

# **“The World Food Situation”**

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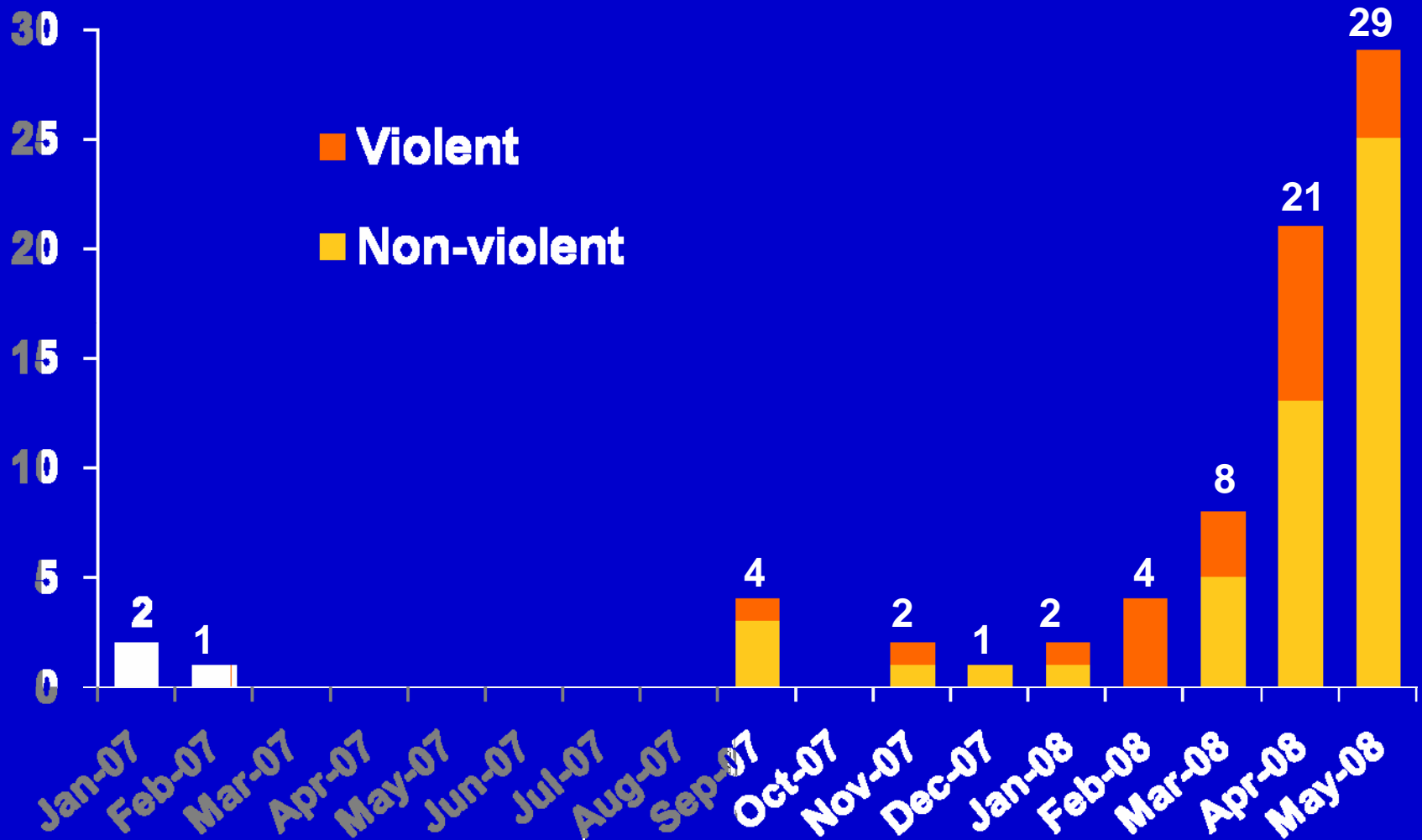
