

# Food Prices and Global Food Security

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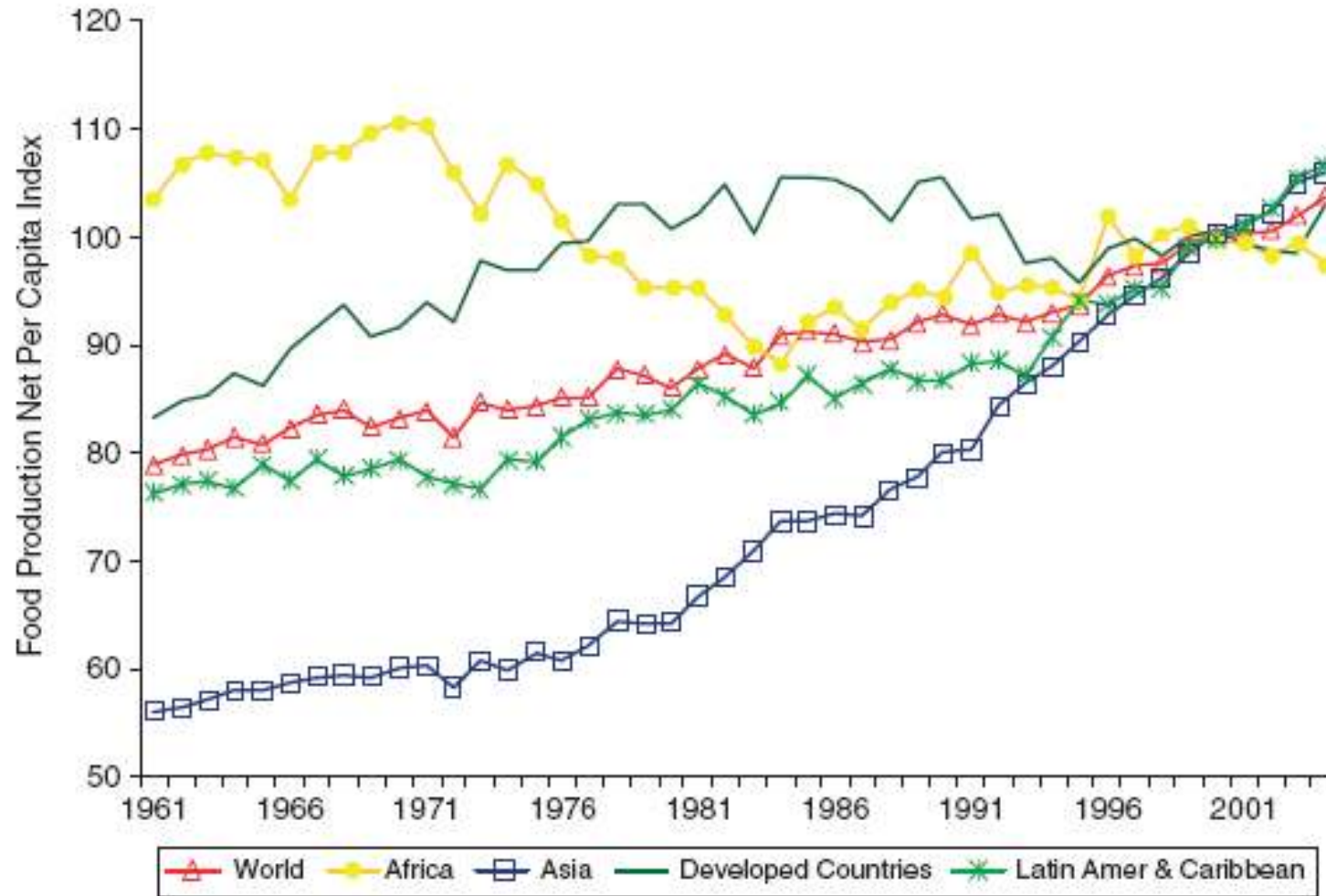
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# Per capita food production index 1961-2005

