

## **FAO's Initiative on Soaring Food Prices Information Note**

World food security is facing new challenges. The world is experiencing a dramatic increase in food prices, nominal as well as real. International prices of major food commodities reached, in the first three months of 2008, their highest level in nearly 30 years. Projections suggest that food prices are likely to remain high in the next few years.

Rising food prices are provoking social unrest across the developing world, resulting in a number of short term policy responses from governments in both exporting and importing countries, which risk exacerbating instability in world markets. In the short run, net food buyers in urban and rural areas would be pushed deeper into poverty.

The countries hardest hit by the sharp increase in food prices are Low-Income Food-Deficit Countries (LIFDCs). These countries are particularly vulnerable as they tend to be net staple food importers (and also net importers of petroleum products), and thus recent price spikes in world food markets should have increased their vulnerability.

Actions undertaken by the UN System should distinguish between an immediate crisis response and medium and long term interventions aimed at achieving sustainable agricultural growth. Actions should be coherent and mutually reinforcing. They should focus on the specific situation in individual countries and on the needs of different stakeholders by protecting the most vulnerable households in both rural and urban areas, and by stimulating local production. Investments in rural infrastructure, research and development, extension services and market access must be boosted. It is important to ensure that market signals reach food producers to quickly stimulate appropriate supply response and thus increase food production and availability. We must seize this important opportunity for re-launching agriculture, especially in LIFDCs. Also, governments should revisit their policies to eliminate market distortions and provide an enabling and supportive environment.

Through its Initiative on Soaring Food Prices (ISFP), launched by the Director-General on 17 December 2007, FAO is offering technical and policy assistance to the most affected countries in an effort to increase local food supplies in the upcoming agricultural seasons and prevent crises. FAO has already allocated US\$17 million and is currently:

- Assisting vulnerable farmers with insufficient access to inputs to increase local production. Activities have started in Burkina Faso, Mauritania, Mozambique and Senegal (TCP funding) and other countries will follow.
- Reinforcing FAO's capacity to assist governments in preparing appropriate programmes and strategies to expand agricultural production and productivity, within existing national development processes and partnerships.
- Enlarging FAO's Food Market Information System to monitor market developments and, analyse and disseminate market information. The system will build on existing work in FAO and extend it in two directions: 1) to coordinate and integrate available information within FAO, partner Agencies and member countries; and 2) to monitor and analyse country policies affecting agricultural development, markets and food security.

In countries affected by disasters and conflicts, soaring food prices are increasing the number of vulnerable people and the severity of food insecurity. In a number of those countries, there is scope for adjusting FAO's ongoing emergency and rehabilitation operations, provided additional funding is available.

Through its Country Offices, FAO is promoting the creation of National Committees on Soaring Food Prices, primarily in the countries most affected by the food crisis. These Committees would include relevant government departments, development partners, and private sector and civil society organizations, and they would provide a forum to help governments formulate and implement programmes and policy adjustments. To support the work and discussions in these Committees, FAO is preparing an "ISFP Guide for country level action" which reviews various instruments that could be used, their likely effects and the conditions under which they are likely to be successful. Staff members from the FAO Sub-regional and Regional Offices and from headquarters will be made available as needed to facilitate and contribute to the National Committees and identify follow-up support by FAO or other development partners.

The ISFP approach is about increasing food supplies in domestic markets during the next seasons, through measures to boost local production on the one hand, and to improve access to food for poor vulnerable households on the other hand. FAO has joined forces with governments, the World Bank, IFAD, WFP, Regional Development Banks and private foundations and propose to integrate these new projects and programme interventions to include facing soaring food prices in regional institutions and programmes, such as NEPAD's Comprehensive Africa Agriculture Development Programme (CAADP) in Africa and other similar entities in Latin America and Asia.

It is also within this context that FAO is convening a Summit on "*World Food Security: the Challenges of Climate Change and Bioenergy*" at its headquarters from 3 to 5 June 2008. The event should enable world leaders and the international community to adopt required policies, strategies and programmes to overcome the new challenges facing world food security..

FAO urges all donors and International Financing Institutions to increase their assistance or to consider reprogramming part of their ongoing aid in countries that are negatively affected by high food prices. The estimated additional funding required to implement country projects and programmes to deal with soaring food prices is about US\$ 1.7 billion, depending on the number of countries and the scope of the interventions. The release of these funds can provide important support for poor farmers, including access to inputs and assets, to enhance the food supply response in the next agricultural seasons.