



**Regional consultation on policy and programmatic actions  
to address high food prices in Asia**

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**Summary of proceedings**

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## Acronyms

ADB	Asian Development Bank
ADG/RR	Assistant Director General and Regional Representative
AFSIS	ASEAN Food Security Information System
AIFS	ASEAN Integrated Food Security
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GFC	Global Financial Crisis
GMOs	Genetically Modified Organisms
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
IRRI	International Rice Research Institute
MT	Metric Tons
RAP	Regional Office for Asia and the Pacific
RTWG	Regional Thematic Working Group
SAARC	South Asian Association for Regional Cooperation
SDF	SAARC Development Fund
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations International Children's Emergency Fund
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
VAT	Value-Added Tax
WFP	World Food Programme
WTO	World Trade Organization

# Contents

	<b>Page</b>
<b>1. Introduction to the regional consultation</b>	<b>1</b>
1.1 Background	1
1.2 Objectives, and expected impacts, outcomes and outputs	2
1.3 Structure of the regional consultation	3
<b>2. Perspectives on the regional consultation</b>	<b>4</b>
<b>3. Recent trends in prices and supply of food commodities</b>	<b>7</b>
3.1 Global and regional trends	7
3.2 National trends (2010-11)	9
<b>4. Lessons from 2007-2008 food price crisis</b>	<b>10</b>
<b>5. Responses to high food prices</b>	<b>12</b>
5.1 Policy responses of national governments	12
5.2 Initiatives of development partners	13
<b>6. Policy and programmatic options to address high food prices</b>	<b>16</b>
6.1 Summary of presentation, comments and discussion on the FAO Guide	16
6.2 Summary of panel and floor discussions	18
<b>7. Conclusions, key messages and way forward</b>	<b>20</b>
7.1 Conclusions	20
7.2 Key messages and way forward	21
<b>Annexes</b>	
<b>1. Agenda and timetable</b>	<b>23</b>
<b>2. List of participants</b>	<b>26</b>
<b>3. Summary of policy responses at the national level</b>	<b>36</b>

## **1. Introduction to the regional consultation**

### **1.1 Background**

Just two years after the peak of the 2007-2008 crisis, food prices started rising again from June 2010. World food prices surged to a historic peak in February 2011. The FAO Food Price Index rose to 236 points, its highest level ever, representing an increase of 40 percent compared with June 2010 and of 5 percent compared with the record reached in June 2008. The surge in prices was led by sugar prices, vegetable oil prices and cereal prices. Within cereals, wheat prices on international markets rose by 7 percent in February from the previous month, 75 percent higher than a year earlier. International benchmark rice prices were, however, stable and remained low in February, only about 4 percent below one year ago and 42 percent below the May 2008 peak. Maize prices increased by 9 percent in February in one month. Unfavourable climatic conditions in several major food producing and exporting countries set off this new round of price increases in world markets. But other factors such as restrictive trade measures, political turmoil in some countries and high oil prices have contributed equally to this situation. Moreover, 29 countries are currently facing serious food emergencies which require an urgent response.

Domestic markets in some Asian countries have witnessed a steep increase in rice prices. Prices of sugar, cooking oils, vegetables and condiments such as onions, garlic and coconut, which form important parts of the food basket in the region, continue to remain high. With the damage to wheat crops in Australia by floods and in China by drought, and the rising price of fossil fuels, food-grain prices are expected to increase further in the coming months.

High food prices are of major concern, especially for poor households that spend a large share of their income on food. Food-deficit low-income countries may find it difficult to meet increased food import bills. During the 2007-08 crisis, millions of people in the region were unable to meet their minimum food requirements. In 2007 alone, an additional 75 million poor people fell below the hunger threshold – of which more than half or 41 million were from the Asia-Pacific region. Given this, there is a growing concern globally and in the region that measures to address rising food prices should be initiated immediately, taking into account the experiences and lessons from the previous crisis. It is also recognized that the recent price surge can be better addressed through an understanding of individual country situations, in-depth review of measures taken by various countries and the needs and priorities as well as the perspectives and capacities of different stakeholders, such as governments, the private sector, development partners and civil society organizations.

Against this backdrop, the FAO Regional Office for Asia and the Pacific (FAO-RAP) organized a regional consultation in Bangkok, Thailand from 9 to 10 March 2011, in collaboration with the Asian Development Bank (ADB), the Association of Southeast Asian Nations (ASEAN), the South Asian Association for Regional Cooperation (SAARC) and the United States of America (USA). The consultation invited 20 member countries from the region (Afghanistan, Bangladesh, Bhutan, Cambodia, China, DPR Korea, India, Indonesia, Lao PDR, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Timor-Leste and Viet Nam), regional inter-governmental organizations, development partners, bilateral donors, research institutions, the private sector and civil society organizations.

## **1.2 Objectives and expected impact, outcomes and outputs**

### **Objectives**

The regional consultation aimed to assist governments of member countries in identifying various options and designing country-specific immediate actions in response to the current food price surge. Specifically, it aimed to achieve the following:

- Sharing country experiences regarding rising food prices, the commodities involved, government priorities, policies and action programmes, and implementation problems/constraints and their impact;
- Raising awareness of the various policy options and programmatic actions and their implications to facilitate appropriate policy and programmatic decisions at the country level;
- Internalizing lessons from the 2007-08 crisis based on the analytical work carried out by FAO-RAP in nine countries and by other partners as appropriate;
- Identifying the needs and opportunities for external financial assistance and technical support to governments and potential development partners and stakeholders; and
- Identifying the way forward and processes to design, coordinate and implement appropriate policy and programmatic actions as well as the arrangements for monitoring, updating and sharing of information on price changes, policy measures and results.

### **Expected impact**

Governments design policies and programmatic actions that better address rising food prices, which threaten the food security of low-income consumers and at the same time provide opportunities for producers and/or exporters.

### **Expected outcomes**

- Participants share and learn lessons gained during the last crisis in 2007-08, and identify options to cope with emerging new crises.
- Participants use and disseminate knowledge gained from the regional consultation to design measures to address high food prices at the country level.
- Participants engage at the country level with development partners to seize opportunities for collaboration and support discussed during the regional consultation.
- FAO prepares a consolidated report to be shared with member countries.

## **Expected outputs**

- For participating countries:
  - Participants are familiar with the FAO Guide for Policy and Programmatic Actions at Country Level to Address High Food Prices, and exchange with their peers and other stakeholders measures for addressing high food prices.
  - Participants are better informed about opportunities for collaboration and support from development partners.
  - Participants have worked out the next steps for policy and programmatic actions to be implemented once back in their countries with the aim of launching policy dialogues and mobilizing national resources and/or development partner support.
- For FAO and development partners:
  - FAO and development partners are better informed about the situation and needs of participating countries in addressing high food prices.
  - Questionnaires on the situation and measures taken in participating countries are collected and analyzed by FAO.
  - A report of the Regional Consultation with the list of next steps is prepared by FAO.

### **1.3 Structure and scope of the regional consultation**

The two-day Regional Consultation was structured in seven sessions consisting of: three sessions (Sessions 1, 2 and 5) for topical presentation by resource persons; two sessions (Sessions 4 and 6) for parallel break-out group discussion on key issues; one session (Session 3) for reflections from development partners; and one session (Session 7) for conclusions and key messages (See Annex 1 for the Agenda and Timetable). Topical presentations covered recent trends in food prices, experiences and policy lessons from the 2007-2008 crisis, and policy and programmatic actions to address price increases and volatility. Group discussions focused on trends in prices and supply of major food commodities, policy and programme measures adopted to address price rises, and immediate actions to be taken at the national level. Altogether 18 countries from the Asia-Pacific region participated in the consultation (see Annex 2 for the list of participants).

The participating countries were divided into four break-out groups based on their geographic size and magnitude and direction of rice trade, namely: (i) small, land-locked, low-income countries (Bhutan, Lao PDR, Mongolia and Nepal); (ii) large countries with a low proportion of food trade relative to consumption (Bangladesh, China, India, Indonesia and Pakistan); (iii) small to mid-size rice-importing countries (Malaysia, Maldives, Philippines, Sri Lanka and Timor-Leste); and (iv) small to mid-size rice-exporting countries (Cambodia, Myanmar, Thailand and Viet Nam). Other participants representing international organizations, regional inter-governmental organizations, development partners, bilateral donors, research institutions, the private sector and civil society organizations were free to join the group as per their interest.

