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CONFERENCE

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The State of Food and Agriculture

Executive Summary

This document examines price developments on international and domestic markets on the basis of information available as recently as June 2011, and draws attention to the implications of high food prices and price volatility and weak economic growth for global hunger and undernourishment. It describes production, consumption and trade of food and agricultural commodities at both the global and regional levels and discusses measures needed to improve the resilience of markets to price and economic fluctuations. More recent commodity market and price information is available in the latest editions of Food Outlook, the Global Food Price Monitor, the Crop Prospects and Food Situation, the World Food Situation and other FAO information products.

Suggested action by the Conference

The Conference is invited to:

- Note that the FAO global Food Price Index is currently above levels experienced during the food price crisis of 2007-08.
- Consider lessons learned from the recent food price and financial crises to ensure that future policy responses help mitigate and manage the risks associated with price volatility by fostering the resilience of the global food system and protecting the most vulnerable from shocks.
- Endorse FAO's response to high and volatile commodity prices in the areas of market information and analysis, policy advice and capacity building.

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I. Introduction

1. This document reviews food price developments on international and domestic markets with particular attention to food price volatility and draws lessons from recent experiences. It examines levels and trends in global hunger and undernourishment in the light of recent conditions in agricultural markets and the global economy. It then describes production, consumption and trade of food and agricultural commodities at both the global and regional levels. The focus is placed on growing concerns over high food prices, increased price volatility and the measures needed to increase the resilience of markets to price and economic shocks.

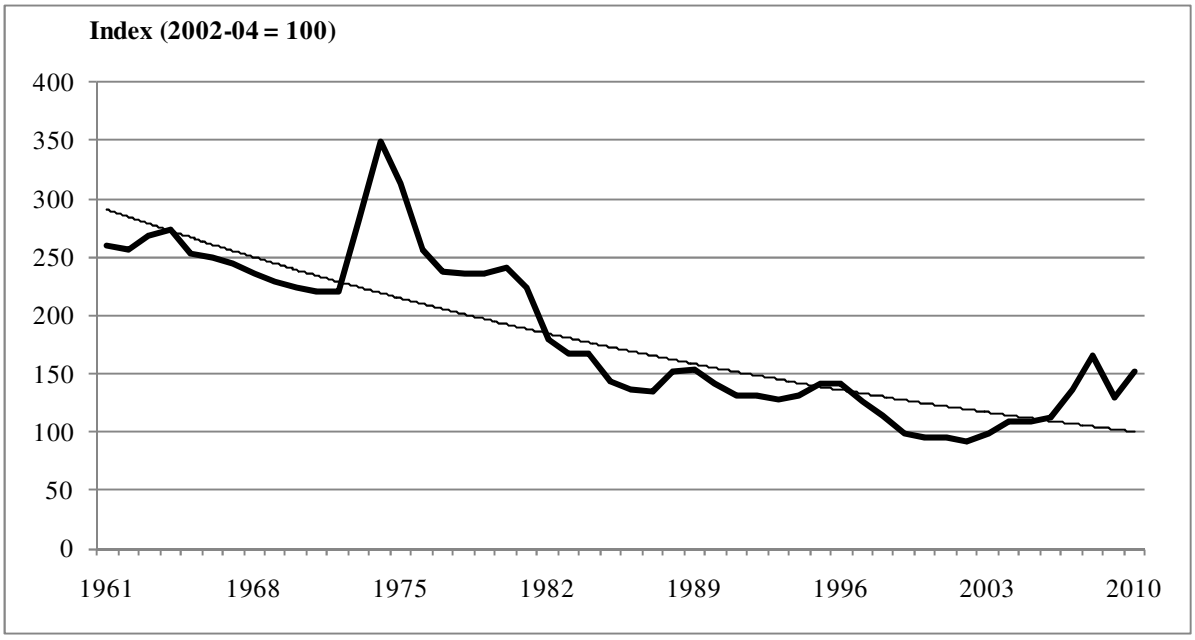
II. Recent trends in agricultural prices: higher and more volatile[1]

A. International Food Price Index

2. Real international food prices have followed a long-term downward trend since 1961, but that trend appears to have ended in the early 2000s. The annual FAO Food Price Index (FPI) declined in real terms over the period from 1961 to 2000, but began rising in the early 2000s and spiked sharply in 2007 and 2008 (Figure 1). Although international food commodity prices moderated in 2009, they increased again in 2010, and real prices are now 50 percent higher than their levels ten years previously.

3. From a historical perspective, the price developments in the past decade were not unprecedented; for example, food markets exhibited a severe spike during the previous "world food crisis" of 1973 to 1975. Nevertheless, the era of declining real food prices appears to have ended or at least halted, and forecasts suggest that prices would remain above their long-term trend throughout the next decade given existing policies, productivity and demographic trends and macroeconomic assumptions.

Figure 1: The FAO annual Food Price Index (FPI) in real terms, 1961– 2010



Source: FAO

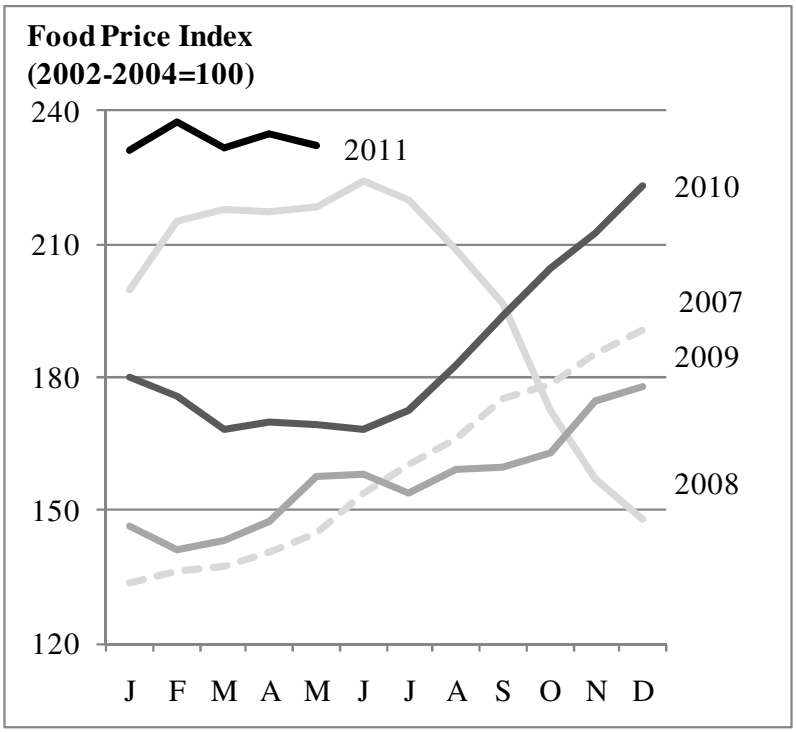
[1] Since this document was drafted, FAO has made more information available regarding the price indices presented in Figures 2 and 3 of this document. For the most recent and complete information on food indices readers may see the June 2011 issues of FAO's *Food Outlook*, *Global Food Price Monitor*, *Crop Prospects and Food Situation* and the *World Food Situation* as well as other FAO information products.

Notes: Calculated using international prices for cereals, oilseeds, meats, dairy and sugar products. The official FAO Food Price Index is only calculated starting from 1990; in this figure it has been extended back to 1961 using proxy price information. The index measures movements in international prices and not necessarily domestic prices. The US gross domestic product deflator is used to express the Food Price Index in real rather than nominal terms.

B. International prices for agricultural commodities[2]

4. The monthly FPI for the core commodities included in the index (cereals, oils, dairy, meat and sugar) is shown in Figure 2 for the period from January 2007 through May 2011. During the food price crisis of 2007-08, the FPI increased sharply, peaking in June of 2008. After declining during the second half of 2008, it began rising again in mid-2009 and surged during the second half of 2010. Although the FPI has not risen further thus far in 2011, it remains above the peak reached in June 2008.

