] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.
[10] A number of changes in the policy environment since the Uruguay Round Agreements have been instrumental in reducing stock levels in major exporting countries, namely: the size of reserves held by public institutions; the high cost of storing perishable products; the development of other less costly instruments of risk management; increases in the number of countries able to export; and improvements in information and transportation technologies. When production shortages occur in consecutive years in major exporting countries under such circumstances, international markets tend to become tighter and price volatility and the magnitude of price changes become magnified when unexpected events occur. Indeed, there is a statistically significant negative relationship between the stocks to use ratio (the ratio of stocks at the beginning of the season to utilization during the season) and the average cereal prices during the same season. This means that tight markets at the global level at the beginning of the season tend to put upward pressure on prices. As stocks reach very low levels, the absence of buffer supplies means that prices may rise precipitously under either a demand or supply shock. Source: FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.
[11] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.
[12] FAO, Assessment of the world food security and nutrition situation, cit.
[13] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.

expensive to produce food when it is urgently needed, and they exacerbate poverty in rural areas that are pursuing industrial agriculture by making it harder to improve net farm incomes[14].

Soil Depletion and Water Shortage - Modern ploughing, overgrazing, fertilizer and pesticide use result in the steady depletion of worldwide top soils. Water and winds carry away the bare soil, when it is not fixed by plant cover. An estimated 25 billion tons of topsoil are lost to erosion each year. Flooding and heavy rainfalls, due to climate change, worsen the process. The UN estimates that erosion has now seriously degraded about 40% of the world's agricultural land.
Food production requires a lot of fresh water. World-wide about 70% of fresh water use is for agriculture. But water resources are getting scarcer in all world regions, as demand soars for drinking water, industry, recreation, and other uses, as well as more intensive farming methods.
Heavy pumping of underground water has drained aquifers and lowered water tables. Large dams for irrigation and flood control have been built on many of the world's rivers, so there are now far fewer opportunities to use this approach. In fact, dam-based irrigation has caused salt leaching on farmlands, which lowers productivity dramatically or even ends fertility altogether.
Climate change contributes to water shortages too, by reducing the dependability of rain-fed agriculture and by lessening the moisture in many regions. While worldwide soil depletion and water shortages have not altered food availability dramatically in any single recent year, the cumulative effect of these trends has deepened the crisis, by undercutting both yield and land available for cropping. As these trends continue, their impact will be increasingly severe[15].

Climate change effects - The risk of climate change is likely to have a negative impact on food production. Rising temperatures will be associated with increased risks of floods and droughts and, therefore, crop yield losses. A study reported that in more than 40 developing countries, mainly in sub-Saharan Africa, predicted a 15% decline in cereal yields. Projections also show that land might become totally unsuitable for wheat cultivation in Africa. Thus, global warming might lead to a 16% decline in world agricultural GDP by 2080. This decline will be associated with a 20% decrease in the agricultural output of developing countries and a 6% decrease for developed ones.
With yields and production diminishing, the import dependency of developing countries is bound to rise. The increase in demand for food from these countries in the international agricultural market coupled with a fall in supplies by developed countries will result in an increase in the prices of agricultural items. Another study predicts that global warming resulting in temperature increases of more than 3° Celsius may cause agricultural prices to rise by up to 40%.
The adverse impact of climate change on crop yields can be checked by carbon fertilisation (the beneficial effect of high atmospheric concentrations of carbon dioxide on crop yields). However, the salutary effect of this on crop yield is not entirely going to arrest its decline. With demand from developing countries rising, food prices will continue to rise in the foreseeable future [16].

Trade-policy responses - Other factors that have exacerbated high food prices include some of the very policies intended to minimize their impact on vulnerable population groups within countries. For example, the adoption of export restrictions and bans by some countries has restricted global supply, aggravated shortages and eroded trust between trading partners. In some countries, such actions have also reduced farmers' incentives to respond to higher international prices [17].

2.1.b. Long-term constraints on agricultural production in developing countries

There are less obvious structural long-term causes of the global food crisis that are just as significant and that have indeed led to have such a serious impact on food availability. These structural factors mainly concern the difficulties of many developing countries face in increasing

[14] IATP, The Global Food Price Crisis, September 2008, http://www.iatp.org/iatp/publications.cfm?accountID=451&refID=104147
[15] FES, A new era of world hunger? The global food crisis analyzed, Briefing Paper n. 7, August 2008, http://library.fes.de/pdf-files/bueros/usa/05579-20080905.pdf
[16] CUTS, The Saga of Rising Food Prices, Briefing Paper 2/2008, http://www.cuts-citee.org/pdf/BP08-DI-5.pdf
[17] FAO, Assessment of the world food security and nutrition situation, cit.

agricultural production and producing sufficient food for domestic consumption and for international trade.

Agricultural productivity - The fundamental factor underlying the supply shortage is that, particularly in the last two decades, agricultural productivity has been relatively low in developing countries and even decreasing in many Least-Developed Countries (LDCs) - a symptom of long term neglect of the agricultural sector. On average annual agricultural productivity in LDCs (as measured by total factor production (land and labour), between 1961-2003 showed a decline of 0.1%, and that of developing countries was only about 0.6%. In LDCs and African countries, these low agriculture growth rates have had important adverse implications for their economic growth and poverty reduction.

Agricultural productivity, and thus output, is low for a number of reasons, including reduced arable land availability and low crop yield productivity. In many populous developing countries and LDCs, the available arable land is dwindling, often due to urbanization of agricultural land. Average farm size is diminishing and more and more farmers work on ecologically fragile land.

Lack of access to water and electricity in poor countries has added to the tardy supply response. Access to irrigation has become a major problem in some countries, as well as lack of investment in agriculture development, including R&D thereby further reducing the potential of agricultural production and land/crop yield.

Underinvestment in the rural and agricultural sector - Low agricultural productivity has been reinforced by a systemic failure of development strategy - the lack of public and private investment in the rural and agricultural commodity sector, which is a prerequisite and important catalyst for agricultural development and food production in developing countries. The paradox has been that the economic sector that is most sensitive politically, economically, and socially has received minimal support domestically and internationally. In many developing countries, the agriculture sector receives limited support in terms of the Government budget and domestic investment, even though it often is among the largest contributors to the GDP and employment.

The adverse effects upon farmers' costs has been compounded by under-investment in the infrastructure (communications, irrigation, transportation) needed to distribute agricultural products, the removal of state subsidies for agricultural inputs (such as seeds, pesticides, herbicides and fertilisers) which used to be provided in some developing countries, and the strengthening of intellectual property rights over plant varieties and new seed technologies. Furthermore, with respect to food crops, matters have been made worse as rural producers in many agricultural exporting countries switched from growing crops that were once staple diets for local populations into higher value cash crops aimed at developed country markets (cut flowers, exotic fruit and vegetables, soy feed for livestock, tobacco, etc.) which means that there can now also be food shortages in agricultural exporting areas.

Trade patterns - One of the most critical obstacles to agriculture development in developing countries has been posed by the long-standing agricultural export subsidies and domestic support policies in developed countries. Quantitative analysis and case-study evidence by the FAO and UNCTAD indicates that agricultural subsidies in developed countries have been associated with rapidly increasing food imports in developing countries, alongside the decline in agricultural production. Developing countries that had liberalised their agricultural sectors too quickly or too far, reeled under the pressure of dumping of low-price, subsidised food exports from developed countries. This undermined production for domestic markets and for exports, and now has the consequence of having retarded farmers' capacities to generate the supply response that the current crisis calls for. In fact, many developing countries, especially LDCs, which are traditionally food-exporters, have become net food-importers over the past 20 years. Recent data for 2006 show that, on average, 20% of the LDCs food consumption is imported, and in some countries the share is much higher (in Lesotho 67%, Gambia 82%, Mauritania 32%, Malawi 31%, for example)[18].

