

Food Price Volatility

Recommendations from Civil Society

CSOs request the CFS:

- 1. AGRICULTURAL AND PRICE POLICIES** To support the development of comprehensive short and long-term national and regional food security strategies to address high food prices and volatility. These strategies should include a wide range of agricultural and price policies and instruments, adapted to specific national and regional contexts and the transition to agro-ecological practices. They should be developed, reviewed and monitored by inter-sectoral and inclusive national and regional committees on food security. The CFS should request that the CFS bureau establish a mechanism to monitor the implementation of these policies at the annual CFS sessions.
- 2. TRADE** To take leadership in reviewing trade policies with a view to reshaping them in coherence with the CFS mandate to realize the universal human right to adequate food. In particular, the review should look at how trade policy can better limit food price volatility. As an initial step, CSOs ask the CFS to request the HLPE to report on how bilateral, regional and multilateral trade policies affect countries' ability to prevent volatility, invest in smallscale food producer agriculture and realize gender justice and the human right to adequate food. Progress on this initiative should be reported at the CFS in 2012.
- 3. COHERENCE** To ensure that the CFS cross-reference the work of the three roundtables, ensuring that the decisions in the discussion of price volatility are consistent with the outcomes of the roundtables on gender justice and investment.
- 4. FOOD RESERVES** To establish a consultative process with CFS stakeholders to develop a code of conduct for the best use, governance and use of food reserves. The code should consider how reserves affect resilience in the face of high prices and volatility, including further assessment of the constraints and effectiveness of local, national and regional reserves. The code of conduct should be adopted by the October session in 2014 (CFS 40), with annual progress reports.
- 5. REFORM OF COMMODITY EXCHANGES** To agree the need to improve transparency, regulation and supervision of agricultural commodity markets and request the FAO to provide annual status reports on the effectiveness of Member States' policies, starting in 2012.
- 6. BIOFUELS** To press CFS member states to abolish subsidies, tariffs, targets and mandates for biofuels, and urge them to eliminate any policies that artificially drive this strong additional demand. The CFS should facilitate a cross sectoral discussion, with all relevant agencies, on possible policies to tackle unsustainable and inequitable patterns of consumption and production.

Food Price Volatility

A Summary of Discussion From CSOs

The persistence of high and volatile food prices since the food crisis of 2007 – 2008 is a symptom that our food system is not coping. High and volatile prices are expected to persist in the coming years unless coordinated responses to address the root causes of the problem are developed. High and volatile prices are a signal that markets alone cannot protect the universal human right to food, particularly in a world with finite and already degraded resources. The last several decades of market-based economics have discouraged regulation by governments. They are then increasingly pushed into the role of picking up the pieces when markets fail.

Today high and volatile food prices are deepening inequalities and vulnerability. The civil society mechanism has been created to give a voice to those affected by this persistent food price crisis. Despite the repeated social unrest generated by high food prices and hunger, the majority of those suffering suffer in silence.

Existing market-based and government policies have failed to stabilize and regulate markets, mainly because the policies do not address the root causes of the crisis. The conditions necessary to build equitable, sustainable, resilient food systems that provide food and nutritional security for all have not been fulfilled. These root causes include the neglect of smallscale food producers, the deregulation of markets, inequalities in purchasing power, failed trade policies, and climate change.

High and volatile food prices demand ambitious policy responses. In general, the draft decision box for the price volatility roundtable is too focused on market-based mechanisms designed to cope with food price volatility and not focused enough on measures to lessen volatility itself.

Increased levels of world demand has led to increased competition on international food markets, between consumers with very different levels of income. This means poor consumers make a disproportionate adjustment when prices rise, even though they can far less afford to forgo the consumption.

Responses should be framed by the principles of food sovereignty and gender justice. They should address price volatility on domestic markets for all crops crucial to food and nutritional security. They should give priority to strengthening local, sustainable food systems by making them more resilient, and be framed to address the needs of those affected by the food crisis, in particular poor consumers and small food producers.

It is not enough just to increase production. The world has lived with abundant food and high levels of hunger for generations. Poverty must also be eliminated, focusing on living wages for food workers as well as a fair return to producers from what are today highly concentrate international value chains.

We recommend the CFS :

Support the development of comprehensive short and long term national food security

strategies to address high food prices and volatility. These strategies should include a wide range of agricultural and price policies and instruments, adapted to specific national and regional contexts. They should be developed, reviewed and monitored by inter-sectoral and inclusive national and regional committees on food security. The CFS should request that the CFS bureau establish a mechanism to monitor the implementation of these policies at the annual CFS sessions.

TRADE

Trade has long been promoted by the multilateral community as the most important way to limit price volatility. In this scenario, volatility is assumed to be primarily the result of uncertain domestic production from year to year, coupled with relatively steady demand. Civil society has long rejected this analysis, arguing that food systems that privilege local markets are more resilient, more equitable, and more productive. The HLPE report, too, challenges this analysis, and the policy conclusions that donor governments have drawn from it.

The majority of large commodity exporting countries (most of them G20 members) have made it clear they are not prepared to accept binding restraints on their use of export bans and tariffs. A number of developing countries have said the same thing. It is clear that there are situations in which governments might want to impose export restrictions to respond to domestic food security concerns. Yet the Uruguay Round Agreements have locked in tariff ceilings and restricted *importing* countries' ability to use import restrictions to meet domestic food security priorities. The failure to address the lack of policy space for food importing developing countries, which in effect creates an imbalance between importer and exporter obligations, has made it impossible to make progress on agriculture in the Doha negotiations.

