

STATEMENT BY THE DIRECTOR-GENERAL
ON THE OCCASION OF THE LAUNCH OF SOFA 2008

FAO, Rome, 07 October 2008

Ladies and gentlemen,

Welcome to FAO and to the launch of the report *The State of Food and Agriculture (SOFA) 2008*. The topic of this year's report is: "Biofuels: prospects, risks and opportunities."

The world's attention has focused this year on the sharp rises in food prices, which have threatened the food security of millions of poor people throughout the world. FAO estimates that in 2007 alone, 75 million more people have been pushed into undernourishment as a result of higher food prices, bringing the total number of hungry people to 923 millions.

Biofuels based on agricultural commodities have been pointed to as one of the main culprits. Indeed, over the past few years the production and use of biofuels for transport has expanded rapidly. From 2000 to 2007, production increased more than threefold and now covers nearly two percent of the world's consumption of transport fuels. The expansion has been pushed by policy instruments such as subsidies, tax incentives, tariffs and mandated blending of biofuels with fossil fuels. The policies have been founded on the premise that biofuels could contribute to energy security and climate change mitigation, while providing support to agricultural producers.

However, recently, in addition to worries about the implications for food security, concerns also mounted over the impact of biofuels on greenhouse gas emissions as well as other environmental effects. The policies put in place to promote the production and use of biofuels are being increasingly questioned.

The FAO High-level Conference on World Food Security held in Rome in June this year addressed the challenges of soaring food prices, bioenergy and climate change. The Conference stressed the need for in-depth studies to ensure that production and use of biofuels

is sustainable and takes into account the goal to achieve and maintain world food security. It called on intergovernmental organizations and all other stake holders to foster an international dialogue on biofuels. This year's SOFA report is a contribution in this direction.

Biofuels present both opportunities and risks. The outcome depends on the specific context of the country and the policies adopted. The challenge is to reduce or manage the risks while sharing the opportunities more widely and ensuring that benefits reach the poor.

Among the risks, food security concerns loom large. Undoubtedly, expanding production of biofuels from food crops is one factor among others that have contributed to the recent sharp increases in food prices. However, while some of the other factors may subside, growing demand for agricultural products for the production of biofuels will continue to put upward pressure on food prices for a considerable time to come. There is an urgent need to address the negative implications for poor countries who depend on imports for their food needs and for poor consumers in both urban and rural areas. As an important step, countries must roll back the current policies that artificially encourage production and promote demand for biofuel feedstock supplies.

While they involve risks, higher food prices also represent an opportunity for agricultural and rural development. Higher prices can constitute an important element in the effort to re-launch agriculture as they provide incentives to invest and produce. However, higher prices alone will not suffice if there is no elasticity of supply. Investments in agriculture and rural infrastructure in developing countries are indispensable. Investment needs are estimated at 30 billion US dollars per year for the next years to free the world from hunger. Also, there must be a strong focus on the needs of poor rural producers to allow them to expand their production and generate better incomes. In parallel to this, the lowering of trade barriers in developed country markets is crucial to allow developing countries to take advantage of the opportunities that agriculture exports, including biofuels, may offer.

On the environmental dimension, expanded use and production of biofuels will not necessarily contribute to reducing greenhouse gas emissions, as was previously assumed. While some biofuel feedstocks, such as sugar, can generate significantly lower greenhouse gas emissions, this is not the case for many other feedstocks. Changes in land use – for

example deforestation to meet growing demand for agricultural products – are a great threat to land quality, biodiversity, and greenhouse gas emission reduction efforts.

The challenges for the future development of sustainable biofuels are clear: preserve the goal of world food security; promote opportunities for agricultural and rural development; ensure benefits reach the poor; manage land, water and biodiversity in a sustainable manner; ensure a positive contribution to reduction of greenhouse gas emissions; and accelerate the transition toward second generation technologies. Policies, strategies and programmes must be based on a better understanding of the socio-economic and environmental implications of biofuel production but also governed by international strategy and agreements to ensure that biofuel production result in positive and equitable outcomes.

I hope this SOFA report will contribute to achieving some of those goals, and will help in developing improved national and international policy and strategy frameworks for biofuels.

Thank you for your attention