2.2 On the demand side

[18] UNCTAD, Addressing the global food crisis: Key trade, investment and commodity policies in ensuring sustainable food security and alleviating poverty, May 2008, http://www.unctad.org/sections/edm_dir/docs/osg_2008_1_en.pdf

Biofuels and agricultural commodities - The emerging biofuels market is a new and significant source of demand for some agricultural commodities such as sugar, maize, cassava, oilseeds and palm oil. The increase in demand for these commodities has been one of the leading factors behind the increase in their prices in world markets which, in turn, has led to higher food prices.
These commodities, which have predominantly been used as food and/or feed, are now being grown as raw material (feedstock) for producing biofuels. Significant increases in the price of crude oil allow them to become viable substitutes in certain important countries that have the capacity to use them [19]. For example, ethanol from various feed stocks and farming production systems becomes competitive with gasoline (petrol) at different crude oil and commodity prices.
This possibility, coupled with expectations that these developments can encourage rural development while reducing dependency has increasingly led to the implementation of public policies in support of the biofuels sector, which further encourages the demand for these feed stocks. The support for bioethanol and biodiesel in selected OECD countries totalled $11-12 billion in 2006. The Total Support Estimates (TSE) represents the total value of all government support to the biofuels industry. This includes the total value of consumption mandates, tax credits, import barriers, investment subsidies and general support to the sector such as public research investment. It does not include support to agricultural feedstock production. US processors and growers received support worth about $6.7 billion in 2006, and those in the European Union received about $4.7 billion. The data also indicates that the majority of support varies with the level of production, which suggests that OECD biofuel subsidies are likely to become much larger as mandated consumption increases. Moreover, data reveal that although some countries' total support expenditures are relatively modest, they can be substantial on a per litre basis.
The issue is not limited to how much of each crop may be used for biofuels instead of food and feed, but how much planting area could be diverted from producing other crops to those used as feedstock for production of biofuels.
Analyses of the links between weekly prices of gasoline, ethanol, maize and sugar, and between crude oil and important vegetable oils such as palm, soybean and rapeseed, suggest that there are statistically significant inter-linkages among the relevant markets. Crude oil prices were found to determine the long-run equilibrium of both sugar and ethanol prices in Brazil, as well as to constitute an important driver in EU vegetable oil markets, with soybean oil prices also influencing palm and rapeseed oil markets [20].

Changing structure of demand - It is widely accepted that economic development and income growth in developing and emerging countries, as well as population growth and urbanization, have been gradually changing the structure of demand for food commodities. Diversifying diet patterns are moving away from starchy foods towards more meat and dairy products, which is intensifying demand for feed grains and strengthening the linkages among different food commodities[21].
For instance, many parts of the developing world have experienced high economic growth in recent years. Developing Asia, especially China and India, continues to show strong sustained growth. Real GDP in the region increased by 9% per annum between 2004 and 2006. Sub-Saharan Africa also experienced rapid economic growth of about 6% in the same period. Even countries with high incidences and prevalence of hunger reported strong growth rates. Of the

[19] Since the relative contribution of the bioenergy sector to total global energy supplies is small, feedstock prices can be considered as largely endogenous to changes in fossil-fuel prices, with minimal feedback effects. Consequently, shocks from energy markets can be carried into the food markets. On the supply side, when the marginal value product in the biofuel market (net of crop feedstock costs, including by-product revenues) exceeds that in the food market, the crop will be diverted to the production of the biofuel. When larger quantities of the feedstock are absorbed by the energy sector, price determination will tend to mirror that in the energy sector and an 'energy floor price' effect will be created. As energy crops compete for other agricultural resources, greater cultivation intensity of energy crops can lead to reduced supplies of other competing crops, thus pushing up their prices. On the demand side, the degree of substitutability by which biofuels can be blended in large proportions with their fossil-fuel counterparts (e.g. flex-fuel vehicles) determines how much biofuel and petroleum prices may depart from one another. If this substitutability is high, with biofuel competitive at the pump and large quantities of feedstock subsumed by the energy sector, consumers ensure equilibrium between prices of petroleum and biofuel, and producers between prices of biofuel and the feedstock. The implications for price determination in agriculture are considerable.
[20] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.
[21] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.

world's 34 most food-insecure countries, 22 had average annual growth rates ranging from 5 to 16% between 2004 and 2006.
This growth is a central force of change on the demand side of the world food equation. High income growth in low income countries readily translates into increased consumption of food. Another major force altering the food equation is shifting rural–urban populations and the resulting impact on spending and consumer preferences[22].

2.3 Other relevant factors

Operations on financial markets - Market-oriented policies are gradually making agricultural markets more transparent. Derivatives markets based on agricultural markets offer an expanding range of financial instruments to increase portfolio diversification and reduce risk exposure. The abundance of liquidity in certain parts of the world that reflect favourable economic performances (notably among emerging economies), coupled with low interest rates and high petroleum prices, make such derivative markets a magnet for speculators looking to spread their risk and pursue more lucrative returns. This influx of liquidity, particularly prior to the global credit crunch, and the turmoil it caused in the financial markets, seems to have influenced the underlying spot markets to the extent that they affected the decisions of farmers, traders and processors of agricultural commodities. A recent IMF study analysed the nature of the relationship between this type of financial flow into the futures markets and cash/spot prices of five commodities, including those of sugar, coffee and cotton. The empirical tests employed indicated that the short-run causality ran, in general, from spot prices to this type of financial flows, implying that higher spot prices are the "cause" rather than the "effect" of increased investor participation[23].

Short-term policy actions and exchange rate swings - After the start of price hikes, some of the measures to reduce the impact of higher prices on vulnerable consumers, such as export bans and increased export taxes, exacerbated the short-run volatility of international prices. This happened recently in the rice markets, when important exporting countries introduced export bans to protect their own consumers.
Most agricultural commodity prices are quoted in US dollars and the significant decline in its value against many currencies over the recent years has had critical effects on certain developments in the agricultural markets. For those countries that experienced appreciation of their currencies against the US dollar, commodity imports from the United States have become cheaper, thereby boosting demand for products that are exported from the US, and altering trade patterns[24].

3. What next?

The market developments observed since 2006, and briefly described above, seem to have been the result of short-term imbalances in some commodity markets that spilled over to markets with which they had close linkages, as well as of some factors that may continue to influence the markets for longer periods. With many agricultural commodity markets continuing to be tight despite the positive expectations for some, and with low stock levels that are not likely to be replenished quickly, the possibility of further sharp price hikes and continued volatility as a result of unforeseen events seems to be likely for the next few seasons. As opposed to other instances of sharp increases in agricultural commodity prices that have rapidly dissipated, we could be facing higher prices for some time. Of significance in this respect is the possibility of the persistence of demand for biofuels[25].

OECD-FAO future projections

[22] IFPRI, The World Food Situation: New Driving Forces and Required Actions, Food Policy Report, December 2007 http://www.ifpri.org/pubs/fpr/pr18.pdf
[23] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.
[24] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.
[25] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.

Over the 2008-2017 period covered by the OECD-FAO Agricultural Outlook, a strong combination of supply response and continued growth in demand is expected to keep prices above historical levels, but well below the peaks experienced today.
Based on some commodities market developments[26], the Agricultural Outlook forecasts relatively tight markets to continue, with prices down from current peaks but remaining higher on average than prices experienced over the past decade. On average over the coming ten year period, nominal prices for cereals, rice and oilseeds are expected to be 35% to be 60% higher than on average in the past ten years. Prices in real terms are projected to be 10% to 35% higher than in the past decade. Productivity gains and increasing competition in trade from countries outside the OECD area will eventually overtake stronger demand. As that happens, prices will resume their decline in real terms, though more gradually than in the past [27].