Figure 2: The FAO monthly Food Price Index, January 2007–May 2011

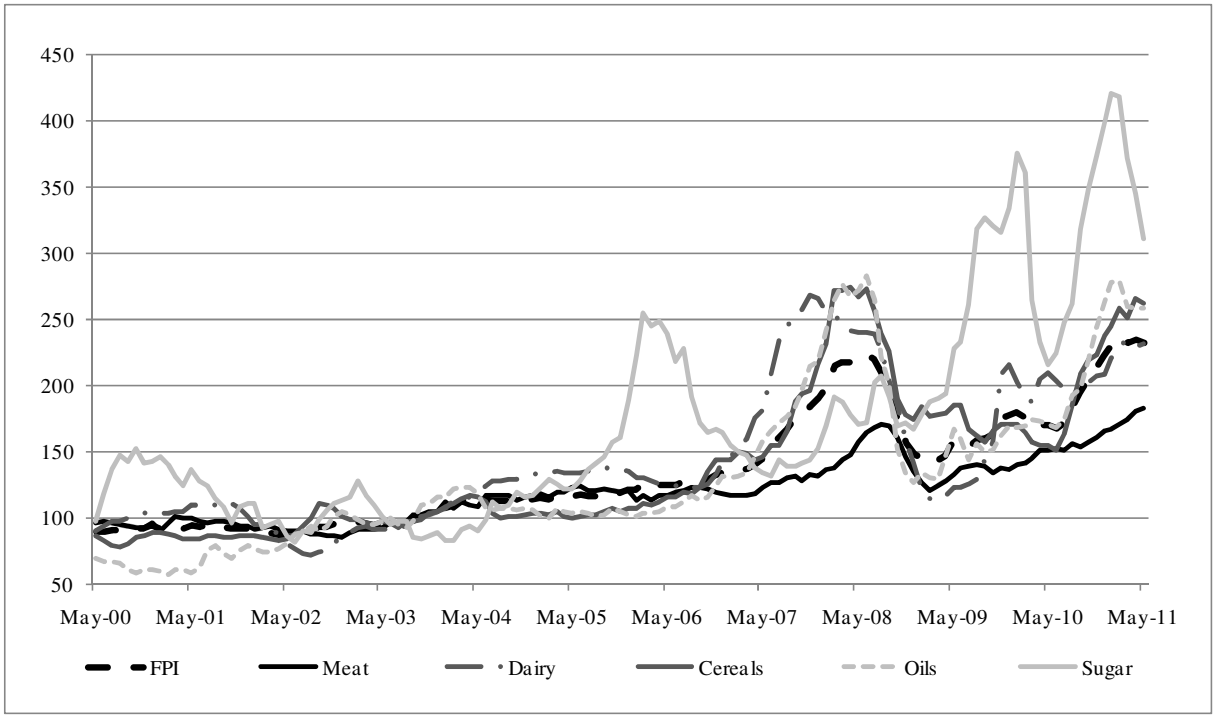


Source: FAO, 2011. *World Food Situation*. FAO Food Price Indices June 2011. Available at http://www.fao.org/worldfoodsituation/wfs-home/en/

5. By January, 2011 prices of cereals, oils, dairy and meats were almost as high as they were during the food price crisis of 2007-08 and the price of sugar was much higher (Figure 3). The price index for meat has continued to rise, but other commodity price indices have remained steady or decreased slightly in recent months, with the exception of sugar which has fallen significantly.

[2] This section uses information available in the May 2011 issue of the *Global Food Price Monitor,* the June 2011 issue of *Food Outlook* and the June update of the *World Food Situation.*

Figure 3: FAO Food Commodity Indices, May 2000–May 2011



Source: FAO, 2011. *World Food Situation*. FAO Food Price Indices June 2011. Available at http://www.fao.org/worldfoodsituation/wfs-home/en/

6. According to projections in the *OECD-FAO Agricultural Outlook 2010 – 2019* (OECD-FAO, 2010), real commodity prices are expected to be higher on average over the next decade than they were in the period from 2000 to 2009. Factors underlying the projected higher agricultural commodity prices include higher energy costs, increased demand by emerging developing countries as well as growing production of biofuels from agricultural feedstocks.

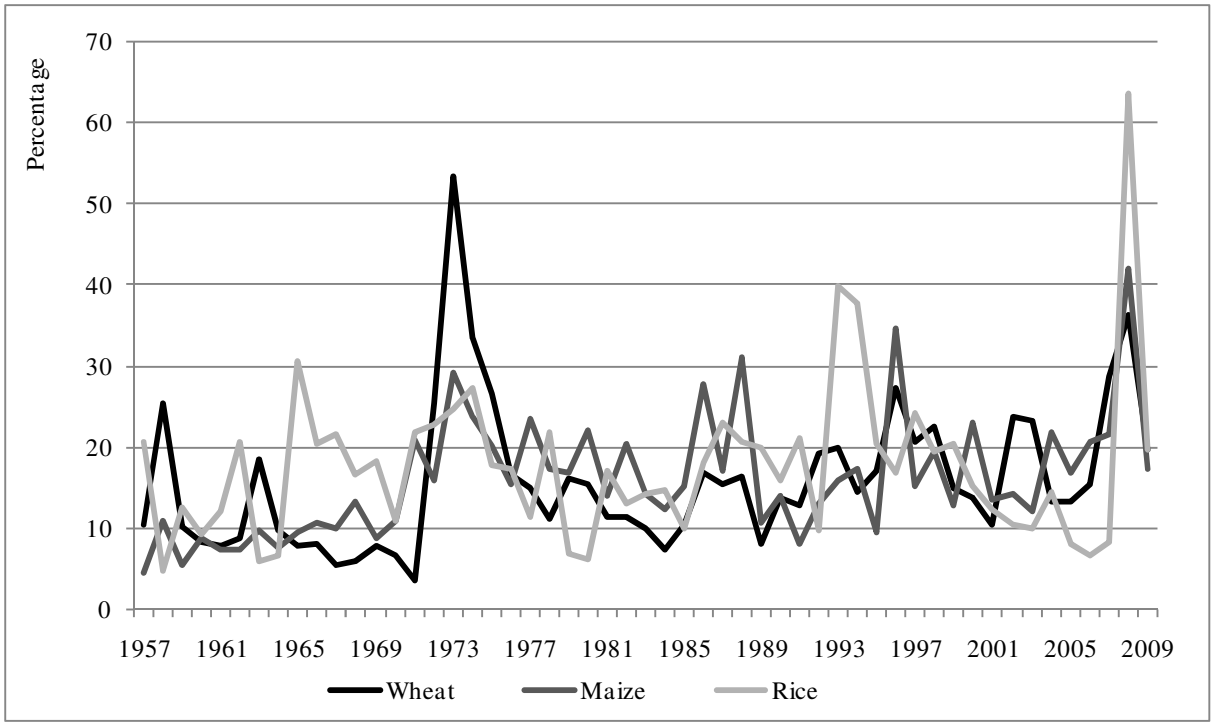
C. Growing concerns over price volatility

7. The extreme variability of prices of basic food commodities over the most recent period has been a subject of considerable concern. Price fluctuations are both a normal attribute and a necessary requisite for competitive market functioning. The essence of the price system is that when a commodity becomes scarce its price rises, which induces a fall in consumption and more investment in the production of that commodity. However, the efficiency of the price system begins to break down under excessive price volatility, as uncertainty creates higher investment risks.

8. Episodes of high prices are detrimental to food security in the short term because they erode the purchasing power of net consumers. Furthermore, the uncertainty associated with price volatility can lead to reduced agricultural investments as farmers become reluctant to commit resources in a context of uncertain returns. The supply response effects of higher prices may therefore be muted.

9. Data on price volatility over a longer period (starting in 1957), show that high price volatility such as that recently experienced is not far out of line with experiences of the past (Figure 4). Indeed, periods of high price volatility are not new to agriculture, but there is concern that price volatility may be increasing in frequency, severity and amplitude.

Figure 4: Historic annualized volatility of international grain prices, 1957-2009



Source: OECD-FAO, 2010. *OECD-FAO Agricultural Outlook 2010 – 2019.*

Notes: Some price variability can be predicted (e.g. seasonal variation, business cycles or other trending behaviour). The figure shows the coefficient of variation of prices after the predictable component has been removed from the observed values (for explanation, see OECD-FAO, 2010, p. 57, footnote 5). Values close to zero indicate low volatility, higher values denote greater volatility.

D. Domestic food prices[3]

10. It is important to recall that prices are not transmitted perfectly from international to domestic markets; nevertheless, it would seem that in recent months higher international prices of cereals have passed through to domestic prices in several importing countries.

11. FAO's Global Information and Early Warning System (GIEWS) provides up-to-date information about cereal wholesale and retail prices in numerous developing countries. The April issue of the Global Food Price Monitor indicates that prices of cereals in many developing countries have again increased and are a cause for concern in some regions. Over the past two years (from February or March 2009 to February or March 2011) prices were low and stable in Western Africa as well as in Southern Africa. However, other regions, including Asia, the Commonwealth of Independent States (CIS) and some countries in Latin America and the Caribbean, experienced high and/ or increased retail or wholesale prices of cereals over the two-year period. In some countries of Asia, such as India, Indonesia, Bangladesh, Viet Nam, and several countries of the CIS, prices of cereals were above the peaks reached in 2008.