## **2. Perspectives on the regional consultation<sup>1</sup>**

Welcoming the high-level delegates and other participants, Mr. Hiroyuki Konuma, ADG/RR, FAO, expressed concerns that despite dramatic progress towards reducing poverty and hunger in the past three decades, the Asia-Pacific region still accounts for the largest proportion of the world's poor and undernourished population, most of which live in rural areas and depend on agriculture for a living. Increases in food prices, such as observed in 2007-08 and again in the past eight months, have had serious detrimental impacts on the poor, as they spend 60-70 percent of their income on food. The combination of the food and financial crises of 2008-09 pushed an additional 100 million people into chronic hunger. Continuation of recent high and volatile food prices can potentially lead to the risk of similar set backs in the future. The riots in Mozambique last September caused by, among other things, a 30 percent increase in the price of bread and the recent events in the Middle East are a reminder that food price stability is a pre-requisite for social and political stability.

Mr. Konuma added that for dealing with food price hikes the neglect of agriculture and food production by the international community and national governments must end. The proportion of ODA allocated to agriculture has declined from nearly 20 percent in the early 1980s to barely 5 percent today. Allocations at the national level have also declined sharply during this period. As a result, there has been a steady decline in the growth of crop yields. FAO's projections indicate that the world food production will have to increase by 70 percent to meet the demands of a global population estimated to reach 9.1 billion by 2050 from 6.9 billion today. Given that the Green Revolution had succeeded in tripling the cereal production in 40 years, it should be possible to double the cereal production over the next 40 years, if the wisdom of science and technology gained from past experiences is utilized and sufficient resources are invested in agriculture.

Referring to the twin-track approach adopted by FAO for reducing hunger, consisting of increasing productivity, especially of resource-poor farmers, and increasing direct access to food for the poor, Mr. Konuma emphasized the need for mobilizing political will and building up global awareness and solidarity to harmonize global policies on trade, markets and food and energy security. He also stressed the need to achieve broad-based and inclusive economic growth, gender equality, and reduction in post-harvest losses, and to strengthen the capacities of rural communities to cope with natural disasters and uncertainties. In the meantime, since hungry people cannot wait long, direct and immediate actions to establish targeted safety nets, such as direct feeding and income-transfer programmes, may be required to address the needs of the poor.

Mr. Konuma stressed that the food price crisis of 2007-08 should not be allowed to occur once again, nor should the hope of meeting the MDG 1 target be abandoned. He added that in today's interdependent world, no individual country could solve the problem on its own and that cooperation and sharing of information, experiences and lessons among regions and among countries within a region, which the Regional Consultation aimed to achieve, was a must for tackling the problem collectively.

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<sup>1</sup> This section provides a perspective view of the Regional Consultation based on the welcoming remarks by the ADG/RR, FAO and the remarks by the high-level delegates from ADB, ASEAN, SAARC and USA.

On behalf of the Secretary General, Mr. Aziz Ahmadzada, Director, South-Asian Association for Regional Cooperation (SAARC), acknowledged that the Regional Consultancy was timely – organized at a time when many in the region had begun to point to similarities to the resurgence of the 2008 “Triple F” (food, fuel and financial) crisis, with food price inflation approaching double digits.

Mr. Ahmadzada informed that the focus of SAARC’s endeavour to ensure food security was on small and marginal farmers, who constituted approximately 70 percent of the farming communities in the SAARC region. Two long-term perspective documents have been prepared – the SAARC Food Security Strategy and Programme and the Regional Agricultural Perspective/Vision 2020. Both documents articulate the challenges as well as the areas that hold prospects.

Mr. Ahmadzada emphasized that within SAARC’s cooperative framework, agriculture was the sector where articulation of regional policy frameworks provided the platform to move to the next level, that is, to undertake regional/sub-regional projects. The key challenge facing the region lies in securing the livelihoods of small-holder marginal farmers and in tapping the opportunity for high-value agriculture. Mr. Ahmadzada also discussed the key initiatives taken by SAARC to address food shortages in the region, some of which will be discussed later in Section 5.

Mr. Javed Hussain Mir, Director, Southeast Environment, Natural Resources and Agriculture Division of the Asian Development Bank, expressed gratefulness to FAO for organizing the Regional Consultation and suggested that the recent food price surge was different from that of 2008 on three counts: supply disruptions due to bad weather have become more pronounced threatening the global food carryover stocks; greater number of food and feed commodities prices are rising; and there is a more pronounced link between food and energy prices. Spiralling food prices put upward pressure on the general price inflation, imperil the already difficult lives of the poor and vulnerable and create an adverse impact on sustained economic growth. The situation can also trigger social and political instability. The two biggest challenges to a food-secure region are food price volatility and vulnerable food supply systems, which are aggravated by short and medium-term problems. Arresting domestic food inflation with lasting solutions urgently requires the collective effort of everyone involved in the local and international food supply chains. The solutions need to take into account sustainability aspects and interconnectedness of different commodities and sectors.

Mr. Mir hoped that the Consultation would be able to identify some low-hanging fruits or success stories that had long-lasting and inclusive impacts so that the process of up scaling could be started. He requested the participants to think of the small farmers and the small and medium entrepreneurs, who would continue to be the engines for food security in the region.

H.E. Mr. P. Sundram, Deputy Secretary General, Association of South-East Asian Nations (ASEAN), appreciated FAO for organizing the Regional Consultation and hoped that the consultation would help identify timely policy and programmatic options for governments and other stakeholders to prevent a recurrence of the crisis experienced in 2007-08. According to Mr. Sundram, nearly two-thirds of the world’s 1.4 billion poor live in Asia and they spend, on average, half their income on food. Some 560 million people who earn less than US\$1.25 a day live in rice producing areas and 90 percent of the rice is grown in Asia. This makes Asia vulnerable to price hikes, as past experiences have shown.



Mr. Sundram informed that the ASEAN region was home to the world's two biggest exporters, Thailand and Viet Nam, and the biggest importer, the Philippines. The region is also the cradle of the two giants of global food production and consumption, China and India. The region is confronted by poverty, problems of hunger and malnutrition, growing population and food consumption, urban expansion and land conversion to bio-fuels. As such, any rise in food prices will have ramifications for Asia as well as the Pacific, given the magnitude of interrelated issues faced by the regions.

In her remarks, H.E. Ertharin Cousin, U.S. Ambassador to the UN Agencies in Rome, applauded the FAO in organizing the Regional Consultation, and opined that the approach was just right in that it emphasized exchanging information, learning from past experiences, and identifying opportunities for collaboration at both the country and the regional level. Because each region of the world grows, trades and consumes different baskets of staple crops, each region will be affected differently by changes in supply and demand of particular crops. Therefore, there is not one global solution to tight markets and high food prices; each region will have its own solution. Ambassador Cousin stated that nowhere was this truer than in Asia and with rice. On average, in Asia, 450 million tonnes of rice are produced annually, and only 30 million tonnes are traded internationally.

Ms Cousin said that most of the increases in the price of rice in 2008 resulted from adverse policy responses, such as export bans, by some major exporters. Export restrictions in producer countries then became the primary cause of panic buying by major importers, pushing up world prices. She added that export restrictions also undermined long-term food security, as they disrupted price signals and dampened the supply response by local producers. Some countries made larger-than-usual purchases of basic grains, failing to realize that sufficient supplies were available. These practices fuelled the price increases they were supposed to mitigate. In some cases, those increased stocks resulted in massive losses and food waste.

Ms Cousin suggested that in the short term, countries could reduce the risk from food price spikes by: increasing transparency and sharing information on stocks and production; abstaining from export bans and using export quotas and taxes sparingly; avoiding panic buying and hoarding; reducing import tariffs and taxes; and putting in place targeted safety nets for the most vulnerable. For the medium-and-long term, sustainable agricultural growth, agricultural research, the use of new technologies and the improved access to local, regional, and global markets through good trade practices will make the global food system more productive and efficient, as well as reduce a country's vulnerability to price shocks. In contrast, some countries did perform positive actions including implementing more targeted safety nets. Safety nets mitigated the temporary impact of food price increases on the poor, without disrupting market price signals for farmers.