4. Impacts of rising food prices

Substantial increases in food and fuel prices have important implications for countries and people. The most visible consequences of economic impact are the social unrest and food riots that have taken place on most continents recently, primarily in urban areas where people have felt the brunt of the impact of soaring food prices and rising fuel costs. Several importing countries are involved in what has been reported as "panic buying" in their efforts to secure adequate supplies and build domestic stocks of major cereals. At the same time, major exporters' efforts to keep domestic cereal prices "in check", and block or impose serious impediments to exports, have further exacerbated the tightness in world markets. Least developed countries with high levels of poverty and food insecurity and large population groups that spend 70-80% of their household income on food are particularly vulnerable.
Far less visible, but not less important, are the difficult choices that households, especially the poorest ones, have to make because of their rapidly declining purchasing power. The risk of increased food insecurity and malnutrition is high among these population groups, as households have to give up more expensive sources of protein and other nutrient-rich foods and depend on low-cost high-energy foods to maintain a minimum level of productivity. Poor households find themselves having to compromise on health care, education and other non-food household expenditures. At the same time, higher prices present a unique opportunity to re-launch agricultural investment and increase agricultural productivity in the developing countries.
Urgent policy measures and practical action need to be taken by governments and development partners around the globe to enhance the positive and alleviate the negative effects of high food prices [28].

4.1 Macroeconomic impacts at country-level[29]

[26] Looking ahead to 2017, the average level of wheat and coarse grain prices is expected to remain higher than in 2005, but well below levels in 2007-2008. World wheat and coarse grain areas are expected to increase somewhat and yields are expected to grow along historical trends. Oilseeds prices are expected to remain strong, though slightly lower than today. Current high prices are expected to bring about a supply response that results in more land allocated to this sector and good yield growth. In addition, palm oil production is expected to increase 40%. Rice production is expected to grow modestly with continued productivity growth offsetting a small decline in the area planted.
Demand for cereals for use as feed stocks in biofuel production is projected, under current policies, to almost double between 2007 and 2017, but the largest part of future growth in total use is explained by rising food and feed demand, particularly in countries outside the OECD area that are experiencing strong economic growth. Little rice is used for feed and almost none in biofuel production. Demand for rice, almost all for food use, is expected to increase by less than 1% per year and is dominated entirely by growth in developing countries. Biofuel use of vegetable oils is forecast to account for more than a third of the expected growth in vegetable oil use from 2005 to 2017, and other uses are also expected to grow substantially. Income growth drives much of this expansion in demand, with countries outside the OECD area increasing their consumption of vegetable oils by 50%.
[27] OECD, Rising Food Prices. Causes and consequences, June 2008, http://www.oecd.org/dataoecd/54/42/40847088.pdf
[28] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.
[29] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.

Large increases in food and fuel prices threaten macroeconomic stability and overall growth, especially of low-income, net-importing countries.

Impact on food import bills - Substantial increases in the global cost of imported foodstuffs have already occurred, with the total import bill estimated at $812 billion in 2007, 29% more than the previous year and the highest level on record. Developing countries as a whole could face an increase of 33% in aggregate food import bills, coming on the heels of a 13% increase the year before. Similar increases have occurred for the Least Developed Countries (LDCs). The sustained rise in imported food expenditures for both of these vulnerable country groups is alarming. Today, their annual food import basket could cost well over twice what it did in 2000.

Food price increases and current account deficits - In some poor countries, increased food import bills might lead to substantial widening of the current account deficit, which in turn could impact other macroeconomic variables such as the exchange rate, the reserve position of the national bank or increased indebtedness.

Impact (pass through) of world price changes on domestic markets - The impact of higher prices on the domestic economies of exporters and importers depend, inter alia, on the extent to which changes in world market prices of cereal crops have been transmitted to domestic economies in recent years. Government policies designed to avoid large domestic price shocks and the depreciation of the US dollar against many currencies (e.g. the euro and the CFA franc) tend to reduce transmission of world market prices to domestic markets.
International price movements are not fully reflected in domestic prices and changes in domestic prices are not necessarily due to events on international markets. Nevertheless, it should be emphasized that many countries have experienced sharp increases in domestic prices, even if these increases are less than price changes on world markets. Furthermore, even if these prices subsequently decline, it still remains difficult for the poor to cope with such changes, because it is not possible to forego staple food consumption for several months waiting for prices to fall.
Most importantly, “moderating” the impact of movements in world prices on domestic prices does not mean that the food security impacts are negligible: increases in domestic prices even by moderate rates (10 or 20%) may be disastrous for very poor households that spend a large part of their income on food staples. These considerations point to the importance of household-level food security analysis.

4.2 Microeconomic impacts at household-level

Not everyone is affected equally by high food prices. In the short-term, the net effect of soaring food prices is determined by the relative importance of food staples in income versus the relative importance of those same staples in total consumption. It is expected that households that are net food buyers would lose with rising food prices, while net food selling households stand to gain. Poor households tend to be net buyers of food even in rural areas where agriculture and staple food production are the principal livelihoods.
Net food buyers stand to lose from an increase in the price of staples. The extent of the impact depends in part on dietary patterns. Households that spend a large proportion of their income on staple foods that are traded in international markets (such as wheat, rice, maize) would suffer a steeper decline in overall welfare. This includes most urban households. The extent of this decline depends on the ability of the household to shift consumption towards less expensive foods that do not generally enter global markets, such as roots and tubers. In contrast, households with land and those that derive some of their income from the production and sale of food staples that are traded internationally could benefit from higher world prices. Unfortunately, high fuel and fertilizer prices are likely to offset some of these gains.
In terms of loss in income, data show that the poorest households are hardest hit by rising food prices in both urban and rural areas. The impact is less for households in countries where diet is largely composed of food staples that are not internationally traded. For example, Ghanaian households are relatively insulated from swings in international food prices because a large share of their diet is based on local staples such as cassava and sorghum. Should the price of these

local staples also rise, as demand for them increases, rising food prices would have a much stronger impact [30]. As far as cereal consumption is concerned, it is also worth to note that even if the impact of higher food prices on cereal consumption is small, this does not imply that the impact of higher food prices is unimportant. Indeed, many poor people must protect their calorie intake in order to survive, so reductions in cereal consumption are not a realistic option. Instead of reducing cereal consumption, their response will be to reduce expenditures on other items such as more expensive and nutritious food (e.g. meat and dairy products), education and health care.[31]
Access to key productive assets, especially land, is another factor that affects the extent to which households are positively or negatively affected by higher food prices[32].

High food price impacts: the gender dimension
An important question regarding the welfare effects of rising food prices is whether there are observable differences between male-headed and female-headed households[33].
FAO's empirical analysis shows that overall, female-headed households suffer more from rising food prices in terms of declining food consumption, and tend to benefit less from potential gains from staple food crop production. Among rural households, female-headed households face considerably higher welfare losses in all countries. The explanation for the overall differential impact of price rises on female and male headed households is that at comparable income levels, female-headed households tend to spend a larger proportion of income on food than male-headed households, and thus they are hit harder by the impact of high food prices on consumption. Additionally, female-headed households face a variety of gender-specific obstacles that limit their ability to produce food, and thus to benefit from an increase in food prices. The main constraints they face are differences in access to inputs and services, particularly land and credit [34].

4.3 Impact on poverty[35]

Rising food and fuel prices both have adverse effects on poverty; however, for the direct poverty impact, the main concerns typically relate to the higher cost of food especially for the urban poor. The main reason is that the share of household expenditure spent on food typically far exceeds the direct share of oil-related products and services, particularly in emerging and developing economies. In large emerging economies, the share typically exceeds 25%, and in developing economies, it is often above 50%. In contrast, the share spent on fuel is typically below 10%, partly reflecting high domestic fuel subsidies in some countries. In advanced economies, the share of household expenditure on food in total income is much lower, but still above 10%. However, cumulative fuel price increases over the last three years have been significantly larger than those on food prices, even when considering the latest months of accelerating food prices. This factor, combined with the indirect impact of fuel price increases on household real incomes, which country cases have shown to be larger than the direct impact, are important reasons not to discount the overall impact of fuel price increases on the poor.
Within countries, the urban poor are the most affected by high food and fuel prices, as the rural poor are more likely to be at least partially self-sufficient in food supplies. Low-income households are least able to protect their income from inflation, but domestic distributional issues are important in analyzing the most vulnerable groups, not only to higher inflation, but equally as important, to changes in relative prices. The urban poor, together with food-deficit farmers, are the worst affected by food price inflation, because they rely on food purchases for their food supply. Although better protected, even food-surplus farmers may not benefit from the food price surge, as the pass-through of higher input costs (fuel, fertilizer, and transportation) is often faster than that of world market prices for food. Finally, the share of undernourished could rise rapidly above the current 40% of total population in developing countries.