E. FAO knowledge response to high and volatile prices

12. FAO, as a leading organization in the collection, analysis and dissemination of information, has undertaken a number of activities on volatile food prices and their consequences.

13. FAO monitors food prices and price volatility on national and global agricultural markets and disseminates information and analyses through a variety of outlets, including the publications

[3] This section incorporates information available in the April 2011 issue of the *Global Food Price Monitor.*

referenced in this document, the FAO website, technical books, international fora and media interviews. These information products have become the global reference point for developments in world food markets. They also contribute directly to reducing price volatility by providing markets and governments with accurate information and by enhancing market transparency. FAO analyses were increased during 2007–08 and have been intensified in light of current market developments.

14. FAO has produced a guide for policy and programmatic actions at country levels to address high food prices.[4] This guide addresses the advantages and disadvantages of three types of measures aimed at limiting developing countries' exposure to international price volatility and reducing their vulnerability to its effects: (i) macroeconomic and trade-related measures, (ii) measures to support producers and (iii) measures to support consumers.

15. In addition, thus far in 2011, FAO has organized subregional consultations in Asia (20 countries), East Africa (8 countries), North Africa (8 countries) and the Pacific (14 countries) and additional consultations are planned for Central and Eastern Europe, the Caribbean, Central Asia, Central and South America and the Near East. These seminars, aimed at building the capacity of policy-makers to respond to market volatility, have been attended by senior government officials from agriculture, finance and planning ministries and included representatives from WFP, IFAD, IMF, the World Bank, regional development banks and other development partners.

16. A one-day extraordinary intersessional meeting of the Intergovernmental Group on Grains and the Intergovernmental Group on Rice was held on 24 September 2010 at FAO Headquarters to address concerns over the sudden surge in international wheat prices that began in mid-2010. The purpose of the session was to share information and analysis on the latest supply and demand prospects for major cereals and to provide a neutral institutional setting in which cereals importers and exporters could engage in constructive discussions on appropriate reactions to the market situation and on the future of the world cereal economy.

III. Undernourishment and its causes

A. Trends in undernourishment[5]

17. FAO estimated that the number of undernourished in the world decreased to 925 million people in 2010, from the estimated peak level of 1.023 billion in 2009, as a result of improved prospects for the global economy and lower food commodity prices (Figure 5a). Despite this welcome reduction in world hunger, the number of undernourished people remained unacceptably high, representing the second-largest number in recorded history[6].

18. The decrease in the number of undernourished in 2010 constitutes a reversal of the upward trend observed since 1995-97. Indeed, after a steady, albeit slow, decrease from 1970-71 to 1995-97, the following years saw a gradual increase in the number of undernourished people in the world. The upward trend accelerated sharply in 2008 during the food crisis. The number of undernourished spiked in 2009 as a result of the financial crisis and the persistence of high food prices in many domestic markets of countries in developing regions.

19. In spite of the increase in the absolute number of undernourished people from 1995–97 to 2009, the share of the population that is undernourished in the developing world[7] continued to decline, albeit very slowly, even after 1995–97, before increasing in both 2008 and 2009 (Figure 5b). By 2010, 16 percent of the population in developing regions were undernourished, down from 18 percent in

[4] FAO. 2011. Guide for Policy and Programmatic Actions at Country Level to Address High Food Prices. available at: http://www.fao.org/fileadmin/user_upload/ISFP/revisedISFP_guide_web.pdf.

[5] A more thorough analysis of trends in global undernourishment and the impact of the crisis on global food security can be found in FAO. 2010. *The State of Food Insecurity in the World 2010: Addressing food insecurity in protracted crises*. Rome. available at http://www.fao.org/publications/sofi/en/.

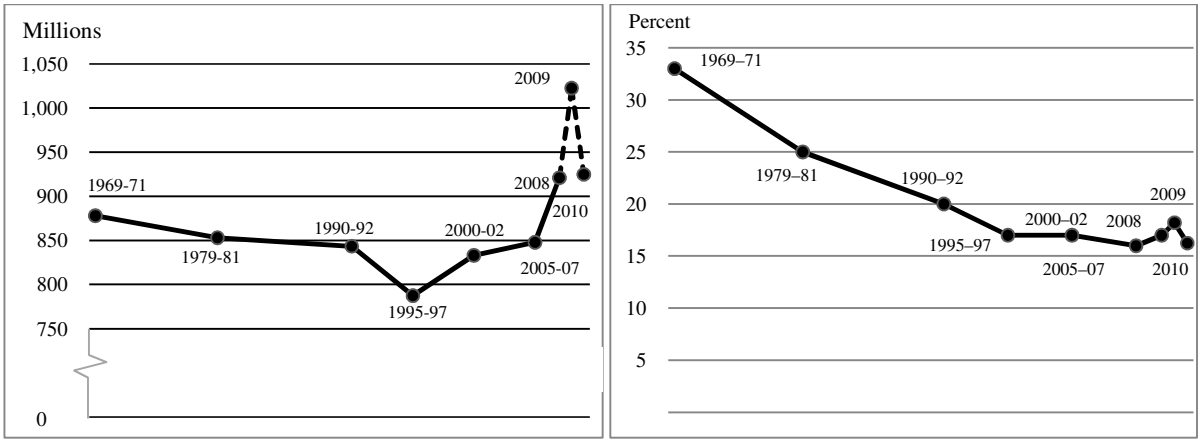
[6] FAO estimates date back to 1969–1971.

[7] Ninety-eight percent of the world's undernourished people live in countries in developing regions.

2009, but still well above the target set by the Millennium Development Goal 1 to halve to 10 percent the proportion of undernourished between 1990 and 2015.

20. Although the majority of the world's undernourished people (578 million) live in Asia and the Pacific, the highest prevalence of undernourishment is found in sub-Saharan Africa. In 2005–07 (the latest period with complete information by country), the prevalence of undernourishment was 30 percent for sub-Saharan Africa, compared with 16 percent for Asia and the Pacific. Other regions had lower prevalence rates.

Figures 5a and 5b: Total number of undernourished people in the world and share of population undernourished in developing regions, 1969–71 to 2010



Source: FAO. 2010. *The State of Food Insecurity in the World 2010. Addressing food insecurity in protracted crises*. Rome, Italy. Available at http://www.fao.org/publications/sofi/en/

Notes: Figures for 2009 and 2010 were estimated by FAO with input from the United States Department of Agriculture, Economic Research Service. Full details of the methodology are provided in the technical background notes to FAO, 2010 (available at www.fao.org/publication/SOFI/EN/).