Farmers responded to the 2007-08 food price increases with record investments in agriculture leading to greater long-term food production. Also, importing countries that reduced tariffs and other taxes on key staples were able to lower domestic prices again, providing positive responses to higher prices without distorting markets or negatively impacting medium- to long-term production. In 2008, transparency was also critically important. Moves by governments to publicize information on food availability and their willingness to release stocks were the key measures that helped end the sharp hike in rice prices in 2007-08. Ambassador Cousin emphasized that the recent surge in food prices underlined the importance of this type of long-term attention to the agricultural sector.

### **3. Recent trends in prices and supply of food commodities<sup>2</sup>**

#### **3.1 Global and regional trends**

Since July 2010, global food prices have been rising in double digits. So far, the largest year-on-year increase was recorded in February 2011 at 34 percent. At the same time, the price of Brent crude oil has been going up, rising by 40 percent. This calls for urgent measures to address the price hikes before it shapes a crisis.

The problem of rising food prices started in response to the severe drought last August in Russia followed by untimely or heavy rains in other countries, including Australia, China, Europe and the USA. The world was in a better position in 2010 than in 2009 with respect to food production and stocks. But with food stocks declining, peak food demand expanding and bio-fuel production growing, prices are expected to continue to rise. However, one good thing is that rice supplies have remained stable and rice prices are only half as high as they were in 2008.

The year 2011 started with relatively comfortable stocks, which can help offset the food shortages, unlike the situation in 2008. But declining stocks for maize and soybean coupled with high prices will mean price volatility is going to continue. But it may not lead to the recurrence of the 2007-08 food crisis, although one may argue there are some similarities between the situations now and then. During the situation more than three years ago, large movements in the prices of edible oils, cereals, and dairy influenced the food price increase. The current uptick in the prices of cereals and edible oils is also contributing to the food price increase, but the rise in dairy products has not been a consistent source of increase in the composite food price index.

In January 2011, the FAO benchmark Food Price Index exceeded the steepest price level on record in 2008. The index went up by 28 percent during the month compared to what it was a year earlier. Food prices continued to climb in February 2011, recording a year-on-year increase of 34 percent. The surge was led by edible oils prices, which spiked by about 65 percent in the first two months of 2011.

Domestic rice and wheat prices in many developing Asian economies are following the rise in international prices. In some cases, the hike in domestic grains prices in local currency terms is even outpacing the rise in international prices. Between June 2010 and February 2011, global rice prices increased by 17 percent, but domestic rice prices went up in Bangladesh by 21 percent, in Indonesia by 22 percent, and in Viet Nam by 37 percent. International wheat prices rose by nearly 100 percent in the eight months to February 2011, but domestic price increases in the region in local currency terms have generally not exceeded 70 percent during the period.

In the past two years, rice retail prices have remained more or less the same in Thailand and Viet Nam, the largest rice exporting countries. From late 2009 to mid-2010, rice prices had actually declined in these countries. In contrast, rice prices started rising in Bangladesh from early 2009 and in China, India and Indonesia from late 2009. Rice prices in Indonesia and maize prices in Thailand have risen

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<sup>2</sup> The discussion on global and regional trends is based on the presentations made in Session 1 by Mr. Abdolreza Abassian, Senior Economist, Trade and Markets Division, FAO, Rome; Mr. Purushottam Mudbhary, Coordinator, Economic, Social and Policy Assistance Group, FAO-RAP; and Ms. Maria Socorro Bautista, Senior Economic Advisor, ADB; while the discussion on national trends is based on the presentations made in Session 4 by parallel break-out groups as well as on the analysis of responses to questionnaires received from 15 countries.

the fastest in the past two years. Likewise, prices of wheat have been on the rise in all the three big South Asian countries – Bangladesh, India and Pakistan – since mid-2010. In general, with some variation across countries with respect to specific commodities, food prices tend to be increasing, contributing to overall inflation in the region.

Increases in domestic food prices are not limited to food-importing countries. Among the net rice importers, Indonesia recorded the maximum hike in domestic prices at 22 percent in local currency terms. For wheat, in contrast, domestic price increases have generally been larger in net importing countries than in net exporting countries.

Higher food prices are stirring up general inflation since food carries a large weight in the consumer price index (CPI) of many of the region's economies. Projections suggest that the nearly 30 percent increase in global food prices in January has translated to an average of about 10 percent food inflation in a number of regional economies.

A comparison of the average sources of inflation during the first half and the second half of 2010 respectively, shows in a sample of economies in developing Asia that average food inflation between the two periods has become a larger source of inflation in most regional economies except in Bangladesh, Cambodia, India, and the Philippines.

Net food importers are hardest hit by the international commodity price inflation. Singapore, for instance, is highly vulnerable to inflationary pressures because the absence of a domestic agriculture sector makes it completely reliant on the global food market. Inflation is also expected to rise in countries with a large share of food in the consumer price index. In contrast, the estimated impact on inflation in the Republic of Korea is small because of the relatively low weight of food in its consumer price index.

Rising and volatile food prices is a matter of great concern to Asia and the Pacific where over 60 percent of the world's undernourished population lives and the progress in reducing the number of hungry has remained far below the World Food Summit and the Millennium Summit targets. The number of undernourished people sharply declined in the first half of the 1990s and then rose steeply till 2008. FAO estimates suggested that the number grew to over a billion in 2009 as a result of the food and financial crises during 2007-09 and declined thereafter to 925 million in 2010. Keeping low and stable food prices are thus critical to eradication of hunger in the region.

Food price hikes obviously hurt the poor. But whether and to what extent they benefit the small farmers depends on, among other things, how much food they buy or sell, their access to financial resources, competitiveness of markets and the specific national context. For example, an FAO analysis of the supply response of the rising food prices in 2007 showed that in 2008 food production in developing countries increased by 0.9 percent in contrast to 9.7 percent in developed countries.

A 10 percent rise in domestic food prices in developing Asia risks creating an additional 64.4 million poor people, or increasing the percentage of poor by 1.9 percentage points. The impact is even greater for a 20 percent and 30 percent increase, with the percentage of people living below \$1.25 per day increasing 3.9 and 5.8 percentage points respectively. This means an additional 128.8 million and 193.2 million poor people.

### 3.2 National trends (2010 – 2011)<sup>3</sup>

Among the small, land-locked and low-income countries (Bhutan, Lao PDR, Mongolia and Nepal), rice prices in the past one year – from March 2010 to February 2011 – increased by around 15-20 percent for consumers in Lao PDR, Mongolia and Nepal, while wheat prices increased by 20 percent in the latter two countries. There was no change in maize prices in Bhutan and Nepal. In Bhutan, prices of onion doubled and those of chillies and potato surged by 30-60 percent. Vegetable prices declined in Nepal and sugar prices increased by nearly 30 percent in Lao PDR. The prices of dairy and meats increased by as much as 25 percent in those countries, except in Bhutan where they remained unchanged. On the production side, cereal production slightly increased (by 5-10 percent) in Lao PDR and Nepal, while Mongolia recorded a decline of 10 percent in wheat production.

Among the large countries with low proportion of trade relative to consumption (Bangladesh, China, India, Indonesia and Pakistan), cereal prices increased by up to 40 percent, except in India, where the prices remained the same (wheat) or declined (rice and maize). The biggest price increases occurred in Bangladesh. Pakistan also recorded no change in wheat prices. However, the prices of some vegetables soared by as much as 255 percent (tomatoes) in Pakistan and by more than 320 percent (chillies) in Indonesia. But potato prices remained unchanged in all the countries, except in Bangladesh, where they fell by about 25 percent. Prices of oils, and meat and dairy products increased in all the above countries, most notably in Pakistan and Bangladesh. No significant changes in sugar prices were observed during the reference period. On the production side, rice production declined considerably (by nearly 45 percent) in Pakistan, but remained more or less stable in other countries. In India and Bangladesh, maize production has increased by about 20 percent.