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[30] FAO, Assessment of the world food security and nutrition situation, cit.
[31] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit., p. 40
[32] FAO, Assessment of the world food security and nutrition situation, cit.
[33] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.
[34] FAO, Assessment of the world food security and nutrition situation, cit.
[35] IMF, Food and Fuel Prices—Recent Developments, Macroeconomic Impact, and Policy Responses. An Update, September 2008, http://www.imf.org/external/np/pp/eng/2008/091908.pdf

High import dependence combined with a high incidence of poverty makes countries more vulnerable to rising food prices. Low quality data, especially for the most affected poor small countries, make an assessment of the poverty impact difficult.
From current estimates, it appears that the Gambia, Swaziland, Mauritania, and Haiti are among the countries with most severe poverty impact of food import price increases.

4.4 Impact on farming [36]

Higher food prices could raise farmers' incomes if global price movements transmit to local markets, and if farmers can respond. However, transmission can be muted by policies on domestic prices and by transport costs. In inland Africa, for example, the effect of global price movements may be minor. In landlocked Malawi, it costs around $50–60 a tonne to ship maize from the port of Beira, plus at least $25 a tonne to ship maize from the Gulf of Mexico. When global maize prices were around $100 a tonne, the import parity price for Malawi was at least $175 a tonne, raising the value of domestically produced maize. As it costs around $100 to produce a tonne of maize in Malawi, it always made sense for the country to grow as much as possible. With world prices at over $200 a tonne, the incentives are even greater.
High transport costs that push up import parity prices also hold down export parity prices. With maize at $100 a tonne, this would have been around $25, but current price levels push it to $125, so Malawi could conceivably consider export production — although current high levels of maize prices are unlikely to be sustained. Experience suggests that farmers may lack the credit and inputs needed to respond in the short term. But they could benefit in the medium and long term, as in the Asian green revolutions and in many African countries in the recent past.

4.5 Global and regional impacts

Provisional FAO estimates show that the number of undernourished people in 2007 increased by 75 million, over and above FAO's estimate of 848 million undernourished in 2003-05, with much of this increase attributed to high food prices. This brings the number of undernourished people worldwide to 923 million in 2007. Given the continued and drastic increase in prices of staple cereals and oil crops well into the first quarter of 2008, the number of people suffering from chronic hunger is likely to have increased further.
The impact of rising food prices on the prevalence of hunger is even more striking. Progress toward the MDG hunger target in the developing world had been steady from almost 20% in 1990-92 to less than 18% in 1995-97 and just above 16% in 2003-05. However, FAO's estimates through the end of 2007 show that progress has since been reversed, with the proportion of hungry people in the developing world sliding back towards 17%, about the same level as a decade ago. Meeting the internationally agreed hunger-reduction goals in the few years remaining to 2015 is becoming an enormous challenge.
At the regional level, the largest increases in the number of undernourished people as a result of rising food prices have taken place in Asia and in sub-Saharan Africa. The two regions combined already accounted for 750 million, or 89%, of the hungry people in the world in 2003-05. FAO estimates that rising prices have driven an additional 41 million people in Asia and 24 million in sub-Saharan Africa below the hunger threshold. Although the numbers are smaller, other regions have also seen increases in hunger as a result of rising food prices. In the case of Latin America, this represents a sharp reversal after more than a decade of steady progress towards the WFS goal.
Before the upsurge in food prices, FAO estimates for 2003-05 show that all four developing regions were making progress in reducing the prevalence of hunger. However, progress has been reversed in all the regions, resulting in increased hunger prevalence for the entire developing world for the first time since the World Food Summit.

[36] ODI, Rising food prices: a global crisis, Briefing Paper 37, April 2008, http://www.odi.org.uk/publications/briefing-papers/37-rising-food-prices-global-crisis.pdf

4.5.a Hunger hotspots

Hunger hotspots are areas where a significant proportion of people are severely affected by persistent or recurring hunger and malnutrition. In many cases, this includes countries that have experienced food crises over several consecutive years, typically the result of severe adverse weather conditions, natural disasters, economic shocks, conflicts, or a combination of these factors. According to FAO's Global Information and Early Warning System (GIEWS), which continuously monitors the situation on all continents and maintains a list of countries that are in crisis, there were 36 countries in crisis requiring external assistance as of June 2008. High food prices have added to the list of those vulnerable countries requiring external assistance[37].

Table 1 - ACP Countries in crisis requiring external assistance[38]

+ : improving - : deteriorating = : no change

Nature of food insecurity	**Main reason**	**Changes from April 2008**
AFRICA		
Exceptional shortfall in aggregate food production/supplies		
Lesotho	Low productivity, HIV/AIDS pandemic	+
Somalia	Conflict, adverse weather	-
Swaziland	Low productivity, HIV/AIDS pandemic	+
Zimbabwe	Deepening economic crisis, adverse weather	-
Widespread lack of access		
Eritrea	IDPs, economic constraints	=
Liberia	War related damage	+
Mauritania	Several years of droughts	-
Sierra Leone	War related damage	+
Severe localized food insecurity		
Burundi	Civil strife, IDPs and returnees	=
Central African Rep.	Refugees, insecurity in parts	=
Chad	Refugees, conflict	-
Congo, Dem. Rep.	Civil strife, returnees	=
Congo, Rep. of	IDPs	=
Cote d'Ivoire	Conflict related damage	+

[37] FAO, Assessment of the world food security and nutrition situation, cit.

[38] Elaborated from FAO, Crop Prospects and Food Situation n.3, July 2008, ftp://ftp.fao.org/docrep/fao/010/ai470e/ai470e00.pdf

Countries in crisis requiring external assistance are expected to lack the resources to deal with reported critical problems of food insecurity. Food crises are nearly always due to a combination of factors but for the purpose of response planning, it is important to establish whether the nature of food crises is predominantly related to lack of food availability, limited access to food, or severe but localized problems. Accordingly, the list of countries requiring external assistance is organized into three broad, not mutually exclusive, categories:

• Countries facing an *exceptional shortfall in aggregate food production/supplies* as a result of crop failure, natural disasters, interruption of imports, disruption of distribution, excessive post-harvest losses, or other supply bottlenecks.

• Countries with *widespread lack of access*, where a majority of the population is considered to be unable to procure food from local markets, due to very low incomes, exceptionally high food prices, or the inability to circulate within the country.

• Countries with *severe localized food insecurity* due to the influx of refugees, a concentration of internally displaced persons, or areas with combinations of crop failure and deep poverty.

Source: FAO, Crop Prospects and Food Situation n.3, July 2008, ftp://ftp.fao.org/docrep/fao/010/ai470e/ai470e00.pdf

It is worth to note that among the number of ACP countries requiring external assistance, the July 2008 FAO Crop prospects and food situation does not list Dominican Republic and Haiti, which were listed in the April 2008 issue as experiencing severe localized food in security because of past floods, and Zimbabwe is no longer listed as a country with unfavourable prospects for current crops (see FAO, Crop Prospects and Food Situation n. 2, April 2008, ftp://ftp.fao.org/docrep/fao/010/ai465e/ai465e00.pdf)

Ethiopia	Insecurity in parts, localized crop failure	-
Ghana	After-effects of drought and floods	+
Guinea	Refugees, conflict	-
Guinea-Bissau	Localized insecurity	=
Kenya	Civil strife, adverse weather, pests	-
Sudan	Civil strife (Darfur), insecurity (southern Sudan)	-
Uganda	IDPs	-
ASIA		
Timor-Leste	IDPs, high food prices	=

Table 2 - ACP Countries with unfavourable prospects for current crops[39]

+ : improving - : deteriorating = : no change

AFRICA		
Ethiopia	Insufficient rainfall	-
Kenya	Insufficient rainfall, crop diseases	-
Somalia	Adverse weather, conflicts	-