B. Vulnerability of global food security to shocks

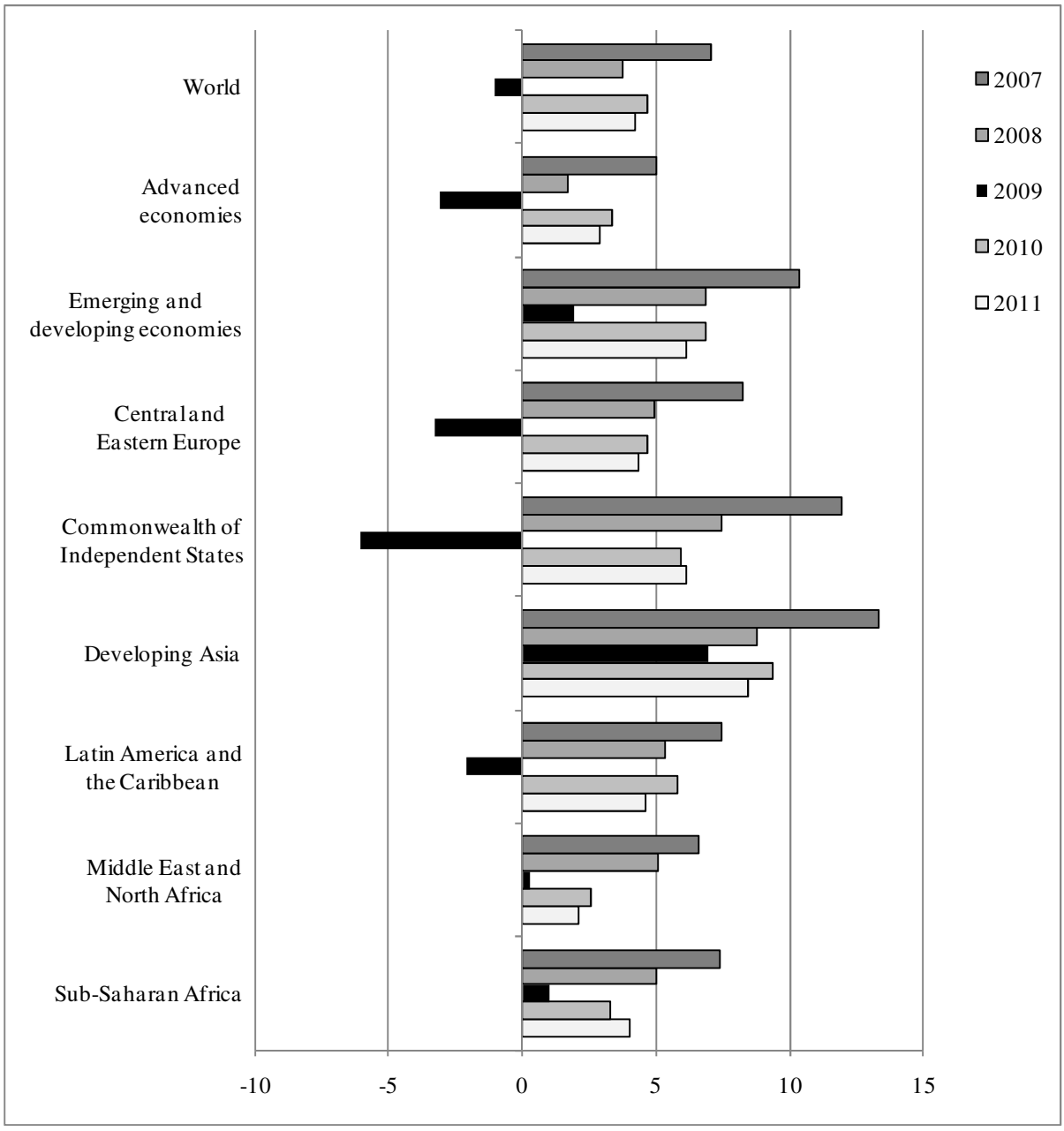
21. The events of the past few years have highlighted the vulnerability of global food security to major shocks both in global agricultural markets and in the world economy as a whole. Both the global food crisis and the ensuing economic crisis meant reduced purchasing power for large segments of the population in many developing countries; this had severely curtailed their access to food and thus undermined their food security.

22. The rise in global undernourishment numbers in 2008 was an immediate result of the spike in food prices (see Figures 1-3). The financial crisis and economic recession in 2009 also affected access to food through reduced incomes, leading to a further sharp increase in global undernourishment levels in 2009. Estimates indicate that globally gross domestic product (GDP) per capita measured in terms of purchasing power parity (PPP) contracted in 2009 (Figure 6). Although advanced economies were more affected than economies of the developing world, growth rates of per capita GDP (in PPP) nevertheless decreased or stagnated in all regions of the developing world. The change was least dramatic in developing Asia where, although the rate of growth decreased, it nevertheless remained quite high relative to that of other regions[8]. By 2010, the recovery of the world economy and the

[8] IMF, 2011. *World Economic Outlook Database*. Available at http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/index.aspx. Country groupings are those used by the IMF.

significant increases in economic growth rates underpinned the reduction in global undernourishment figures discussed above. For developing regions the rate of growth in per capita GDP (in PPP) increased from just under 2 percent in 2009 to about 7 percent in 2010. Evidence from the first quarter of 2011 confirms a continued recovery.

Figure 6: Rates of growth in per capita GDP in PPP by region, 2007–2011



Source: IMF, 2011. The World Economic Outlook Database.
http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/index.aspx.

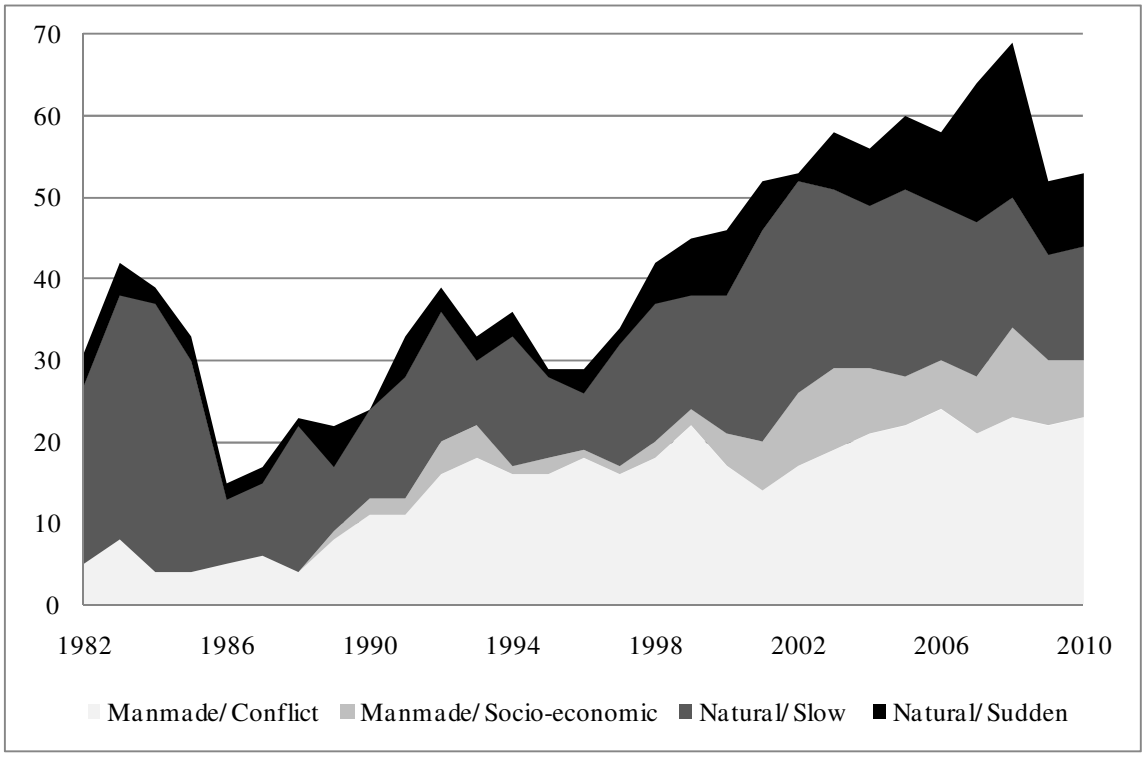
Notes: Country groupings are those used by the IMF. The world total was calculated by the authors. The figure incorporates the most recent estimates released in April, 2011.

C. Emergencies in countries requiring assistance for food

23. Natural disasters and human-induced emergencies can threaten the food security status of people who are normally food secure as well as worsen it for those who were already food-insecure prior to the emergency. FAO, in collaboration with its Members, other international organizations, civil society and other relevant actors, hosts the Global Information and Early Warning System on food and agriculture (GIEWS), which keeps the global food supply and demand situation under constant watch and provides early warning on impeding food crises in individual countries.

24. As shown in Figure 7, the number of emergencies in countries requiring assistance for food has increased since the mid-1980s. Part, but not all, of this increase is due to an increased number of countries reporting such information. Note that some countries may experience more than one emergency in a given year. The frequency of human-induced emergencies seems to have increased since the mid-1980s, particularly in Africa, with conflict accounting for most of them. The frequency of sudden-onset natural disasters also appears to have been on an upward trend since the mid-1990s. The region with the largest number of food emergencies was Africa, followed by Asia.

Figure 7: Number of emergencies in countries requiring assistance for food, by type 1982–2010



Source: FAO, 2011. For more detailed information please see FAO, 2011. *Crop Prospects and Food Situation*, March, Rome.

