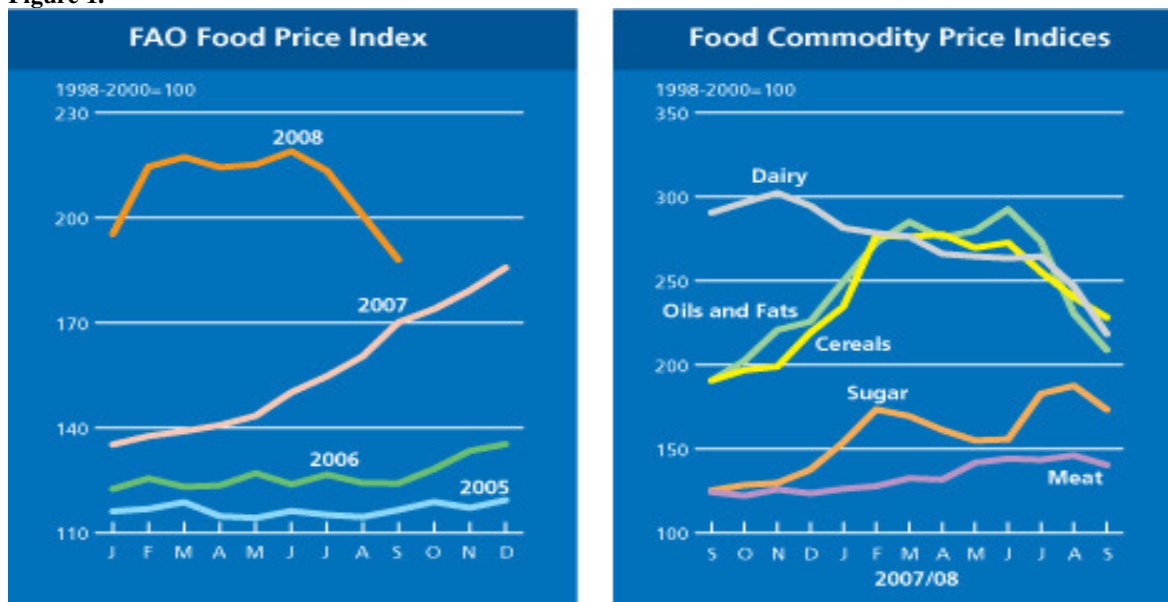




**FAO-UNDP EUROPEAN AND CENTRAL ASIAN REGIONAL CONSULTATION**  
**on**  
**Food Price Fluctuations, Policies and Rural Development in Europe and Central Asia**

The world has experienced an extreme food prices fluctuation in the past three years (Figure 1) which led to the global food crisis and jeopardised achievement of the Millennium Development Goals. The world poverty and hunger have started to grow again. In response on this challenge several international initiatives were launched in the last year. In December 2007 FAO launched the Initiative on Soaring Food Prices (ISFP), in June 2008 FAO conducted policy dialogue High-Level Conference on World Food Security: the Challenges of Climate Change and Bioenergy, UN High-Level Task Force on Food Security brought together the UN system to respond to the crisis in a coherent and coordinated way. G8 Leaders Statement on Global Food Security (Hokkaido July 8, 2008) recognized the need for a wide range of mid- to long-term measures to tackle the issue of food security and poverty. EBRD/FAO organized a special High-level Conference “Fighting Food Inflation through Sustainable Investment” addressed to the problems of the crisis specifically in ECA region (London, March 2008). There are several other international and national initiatives to help vulnerable nations and groups of population to cope with surged food prices.