The number of countries facing food crises has risen over the past two decades, with the underlying causes becoming more complex. This is particularly the case when human-induced disasters interact with natural disasters and lead to complex and long-lasting crises.
Natural disasters were the primary cause of food insecurity up to the early 1990s, with man-made crises becoming more prominent over the past decade.
"Slow-onset" natural disasters (such as drought) remain more prominent in causing food emergencies than "sudden-onset" disasters (such as floods, cyclones, hurricanes, earthquakes, volcanic eruptions). Man-made disasters are typically either conflict-related or caused by socio-economic shocks.
The absolute number of countries with food crises caused by war and conflicts has increased since the 1980s as has the relative share of food crises caused by socio-economic factors from about 2% to 27% by 2007. The recent sharp increase in the price of imported food commodities is an example of a socio-economic shock that can exacerbate or cause food crises in many countries.
Given the uncertainty regarding the impact of soaring food prices on countries, households and individuals around the world, the distinction between countries already "in crisis" and those highly vulnerable to these price shocks, or "at risk", has become much less clear. Key risk factors that determine country vulnerability to high food prices take into account underlying structural causes of vulnerability, such as existing levels of poverty, hunger, income inequality and disease prevalence. Current vulnerability factors are also considered, such as changes in food inflation at country level and the factors that measure a country's dependency on food and fuel imports. Additional factors, with relatively lower weights, include historical susceptibility to natural disasters and relative effectiveness of policy measures.
High food prices have added new dimensions to vulnerability. While they have affected all countries in one way or another, their impact has been most severe in nations where incomes are low and where most households spend a high proportion of their limited budgets on food. Many of these countries already have high rates of undernourishment[40].

[39] Elaborated from FAO, Crop Prospects and Food Situation n.3, July 2008, ftp://ftp.fao.org/docrep/fao/010/ai470e/ai470e00.pdf.
Countries facing unfavourable prospects for current crops are countries where prospects point to a shortfall in production of current crops as a result of the area planted and/or adverse weather conditions, plant pests, diseases and other calamities, which indicate a need for close monitoring of the crop for the remainder of the growing season.
Source: FAO, Crop Prospects and Food Situation n.3, cit.
[40] FAO, Assessment of the world food security and nutrition situation, cit.

4.5.b Food emergencies: an ACP regional review [41]

In **Western Africa and Central Africa**, high and rising food prices continue to affect consumers' purchasing power and access to food across the sub region in spite of the various measures taken by Governments. In Ouagadougou (Burkina Faso) for example, the price of millet, the major staple, has increased by 33%, in early June 2008 compared to the same period last year, while the price of imported rice was up 87% over the same period. In Central African Republic, the price of rice increased by 71% between January and June. Prices of other food items such as cassava, oil and meat more than doubled over the same period. Harvesting of the first 2008 maize crop is about to start in the coastal countries along the Gulf of Guinea in Western Africa and in much of central Africa, which is expected to ease the effects of rising international commodity prices on consumers in these countries. However, in the Sahel countries which usually experience the peak of the hunger season in July and August, the upward trend in cereal prices is likely to continue until new local harvests come to markets in September.

In **Eastern Africa**, an increasing number of people continue to be in need of emergency food assistance as a result of poor crops, conflict, civil strife or a combination of these. In Somalia, the food supply position is serious following three consecutive poor crops, disruption of markets, a major devaluation of the local currency, increasing food prices and growing civil insecurity. Since January 2008 the population movement from the capital increased by 20%, bringing the number of people who have left Mogadishu since February 2007 at a total of 860 000. Currently the number of people in need of emergency assistance is estimated at 2.6 million, an increase of more than 40% since January this year, while the internally displaced are estimated at 1.1 million. Moreover, as stated by the Food Security Analysis Unit (FSAU) the situation could deteriorate further and, by the end of the year, a total of 3.5 million people, about half of the total population, could be in need of either livelihood support or humanitarian assistance.

Reflecting high food prices, civil insecurity, and poor performance of the "belg' crop now being harvested, the number of people requiring emergency food assistance in Ethiopia until November 2008 is currently estimated at 4.6 million, an increase of 2.6 million people compared to the April 2008 estimate. Furthermore, this estimate could even increase as an additional 8 million people remain chronically food insecure. While the needs of the 4.6 million people have been assessed at some 510 000 tonnes of food, only about 118 000 tonnes, - or 23% - are available or have been pledged. Thus, additional contributions are needed to avoid a worsening of the food supply position of the people affected. In Djibouti, relief assistance is required by pastoral population and the urban poor as a result of decreasing food security reflecting increased food prices and inadequate rains. Preventive health measures are also needed to avoid outbreaks of waterborne diseases. Current high food prices and inflation in Eritrea continue to affect large part of the population while new and continuing regional tension could lead to further massive displacement and humanitarian needs.

In Kenya, high prices for cereals and other essential goods, conflict and animal diseases have destabilized the pastoralists' recovery from drought and increased their food insecurity. People affected by post-election violence as well as Internally Displaced Persons (IDPs) will continue to require humanitarian and recovery assistance in the coming months. Households in the eastern part of southern Sudan are currently highly food insecure due to food shortages as a result of crop losses due to last year's floods. In the north, displacement and loss of livelihoods are expected to continue in Darfur where an additional 180 000 people have been displaced in the first five months of 2008. Limited humanitarian access due to security restrictions, shortage of food and water and overcrowding in camps would likely lead to increased suffering for the vulnerable people. In Uganda, the food crisis is likely to continue in the Karamoja district. More than 700 000 people are food insecure and in need of emergency food aid as a result of prolonged insecurity, localized flood damage in 2007, falling livestock prices, and inadequate rains for the last three years.

In **Southern Africa**, vulnerable populations in several countries, particularly Zimbabwe, Lesotho and Swaziland, are expected to face food insecurity during the 2008/09 marketing year which began with a generally poor main season cereal harvest in April. In Zimbabwe, a joint FAO/WFP Crop and Food Supply Assessment Mission (CFSAM) estimated the national production of main season maize in 2008 at 575 000 tonnes, some 28% lower than the production in 2007 (using the

[41] FAO, Crop Prospects and Food Situation n.3, cit.

CFSAM estimate of 800 000 tonnes) which in itself was some 44% below 2006 government estimate. The Mission also estimated that about 2 million people in rural and urban areas will be food insecure between July and September 2008, rising to 3.8 million people between October and December and peaking to about 5 million at the height of the hungry season between January and March 2009. The food insecure population will require food assistance amounting to some 395 000 tonnes of cereals in 2008/09. In Swaziland, another CFSAM estimated at about 64 000 tonnes the national maize harvest for 2008. Although this is more than twice last year's production, it's still less than for each of the preceding four years. In Lesotho, the total 2008 cereal harvest is almost the same as last year's drought-affected output and some 18% below the average of the previous five years. Several other import dependent countries in the region are also particularly vulnerable to the soaring food and fuel prices and internationally. In Lesotho and Swaziland widespread poverty and the impact of HIV/AIDS have led to serious food insecurity.

In the **Great Lakes region**, uncertain security situation in the north-eastern parts of the Democratic Republic of the Congo continues to affect large numbers of people who require food assistance. Recent peace agreements would help IDPs to resettle but they need substantial assistance to restart farming activities. High food prices are negatively affecting large number of households in Burundi and food and agricultural aid is needed, especially for resettling returnees and IDPs.

As far as **Asia** is concerned, food insecurity continues to prevail in Timor-Leste, due to country's high dependence on cereal imports, social instability, and high unemployment rate.

5. The food prices crisis: threats..

The recent crisis has highlighted the vulnerability of households, governments and the international system to food and nutrition insecurity. The immediate consequences of high food prices are bound to impact on the world's ability to achieve the Millennium Development Goals (MDGs), in particular those related to poverty and hunger reduction, child mortality, maternal health and basic education. If the crisis is not addressed now through a unified approach among stakeholders, it may reverse the political and developmental gains made over the years and result in significant humanitarian, human rights, health, environmental, and economic costs for the entire global community.