25. Just as the effects of economic shocks on hunger do not disappear immediately as a result of restored price stability and economic growth, the impacts of crises on food security may also persist long after relief and recovery efforts have begun. A particularly difficult situation is faced by countries in protracted crisis, characterized by recurrent natural disasters and/or conflict, longevity of food crises, breakdown of livelihoods and insufficient institutional capacity to react to the crisis.[9]

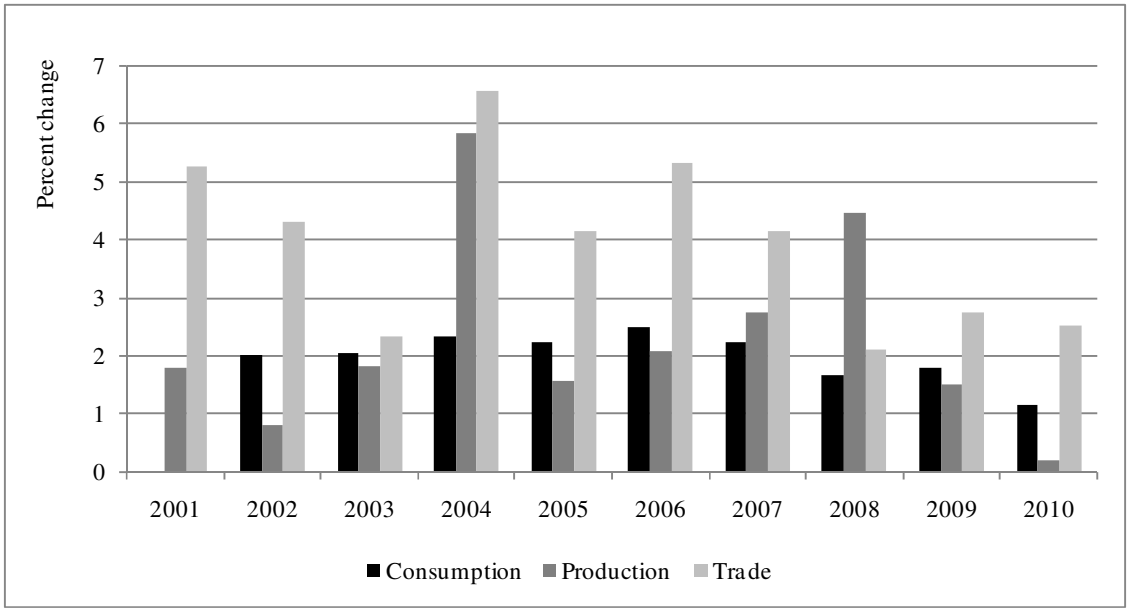
[9] FAO. 2010. *The State of Food Insecurity in the World 2010: Addressing food insecurity in protracted crises.* Rome, Italy. available at http://www.fao.org/publications/sofi/en/

IV. Food production, consumption, and food trade[10]

A. Global trends, 2001–2010[11]

26. As shown in Figure 8 below, beginning in 2008 international markets for food and agricultural commodities appear to have undergone some changes. Key indicators of production, consumption and trade made from preliminary estimates, point to a slowing of global growth. According to estimates available in April 2011, the growth in the global agricultural production index (measured in constant prices) slowed to about 1.5 percent in 2009 and to a mere 0.2 percent in 2010; this followed significant increases of about 2.7 and 4.5 percent respectively in 2007 and 2008. Global agriculture has been affected by weather shocks such as the drought in the Russian Federation during the summer of 2010, which caused the country's wheat production and exports to fall dramatically, and by reduced yields in the United States of America. Growth in global food consumption, which had been increasing at a rate of over 2 percent per year, slowed in 2007 and has been reduced to a very low level of about 1.2 percent in 2010; this indicates negligible growth in per capita global food consumption in 2010. Growth in trade had been in the 4-6 percent range annually before 2008, but it has since then fallen to the 2–3 percent range.

Figure 8: Annual growth in global food production, consumption and trade, 2001–2010



Source: FAO.

Note: Estimates calculated using indices with 2004 – 2006 = 100.

[10] This section uses indices of production, food consumption and trade to summarize available data. The trends are indicative and subject to limitations. Indices are calculated based on volumes of production, consumption and trade weighted by constant prices using international reference commodity prices averaged during 2004–06. Production indices are net of feed and seed. Food consumption indices are derived from estimates of food use only. Indices for food exports and imports include intra regional trade. Commodities covered include: wheat, coarse grains, rice, roots and tubers (for developing countries), oilseeds, vegetable oils, meat and dairy products.

[11] For more information on trends in consumption, production and trade in food and agricultural commodities please see OECD-FAO, 2010. *OECD-FAO Agricultural Outlook 2010 – 2019*.The work presented here uses the same modeling techniques as used in that publication.

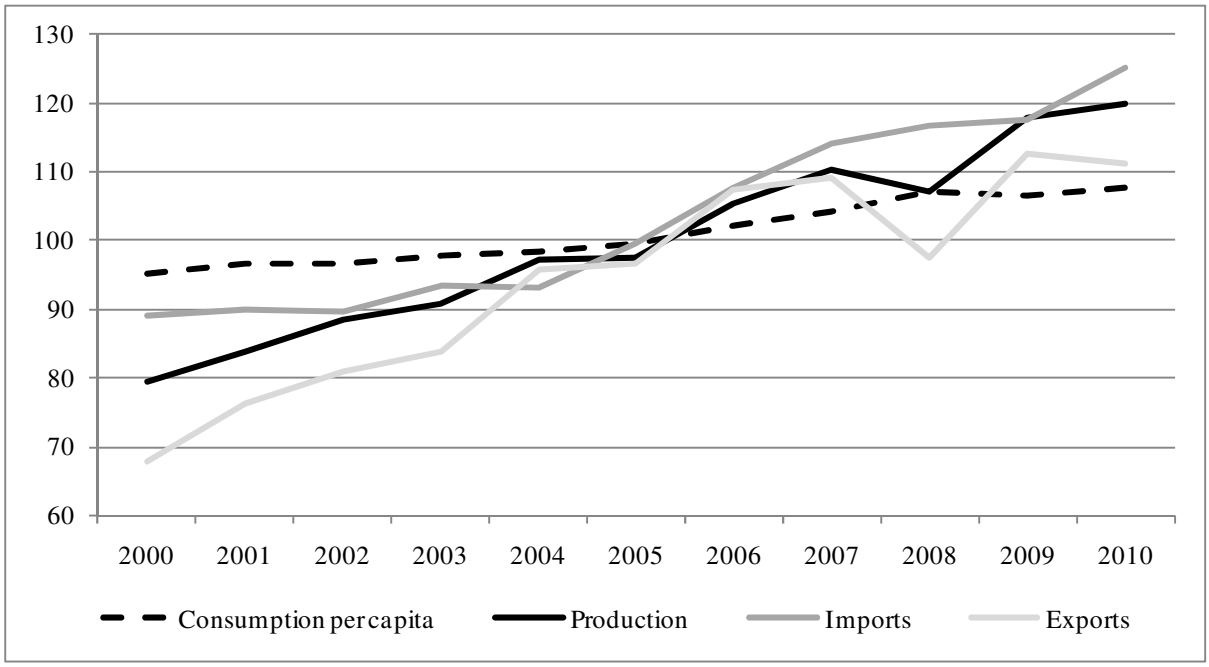
B. Regional trends, 2000–2010

27. The global picture masks important differences in regional trends which indicate a diversity of responses among the various regions in recent years. The following section reviews regional trends in per capita food consumption, and the underlying trends in production, imports and exports which determine national food availability. The groups are listed by a geographic rather than by alphabetical order for analytical purposes.[12]

Latin America and the Caribbean

28. The second most rapid growth in per capita consumption of basic foods over the past decade has been recorded in the region of Latin America and the Caribbean (Figure 9). However, since 2008, the growth in per capita consumption has slowed. Latin America and the Caribbean also experienced among the strongest growth in food production over the last decade. Its experience during the two crises was mixed, with weather-related production shortfalls in 2008 and recovery in 2009 and 2010. Imports also registered significant growth over the period. Strong export performances by countries in Latin America and the Caribbean, for which food exports nearly doubled over the decade, have made this region an increasingly important food supplier to global markets. However, the region's food exports stagnated in volume terms during the food-price crisis and during the recession.