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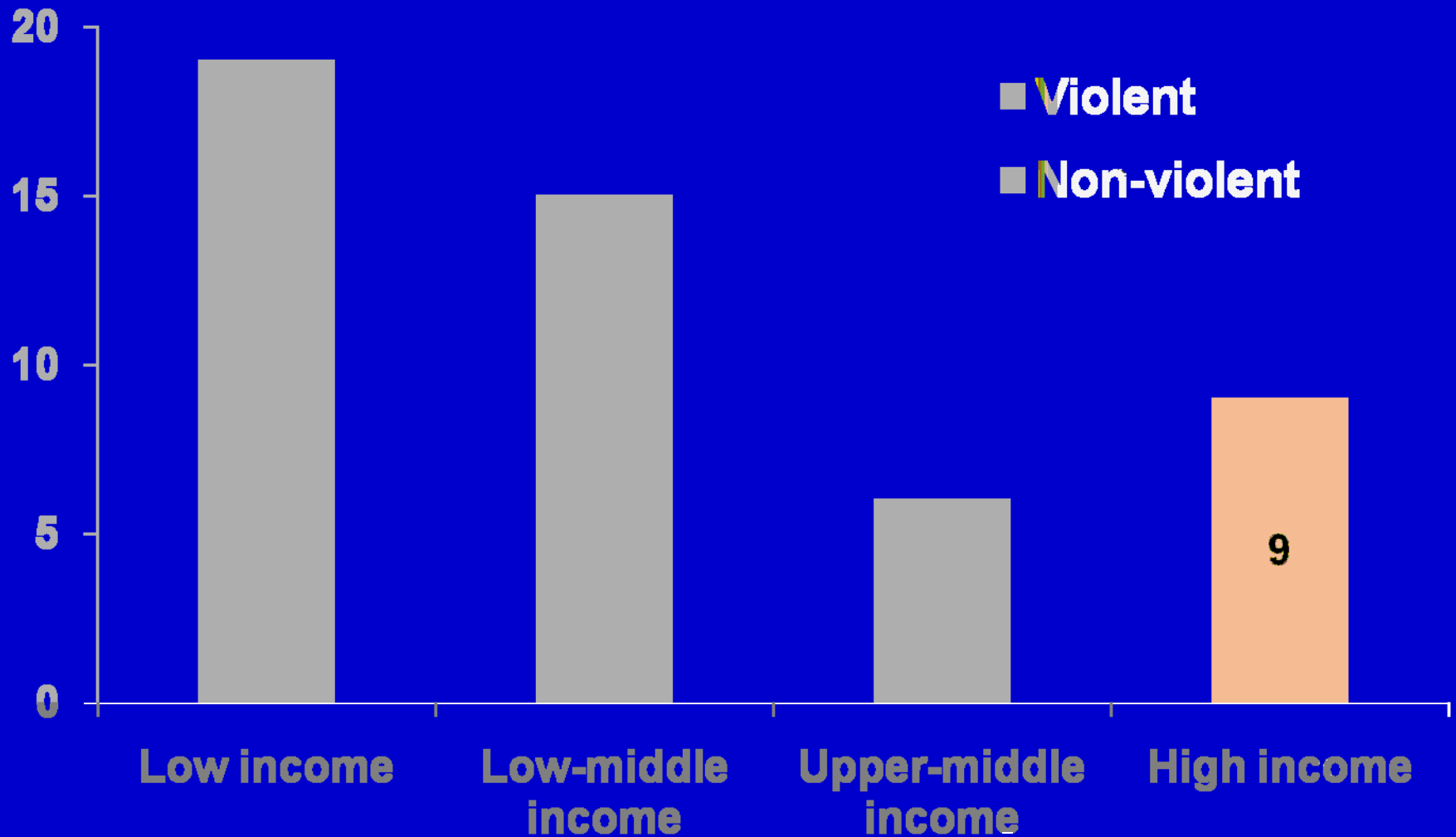