Already before the global food price crisis, some 854 million people worldwide were estimated to be undernourished. High food prices may be driving another 100 million more people into poverty and hunger. While the risks of increased food and nutrition insecurity may be more pronounced in urban areas, where people rely exclusively on markets and tend to be more vocal about their needs, they are of particular significance in rural areas, too, where 75% of the poor reside and where a large percentage of poor rural households are net-buyers of food. It is already evident that many smallholder farmers, who constitute the large majority of agricultural producers, are unable to respond to food price hikes with increased production due to a lack of access to financing facilities, agricultural inputs and markets. As a result, they find themselves struggling in their effort to feed their families. Communities or groups which have been facing discrimination and social exclusion in relation to access to productive resources, decent work, social security, etc., are likely to be highly vulnerable to the negative impact of the food price rise. Such groups include indigenous communities, ethnic minorities, persons with disabilities, displaced populations, stateless people and migrants. In particular many refugees and IDPs depend on food assistance for their survival and/or do not have access to land for farming, employment and income generation activities.

There is a risk that in the face of sustained high prices and lack of measures to assist these vulnerable populations, there will be an irreversible impact on human development, particularly for women and children. Over 80% of the world's population does not have access to social protection systems of any form. This means that the most effective mechanism for reaching vulnerable people is not in place.

This leaves millions with limited, often harmful, coping mechanisms including reducing meals, eating less nutritiously, taking children out of school, selling livestock and other assets, or borrowing money to feed their families. Reduced nutritional intake may increase malnutrition rates for generations to come with spiralling effects. It worsens the health status of populations and reduces resilience to disease and shocks. Already, hunger and malnutrition are the underlying

causes of death of over 3.5 million children every year, a rate of more than 10,000 children every day Rising food prices bring the threat of unrest and political instability. This threat is particularly acute in countries in conflict or post-conflict situations where political and social institutions are fragile and less able to provide the rapid response which can calm social panic. Of particular concern are countries engaged in delicate political transitions, or with organized political or criminal groups ready to harness popular frustrations into a challenge against the state and its authority. Other countries to watch include those already suffering from grave humanitarian situations or confronted with economic sanctions or embargoes.[42]

.. and opportunities

The current context is a wake up call for immediate action in several areas that can help achieve global food security and poverty reduction.

While the majority of agricultural production will continue to come from larger farms, there is a particular opportunity to dramatically increase smallholder productivity and production. Public investments, while generally supporting the enabling environment for all farm scales, are particularly important to provide a "level playing field" for smallholders to realize their comparative advantages in agricultural production. Policies and programs that address the current constraints faced by smallholder farmers can encourage further public and private agricultural and rural development investments in many low-income, food-deficit countries. Well-targeted interventions need to ensure urgent access to agricultural inputs (i.e. seeds, fertilizers), rehabilitation of infrastructure, and methods to decrease post harvest losses. This will boost yields and increase rural household welfare as well as aggregate local food supply. Such measures must be complemented with significantly increased investments in agricultural technology research and infrastructure, as well as policies to boost and sustain the productivity of smallholder farmers with due attention to environmentally sustainable practices (e.g. conservation agriculture, water and soil conservation). Consistently applied, these measures, along with improved access to financing facilities and markets will greatly increase agriculture's contribution to economic growth and poverty reduction.

Drawing on what is already in place and functioning well, the current situation provides a critical opportunity for more focused attention to needs assessments, early warning, contingency planning and risk management. These provide a way to pre-empt and mitigate the risks associated with volatilities in the food market in the future. International food assistance programs are critical to address the needs of vulnerable populations and prevent their sliding into destitution and resorting to harmful coping mechanisms. However, these programs cannot reach all of the worlds malnourished and hungry. What is needed is to put in place targeted comprehensive social protection systems that progressively achieve universal coverage of vulnerable groups and those most marginalized and discriminated against such as the elderly, disabled, children, refugees and displaced persons with linkages to other basic social services. In addition, expansion or revision of critical nutrition, water and sanitation, and health programs can be undertaken. Once in place, these programs will build resilience and enhance people's capacity to face future shocks. This will be a crucial step in realizing the right to adequate food and promoting sustainable nutrition beyond the immediate emergency context.

Finally, there is also now a clear opportunity for international leadership in adopting a renewed strategic stance on key issues such as agricultural trade, and to assess the most effective ways to tackle food market volatilities. High prices could lead to responsible agricultural trade policies that benefit low-income countries, for example in developing a viable domestic commercial farming sector. Strong commitments to reform agricultural subsidy programs and market access would help remove a major barrier to progress in the World Trade Organization (WTO) Doha trade talks, while still implementing the existing agreed provisions to protect consumers in low-income, food-importing countries and including provisions to complement efforts to increase investment in smallholder agriculture in developing countries. At the same time, consensus is required on means to ensure greater complementarities between food production priorities, biofuel developments and environmental management. This includes reassessment of current subsidy policies for biofuels.

[42] UN, Comprehensive Framework for Action, cit.

Moreover, measures should be considered to rebuild confidence in the international and regional trading systems, including assessments of whether to (re)build well-managed global and regional grain stocks or make greater use of financial market instruments that could reduce and protect countries from volatility in food markets.
These opportunities must be matched with results in terms of measurable improvements to food security in countries, increased resilience to food-based shocks at the level of households and countries, and reduced volatility in food markets[43].

6. High food prices : assessing policy options[44]

As noted above, high food prices are associated with both threats and opportunities. The analysis in previous sections has shown that for the poorest net buyer households, high food prices of principal staple foods are associated with potentially serious welfare losses, at least in the short run. At the same time, high food prices increase the value of agricultural assets and have the potential of stimulating private sector investment in agriculture if the necessary public goods are present.
The current situation serves as a reminder of the fragility of the balance between global food supplies and the needs of the world's inhabitants, and of the fact that earlier commitments to accelerate progress towards the eradication of hunger (especially through agricultural and rural development) have not been met. The immediate need is to prevent human suffering due to hunger and malnutrition and to induce a rapid supply response to restore a better balance between food supply and demand, especially in developing countries. But, if these immediate measures are to have a sustained impact, they must be followed up by actions in the medium term that will result in an accelerated and permanent reduction in the number of people suffering from hunger and malnutrition. These actions must take place not only at the national but also the global level, in relation to public goods, trade policies, markets, and responses to the impact of climate change. The focus for the longer term must be on generating and enabling farmers to apply sustainable technologies for agricultural intensification that will continue to meet the food needs of future generations in the face of rising population and effective demand, tightening availability of land and water resources, and increased risks associated with climate change processes.
Therefore, a dichotomy exists between needed actions to protect the welfare of the most poor and hungry by providing direct support on an emergency basis and beyond, while at the same time providing public resources and designing policies to re-launch agriculture and revitalize rural economies over the medium term. In the case of high food prices, emergency measures also include those intended to boost short-term supply response by facilitating smallholder access to essential production inputs.

6.1 Safety nets, social protection and rapid recovery of agriculture

Those most vulnerable to food price shocks need to be protected from nutritional deprivation, asset shedding and reductions in their real purchasing power. Such protection not only saves lives, it can also strengthen livelihoods and promote longer-term development. Safety nets and social protection can reduce malnutrition that has lifelong consequences, prevent distress sales of assets, and allow investments in education and health that high food prices make more difficult, all of which help keep households from falling into poverty traps.
In the very short run, protecting the most vulnerable may require direct food distribution, targeted food subsidies and cash transfers, and nutritional programmes including school feeding. The precise choice will depend on the extent to which some form of safety net or social protection mechanisms are already in place and can be mobilized.
In the short to medium run, social protection programmes must be set up or expanded and strengthened, allowing countries to phase out more generalised subsidies while making sure that all their people are able to meet their essential food needs. In order to become part of national

[43] UN, Comprehensive Framework for Action, cit.
[44] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.