Figure 9: Indices of food consumption per capita, food production, import and export volumes for Latin America and the Caribbean 2000–2010 (2004–06 = 100)



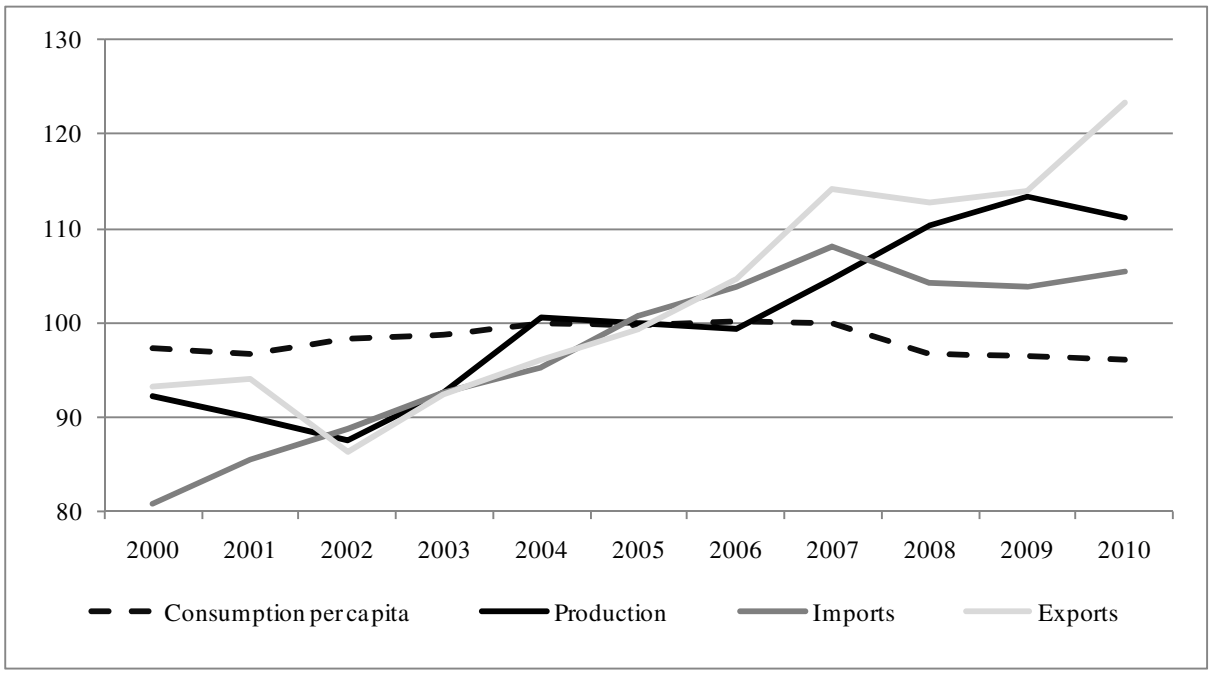
Source: FAO.

[12] The regional groupings used in this section are the same as those used for the *OECD-FAO Agricultural Outlook 2011-2020.*

North America

29. Over the period 2000 to 2010 per capita consumption of basic foods remained stagnant-to-falling in North America (Figure 10). Production increased moderately over the decade, led mainly by growth in the United States where a low dollar has boosted its competitiveness. Production registered a decline in 2010 due to weather related problems. Export volumes from North America grew by about 32 percent over the decade, but growth may have been dampened by the rising use of domestic grains for biofuel production. Imports also increased over the period, but have decreased since 2007, reflecting the relatively higher costs of imports with a lower value of the US dollar.

Figure 10: Indices of food consumption per capita, food production, import and export volumes for North America 2000 – 2010 (2004-06 = 100)

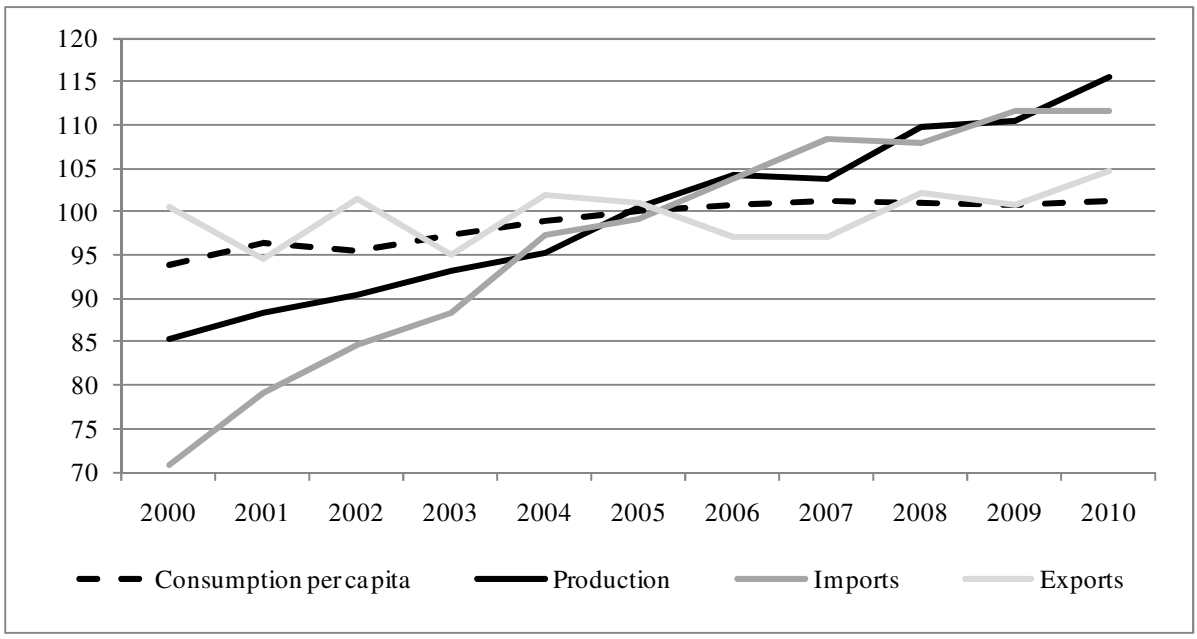


Source: FAO.

Sub-Saharan Africa

In sub-Saharan Africa agricultural production has been erratic, but has increased since 2006 while food imports increased through 2007, and exports were stagnant although volatile over the period (Figure 11); this might lead to the expectation that per capita consumption has increased as well. However, that was not the case. Per capita food consumption in the region only increased slightly from 2000 to 2007 and it decreased during the food and financial crises. This poor performance is due to several reasons, including the rate of population growth exceeding that of the rate of increase in food availability in the region. It is likewise troubling to note that during the last decade, net food imports by sub-Saharan Africa, measured in constant prices, increased more than 60 percent, implying a further widening of the food trade deficit faced by this region and increased budgetary pressure for the countries.

Figure 11: Indices of food consumption per capita, food production, import and export volumes for Sub-Saharan Africa 2000–2010 (2004–06 = 100)

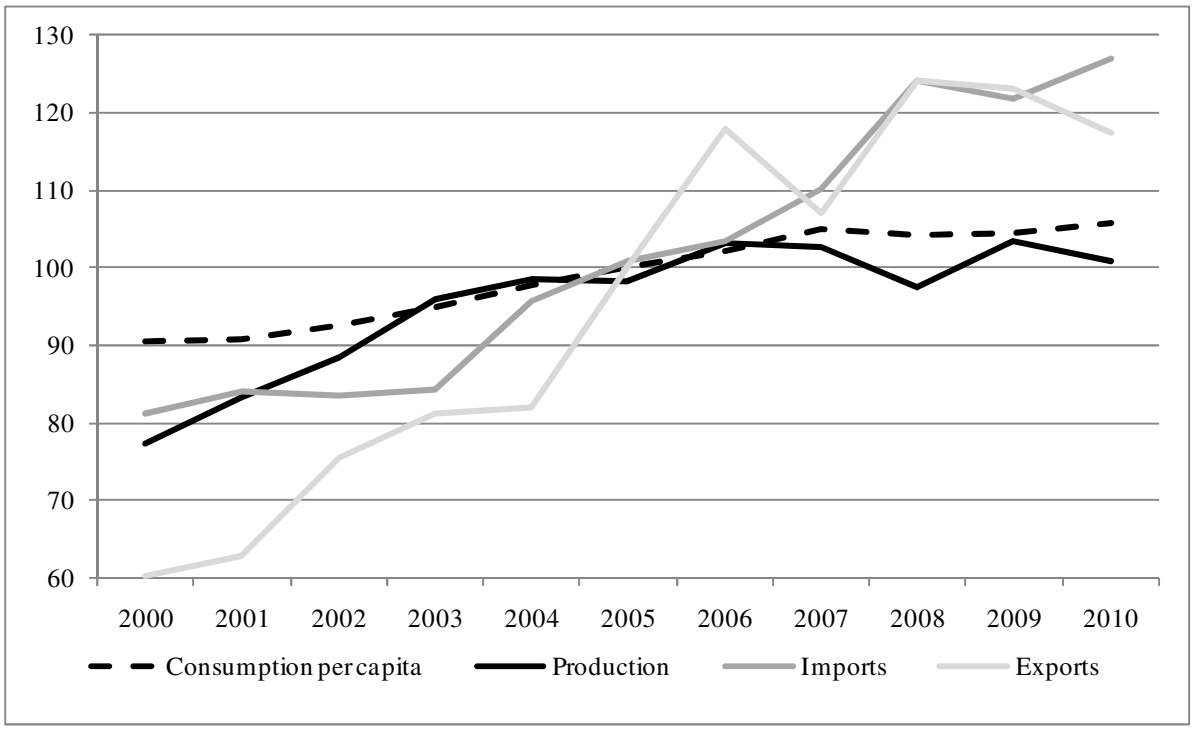


Source: FAO.