# 2007-08 timeline of food protests



# Number of food protests by type and income group

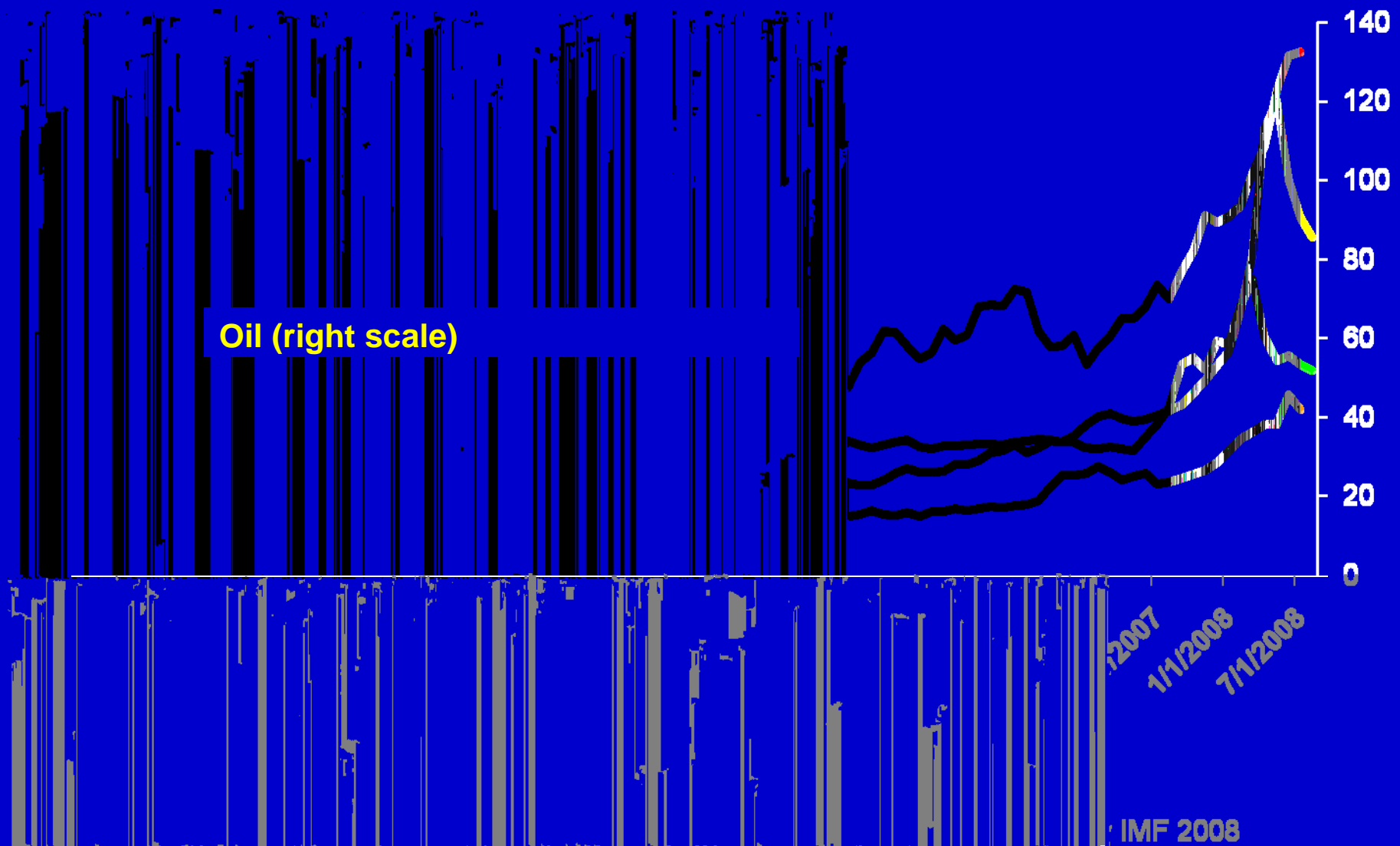


Source: Protests – news reports;  
Income group classification – World Bank 2007.

# Government effectiveness 2007 & food protests



# Surge in cereal and oil prices



# IFPRI's scenarios

[Models for changes in structural supply and demand factors  
(2000-



## Production

Land

Water

Inputs

Workforce

Climate change

Agrarian structure

Technology

*...and Policies*

## Demand

Income growth

Poverty and inequality

Consumer behavior

Bioenergy

Biomass (CO<sub>2</sub>)

*...and Policies*

## Trade and processing

-Information & Standards

-Supermarkets

-Bioenergy & Biomass

*...and Policies*

# **Summary: major causes behind the surge in cereal prices**

- 1. Income growth**
- 2. Biofuels \***
- 3. Lack of supply response\***
- 4. Low stocks and trade policies\***
- 5. Climatic shocks\***
- 6. Population growth**

## **Demand factors**

Biofuels

Income growth

Population growth

# 1. Export bans and export restrictions increase market volatility

- In the recent past, export bans, export taxes and export quantitative restrictions for selected products were imposed for example by:

## Cereal Producers

- **China**
- USA
- **India**
- **Russia**
- Francia
- Brazil
- Canada
- Alemania
- **Vietnam**