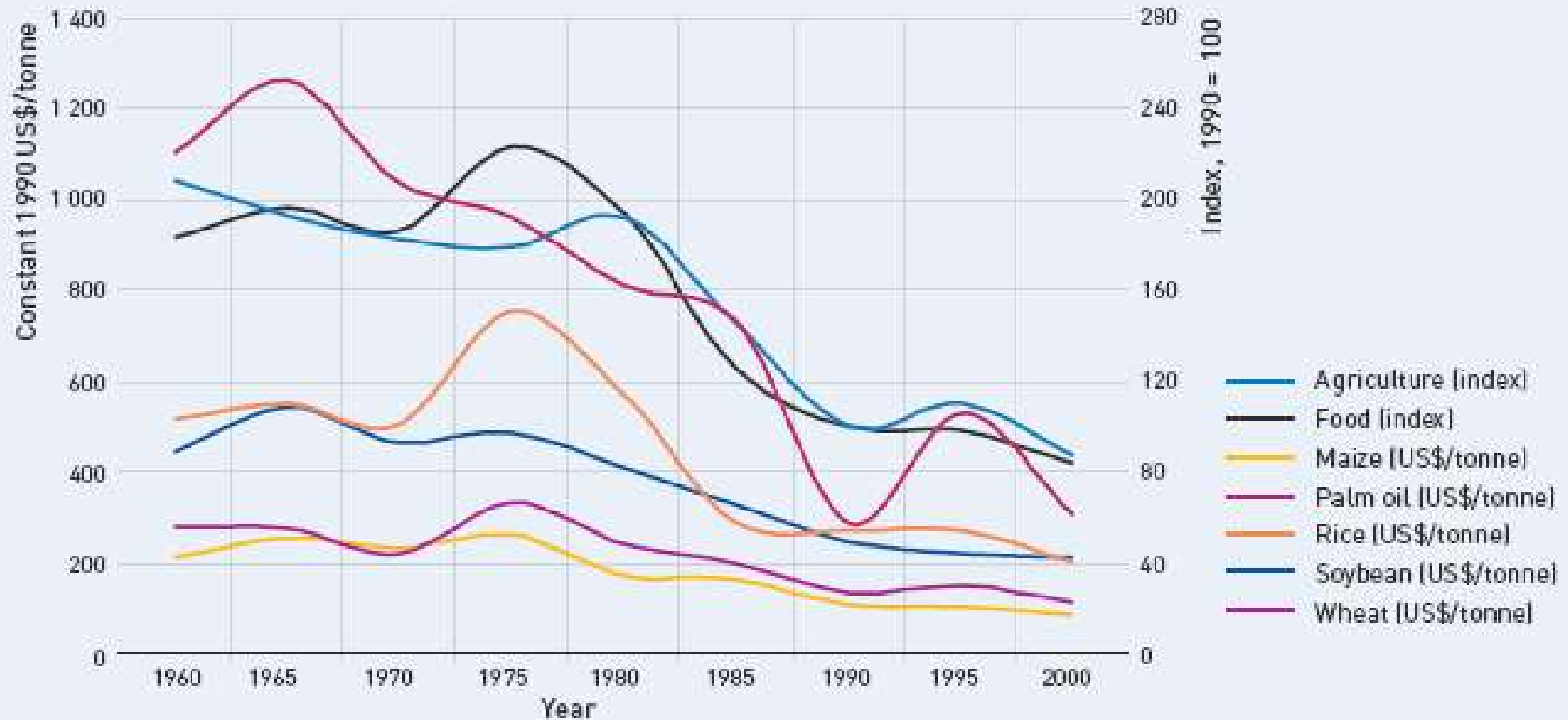


Source: Ugarte 2007

# The world food context

- Despite improving nutrition and increasing food demand in all regions...
- ...Steadily growing world food supplies..
- .. Have led to a steady fall in real food prices during the past four decades.
- For commodity-dependent poor country exporters, that also translates into adverse terms of trade movement