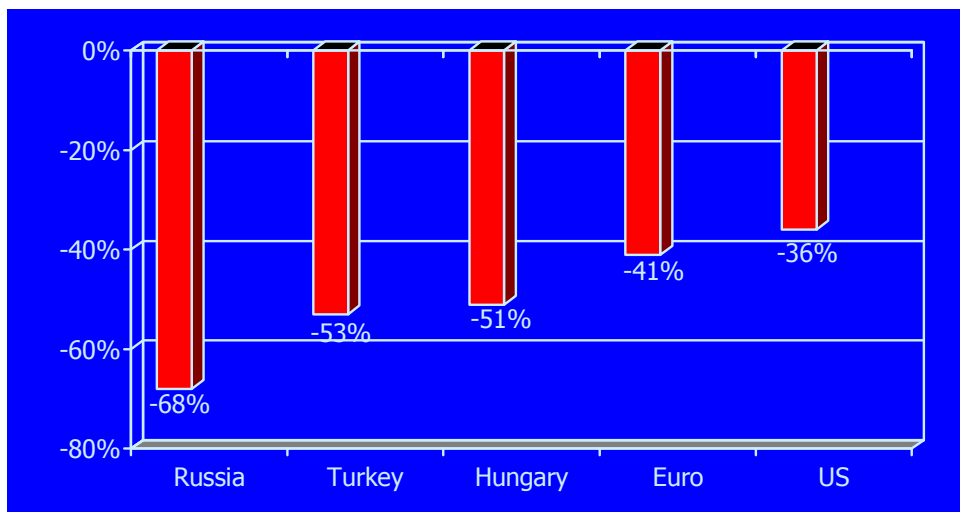
Figure 1.



Source: FAOstat

On the top of food crisis the financial crisis burst out and notably hampers the global hopes to increase investment to the agrifood sector (Figure 2)

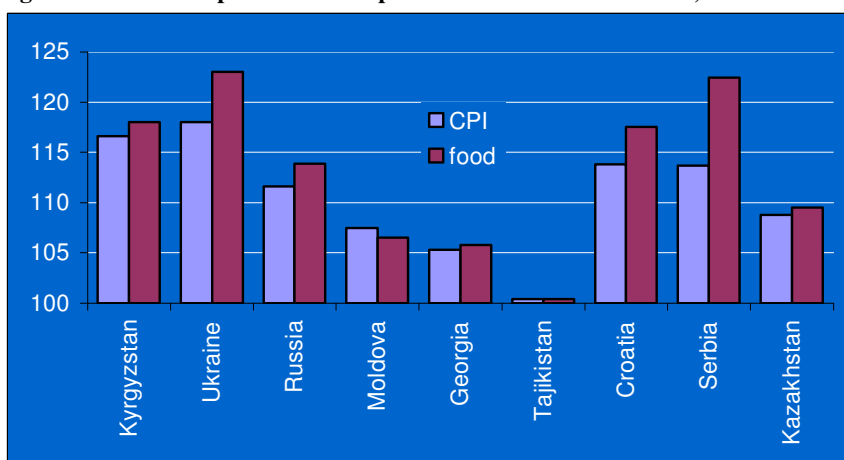
**Figure 2. Stock markets tank: Selected countries, Year-to-date change in stock market indices, through mid-October**



.Source: JPMorgan

The countries of ECA region (Eastern Europe and Central Asia) were also affected by this complex combination of food and financial crisis. The region combines a very diverse set of countries united by their post-communist and transitional status. However, the path and speed of the transitional reforms, extremely different preconditions of these reforms and not least the presence of armed conflicts on the territories of some countries make the region extremely heterogeneous. Therefore the impact of crisis of the countries of the ECA region is notably different. There are such countries as Kyrgyzstan and Tajikistan where almost 100% of rural population live for USD 4.30PPP and there are Russia, Kazakhstan, Azerbaijan, Turkmenistan which have accumulated in the recent years the relatively big national budget reserves from surge in mineral oil and gas prices, there is also Croatia preparing to access the EU. Russia and Ukraine could utilise the food prices inflation and significantly increase agricultural production in 2008, but in many other countries of the region high food prices due to the market imperfections were not transmitted to the smallholders which are the major type of national agricultural producers. More over, in the poorest countries of the region a notable share of rural population is net food buyers which mean that food crises even potentially did not create a window of opportunities.