Among the small to mid-size rice importing countries (Malaysia, Maldives, Philippines and Sri Lanka and Timor-Leste), rice prices marginally declined in Sri Lanka and increased by nearly 30 percent in Timor-Leste. The prices of vegetables – especially onions, potatoes and tomatoes – increased sharply in the Maldives and the Philippines, and the increase was as much as 140 percent for onions and 125 percent for tomatoes in the Philippines. With regard to food production, Sri Lanka has recorded a 20 percent increase in rice production, whereas the Philippines and Timor-Leste have recorded a 15 percent increase in maize production.

Among the small to mid-size rice exporting countries (Cambodia, Myanmar, Thailand and Viet Nam), Viet Nam has experienced an increase in rice and maize prices by about 20-25 percent. In Myanmar, prices of almost all commodities have increased, ranging from about 5 percent for rice and meat to more than 70 percent for onions. Sugar prices increased by over 70 percent in Viet Nam but fell by over 30 percent in Cambodia. In Thailand, the highest price increases have been recorded for minor vegetables and refined palm oil. The prices of meat and dairy products have remained more or less unchanged. On the production side, cereal production has either marginally increased or remained at previous levels in all the countries, except Cambodia, where more than a 20 percent decline in maize production has been reported.

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<sup>3</sup> Countries were asked to report domestic prices (preferably retail prices, in some exceptional cases on wholesale prices were provided) in order to assess the price hikes in the last 10 months, since March 2010 until February 2011. Although information reported at national level not always matched the one reported by FAO, some highlights were identified.

#### **4. Lessons from 2007-08 food price crisis<sup>4</sup>**

High food prices are a major policy concern. As poor households spend a large share of their income on food, higher food prices may force them to reduce food consumption and reduce expenditure in other important needs such as education and health. If high food prices persist for some time without commensurate changes in the wage rate, these households may be forced to dispose of their assets. High food prices may benefit smallholder farmers depending on specific conditions, such as whether they are net food buyers or net food sellers of food; whether they have access to technology and financial resources and the price information to make necessary resource allocation decisions to produce more; whether the prices increased before the planting decisions were made or after farmers have sold most of the produce; as well as the competitiveness of markets and the efficiency price transmission. In terms of the effectiveness of trade policy as an instrument to mitigate the effects of high food prices at the macro-level, low income food deficit countries may face balance of payments constraints to meet increased food import bills.

High food prices are a major policy concern because of the special economic characteristics of food. Poor households spend a large share of their income on food. If international food price increases are transmitted in full to domestic food prices, poor households may be unable to meet their requirements for staple foods. In addition, importing countries may find it difficult to meet increased food import bills. During the 2007-08 food price crisis, both these events occurred. Millions of people in the region were unable to meet their minimum food requirements. In 2007 alone, an additional 41 million poor people within the Asia-Pacific region fell below the hunger threshold. This was more than one half of the global total of people affected in this way.

Food prices rose again in late 2010 and early 2011. There is consequently recognition within the region that the lessons of the 2007-08 crisis must be absorbed and discussed with the broader policy community. The global financial crisis (GFC) of 2009 immediately followed the food price crisis. This event also impacted negatively on food security in the developing countries of the Asia-Pacific region. Its effect was not on food prices, but on the demand for exports from the Asia-Pacific countries and thereby on household incomes and the countries' balance of payments. Since the GFC followed so quickly after the 2007-08 food crisis, the study looked at both events together, though recognizing that their impacts were not necessarily the same.

The way household food security is affected by international food prices depends on the pass-through from international food prices to domestic prices. Almost all countries attempted to insulate households from the sharp price increases. A partial exception was Thailand. The measures taken to insulate households from price increases often reversed the previous trend (in most but not all countries) of gradual agricultural trade liberalisation in Asia, leading to closer integration of domestic food markets with international markets.

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<sup>4</sup> This section summarizes the presentation made in Session 2 by Prof. Peter Warr, Australian National University, who served as a consultant to the Economic and Social Policy Assistance Group, FAO-RAP. The presentation draws on the findings of a regional study organised by FAO-RAP in 2009 to 2010 covering nine countries: Bangladesh, Cambodia, China, India, Indonesia, Nepal, Sri Lanka, Thailand and Viet Nam. It also reflects the floor discussion following the presentation.

Several exporting countries, except Thailand, imposed export bans during the period of high prices to achieve domestic price stability. These export restrictions, imposed in the context of increasing international prices, aggravated the international price surge and threatened to cut off importing countries from accessing market supplies at the time of greatest need. Confidence in the reliability of international food markets was undermined by these responses.

Several importing countries managed to insulate their domestic markets (at least partially) from international markets. An example was Indonesia. But this policy reduced short-term volatility only by imposing long-term higher average food prices on the poor. Generally, high food prices hurt the poor, most of whom are net buyers of food. Higher agricultural wages resulting from higher agricultural product prices *could* benefit the rural poor, but there is little evidence of it happening.

The policy responses appear to be the product of a political balancing act, subject to fiscal constraints and broader national income objectives, designed to maintain internal producer and consumer prices within a 'band' with (somewhat elastic) lower and upper limits. These twin price level targets generate policy interventions, which alternate between protecting and taxing the food industries, depending on whether domestic prices are threatening to move below or above the politically acceptable upper and lower limits of the target price band.

In 2009, international food prices fell together with other commodity prices, but less sharply. Except in the case of the major exporters (Thailand, Vietnam and Cambodia) households did not get a direct benefit from the food price declines because they had been insulated from international prices by earlier policies. The economic stimulus packages introduced in response to the 2009 GFC generally paid little attention to the need to stimulate long-term productive capacity in food. Moreover, these stimulus packages had an unexpected consequence.

Food price inflation is currently high in those countries where policy measures strongly insulated domestic prices from international prices, effectively converting food into a non-tradeable commodity. Food prices are then responsive to domestic, rather than international, supply and demand conditions. The economic stimulus packages stimulated domestic demand in those countries where domestic food markets had been effectively insulated from the international market; the increased demand resulted in food price inflation.

Regional associations, including SAARC and ASEAN plus 3, could be used to formalise current *de facto* market integration, such as that between India and its smaller neighbours. International and regional coordination mechanisms could also be explored to strengthen the role of world food markets as a source of stable food supply rather than a source of instability. The suggestion of a regional rice reserve should be further explored, keeping in mind the political context and incentives for breaking agreements during times of crisis.

Trade liberalisation is generally consistent with the interests of the poor. The safety of genetically modified organisms (GMOs) for human food is a paramount issue. If their safety is assured, these sources of food can potentially reduce the cost of food for the poor; opposing them will not be in the interests of poor people. The fact that some corporations might make a profit from developing them does not make them incapable of generating benefits for poor people as well.

On the question of whether low food prices should be a source of concern just as much as high food prices, it is established that high food prices harm net purchasers of food and within that group those who are harmed the most are the poorest, because they are the people whose budget shares for food are the largest. The effect on producers is very different. High food prices benefit net sellers of food and within that group those who benefit the most are the largest sellers, meaning the largest farmers. Small farmers are both consumers and producers of food and their net sales of food can be positive, zero (in the case of subsistence farmers) or negative. For this reason small farmers are not affected much by changes in food prices. Large farmers (with large net sales) benefit the most from high food prices.

Generally, higher food prices hurt the poor, most of whom are net buyers of food. Higher agricultural wages resulting from higher agricultural product prices *could* benefit the rural poor, but there is little evidence of it happening.

## **5. Responses to high food prices**

### **5.1 Policy responses of national governments<sup>5</sup>**

National governments have taken a number of short-, medium- and long-term initiatives to address high food prices and avoid any possible future food crises. The specific policy measures related to trade, social safety nets, food production and domestic market management adopted by the participating countries are summarized in Annex 3.

Enhancing domestic food supplies through trade policy measures is the most common market management strategy adopted by the participating countries. Reduction or elimination of import tariffs is one of the most popular policy instruments used by small to mid-size food importing countries, except Maldives. Among the land-locked low-income countries, Bhutan and Mongolia have followed this policy. Among large countries with a low proportion of food trade relative to consumption, only Bangladesh and Indonesia have used this policy. Bhutan and Indonesia also introduced or increased export tariffs. China, India and Pakistan did not reduce or eliminate import tariffs. India and Sri Lanka imposed minimum export prices. There are seemingly contradictory policy measures, such as the reduction or elimination of import tariffs and export enhancing measures adopted by some countries (see Annex 3). However, it is plausible that they used liberalized tariffs for some food commodities and pursued export boosting measures for commodities with exportable surplus.