## World market prices for agricultural commodities, 1960 to 2000

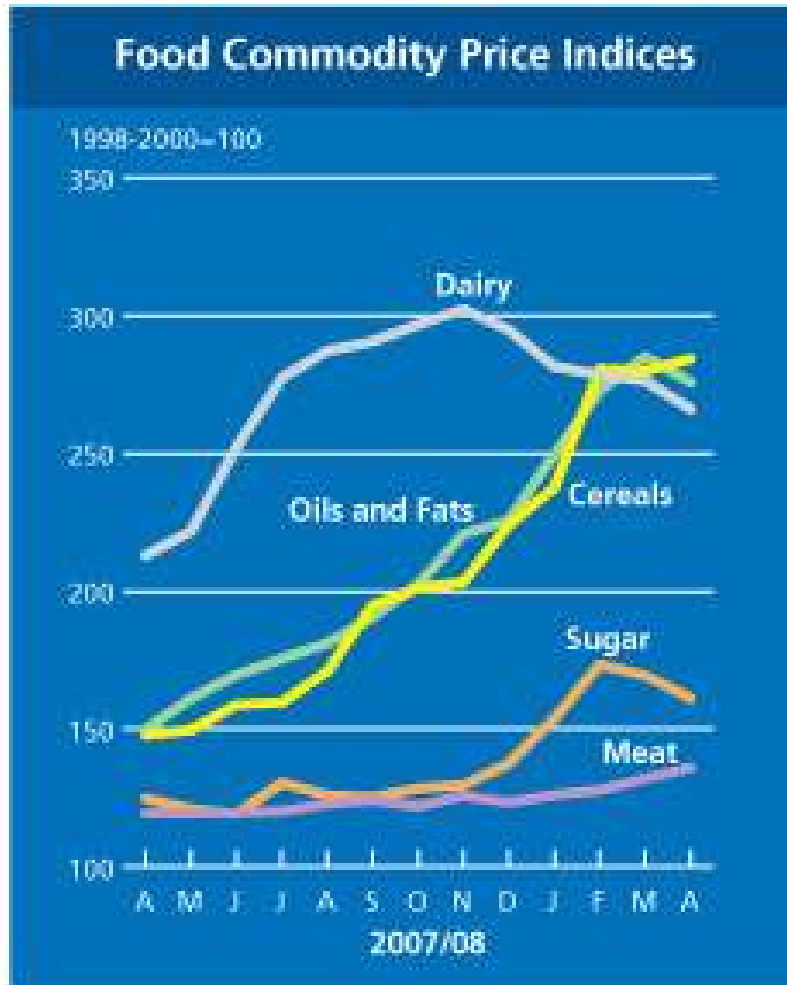
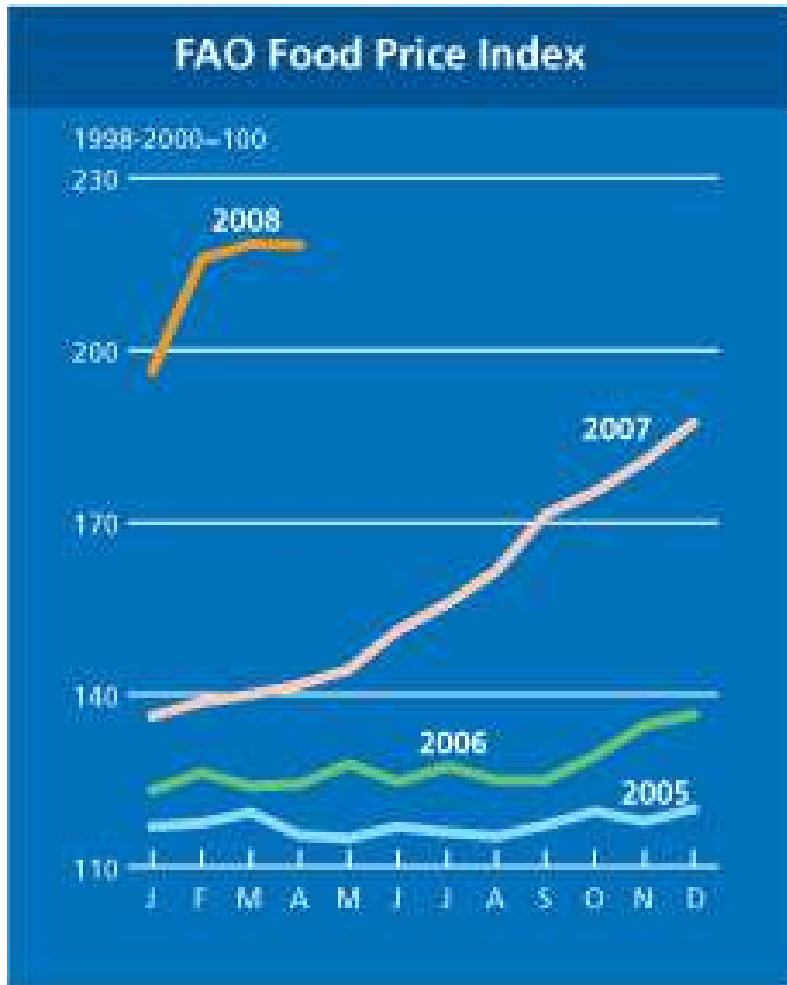