The Doha Agenda has failed. This view is widely shared within civil society, including among journalists for the financial press, economists, and, informally, by many trade negotiators as well. This creates an opportunity for countries to re-examine their agricultural trade policy. There is a key role for the CFS in this process of creating a new basis for international trade anchored within a framework of the universal human right to food.

The new trade framework should be a fair, transparent, accountable and rules-based. It should protect and promote public policy objectives, especially the universal human right to food. Simply exposing smallholder farmers to international markets increases their level of risk from price volatility.

Recommend that the CFS :

Take leadership in reviewing trade policies with a view to reshaping them in coherence with the CFS mandate to realize the universal human right to adequate food. In particular, the review should look at how trade policy can better address food price volatility. As an initial step, CSOs ask the CFS to request the HLPE to report on how bilateral, regional and multilateral trade policies affect countries' ability to prevent volatility, invest in small scale food producer agriculture and realize the human right to adequate food. Progress on this initiative should be reported at the CFS in 2012.

FOOD RESERVES

High levels of international volatility correlate directly with low stocks. Low stocks were a driving factor in the 2007–2008 food price crisis and continue to destabilize some commodity markets today. During the recent food price crises, several food importing countries made successful use of national level food reserves to avoid high and excessively volatile prices on their internal markets.

The use of national food reserves in these circumstances is, in fact, a common strategy yet there is no forum for an exchange on experiences, lessons learned and best practice.

Most observers expect continuing high levels of international food price volatility. It is therefore urgent to understand the best practices for the establishment and use of reserves to counter this volatility. We support the development of a code of conduct for reserves as a space in which a better understanding can be built. Public oversight and regulation of stocks is essential.

The Special Rapporteur on the Right to Food's report on the use of reserves stressed the importance of re-establishing international food reserves as a necessary tool for reducing the volatile market conditions that feed financial bubbles. The proposed pilot project for an emergency reserve in the ECOWAS region is welcome. It is essential that implementation ensure strong regional ownership and coordination with other planned reserves in the region. The modalities of the proposed trigger mechanism and the size, location and procurement of the physical reserves should all be strengthened.

We recommend the CFS :

Establish a consultative process with CFS stakeholders to develop a code of conduct for the best use, governance and use of food reserves. The code should consider how reserves affect resilience in the face of high prices and volatility, including further assessment of the constraints and effectiveness of local, national and regional reserves. The code of conduct should be adopted by the October session in 2014 (CFS 40), with annual progress reports.

SPECULATION

To be effective, commodity exchanges have to be tightly regulated, and the roles of different actors have to be clearly delineated. The past two decades of deregulation and the removal of both position limits and the differentiation between market traders and speculators has dramatically aggravated volatility with no clear gain for the system as a whole.

Speculation is allowed to take place in essential food commodities, exacerbating the effects of movements in commodity prices. Given the concerns with the lack of oversight and regulation of commodity exchanges, it is ill-advised to encourage net food importing developing countries to rely on such market-based financial instruments to manage price volatility. The human resources, communications technology, and legal frameworks required for effective use of futures options and similar tools is enormous. There are cheaper and more effective ways to limit volatility.

We recommend the CFS :

Recognizing the need to improve transparency, regulation and supervision of agricultural commodity markets, request the FAO to provide annual status report on the effectiveness of these activities in Member States starting for CFS 38

UNSUSTAINABLE CONSUMPTION : MANAGING DEMAND

World demand for agricultural commodities received a profound shock that had no relation to population or income growth when the U.S. and E.U. established mandates and targets for biofuel production. This massive development of the biofuel industries was made possible through the use of significant public resources in the form of subsidies, mandates and tax exemptions. A significant

opportunity cost was also paid by the public in locking-in so-called alternative energy into fossil fuel based technologies.

High levels of demand for grain from rapidly increasing grain-fed livestock operations is placing enormous pressure on world grain supplies. Existing unsustainable consumption levels of meat and dairy in industrialised countries are spreading to other countries. High levels of meat consumption are creating health, environmental and food security concerns.

The demands created by industrial meat production and biofuels exacerbate the inequities that are built into a market distribution system that rewards the highest bidder. As the HLPE report documents, the poor are in effect having to absorb most of the effects of price shocks, further exacerbating inequality. Women are disproportionately represented among this group that bears the brunt of food crises.

Industrial country models of food distribution generate very high levels of waste, similar to the levels of food lost in developing countries due to poor storage, processing capacity and transportation infrastructure. This waste is an integral part of the unsustainable consumption and production patterns.

Industrial biofuels production in many cases generates animal feed as a co-product with biofuel, for example in the case of oil palm, maize and soy. Biofuels are not providing the employment opportunities that investors promised ; indeed they are destroying jobs in many parts of the world. Biofuel feedstock production is also an important driver of the trend to aggregate small-scale agricultural producers into large groups that controlled by corporations.

We recommend the CFS :

Press CFS member states to abolish subsidies, tariffs, targets and mandates for biofuels, and urge them to eliminate any policies that artificially drive this strong additional demand. The CFS should facilitate a cross sectoral discussion, with all relevant agencies, on possible policies to tackle unsustainable and inequitable patterns of consumption and production.

Document and recognise women's role in community food banks, seed saving, agro-ecological farming practices and food processing. All these activities strengthen local food markets, increasing communities' resilience in the face of high and volatile food prices. The CFS should explicitly seek out and include women's knowledge and practices in developing tools to address food price volatility.