Provision of input subsidies, distribution of improved seeds, improved access to credit, provision of price support, and increased public investment in infrastructure development and agricultural research and extension are the most common policies followed by countries to encourage domestic food production. All countries, except the small, land-locked, low-income countries (Bhutan, Lao, Mongolia and Nepal), bolstered this objective by introducing risk management instruments, such as crop and livestock insurance schemes.

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<sup>5</sup> Discussion in this section draws on the presentations made by parallel break-out groups in Session 6 as well as on the analysis of written responses to questionnaires received from 17 countries.

To protect consumers from high food prices, many countries provided food subsidies, assistance in kind, cash transfers and initiated income generating activities and a few countries provided assistance through fair price shops and the “food-for-work” programme.

Some differences in policies across country groupings are noticed (see Annex 3). The large countries with low proportion of food trade relative to consumption (Bangladesh, China, India, Indonesia and Pakistan) are explicitly pursuing self-sufficiency through policies to develop technology, upgrade production infrastructure, and step up input supply and improve the quality of inputs. These policies are deployed in conjunction with policies to strengthen access to food for vulnerable groups. A similar commonality in approach is seen among rice exporting countries in their adoption of almost all possible measures to raise domestic food production and few or no policies to control trade and introduce social safety net measures, except keeping food stocks.

The small to mid-size rice importing countries (Malaysia, Maldives, Philippines and Sri Lanka) have also adopted measures to discourage food exports and, in some cases, a minimum export price as part of their trade policies, and put in place risk management instruments as part of their policies to raise food production. Most of these countries have also adopted price control policy in order to manage their domestic food market.

## **5.2 Initiatives of development partners<sup>6</sup>**

### **South Asian Association for Regional Cooperation (SAAARC)**

SAARC has put in place the SAARC Development Fund (SDF), operational since 2009, as a mechanism to finance regional projects. Under this a Zero Energy Cold Storage project worth US\$ 4.3 million has moved ahead, covering five countries.

As part of the Regional Food Security Strategy, seven regional projects have been developed to address the priority long-term challenges. Four of these have already been approved by the SAARC higher bodies last month. Initiatives are also underway through a SAARC-Australia collaborative project to improve water productivity for small and marginal farms.

In order to address the short-term food shortages, a new mechanism called SAARC Food Bank has been established against the backdrop of the 2007-08 food crisis. This has replaced an earlier mechanism called ‘SAARC Food Security Reserve’. Last year, recognizing that the overall size of the food reserve was meagre compared to the vast deficit that the countries face, the reserve has been doubled from 243,000 MT to 486,000 MT. The Food Bank offers an innovative response, drawing on the Region’s own resources and capabilities to respond to meeting short-run food deficits in member countries. Efforts are also underway to establish a Regional Seed Bank.

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<sup>6</sup> This section summarizes the presentations made by development partners on the various projects/programmes initiated by them in response to high food prices.



## **Association of Southeast Asian Nations (ASEAN)**

Food security is a high priority and permanent agenda of ASEAN in its community-building endeavour. In response to the concerns over food security driven by the challenges of higher food prices, climate change, and bio-energy, the ASEAN Heads of State and Governments at their 14th ASEAN Summit held on 1 March 2009 adopted the ASEAN Integrated Food Security (AIFS) Framework and the Strategic Plan of Action on ASEAN Food Security (2009-2013) to embrace food security as a matter of permanent and high priority policy as well as to align ASEAN's commitment to achieving the objectives of the World Food Summit and the Millennium Development Goals. The main goal of the framework and plan of action is to ensure long-term food security and improve the livelihoods of farmers in the ASEAN region. ASEAN is actively implementing the framework and action plan with the help of its Dialogue Partners, Development Partners and donor agencies.

In addition, ASEAN is close to establishing a permanent rice reserve with China, Japan and the Republic of Korea under the ASEAN Plus Three process. ASEAN has also reiterated its commitment to refrain from any market distortions that may affect food trade. Furthermore, we are also cognizant of the need to address the issue of food and energy security in a comprehensive manner to ensure sustainable development.

## **European Union**

In order to better prepare to address food price hikes and volatility, the EU considers it important to: closely monitor the impact on poor net food importing countries; follow up on a consumption-weighted index which will focus more on basic staples; carry out studies to understand the factors affecting food price volatility; increase market transparency; and most importantly, continue investing in sustainable agriculture and food security. The main food security instruments used by the EU include: (i) the Food Security Thematic Programme (2011-2013) of 750 million Euros to be implemented at global, regional and national levels; (ii) the EU Food Facility (2009-2011) of 1 billion Euros which was a special initiative taken by EU following the 2007-2008 food crisis; and (iii) national programme support.

The EU is adopting a two-pronged approach to address price hikes – investing in sustainable and ecologically efficient smallholder production and addressing access and protecting the poorest net consumers through social safety nets.

The EU Food Facility covers 50 countries and is used as a means to bridge the gap between providing emergency relief and longer-term support. The fund is channelled through different organizations and means – about 570 million through international organizations, 219 million through calls for proposals in 35 countries, 133 million through national projects and programmes, including budget support, and 60 million through financing at the regional level. The activities supported by the Facility include promoting access to agricultural inputs and services, safety net measures, support measures such as microcredit, rural infrastructure, training and technical support to professional groups in the agriculture sector.

## **Government of Japan**

The Government of Japan considers it necessary to refrain from adopting any measures, such as export restrictions, which are against the spirit of the World Trade Organization (WTO). It is important to increase investment in agriculture, particularly on the development of high yielding crop varieties. It is also necessary to take measures to minimize the negative influence of climate change and other natural disasters, and to create platforms for sharing information on food supply and price trends at the regional level. The Government of Japan is currently working on the establishment of such a platform together with APEC countries. As a member of ASEAN+3, the Government of Japan is also working on the establishment of an ASEAN Food Security Information System (AFSIS).

Bio-fuel production should not compromise the supply of food for human beings and feed for animals. The Government of Japan would like to support research and development to promote the use of cellulose-based resources such as rice straw and residues of logged trees in bio-fuel production. This will not adversely affect the food supply.

## **United Nations Children's Fund (UNICEF)**

UNICEF has been making a range of universal and need-based interventions focusing on child health and nutrition. The universal interventions, applied to all children in all countries, include measles vaccination, promotion of essential breast feeding for the first 6 months and adequate infant and young child feeding practices, vitamin A supplements, mandatory salt iodization, iron folic supplements for pregnant and lactating women, and mandatory flour fortification (now in Indonesia and the Philippines and planned to be extended in Malaysia, Mongolia, Pakistan, Sri Lanka and Viet Nam).

The need-based interventions, which are designed and implemented in response to specific needs of a country, include de-worming in Cambodia, Timor-Leste, Viet Nam, Myanmar, Philippines, Indonesia, Lao PDR, the Pacific and DPR Korea; micronutrient powders for U2s in Bangladesh, Cambodia, China, DPRK, Indonesia, Lao PDR, Nepal, Pakistan, Philippines and Viet Nam; and malaria programme in Cambodia, Myanmar and Indonesia.

UNICEF has also worked on programmes linking nutrition with other sectors of the economy. Examples of such programmes include promoting nutrition in cash transfer programmes and assessing the impact on nutritional outcomes in Nepal with child grant, and increasing nutrition awareness in the agriculture sector at various levels and implementing nutrition interventions in areas with ongoing food security programmes to increase synergy.

## **The World Food Programme (WFP)**

WFP interventions – as shown in 2007-08 – have proven to be effective tools for rapid response to acute food needs, for preventing spikes in hunger and poverty and for building the resilience of the poorest households to price shocks. About 43 million people have received WFP food assistance in 2010. Of these, 5 million are children under the age of 5, who are the first to feel the effects of lower consumption and a worse diet; over 10 million are school children benefiting from the school feeding programme, which has helped prevent children from being pulled out of school and put to work by desperate families; over 10 million are receiving the type of relief which can prevent affected families

from selling assets and taking on higher levels of debt; and over 8 million are beneficiaries of food- and cash-for-work programmes.