Source: World Bank (2001a)

Source: FAO World Agriculture: Towards 2015/2030

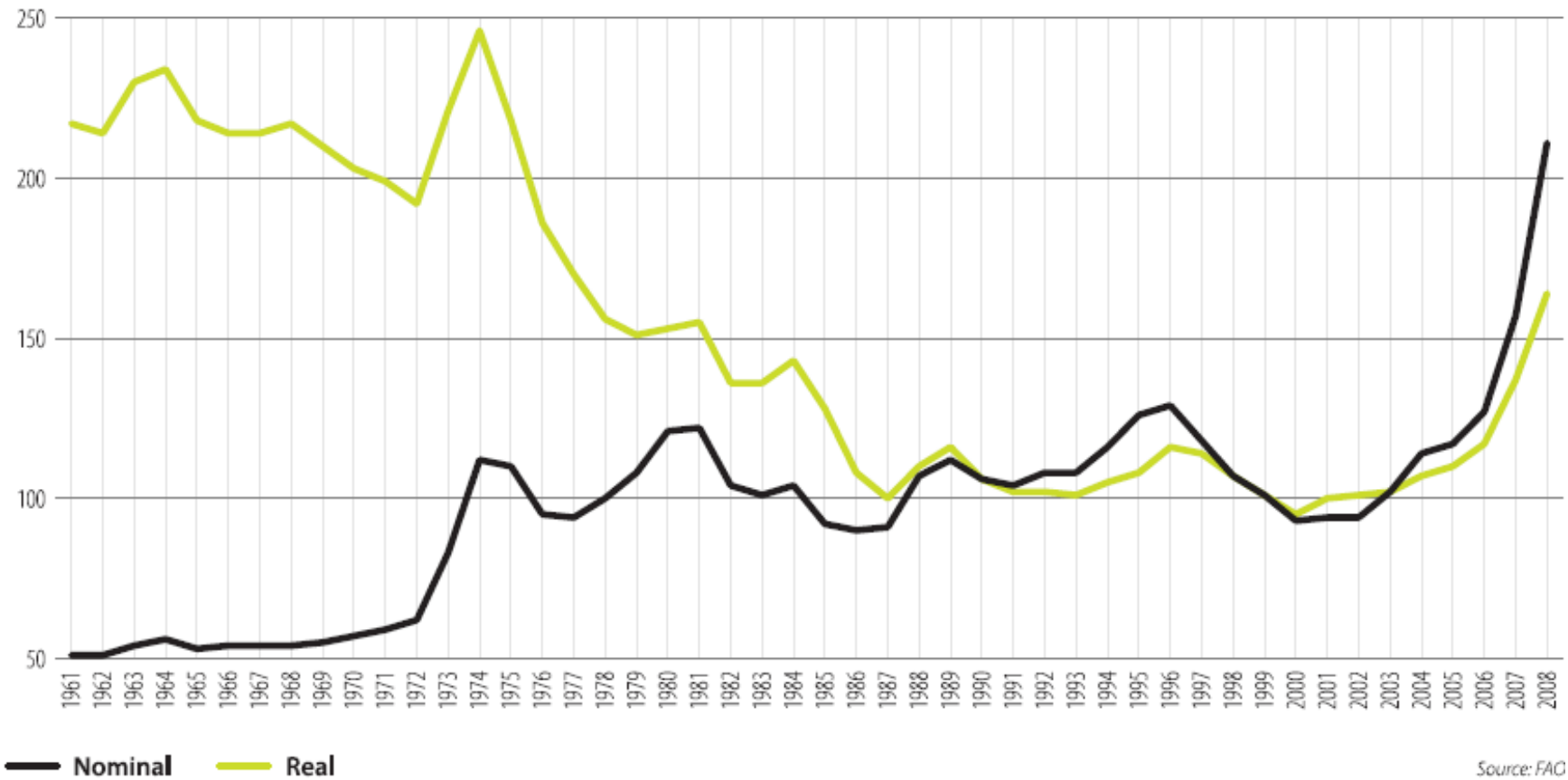
## But now... dramatic changes in world food markets