development priorities, they must be integrated into national development plans such as national food security strategies and poverty reduction programmes. Successful implementation will generate beneficial impacts on the overall diet and nutritional status, an outcome which would not arise with input subsidies aimed at a single staple food crop. Well organized and targeted social protection systems are potentially capable of providing direct support to the neediest at a cost that is substantially lower than more broad-based actions which, in turn, makes them more sustainable.
Because cash economies are more prevalent and social networks are generally weaker in urban areas, strengthening of safety nets is especially important for the urban poor. Safety nets will also be especially important for nutritionally vulnerable groups, including children, pregnant women and the elderly.
For rural households, an integrated approach to social protection should be taken that combines traditional transfers (social safety nets) and policies that enable smallholders to respond quickly to the market opportunities created by higher prices. In the very short run, however, the supply response to higher price incentives, especially by smallholders, may be limited by their lack of access to essential inputs such as seeds and fertilizers. In these cases, social protection measures, including the distribution of seeds and fertilizers, directly or through a system of vouchers and "smart subsidies", may be an appropriate short-term response. If implemented effectively, such a programme will increase the income of small producers and may reduce price increases in local markets, thereby contributing to improvements in the nutritional status of net food-buying families.
However, safety net programmes must be carefully designed. They may place large demands on institutional capacity, especially in countries where such programmes are most needed. Indeed, the implementation of various forms of transfer programmes has proven to be a major challenge. Particular risks include leakage of benefits to non-target groups, resale of vouchers by the target group and rent seeking by officials. It is also crucial that safety net programmes do not impede the formation of a private marketing sector by driving out nascent, indigenous, private sector input suppliers.

6.2 Improving trade policies[45]

As mentioned above, many countries have restricted exports in attempts to ensure domestic food security. While such barriers sometimes help to contain pressures on domestic prices, they can also signal problems and lead to panic buying on domestic markets. On the other hand, in some countries where the barriers are effective, farmers have reduced planting of cereals in the face of low domestic prices for their products coupled with high prices for inputs such as fuel, seeds and fertilizers.
Export restrictions also exacerbate price instability on world markets, especially when they are implemented in an ad hoc and uncoordinated manner. Increased world market volatility in turn will then often worsen food security in other countries.
Subsidies to and tariff protection of biofuel production may also need to be re-examined in light of their effects on food security. While actions to free import restrictions and release food grain stocks into the market have had mostly immediate and favourable effects on consumers and on economic efficiency in general, these measures do have some shortcomings. First, they provide only one-time relief. Once the tariff or tax has been reduced to zero, no further reductions in price can take place through this measure. Second, they entail revenue losses for the government, which in some countries could be substantial. On the positive side, tariff reductions may make good policy sense in any case, especially if the original tariffs unduly distorted the trade regime. But if tariff reductions are to be sustainable, the government would need to undertake complementary reforms in the medium term, e.g. tax reform measures to help recoup at least part of the revenue loss. In addition, since tariff reductions imply a loss of protection for domestic producers, complementary measures (with credible exit strategies) may be needed to support and ease their transition to a liberalized environment. Such measures could include strengthening safety nets, public investment in rural infrastructure, improved extension services or other policies that facilitate response to the new market signals.

[45] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.

6.3 Stimulating agricultural investment and research[46]

In the longer run, it will be important to address the fundamentals that increase investment in agriculture, both public and private, and improve the functioning of markets.
In the long and medium-term, there is a need for renewed attention to the agricultural sector. High food prices constitute an important element in the effort to re-launch agriculture since they provide incentives to the private sector to invest and produce. There is ample scope for substantial increases in agricultural production and productivity. Productivity increases will require significant and sustained improvements in long neglected areas such as research, extension, agricultural and general infrastructure along with credit and risk management instruments, all of which will complement increased price incentives. These initiatives will need to consider the challenges from possible long-term impact of climate change as well as more short-term effects of increased demand for biofuel feedstock.
Support needs to focus particularly on enabling poor rural producers – those least able to respond to changing market signals – to expand their production and marketed supply. The main areas of support include fostering agricultural research focused on the needs of poor rural producers, many of whom farm in increasingly marginal areas; enhancing access to agriculture services, including research, extension and financial services, and strengthening their capacity to take advantage of these; securing their access to natural resources such as land and water; and fostering their participation in non-agricultural sources of income including payments for environmental services. It is also important to assist poor rural households in strengthening their livelihoods in conditions of ever greater climatic uncertainty and their awareness of ways to benefit from new approaches to managing weather and other risks, including new forms of insurance[47].
The most effective long-term strategy for addressing the food crisis is to accelerate yields growth, particularly in the staple food crops. This is necessary for cereal supply to keep pace with growing demand, thus maintaining downward pressure on cereal prices. Although private-sector investment in agricultural research is rising, it can not fill this gap because private firms are not interested in seed that is easy to recycle from one season to the next,. And yet, numerous economic studies confirm that agricultural research in developing countries offer high rates of return, generally more than 30% per year. National agricultural research institutes in developing countries have experienced declining budgets, partly as a result of ill-advised reductions in government spending associated with structural adjustment programs. Similarly, international agricultural research centres have suffered budget cuts because the international community interpreted falling food prices as a fact that food shortages were a thing of the past. Renewed support for agricultural research and development should include short – and long – term training for agricultural scientists, competitive grants for research, funding to evaluate impact, and assistance with management and organization of research institutes.
In addition, the institutions that deliver technology form the researcher to the farmer need to be strengthened. Agricultural extension services must broaden their mandate from technical information and new varieties and fertilizers application rates to include more information on prices and markets in response to the growing commercialization of agriculture in developing countries. In addition, efforts to make extension services more responsive to the needs and constraints of farmers should be supported and scaled up.
Finally, access to modern agricultural inputs, such as fertilizers and improved seed, can best be assured by developing private distribution networks. One approach is to work with agro-inputs dealers to improve coordination and reduce costs. Large-scale fertilizers subsidy programs are not a long-term solution, but subsidies may be justified to demonstrate the benefits of new technologies (if temporary) or for poverty reduction (if targeted to poor households) [48].

[46] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.
[47] FAO, Soaring Food Prices: Facts, Perspectives Impacts and Actions required, cit.
[48] IFPRI, The food crisis and its implications for agricultural development – testimony presented to the Committee on Agriculture, U:S. House of Representatives, 16 July 2008, http://agriculture.house.gov/testimony/110/h80716/Minot.pdf

6.4 Capacity development[49]

It is a mistake to think that one can design in advance the optional long-term development strategy. Agricultural policy and public investments must adapt in response to evolving conditions, including those brought about climate change, the rising demand for biofuels, changing diets and urbanization. This is particularly true in the context of the food crisis because of the rapid changes in prices and market conditions. Analysis provided by international organizations may not be accepted, particularly if it concerns politically sensitive topics such as food prices. Thus, is essential that developing countries improve their own capacity to collect information, analyze data, diagnose problems and identify policy solutions. In particular, there is a need for more systematic and regular evaluation of policies and programs to assess their effectiveness.

7. Assessing current and future policy responses[50]

One point evident is that the set of possible policy responses expands as the time frame for impacts is increased. In the short term, policymakers can little do to change domestic food production if farmers have already made their planting and input use decisions for the upcoming harvest. Policy responses are limited to changes in tariffs, taxes, consumer subsidies, food price controls, export restrictions, government food imports, or the release of public reserve stocks. In the medium term, the scope of action widens— governments can implement price stabilization policies based on the use of reserves, tariffs, or subsidies; promote food production using subsidies, producer price supports, or provision of agricultural support services; and extend social protection programs. In the longer term, larger sustained impacts can be achieved through broader investments for economic development and poverty reduction. Given the breadth of possible policy responses to a food crisis in the longer term, the challenge of monitoring and assessing the impacts of such responses is great and hardly distinguishable from the need to monitor and evaluate policies and programs to promote economic development and poverty reduction in general.