The food and cash-for-work schemes are particularly important in the context of high food prices because they not only provide wage labour but also help build resilience to price volatility. An example is in Bangladesh, where, during the 2007/8 crisis, the WFP's food and cash for work schemes provided critical income for 500,000 people. The facilities they built protected 200,000 hectares of agricultural land from future floods, cyclones and salt-water intrusion. This also brought 50,000 hectares of land that had laid fallow for years back into production.

### **United States Agency for International Development (USAID)**

USAID strategy and international support for enhancing food security encompass three programmatic areas: (i) increasing agriculture productivity and incomes; (ii) trade policy and enabling environment; and (iii) assistance to the most vulnerable populations. Intensification of staple food production as well as diversification into higher value crops, enhancing agriculture research and extension system, and strengthening value chains are part of the support strategy to achieve increased productivity and incomes.

USAID is working with ASEAN for an enhanced trade environment. Support for trade policy improvement has been focused on development of market information systems, trade modelling and private sector management. USAID has been supporting social safety net programmes, such as school feeding and other activities, targeted to the poorest populations. It has also supported short-term emergency food assistance programmes in food-deficit developing countries.

## **6. Policy and programmatic options to address high food prices<sup>7</sup>**

### **6.1 Summary of presentation, comments and discussion on the FAO Guide**

In May 2008, as the world faced an acute food crisis brought on by rising food prices, FAO developed a "Guide for immediate country level actions" through its Initiative on Soaring Food Prices (ISFP). Given the new circumstances by the end of 2010, FAO felt it would be timely to publish an updated Guide that would review the pros and cons of various policy and programmatic actions that countries could use to address high food prices, and their likely impact at country and household level. This Guide published in 2011 and entitled *FAO's Initiative on Soaring Food Prices: Guide for Policy and Programmatic Actions at Country Level to Address High Food Prices* addresses the conditions under which policies and programmes are best adapted. It also cautions against measures that might appear useful in the short-term but which could have harmful longer-term effects or become difficult to remove, thus turning into a constraint once the situation becomes more "normal".

The FAO Guide suggests a list of trade policy measures and measures in favour of consumers and producers to address high food prices. The trade policy measures include reductions in import taxes on

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<sup>7</sup> This section summarizes: (i) the presentation and comments made by Prof. Peter Warr based on the FAO Guide entitled *FAO's Initiative on Soaring Food Prices: Guide for Policy and Programmatic Actions at Country Level to Address High Food Prices* published in 2011; (ii) the panel discussion; (iii) working groups discussions; and (iv) the plenary discussion and comments from the floor.

food items and agricultural inputs, tax breaks for importers, financial support or loans to fund imports, the streamlining of custom procedures and forward contracts for food.

The policy measures suggested in favour of consumers include tax policy measures such as the reduction or removal of value-added tax (VAT) on food, the removal of road blocks or internal taxes, and the reduction of taxes on fuel for transport; and market management policies such as boosting imports managed by the government, food aid in kind, compulsory requisition of private stocks and the progressive release of food kept in public reserves. In the case of the poorest consumers, additional measures include safety net measures such as cash transfers and food vouchers, food distribution in kind, universal food subsidy; supplemental cash income and credit facilities for consumers. Similarly, policy measures in favour of producers include market management measures such as price support and production support such as input subsidies.

The main comments on the policy measures suggested by the Guide and the points made during the floor discussion following the presentation by the FAO resource person are as follows.

The Guide outlines measures that are mostly short-term without much discussion of longer-term consequences of the measures recommended. The higher international prices are treated as an emergency to which the government must react, seemingly after the event. The necessity to plan intervention measures before the emergency occurs, such as safety nets, is not properly recognised. Many of the items recommended in response to high food prices, for example, monitoring of competitive behaviour in marketing channels, are actions that would make sense anyway, whether there was a food price crisis or not.

Similarly, regional and international measures are barely discussed in the document, except in the context of emergency assistance to vulnerable groups. An example of possible initiatives is the initiative for an ASEAN (and SAARC) regional rice reserve. The document lacks one perspective: The problem of high food prices is about managing risk. The volatility of the international food markets is inherent. The basic issue is what international and regional institutions can do to help. Since the document is explicitly about country actions, it does not address this issue.

Regarding the trade measures, while there is no basic disagreement with any of it, the discussion on forward contracts appears confusing as it is not clear whether it is assumed that the contracts are being made with foreign or domestic agents. Forward contracts as a source of risk reduction seem to be criticised excessively in the document. The discussion of export controls overlooked the possible contribution of variable export taxes in reducing the transmission of high international prices to domestic prices without disrupting world supplies of staple foods in the way that export bans imposed by some exporting countries did in the 2007-08 crisis.

Regarding the measures in favour of consumers, it should be understood that in many countries that have a VAT exempt food from the tax, the possibility of reducing the VAT on food is not available. Domestic subsidies for consumers generally need to be combined with controls on exports, or the subsidised product can be exported to take advantage of the high international price. The use of public reserves to provide a buffer stock could become an important example of international cooperation, and institutions like ASEAN and SAARC could play an important role in this area.

Measures in favour of producers discussed in the document are useful suggestions, but in several cases these are measures that could usefully be adopted anyway, whether international prices are high or not. Promoting production generally takes time and the lags in agricultural production mean that these measures may not have an impact quickly enough to be useful within the relevant time frame. It must also be recognised that in an open economy stimulating production may reduce imports of food or increase exports, but it does nothing about the high prices of food except in the case where the country has the capacity to influence world prices through these actions.

Recent trends indicate that threats to food security have not gone. The world had grown complacent for two decades while living off the agricultural investments made in previous decades. The short-term measures used to deal with the 2007-08 food price crisis generally did not address issues of long-term food security.

International and regional coordination mechanisms must be explored to strengthen the role of world food markets to enhance stability rather than create instability in the food supply. The suggestions for regional rice reserves should be explored, keeping in mind the political context and incentives for breaking agreements during times of crisis.

Investments are required in research, infrastructure, and better policy and regulatory measures to improve efficiency and productivity at all stages of the value chain to increase the food supply to meet increasing demand. In most developing countries, however, such investments in agriculture research and development have declined considerably. For example, the research intensity (the ratio of public expenditure on agricultural research to total value-added in agriculture) in Indonesia and Thailand has declined dramatically since about 1994. The decline can be expected to impact negatively on future productivity growth in these and other Asian countries where research intensity has similarly declined.

Policy responses to high food prices appear to be the product of a political balancing act, subject to fiscal constraints and broader national objectives, designed to maintain internal consumers and producer prices within a “band” with lower (somewhat elastic) and upper limits. These twin price level targets generate policy interventions, which swing between protecting and taxing food industries, depending upon whether domestic prices are threatening to move below or above the politically acceptable lower and upper limits of the price band.

## **6.2 Summary of panel and floor discussion<sup>8</sup>**

Notwithstanding the importance of long-term policies and programmatic actions, most of the times governments tend to adopt short-term policy actions to address high food prices due to social and political reasons. For the same reasons, social safety net policies, which are ideally short-term measures, continue to stay for a long time.

Management of demand and supply is the key to addressing high food prices. In a number of countries, the water resources are dwindling and availability of agricultural lands is declining owing to competition from industrial and real estate sectors. The potential for food production is diminishing

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<sup>8</sup> The panel members were H.E. Mr P.Sundram, Deputy Secretary General, ASEAN; Mr. Hermanto, Secretary of the Agency for Food Security, Ministry of Agriculture, Indonesia; Mr M. Hossain, Executive Director, BRAC, Bangladesh; Mr. K. Matsunami, Advisor to the Director General and Practice Leader, Regional and Sustainable Development, ADB; and Mr K. P. Singh, IFAP Asia Committee Chairman.

and livelihood options, particularly for small farmers, are narrowing. The thrust of policies should be on the development of technologies that are gender-sensitive and contribute to the enhancement of poor farmers' livelihoods.

Regional cooperation and early warning systems can help prevent the situations in which countries resort to panic buying or adoption of domestic policy measures that may compromise the food security of other countries. It is understood that food prices can rise not only from increases in food demand but also from increases in the cost of inputs, transport and marketing. ASEAN is working on reducing the cost of transport and on shortening the custom clearance time in the region. ASEAN is also working in the areas of climate change, disaster management and balancing food and bio-fuel production.