**Figure 3. Consumer price and food price indexes in selected ECA, October 2008 to December 2007\*, %**



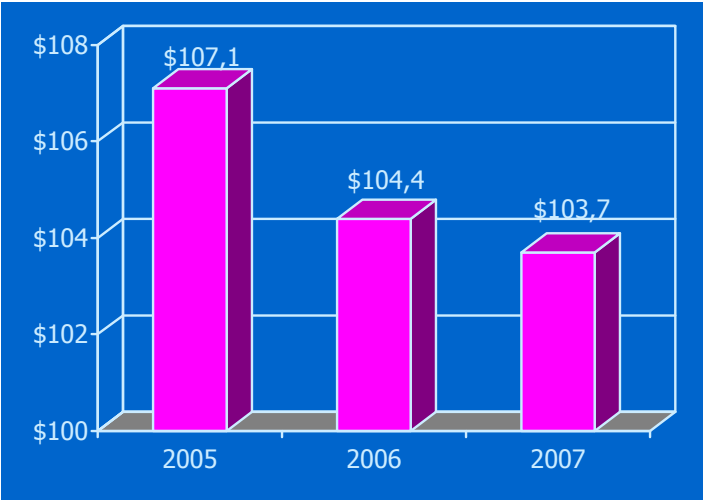
\* for Croatia – September, Serbia - August

Source: Corresponding national statistic agencies

The countries of the region applied all dimension of policy tools to react on food prices surge. In 2007 Kazakhstan, Russia and Ukraine stopped their grain exports what dramatically affected the neighbouring countries which are heavily dependant on imports from the CIS (Commonwealth of

Independent States – group of some former Soviet republics). Almost all governments across the region tent to control food retail process, to force the major retailers and processors to hold in prices, some of them requested international assistance. Many of these measures demonstrated their inefficiency. Reaction of the financial crisis is even more diverse: middle income countries of the region in the previous years had done the notable public and private investment into the long- and middle term investment project which are jeopardised under current financial crisis. In low income countries governmental involvement into agriculture was not important but the fall in the ODA (official development assistance) is seriously reduced in the financial crisis situation (Figure 4) and it will unavoidably badly effect both agriculture and rural development in these countries of the region.

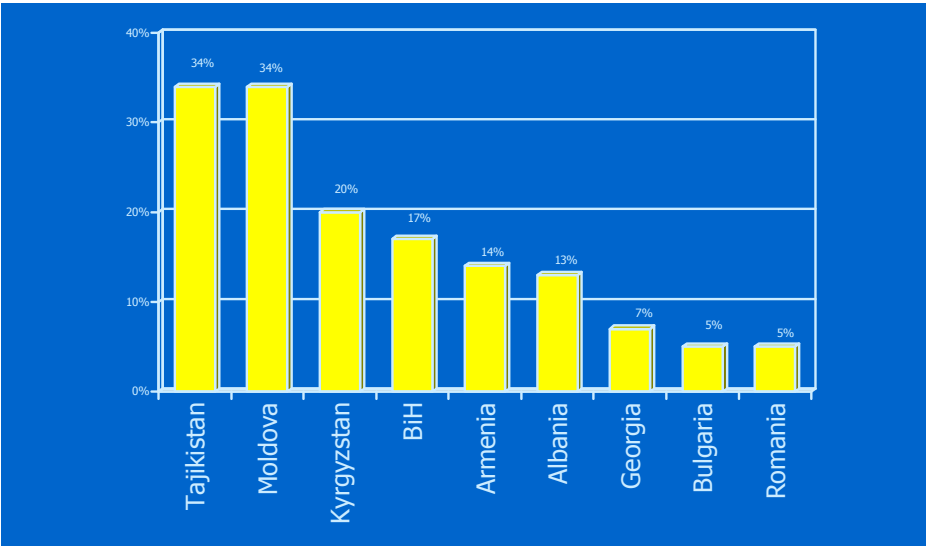
**Figure 4 Annual OECD-DAC ODA flows, in billions.**



Source: OECD-DAC

In addition, the financial crisis in the middle-income countries of the region, such as Russia and Kazakhstan, which are the sources for job for many migrants from the low-income countries in the region (Figure 5), will mean also the fall in remittances and this will affect income situation these countries as well.

**Figure 5. Remittances as % of GDP.**



Source: World Bank

With the above in mind, the FAO Regional Office for Europe and Central Asian and the UNDP Regional Bureau for Europe and CIS will hold a regional consultation on **Food Price Fluctuations, Policies and Rural Development in Europe and Central Asia**. The consultation will share with representatives from countries in the Europe and Central Asian region some recent results of FAO and UNDP-sponsored policy research on the topic of soaring food prices and agricultural and rural development.