- Recent years have seen a sharp increase in real food prices, with particularly large jumps in recent months for some commodities..



Source:  
FAO

**Figure 2** Extended Annual FAO Food Price Index 1998-2000=100



Source: FAO 2008

# For discussion

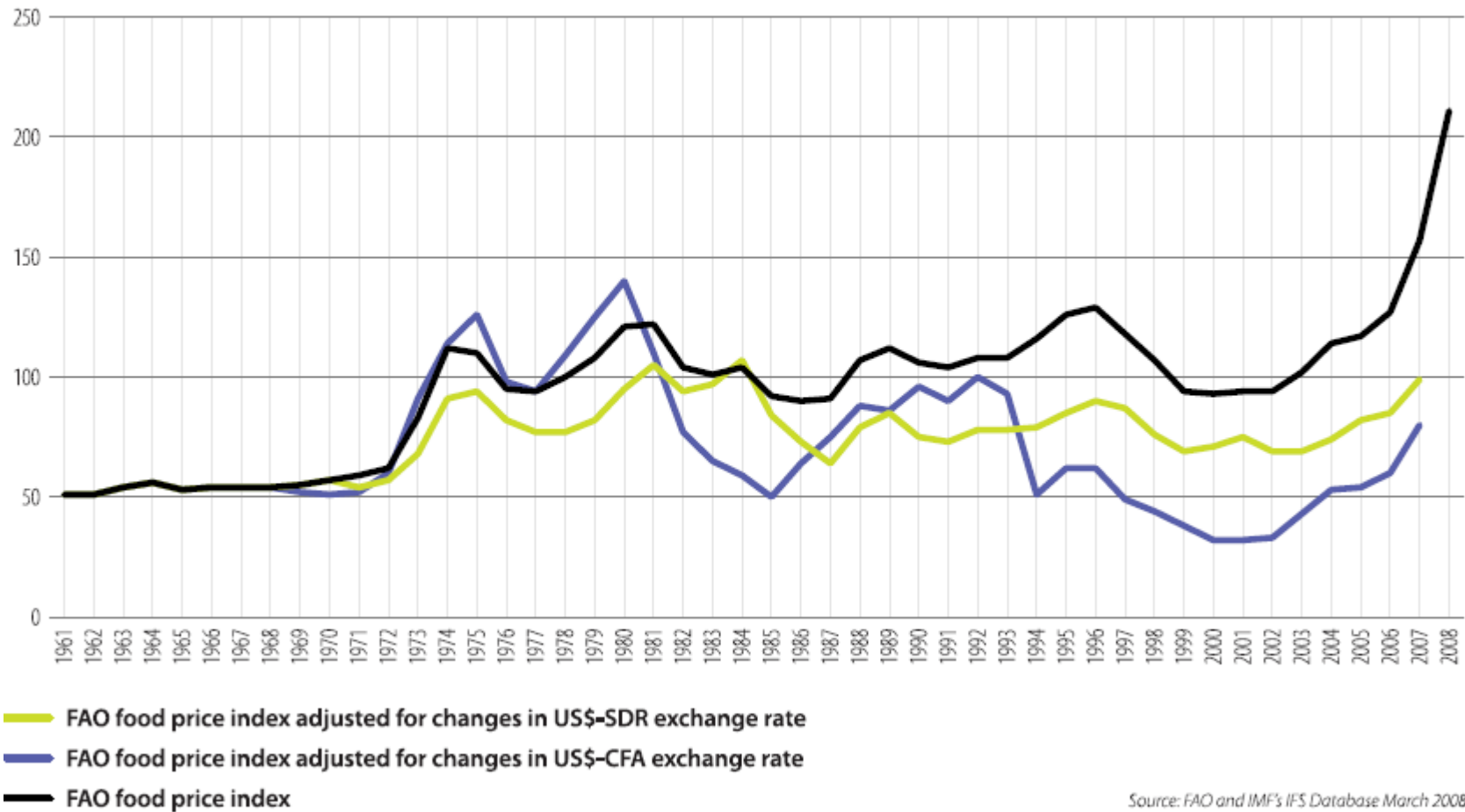
- Causes of recent high food prices
  - Will they continue?
- Consequences of high prices for global poverty
  - Are they damaging to the poor?
- Implications for future CAP policy
- Not covered
  - Implications for Irish agriculture
  - Implications for inflation



