Food and Agriculture Organization of the United Nations

CCP@75

Committee on Commodity Problems (CCP)
75th Session | 13 – 15 July 2022

SIDE EVENT

FAO's proposal for a Global Food Import Financing Facility (FIFF)

Side event at the 75th Session of the FAO Committee on Commodity Problems (CCP)

Friday, 15 July 2022 | 11:00-12:00 CEST

Virtual event

PLEASE REGISTER HERE

Background

Prices of foodstuffs began to rise sharply almost two years ago, culminating in the benchmark FAO Food Price Index reaching an all-time high in March 2022. The main factors behind the upward trajectory in food prices include (i) robust demand supported by the swift and strong recovery from COVID-19 related economic contractions, (ii) higher prices for fertilizer and fuel, raising the cost of food production, (iii) higher transportation costs and disruptions of supply chains, and (iv) supply constraints and adverse weather conditions.

The conflict between Ukraine and the Russian Federation has exacerbated matters in recent months. Both countries are major producers and exporters of wheat as well as of several other commodities, casting doubt on whether international markets will be supplied with enough food to meet the import needs of a global population fast reaching 8 billion. The Russian Federation is also the world's leading exporter of fertilizers, especially nitrogen, which the country derives from its vast natural gas reserves.

In parallel with soaring food prices, the costs of food imports have risen to new all-time highs. The food import bill for developing countries as a whole rose by a staggering 25 percent in 2021 alone. The bulk of the rise in the world food import bill was cost-driven, reflecting record food prices that came on the back of surging input prices.

These increases in import costs are taking a growing toll on the ability of many countries to finance their imports of food and agricultural inputs, notably in low and low-middle income countries. First forecasts suggest that food imports could come to a near standstill in 2022, with an overall bill rising by just 1 percent. The most vulnerable countries, notably the Least Developed Countries (LDCs) are foreseen to even undergo a 5 percent contraction in their 2022 food import bill from last year.

To address the challenge of rising food import costs, FAO has proposed a food import financing facility (FIFF) accessible to the most vulnerable countries, i.e., the group of net food importers in the low and low-middle income category. A technical background paper and a short note for decision-makers provides elaborates further on the details of the proposal.

Objectives

This side event seeks to (i) provide an overview of the facility, its basic nature as an emergency measure, the overall costs of the facility under different eligibility assumptions, as well as the proposed credit conditionality, (ii) discuss the possibility and the limits of extending the idea of an import financing facility to fertilizer and other agricultural inputs and (iii), define the role of FAO and delineate it from the initiative proposed by other international organizations.

The side event will be organized in all FAO official languages.

PROVISIONAL AGENDA

11:00 OPENING REMARKS

- ***Mr Máximo Torero Cullen***, Chief Economist, FAO

11:10 TECHNICAL PRESENTATION ON THE FIFF

- ***Mr Josef Schmidhuber***, Deputy Director, Markets and Trade Division, FAO

11:30 Q&A SESSION

12:00 SIDE EVENT CLOSES