Safety nets are important to address the food insecurity of vulnerable populations. Even more important is addressing the fundamental vulnerability of the rural poor for which multi-sectoral approaches – comprising concerted actions of several ministries not just the agriculture ministry – will be needed. There is an urgent need to step up investment not just in agriculture but also in a number of other sectors of the rural economy to address the fundamental vulnerability. And there is enough financial capital – as much as \$6 trillion – within the region to meet these investment requirements.

Traditionally, food prices have been kept low in the interest of urban consumers. The benefits of food price rises did not and will not go to small and poor producers, who are mostly net buyers of food. It is better to provide price support to producers and subsidize food to consumers than suppress prices. Greater and more focused attention needs to be paid to developing rural infrastructure facilities, improving access to irrigation, making good quality seeds available that can resist climate change and minimizing post-harvest losses.

Low prices benefit both the urban poor and the rural poor. The case of the urban poor is obvious. In the case of the rural poor, most are net buyers of food. The people who benefit most from high prices and lose from low prices are the richest farmers and – because agricultural prices are capitalised into land values – large landowners. The large landowners are not necessarily farmers at all. High prices therefore transfer money from the poor – both urban and rural – to large farmers and large landowners. For this reason the 'problem' of low food prices is not similar at all to the problem of high food prices.

Both short-and long-term policies are essential to ensure food security in a sustainable manner. While it is true that investment in agriculture research and development has declined over the years, one must also ask whether the research productivity too has not declined over the same period. The empowerment of poor farmers should constitute the core objective of social safety net policies. The introduction of floor prices and price ceilings are common tools adopted by governments to stabilize their domestic prices. Additional measures such as diversification of staple foods – from cereals to non-cereals – can be an effective strategy to address high prices of cereal foods.

The policy and programmatic actions to address high food prices must support small farmers and enhance their ability to cope with climate change. Emphasis should be placed on the use of natural agro-ecological techniques to maintain agro-biodiversity and promote eco-friendly agricultural production systems. It is only this that has the potential to feed an increasing population, including vulnerable groups. This requires a systems approach. Actions are also needed to prevent the shifting of agricultural land to bio-fuel production.

It is unfair that when it comes to protecting consumers, governments adopt immediate measures; but when it comes to protecting farmers' interests, long-term measures are sought. A counter argument was that an increase in productivity would benefit both consumers and producers in the long run. So there might not be a need for making a distinction between producers and consumers.

The transparent sharing of information among countries of the region should be promoted in order to avoid a recurrence of the 2007-2008 food price crisis. Most of the research findings have confirmed the importance of speculation as a source of the 2007-08 price spikes. The problem is that no one knows how to regulate this form of speculation. Bio-fuel subsidies are also a cause of the high food prices.

Structural causes of food insecurity, such as inequitable access to land and productive assets, must be addressed by public policies in general, as many of these are beyond the direct mandate of government agencies dealing with the food and agriculture sector. Priorities should be set at both national and regional levels to increase the resilience of small farmers. The right of indigenous people must be protected in the spirit of international agreements signed by the governments. The problem of high food prices cannot be solved through the public sector alone without mobilizing and taking into consideration the perspectives of the private sector.

## **7. Conclusions, key messages and way forward**

### **7.1 Conclusions**

There was widespread agreement that the two-day Regional Consultation organized by FAO was a very timely response to the rising food prices, which must be addressed as a matter of urgency. A major underlying cause of the recent price surge and the 2007-08 food price crisis was the neglect of agriculture by the international community and national governments. This must be reversed. Long-term measures would have to be taken to increase agricultural production and productivity in a sustainable manner. In the meantime, there were a number of measures that governments could take in cooperation with regional and sub-regional organizations, civil society and development partners. These include safety net measures to protect the most vulnerable populations, food banks, and emergency food reserves at national and regional levels. There was also widespread agreement that national decisions on strengthening food security should be implemented, taking due account of their implications for food security in other countries.

International prices are not necessarily a good guide to developments in national markets, where prices have sometimes risen more sharply than in international markets. This underlines the importance of recognizing that policy responses have to be tailored to the specific circumstances of each country: one size does not fit all. This also underlines the need for putting in place mechanisms for concrete dialogue and the transparent sharing of information at national and regional levels.

## 7.2 Key messages and way forward<sup>9</sup>

The participants discussed the issue of high food prices and shared the view that the following basic principles could guide their actions:

- The Regional Consultation recognized that food prices have increased sharply in recent months and there is a need to prevent or reduce the risks and be better prepared for excessive price increases. The current food price surge in international markets is concentrated in sugar and edible oils as well as cereals (mainly wheat and maize). Within the region, in general, rice prices have remained more or less stable in exporting countries and have risen in some importing countries. There has been a rising trend in food prices in general with increased volatility, creating uncertainty among farmers, traders and consumers.
- High food prices hurt the poor the most as they spend a large portion of their income on food, and they have set back progress towards achievement of MDG 1. Fair and stable food prices are crucial for economic growth, hunger and poverty reduction and political stability. Avoiding excessive volatility in food prices requires long- and medium-term investments as well as short-term measures to preserve access to food by vulnerable populations.
- In the medium- to long-term, there is an urgent need to reverse the declining flow of resources to agriculture. New investments should be channelled to agricultural research for environmentally sound and sustainable intensification, rural infrastructure development and the strengthening of support services, institutions and safety nets. These investments will help in meeting the growing demand for food, arising from population growth, economic growth and diversification of diets, in a sustainable manner.
- In addition to medium- to long-term investments, short-term measures such as emergency responses to maintain minimum food consumption without distorting food markets need to be implemented. This should also include the provision of inputs to vulnerable farmers.
- These measures should be taken in close consultation and collaboration with multilateral and bilateral development partners, civil society organizations, the private sector and other stakeholders at the country level. There should also be concerted collaboration among stakeholders at the regional level.
- Climate change has emerged as a major threat to food security and is an important cause of high and volatile food prices. Urgent measures should be taken to strengthen the resilience of vulnerable groups, especially women, children and small and marginal farmers.
- There is a need for the balanced use of land and water resources for producing food and bio-energy crops through formulation and implementation of appropriate policies, without compromising food security. Policies should also promote second and third generation bio-energy and other renewable energies.

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<sup>9</sup> Presented and adopted by acclamation by participants at the concluding session held in the afternoon of 10 March 2011.



- National decisions on strengthening food security should take account of their implications for food security in other countries, and regional cooperation should play an important part in finding solutions to common issues faced by countries in the region.
- This regional consultation should be followed by consultations at national and sub-national levels involving all relevant stakeholders to design and implement sound policies and programmes to address the root causes of high and volatile food prices.
- The collection and sharing of reliable food price and market information for both producers and consumers is recommended. This should be built on existing mechanisms and databases and should take place on a more frequent basis to facilitate timely policy decisions and avoid unnecessary speculation.
- Regional and sub-regional consultations and seminars should be organized periodically to share information and experiences, including innovative ideas and good practices.

**Regional consultation on policy and programmatic actions  
to address high food prices in Asia**

**FAO Regional Office for Asia and the Pacific  
Bangkok, Thailand  
9-10 March 2011**

**Agenda and Timetable**

**Day One: 9 March 2011**

08.30 – 09.30 hrs.	<ul style="list-style-type: none"><li>• Welcome remarks by Mr Hiroyuki Konuma, Assistant Director General and FAO Regional Representative for Asia and the Pacific</li><li>• Remarks by Dr Pushpanathan Sundram, Deputy Secretary General, ASEAN</li><li>• Remarks by Ms Ursula Schäfer-Preuss, Vice President, Asian Development Bank (tbc)</li><li>• Remarks by H.E. Ms Fathimath Dhiyana Saeed, Secretary General, SAARC</li><li>• Remarks by Ambassador Ertharin Cousin, U.S. Ambassador to the UN Agencies in Rome</li></ul>
	Introduction to the Regional Consultation
09.30 - 10.15 hrs.	<b>Session 1:</b> Overview of the global and regional trends in food prices <ul style="list-style-type: none"><li>• Latest global situation – Mr Abdolreza Abbassian, Senior Economist, Trade and Markets Division, FAO, Rome</li><li>• Regional situation – Mr P.K. Mudbhary, Coordinator, Economic, Social and Policy Assistance Group, FAO Regional Office for Asia and the Pacific</li><li>• Implication of high food prices on growth and poverty in the region – Ms Maria Socorro Bautista, Senior Economic Advisor, Asian Development Bank</li></ul>
10.15 – 10.45 hrs.	Tea/coffee break
10.45 – 11:30 hrs.	<b>Session 2:</b> Experiences and policy lessons from 2007-08 food crisis in the Asia-Pacific region - Professor Peter Warr, Australian National University
11.30-12.30 hrs.	<b>Session 3:</b> Presentation/interventions by development partners on the high food prices in the region/sub-region and their initiatives to address it
12.30 – 14.00 hrs.	Lunch break