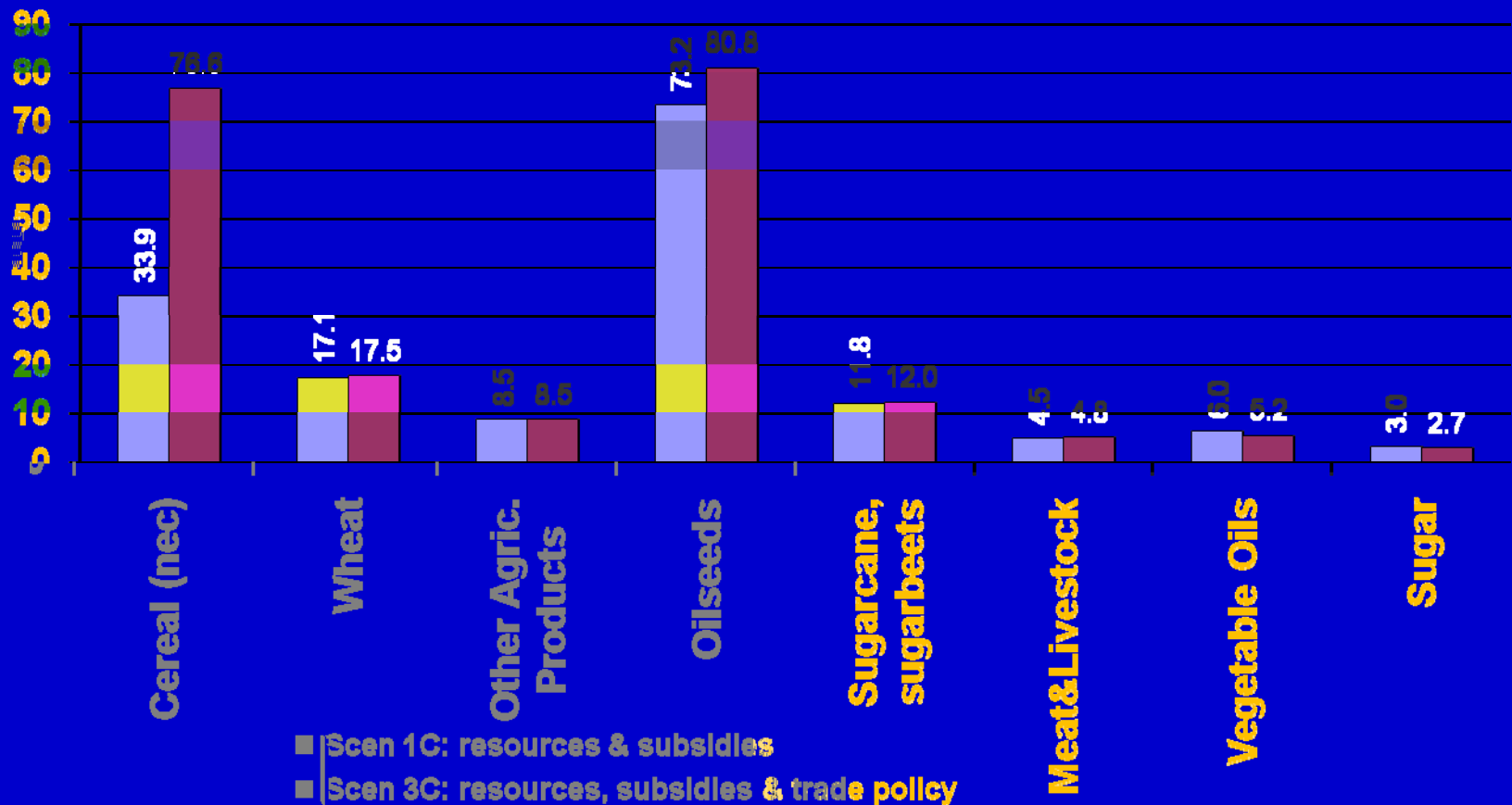
## Producers of oil seeds

- USA
- **Indonesia**
- **China**
- Malasia
- Brazil
- **India**
- Argentina

**in red= export restrictions**

# Export bans and export restrictions increase market volatility

- Simulations based on MIRAGE model showed that this explains around 30% of the increase of prices in basic cereals





# **Eliminate agricultural export bans and export restrictions: HOW?**

**šThe problem of export bans cannot be addressed country by country**

**šThis issue should not be added to the WTO Doha Round.**

**šThis should be addressed by an ad hoc forum of global players negotiating according to a code of conduct and in spirit of mutual building.**