North Africa and the Middle East

Countries of North Africa and the Middle East have not registered growth in per capita food consumption since 2007 (Figure 12), due mainly to high prices. Imports increased over the decade, but declined in 2010 resulting in large part from high world food commodity prices. Increases in the region's imports were mainly a result of increases in the purchases of wheat, rice, coarse grains (for animal feed), meat (especially poultry) and dairy products. Exports of food have also increased, but from a very low base. Production has been relatively stagnant in recent years, due in large part to resource constraints of land and water limiting expansion, not just of crops but also livestock products.

Figure 12: Indices of food consumption per capita, food production, import and export volumes for North Africa and the Middle East 2000–2010 (2004–06 = 100)

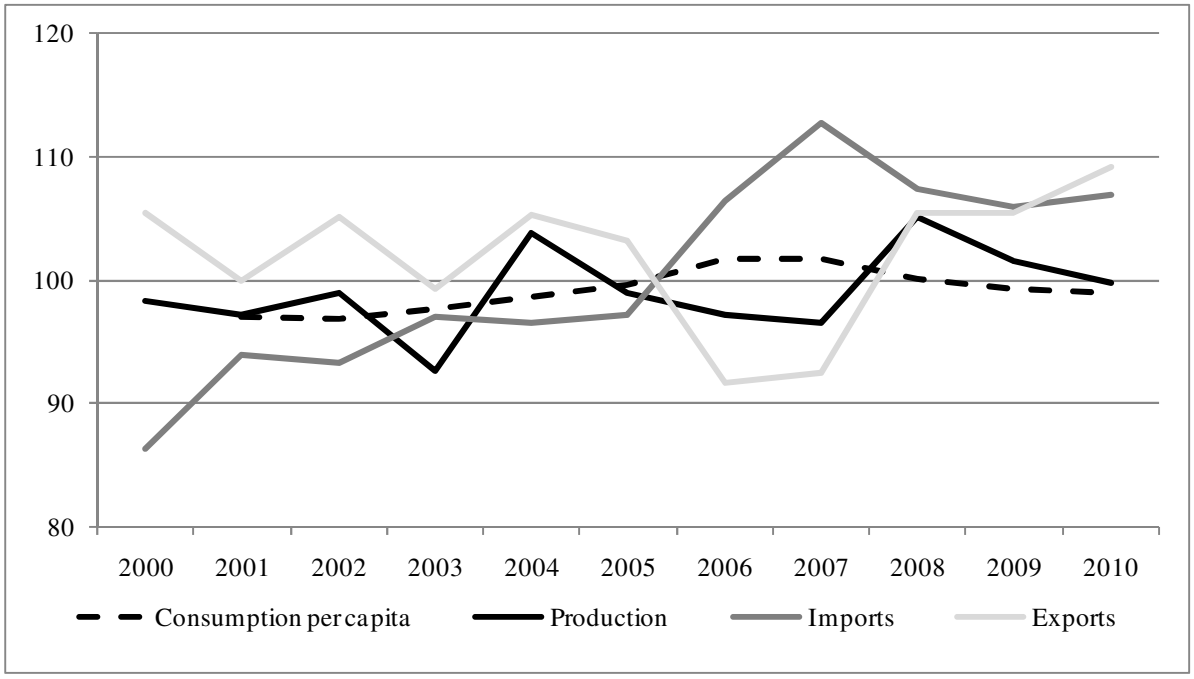


Source: FAO.

Western Europe

30. Over the last decade food consumption per capita has remained stagnant-to-falling in Western Europe, as consumers have largely achieved a saturation level in the commodities included in this analysis (Figure 13). The region has also registered the slowest growth of all regions in agricultural production over the past decade. One reason for this relates to policy reforms, including the reform of the EU Common Agricultural Policy, in which direct support to output has been replaced by payments that are "decoupled" from production. But the appreciation of the euro has also played an important role in making the sector less competitive. However, most land is already used in production, and, increasingly, environmental concerns are impacting on production, particularly that of livestock, and pigmeat in particular. Production in Western Europe increased in 2007 and 2008 under the impact of high prices and reduced set-aside requirements in the EU, but decreased in 2009 and 2010, due to lower prices and to unfavourable weather conditions. Food exports from Western Europe have declined as a result of the rise in the value of the euro, and possibly as intra-regional trade has increased with the expansion of the European Union.

Figure 13: Indices of food consumption per capita, food production, import and export volumes for Western Europe 2000–2010 (2004–-06 = 100)

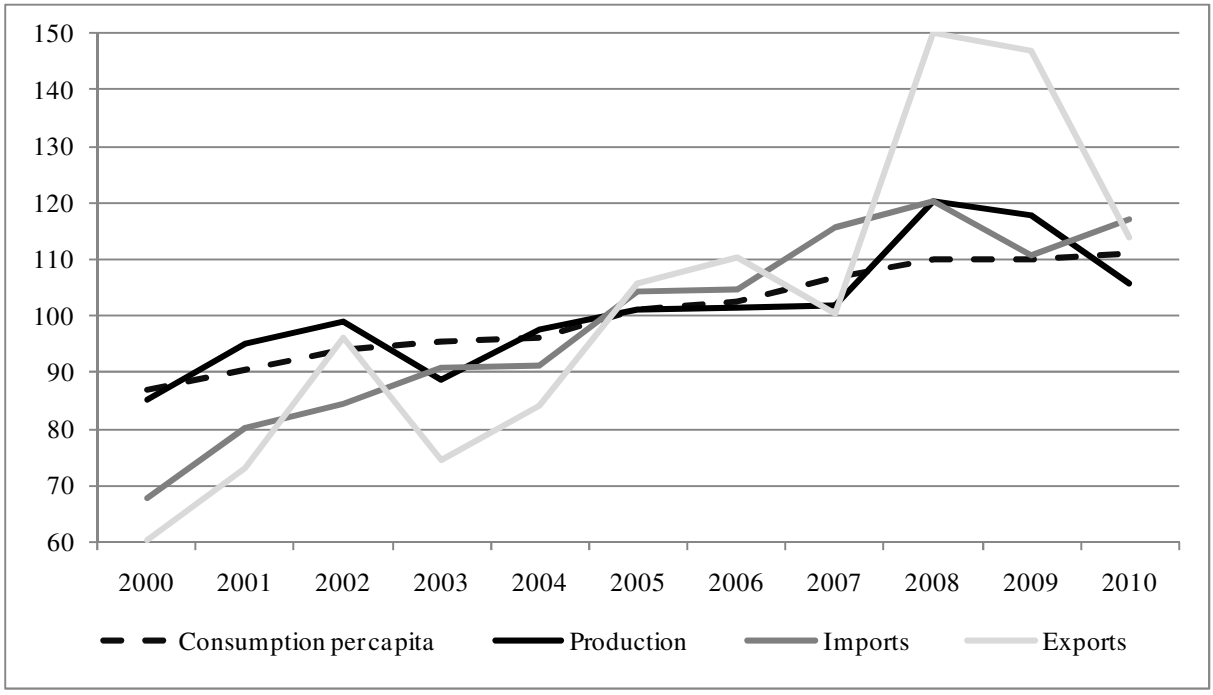


Source: FAO.

Eastern Europe and Central Asia

Per capita food consumption in Eastern Europe and Central Asia increased slightly over the last decade (Figure 14). By contrast, food production has grown very rapidly in this region, which recorded bumper crops in 2008 and 2009. The drought of 2010, however, implied substantially reduced levels of crop production in the region. Livestock and dairy production have recently demonstrated a return to growth after more than a decade of stagnation. From 2000 to 2008, the region saw extremely rapid growth in exports, reflecting growth in grain production, but exports declined sharply with the drought in 2010. Rates of increase in imports were considerable over the time period 2000–2009, but they were much less rapid than export activity from the region. If production continues to grow at the same pace, the region could become a prime supplier of commodities to growing world markets.