# Causes of high food prices

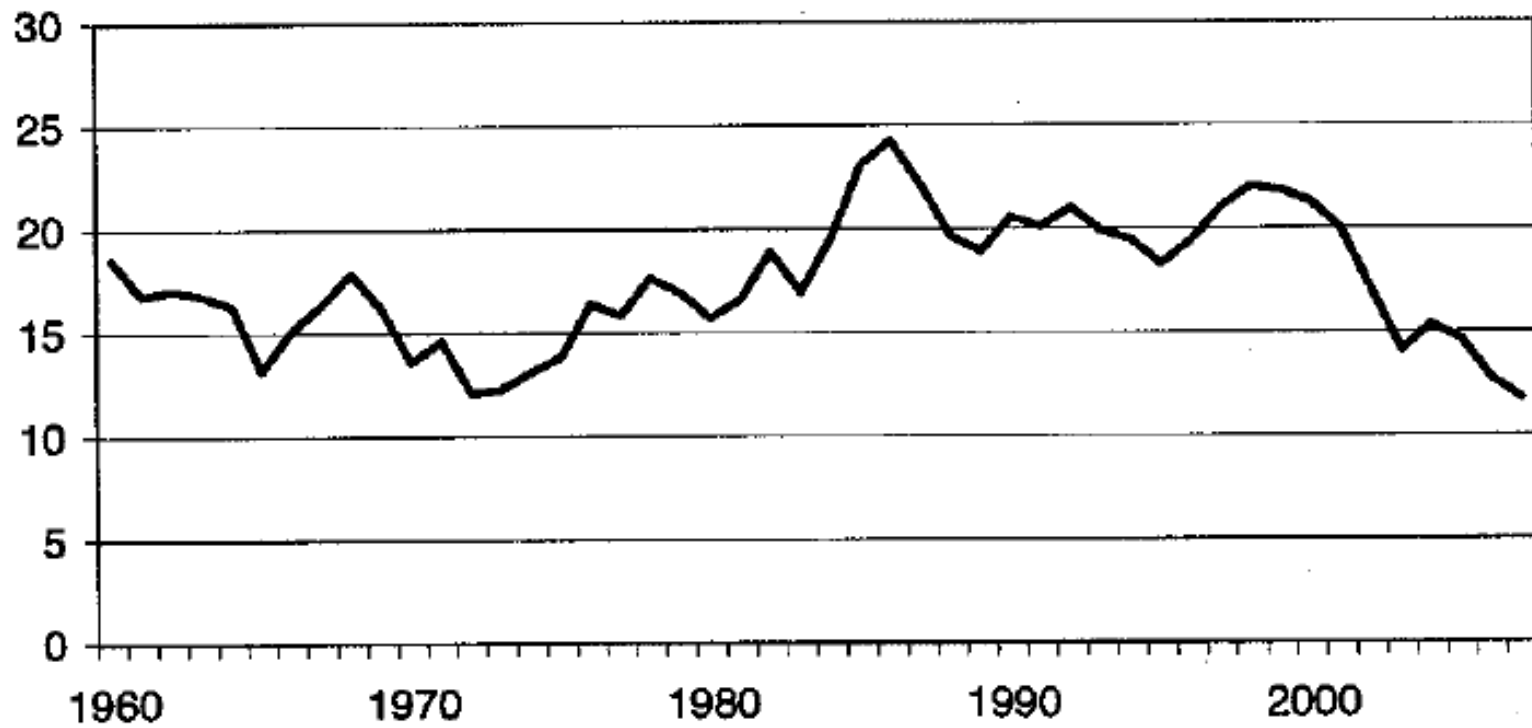
- Macroeconomic
  - US dollar depreciation
  - Financial speculation
- Structural
  - Tight global supply and demand balance
  - Very low reserve stocks
- Short-term
  - Poor harvests
  - Trade bans
  - Inelastic supply and demand
  - Thin world markets
- Growing link with energy markets
  - High energy prices
  - Biofuel demand