**šAt the very least, export trade for humanitarian purposes should be reopened now even before a forum is convened.**

# Eliminate agricultural export bans and export restrictions: WHAT, WHO and WHERE

- **WHAT** could be expected from these measures:
  - Stabilize grain price fluctuations
  - Reduce price levels by as much as 30%
  - Enhance efficiency of agricultural production
- **WHO** will be the key actors:
  - G8+5 and sub regional organizations
- **WHERE** is the action more relevant:
  - Mainly on countries which control major exports



## 2. Calm markets with the use of market-oriented regulation: Why?

- **Basics of price trends:**
  - supply & demand
  - rising expectations
  - market behavior e.g. speculation & hoarding
- **In 2007, volume of globally traded grain futures & options increased by 33 & 48% (Chicago Board of Trade)**
- **Governments increasingly curb hoarding (e.g. India, Pakistan, Philippines)**

**Commodity exchanges can help create fair, orderly, and efficient food markets**



## 2. Calm markets with the use of market-oriented regulation: Why?



SOURCE: U.S. Commodity Futures Trading Commission

COMMODITY: CORN - CHICAGO BOARD OF TRADE; 5,000 BUSHELS (contract code 2602)

Description: the graph shows the total number of long/short positions by non-commercial traders as a fraction (vertical axis) of the total reportable long positions (commercial + non-commercial)

# Evidence of causality

## Indicator of speculation activity

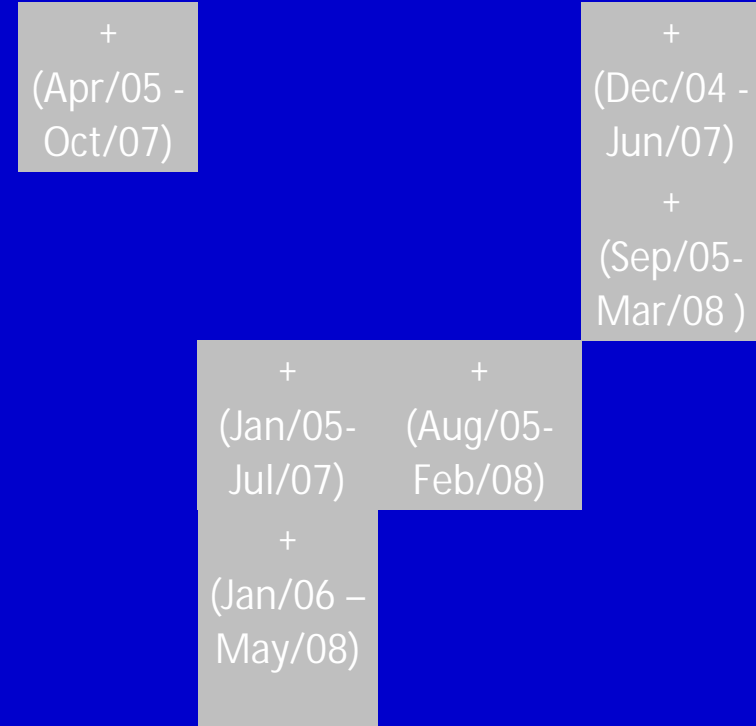
1. Monthly volume (futures contracts CBOT)
2. Monthly open interest (futures contracts CBOT)

Wheat

Corn

Soybeans

Rice



## 2. Calm markets with the use of market-oriented regulation: How?

- A coordinated set of pledges for a modest grain reserve to be made by the main grain-producing countries should be established at global or regional levels
- A global intelligence network should be put in place
- The Food Aid Convention should be renegotiated and reformed, while current grain delivery and cash commitments should be expanded
- Virtual reserves concept should be studied and if agreed implemented (IFPRI Policy Brief No.4).

# IFPRI's proposed policy actions

- **Emergency package:** for immediate food assistance and availability needs  
*[Implement immediately]*
- **Resilience package:** to meet ongoing and future challenges in the food system  
*[Phase in now for future impact]*

# Policy actions: Emergency package

1. Expand emergency and humanitarian assistance
  - *international (price indexed) and national*
2. Eliminate agricultural export restrictions
  - *reduces price levels by up to 30%*
3. Fast-impact production programs in key areas
  - *Poorest 50% of farmers in Africa - partly publicly funded = US\$2.3 billion per annum*
4. Change grain and oil seeds bio-