Figure 14: Indices of food consumption per capita, food production, import and export volumes for Eastern Europe and Central Asia 2000–2010 (2004–06 = 100)

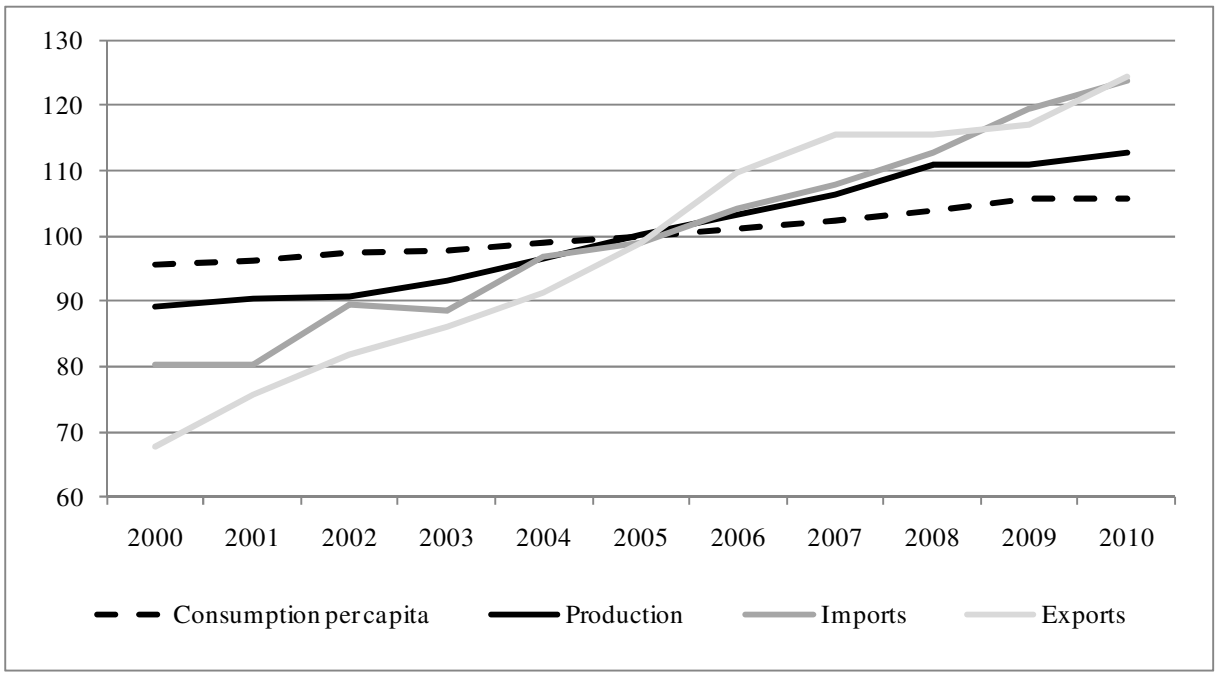


Source: FAO.

Asia

Food consumption per person has increased continuously in Asia in the last decade (Figure 15), as a result of strong economic growth and sustained regional production which grew on average about 2 to 4 percent per year through most of the decade before slowing in 2009 and 2010. Trade within the region and with other regions has increased substantially, with both exports and imports increasing rapidly. Imports rose more rapidly in Asia than in any other region, increasing in volume terms by almost 75 percent between 2000 and 2010, led by increased imports of oilseeds, coarse grains, meat and dairy products. Exports from the region have likewise increased rapidly, mainly due to growth in trade of products such as palm oil, rice and meat. In general, food balances appear to have been relatively resilient to both price spikes and the global economic recession, although given the size and diversity of this region, it is difficult to draw strong conclusions.

Figure 15: Indices of food consumption per capita, food production, import and export volumes for Asia 2000–2010 (2004–06 = 100)

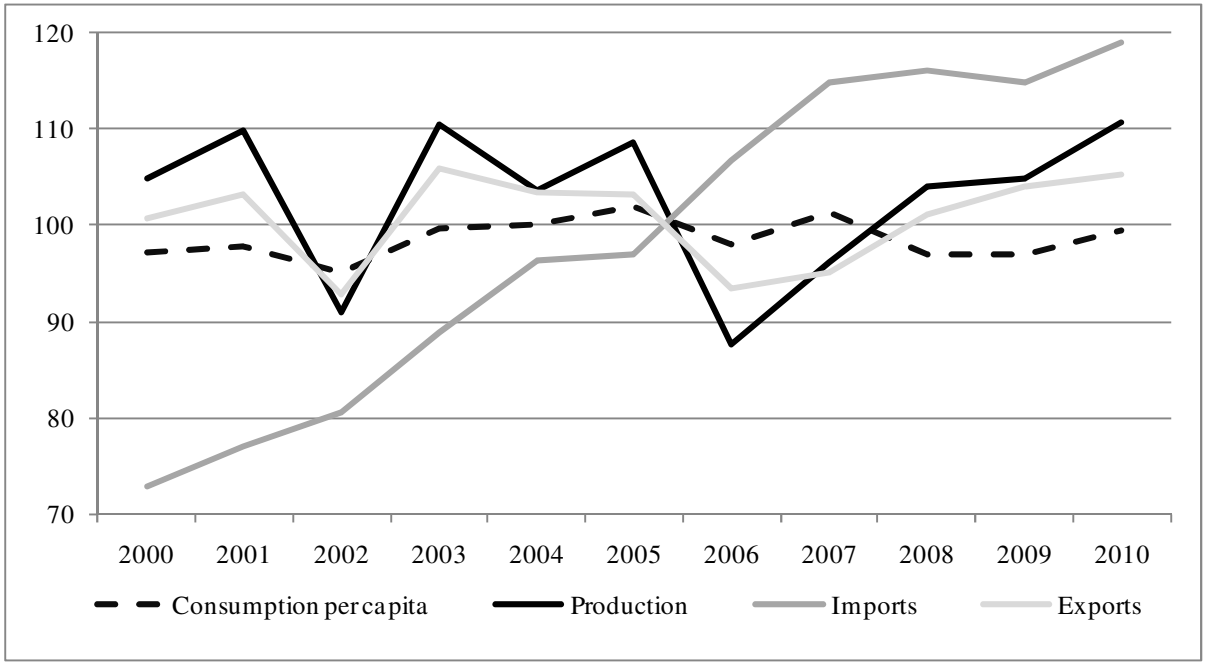


Source: FAO.

Oceania

Food consumption per capita has remained stagnant-to-falling in Oceania (Figure 16), due to a high level of saturation in food diets particularly in Australia and New Zealand, the trends of which greatly determine the regional average. What is surprising, however, is the stagnation in the volumes of production and exports in this region, which were rather volatile over the decade, largely reflecting periods of unfourable weather. However, production and exports increased with higher prices since 2006. Imports exhibited rapid growth over the entire decade and certainly were important in ensuring sufficient food availability to prevent decreases in per capita consumption.

Figure 16: Indices of food consumption per capita, food production, import and export volumes for Oceania 2000–2010 (2004–06 = 100)



Source: FAO.

V. Conclusions

31. The 2007–08 food-price crisis, followed by the global financial crisis and economic recession, pushed the number of hungry and undernourished in the world to unprecedented levels in 2009. Estimates indicate that the number of undernourished people decreased to 925 million in 2010, as food prices fell from their peak levels and global economic conditions began to improve.

32. World agricultural and food commodity prices began rising again in mid-2010, and as of early May 2011, the food price index was higher than the spike observed in June 2008. According to projections in the OECD-FAO Agricultural Outlook 2010–2019, real commodity prices are expected to be higher on average over the next decade than they were in the period from 2000 to 2009.

33. Increased volatility of international food commodity prices and its potential impact on food security is a cause for increased concern. Policy coordination among countries and increased market transparency can increase price stability on both domestic and international markets, and should be the cornerstones of efforts to prevent future crises.

34. The experiences of recent years have provided a strong reminder of the vulnerability of food insecure populations to food price volatility and economic recession and have demonstrated how rapidly an already unacceptable level of global food insecurity can deteriorate in the face of such

shocks. The outlook for continued high and volatile food prices underscores the importance of taking action on two fronts: establshing appropriate safety nets and social programmes to protect the vulnerable and food-insecure from the immediate impact of shocks, while boosting the productive capacity of developing countries. There is a critical need to significantly increase investments in developing country agriculture in order to generate environmentally sustainable productivity increases while enhancing the contribution of agriculture to economic growth and poverty alleviation.