**Figure 5** FAO Food Price Index adjusted for changes in the exchange rates between US dollar and SDR and CFA



Source: FAO 2008

**Figure 11. World Grain Stocks-to-Use**  
(percent)



Source: DECPCG

Source: Mitchell 2008

# Causes of high food prices

- World Bank food price index
  - 140% increase Jan 2002 to Feb 2008
- Energy costs +15%
- Dollar depreciation +20%
- Biofuel demand +105%
  - Distinguish between market-driven and subsidy-driven demand

Source: Mitchell 2008

# The biofuels contribution

- Biofuels
  - Bioethanol – alcohol derived from sugar or starch crops by fermentation
  - Biodiesel – derived from vegetable oils by reaction with methanol
- Biomass and bioenergy
- Energy (oil) prices set a floor price for some agricultural commodities...
- ... but also set a ceiling price
- Long term, food price increases will move in line with real energy price increases



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# FEATURE-As biofuels boom, will more go hungry?

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## FOOD-FOR-OIL PROGRAM

# Starving the People To Feed the Cars

By Lester R. Brown

Sunday, September 10, 2006; Page B03

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# Food security – a major issue

- Food vs fuel – an old debate
  - During the 1970s – should we stop eating meat to make more grain available for poor people?
  - During the 2000s – should we stop driving cars to make more grain available for poor people
- Concern that rising food prices will make it more difficult for the poor to purchase food
- There are lots of good reasons why it might be good to eat less meat or drive less often, but would it actually contribute to reduced hunger?

# Who are the poor in developing countries?

- 80% of food-insecure people are in rural areas
  - 50% are small farmers
  - 20% are landless farm workers
  - 10% are pastoralists, fishermen or forest gatherers
- Energising the economic viability of rural areas through agriculture has significant potential to reduce poverty and hunger
- Poverty multiplier of agricultural-led growth far higher than for other forms of growth (minerals, industry)



# World food prices – the CAP analogy

- NGOs have long campaigned against the EU's export subsidies on food, on the grounds that they depressed world market prices for poor country producers
- Higher food prices due to biofuel demand, for example, have the potential to far outweigh the price-depressing effects of rich country agricultural policies

# Food security concerns

- Higher food prices raise the expenditure requirements of the poor, but they also contribute to higher incomes and more jobs for food producers
- Potential now exists to reverse the decades-long neglect of agricultural and rural development in many developing countries

# But winners and losers...

- Between countries
  - If food prices move in tandem with energy prices, then countries gain or lose depending on whether they are net energy exporters and/or net food exporters
  - Many least developed countries are BOTH net food AND energy importers

# Winners and losers...

- Within countries
  - Only 50% of the food insecure are small farmers
  - Other 50% are potentially food purchasers
  - Need to take on board interests of the urban poor plus other marginalised groups
  - Need to assess the gender impact of rising food prices on division of labour and intra-household distribution

## ...Winners and losers

- The pace of change
  - Consumers pay higher prices now
  - Supply response from poor farmers will take years to appear
- Suggests differentiated and targeted responses to specific issues are needed

