



Food and Agriculture
Organization of the
United Nations

FAO's Initiative on Soaring Food Prices

Global food prices have been constantly rising for more than two years, in part due to poor harvests and severe weather conditions at vital times during the growing season. Global food stocks are also at their lowest level since the 1970s, leaving little room for markets to absorb speculative bidding as food becomes a hot commodity to profit from. Food export bans have only exacerbated the problem. In addition, the rise in the price of oil adds to the price of food not just in higher costs of operating machinery and transport. On average, fertilizers have doubled in price, and pesticides are also more costly, since most are petroleum-based. And some food crops are being diverted to produce bio-fuels.

The end of cheap food

The FAO food price index is up 54% compared with prices one year ago, and though the price growth recently seems to have levelled off, it appears food won't be cheap again for the foreseeable future.

The Director General of FAO launched the Initiative on Soaring Food Prices in December 2007 to respond to the crisis that threatens to push millions of people back into hunger and poverty. High food prices have become a matter of survival for some 2 billion people worldwide: the world's poorest spend up to 80% of household income on the food they eat to survive. Most live in rural areas and make their living from agriculture.

The UN has underlined that the most urgent immediate need is to feed those who are hungry and vulnerable.

Next, impoverished farmers, who have often suffered through years of poor harvests and low prices, must be guaranteed the means to secure this year's crop, and the crops for years to come. High prices promise not only to lift farmers out of years of debt, but also to also revive the livelihoods rooted in agriculture of the world's poor. The crisis of high food prices presents the world with an opportunity to invest in agriculture and secure a sustainable future for world food supplies.

What FAO is doing through the Initiative on Soaring Food Prices (ISFP)

Over 60 countries have signalled a need for FAO's assistance in facing the enormous strain posed by soaring food prices. Under the ISFP, FAO has allocated 17 million dollars to respond to the immediate emergency to help smallholder farmers boost production and secure the next harvests through improved access to seeds, fertilizers and animal feedstock. Farming inputs are already being procured or distributed in four critically affected countries: Burkina Faso, Haiti, Mauritania, and Senegal. Other countries will follow.

FAO's Country Guidelines has been made available to member countries to help formulate national action plans to address soaring prices. It provides an overview of different policy responses to higher food prices, their possible effects, advantages and disadvantages, and offers advice on when various interventions are most appropriate. It explains why some quick-fix solutions such as export restrictions or tariff cuts may be counter-productive and even harmful in the long run, despite well-meaning intentions.

FAO is also putting in place a more accurate system for monitoring price fluctuations at the local level. Though average prices of food on the international market are skyrocketing, the effects locally can sometimes be even more acute, or have little effect at all. Together with WFP, FAO is assessing how vulnerable groups are being affected by high prices. These mechanisms are being studied in order to provide informed policy guidance.

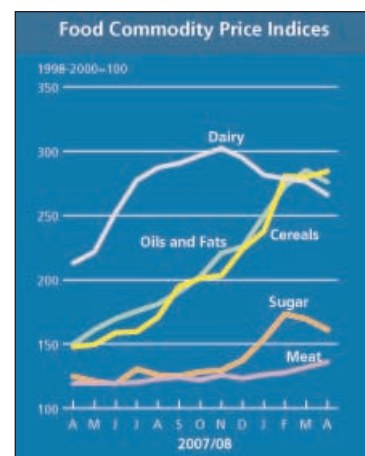
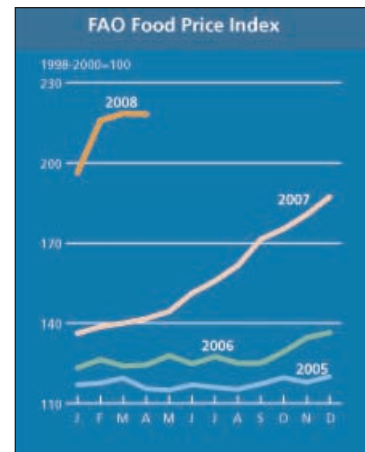
Years to reverse the damage done

But much more is needed to reverse the decades long decline in investment in agriculture. Farmers in the developing world have to battle with lack of storage facilities, infrastructure, access to land and technology and well functioning marketing and credit systems.

In order to increase production, the Initiative will also address structural issues such as reclaiming and modernizing irrigation systems, repairing dilapidated food milling and storage systems, and ensuring that farm produce from rural areas reaches markets even far afield. Technical advice is being offered on development of local seed systems, plant protection, and best farming practices, such as sustainable intensification.

FAO is working through the UN system, especially with the other Rome-based food agencies WFP and IFAD, as well as the World Bank, private institutions and regional organizations and development banks, to form a united front in fighting the effects of soaring food prices on a global and local scale.

FAO has estimated that countries will need US\$1.7 billion for the immediate response for the next planting seasons alone. But that is a drop in the bucket: much more will be needed to repair the damage done during decades of neglect. The longer-term revival of local farming is an enormous task, but many sound longer-term development programmes already exist which need to be supported and given the priority they deserve.



Snapshot:

Latin America

Ecuador: Food prices were up 146% in April compared with the year before.

El Salvador: Fertilizer was up 110% for the first three months of 2008.

Snapshot:

Africa

Côte d'Ivoire: rice doubled in price in March compared with a year before.

Senegal: wheat prices were double in February from a year before and sorghum rose 56%.

Snapshot:

Asia

In the Philippines, rice price doubled in two months ending in March.

In Sri Lanka in March, rice was nearly double the price from a year before.

KEY FACTS

- ✓ The cereal import bill of the world's poorest countries will rise by 56 percent in the two year period 2007-2008.
- ✓ The proportion of Official Development Assistance (ODA) for agriculture dropped from 11.5% in the 1980s to about 3 percent in recent years
- ✓ Less than 4 percent of arable land in sub-Saharan Africa is irrigated, while in South Asia the figure is 40 percent. Poverty rates can be 20 to 30 percent lower in areas where a higher proportion of land is irrigated.
- ✓ A small investment of about USD 65 per smallholder farm plot buys a farmer the seeds, fertilizers and other inputs he needs to produce sufficient output in one year.



For the detailed ISFP Programme Document:
www.fao.org/Worldfoodsituation/ISFP/eng/

For more information, contact:
 Office of the Assistant Director-General
 Technical Cooperation Department
 Food and Agriculture Organization of the United Nations
 Viale delle Terme di Caracalla
 00153 Rome, Italy
 Tel.: +39 06 57051
 Fax: + 39 06 5703051
 E-mail: TCI-ISFP-secretariat@fao.org
www.fao.org/Worldfoodsituation