Table 3 - Potential policy responses to food crisis[51]

TYPES OF INTERVENTION	**TIME FRAME**		
	Short term (< 1 year)	**Medium term (1-3 years)**	**Long term (>3 years)**
Reduce food prices for consumers price-oriented policies)	• Reduce tariffs/taxes on food • Adopt food price controls/take action against profiteers • Adopt consumer subsidies • Adopt food export bans or taxes • Pursue government food imports • Release food reserve stocks	*Same options as short term plus:* • Establish food reserves and release policy • Establish variable tariffs or variable export subsidies/taxes • Pursue options to increase domestic food production (see below)	*Same options as medium term plus:* • Invest in marketing infrastructure, institutions, and information • Invest in increased food production capacity (see below)
Increase food production	*Limited short-term options*	• Adopt input subsidies	*Same options as medium*

[49] IFPRI, The food crisis and its implications for agricultural development, cit.
[50] IFPRI, Global food crisis: Monitoring and Assessing Impact to Inform Policy Responses, Food Policy Report, September 2008, http://www.ifpri.org/pubs/fpr/pr19.pdf
[51] Source: IFPRI, Global food crisis, cit., p.15, Table 4

supply-oriented policies)		• Adopt producer price supports and subsidies • Expand agricultural credit • Strengthen agricultural extension	*term plus:* • Pursue agricultural R&D • Invest in productive infrastructure and assets (e.g., irrigation, mechanization) • Improve natural resource management • Improve property rights and resource tenure systems
Increase food availability for or income of target groups income-oriented policies)	• Increase support through existing social protection programs • Increase public sector wages • Increase food aid programs	*Same options as short term plus* • Establish new social protection programs or expand/improve existing ones	*Same options as medium term and those for increasing food production plus* • Invest in other development and antipoverty programs (e.g., education, promote rural nonfarm enterprises)

Although the purpose here is not to present an analysis of the impacts of actual or potential policy responses to the current global food crisis, it is useful to consider the types of impacts that can be expected from policy responses in order to help guide decisions about what information should be monitored and what analytical methods should be used to assess impacts.

As already noted, most of the short-term policy responses aim to reduce consumer food prices, which is a favourable effect from the standpoint of net food buyers. Policies and programs to promote increased food production also have beneficial impacts on net food buyers to the extent that they result in reduced domestic food prices. They also can benefit food producers by reducing their costs of production (such as through input subsidies) or increasing producer prices (such as through price support and producer subsidies), although the net impact on producers depends on the relative strength of these effects compared with the downward pressure on producer prices caused by increased production.

Targeted food aid or income-oriented interventions likely have favourable impacts on the direct beneficiaries, and these may have beneficial spill over impacts on other households or individuals such as by increasing demand for goods and services provided by households as a result of the increased incomes of beneficiary households.

All of these policy responses have costs and potentially unfavourable impacts as well. All price-oriented interventions, to the extent they are successful in reducing food prices, will reduce the incomes of net food sellers and the incentive for producers to respond by increasing production. Reducing tariffs or consumption taxes, increasing consumer or producer subsidies, or increasing social protection programs will have direct budgetary costs, potentially increasing government deficits, credit shortages (if budget deficits are financed by borrowing), or inflationary pressures (if budget deficits are financed through monetary expansion).The benefits of interventions may not be well targeted to poorer and more vulnerable households, especially interventions focused on affecting market prices, leading to potentially high costs relative to the improvement in food security achieved. Direct subsidies to producers or consumers or social protection programs have more potential for targeting, although targeting may not always be politically acceptable and may involve high administrative costs.

Efforts to control prices and speculative behaviour may lead to black markets, and thus be ineffective, and may contribute to corrupt practices by regulators To the extent that price controls are effective, they can cause shortages that must be addressed by other rationing mechanisms, leading to inefficient and possibly inequitable allocation of commodities. Leakages and spill-over effects of interventions may also undermine their effectiveness. For example, export bans may lead to increased contraband food exports, while changes in public food reserve stocks may be offset by induced changes in private stockholdings. Trade interventions such as export bans on

staple foods also can precipitate protectionist reactions by other nations, undermining the food security of trade-dependent countries as the international market for food becomes increasingly volatile. Many political, administrative, and economic conditioning factors can influence the feasibility and impacts of these policy interventions. For example, the ability to use tariff or tax reductions to offset food price increases depends on the initial level of these tariffs or taxes and on the political will and fiscal capacity of the government to offset or forgo the revenues that would have been collected. Budgetary constraints may also limit the use of subsidies, social protection programs, or public sector wage increases. The use of export restrictions depends on the government's capacity to enforce such restrictions.

International treaty obligations under the World Trade Organization (WTO) or other trade agreements may also limit national governments' ability to use trade measures to buffer food price changes. The capacity of the government to enforce price controls or regulations on speculators will determine the effectiveness of such measures, while the political context may promote or inhibit their use. The ability to expand the use of social protection programs will depend upon prior experience with such measures and the administrative capacity of the government to implement targeted approaches. These conditioning factors imply that low-income countries dependent on food and oil imports may be limited in their ability to use most of these potential responses effectively. Budgetary constraints are likely to limit the use of large untargeted subsidy programs, reductions in tariffs and taxes, or public sector wage increases, whereas administrative capacity constraints will often limit the ability to target social protection programs. Some social protection programs, such as food-for-work or cash-for-work, tend to be self-targeted and thus more readily usable than more administratively complex approaches, such as conditional cash transfer programs. Low-income food-importing countries that are large exporters of oil or other commodities whose prices have also increased will have more budgetary capacity to use subsidies, tariff and tax reductions, or social protection programs to buffer the impacts of food price increases, although they are still likely to face many administrative capacity constraints. Higher-income countries tend to have more budgetary and administrative capacities to implement a range of these options.

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ACRONYMS[52]

AADRI	Asia-Africa Development Research Institute
AfDB	African Development Bank
AMAD	Agricultural Market Access Database
AUSFTA	Australia and United States Free Trade Agreement
AI	Avian Influenza
BNGY	Billion gallons per year
BNLY	Billion litres per year
Bt	Billion tonnes
CAP	Common Agricultural Policy (EU)
CCC	Commodity Credit Corporation
CET	Common External Tariff
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
CRP	Conservation Reserve Program of the United States
CMO	Common Market Organisation for sugar (EU)
DBES	Date-based Export Scheme
DDA	Doha Development Agenda
EBA	Everything-But-Arms Initiative (EU)
ECOWAP	West Africa Regional Agricultural Policy
ECOWAS	Economic Community of West African States
EISA Act	Energy Independence and Security Act of 2007 (US)
EPAs	Economic Partnership Agreements (between EU and ACP countries)
ERS	Economic Research Service of the US Department for Agriculture
est	Estimate
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FMD	Foot and Mouth Disease
FOB	Free on board (export price)
FR	Federal Reserve (US central bank)
FSRI Act	Farm Security and Rural Investment Act (US) of 2002
FTA	Free Trade Agreement
GDP	Gross Domestic Product
G-10	Group of 10 countries
G-20	Group of 20 developing countries
GDPD	Gross Domestic Product Deflator
GMO	Genetically modified organism
Ha	hectar
HFCS	High Fructose Corn Syrup
HS	Harmonised Commodity Description and Coding System
IEA	International Energy Agency
IDPs	Internally Displaced Persons
kt	Thousand tonnes
LAC	Latin America and the Caribbean
La Niña	Climatic condition associated with temperature of major sea currents
LDC's	Least Developed Countries
MFN	Most Favoured Nation
Mha	Million hectares
MPS	Market Price Support
Mt	Million tonnes
NAFTA	North American Free Trade Agreement
OECD	Organisation for Economic Co-operation and Development

[52] Source: http://www.fao.org/es/esc/common/ecg/550/en/AgOut2017E.pdf

PCE	Private Consumption Expenditure
PIK	Payment in kind programme (US)
PSE	Producer Support Estimate
pw	Product weight
R&D	Research and Development
rse	Raw sugar equivalent
rtc	Ready to cook
SFP	Single Farm Payment scheme (EU)
SPS	Sanitary and Phytosanitary measures
STRV	Short Tons Raw Value
t	Tonnes
t/ha	Tonnes/hectare
TRQ	Tariff rate quota
TSE	Total Support Estimates
UN	The United Nations
URAA	Uruguay Round Agreement on Agriculture
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
USDA	United States Department of Agriculture
VAT	Value added tax
WAEMU	West African Economic and Monetary Union
WTO	World Trade Organisation