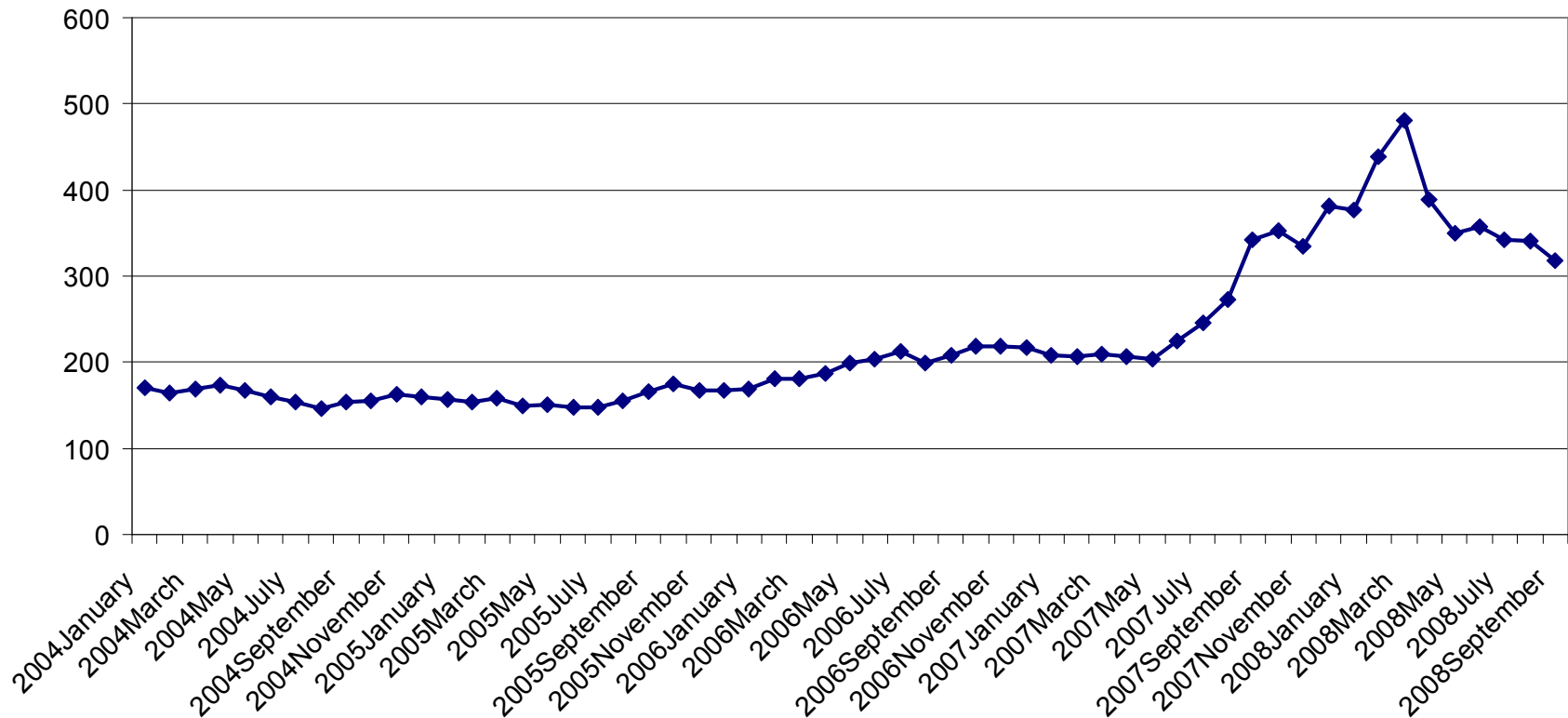
# What role for EU agricultural policy?

- The context
  - CAP Health Check
  - CAP 2013 in context of the budget review
  - Doha Round resurrection?
- The views
  - “Food security” the new rallying call
  - France versus UK
- EU policy
  - biofuels

# Future outlook

- Views of forecasting agencies
  - Nominal food prices to remain constant over the next decade
- Future of oil prices?
- Impact of economic growth slowdown?
- Future of biofuel mandates in EU and US?
- Future supply response?

# World wheat price, US\$ per tonne





# Main messages

- High food prices are part of the solution rather than the problem
- Rising world food prices represent a great opportunity to revitalise agricultural and rural development in low income countries where the bulk of the world's poor live and work
  - Importance of Irish Hunger Task Force recommendations
- Short-term needs of low income countries and households need to be addressed
- But, longer term, the key issue is a sustainable framework to encourage agricultural investment and production

The author wishes to acknowledge the support of the Advisory Board for Irish Aid under its Framework Project on Policy Coherence for research into this issue