14.00-14.15 hrs.	<b>Session 4:</b> Parallel break-out group sessions Formation of break-out groups of countries and briefing to them
14.15 – 15.30 hrs.	Break-out group discussions on <ul style="list-style-type: none"> <li>- recent developments in prices of major food commodities</li> <li>- current supply situation for major agricultural commodities</li> <li>- policy and programme measures undertaken to address them</li> <li>- problems/constraints in implementing the policies and programmes</li> <li>- results of policies/programme implementation</li> </ul>
15.30 – 16.00 hrs.	Tea/coffee break
16:00 – 17:00 hrs.	Break-out group presentations and discussion <sup>10</sup>
18.30 – 21.00 hrs.	Welcome reception by ADG/RR, FAO-RAP

### **Day Two: 10 March 2011**

08:30 – 08:35 hrs.	Recap of day one – Mr Sumiter Broca, Policy Officer, FAO Regional Office for Asia and the Pacific
08:35-10:30 hrs.	<b>Session 5:</b> Policy and programmatic options to address price increases and volatility <ul style="list-style-type: none"> <li>- Policies to support increased production</li> <li>- Trade and supply management policies to stabilize domestic food prices</li> <li>- Food subsidies and safety net policies to protect consumers</li> </ul>
08.35 – 09:00 hrs.	Presentation - Professor Peter Warr, Australian National University
09:00 – 09:40 hrs.	Panel discussion
09:40 – 10:30 hrs.	Floor discussion
10.30 – 11.00 hrs.	Tea/coffee break
11.00 – 12.30 hrs.	<b>Session 6:</b> Parallel break-out group sessions to discuss and generate recommendations on: <ul style="list-style-type: none"> <li>- Immediate actions to be undertaken to launch dialogues on policies and programmatic actions at the country level</li> <li>- existing process and suggested improvements to mobilize support from development partners</li> <li>- measures to improve information flow and sharing in the region</li> </ul>

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#### <sup>10</sup> **Break-out Groups:**

- i. Small, land-locked, low income countries: **Afghanistan, Bhutan, Lao PDR, Mongolia and Nepal**
- ii. Large countries with low proportion of food trade relative to consumption: **Bangladesh, China, India, Indonesia and Pakistan**
- iii. Small to mid-size rice importing countries: **DPR Korea, Malaysia, Maldives, Timor-Leste, Philippines and Sri Lanka**
- iv. Small to mid-size rice exporting countries: **Cambodia, Myanmar, Thailand and Viet Nam**

	- priority policy options to address price increases and volatility
12.30 – 14.00 hrs.	Lunch break
14:00 – 15:30 hrs.	Break-out group presentations and stakeholder dialogue on cooperation and collaboration
15.30 – 16.00 hrs.	Tea/coffee break
16.00 – 16.45 hrs.	<b>Session 7:</b> Conclusions, key messages and feedback <ul style="list-style-type: none"> <li>- conclusions and key messages on the way forward</li> <li>- feedback on the regional consultations</li> </ul>
16.45 – 17.00 hrs.	Closing remarks
17:30 hrs	Press conference

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to address high food prices in Asia**

**9-10 March 2011, Bangkok, Thailand**

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# Annex 3

## Group 1: small, land locked

## Group 2: large, low proportion of trade relative to consumption

## Group 3: small-mid size, rice importing

## Group 4: small-mid size, rice exporting

	Afghanistan	Bhutan	Lao	Mongolia	Nepal	Bangladesh	China	India	Indonesia	Pakistan	Malaysia	Maldives	Philippines	Sri Lanka	Timor-Leste	Cambodia	Myanmar	Thailand	Viet Nam
Trade policies																			
Reduction/ elimination of import tariffs (ST)		✓		✓		✓			✓		✓		✓	✓	✓	✓			
Other measures to encourage food imports						✓			✓							✓	✓		
Introduction/ increase of export tariffs (ST)		✓			✓				✓										
Imposition/ abolition of minimum export price (ST)					✓ (a)			✓ (i)						✓ (i)		✓ (a)			
Other measures to encourage food exports										✓	✓		✓		✓	✓			✓
Safeguards, sanitary and phytosanitary measures			✓			✓													
Social safety nets																			
Food assistance in kind (ST)				✓ (t)		✓		✓ (t)	✓					✓ (t)		✓ (t)			
Food subsidy (ST)		✓		✓ (t)	✓ (t)			✓ (t)	✓ (t)	✓ (u)	✓ (t)	✓ (u)		✓ (t)					
Fair price shops (ST)		✓			✓	✓		✓		✓			✓						
Food for work (ST)					✓												✓		
Cash transfers (ST)		✓			✓	✓		✓ (t)	✓ (cct)	✓			✓	✓	✓			✓	
Income generating activities (ST)				✓		✓		✓	✓					✓					
Other		Draft nutrition policy						Right to food to be approved 2011 (LT)	Health insurance (LT?)					Supplementary feeding programmes (ST/LT)	Set up a stabilization fund (MT)				

- (a) abolition
- (i) imposition
- (t) targeted population
- (u) untargeted population
- (cct) conditioned cash transfer

Group 1: small, land locked

Group 2: large, low proportion of trade relative to consumption

Group 3: small-mid size, rice importing

Group 4: small-mid size, rice exporting

	Afghanistan	Bhutan	Lao	Mongolia	Nepal	Bangladesh	China	India	Indonesia	Pakistan	Malaysia	Maldives	Philippines	Sri Lanka	Timor-Leste	Cambodia	Myanmar	Thailand	Viet Nam
Policies to raise food production																			
Tax incentives (ST)				✓												✓			
Input subsidy/distribution (ST)	✓		✓		✓	✓		✓	✓	✓			✓	✓	✓		✓	✓	✓
Price support policies (ST)	✓			✓			✓	✓	✓	✓			✓	✓	✓		✓	✓	✓
Improve credit access (ST/LT)		✓	✓	✓		✓		✓	✓	✓				✓	✓	✓	✓	✓	✓
Introduction of risk management instruments (ST)						✓		✓					✓	✓		✓	✓		✓
Improved seeds (ST)			✓			✓		✓	✓	✓								✓	✓
Improve land access (LT)		✓				✓		✓						✓					
Improve soil quality (MT)		✓	✓			✓			✓		✓			✓	✓				
Extend planted area (ST/MT)			✓					✓		✓				✓		✓			✓
Increase public infrastructure investment (LT)		✓	✓		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Increase agriculture research (LT)		✓				✓	✓	✓						✓		✓		✓	✓
Increase agriculture extension services (LT)		✓						✓	✓				✓	✓	✓	✓		✓	✓
Promote farmer organizations (MT)																✓			✓
Domestic market management																			
Tax incentives (ST)					✓								✓	✓		✓			
Food stocks (ST)			✓		✓	✓		✓	✓		✓			✓	✓	✓		✓	✓
Price control (ST)									✓				✓	✓	✓	✓			
Wage control (ST)															✓	↑✓			
Restrictions on inter-state/regional foodgrain (ST)			↓✓			↑✓				↑✓									
Future trading (ST)														✓		✓			
Extension of food storage (ST)		✓			✓	✓		✓	✓	✓									
Support agriculture marketing (ST)		✓	✓			✓		✓		✓				✓		✓		✓	✓
Other			Join WTO, ASEAN (LT)			Anti-hoarding Act, Competition Market Act (LT)				Market information system improved (LT)			Promote consume of local products (ST)	Development of market information systems (LT), Home gardens (ST)		Employment programmes (ST)			



