

April 2012



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Продовольственная и
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de las
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para la
Alimentación y la
Agricultura

COMMITTEE ON COMMODITY PROBLEMS

Sixty-ninth Session

Rome, 28–30 May 2012

INTER-AGENCY FOOD AND AGRICULTURAL PRICE VOLATILITY REPORT FOR THE G20

Executive Summary

At the 2010 G20 Seoul Summit, FAO and other international institutions were requested to work with relevant stakeholders to develop options on how to deal with the increasing volatility of food and other agricultural commodity prices. This document presents the results of the inter-agency collaboration and the subsequent actions by the G20.

Suggested action by the Committee

The Committee may wish to:

- take note of the collaboration between FAO and the other international institutions for the preparation of the price volatility report for the G20; and
- take note of, and provide guidance with regard to, the recommendations presented in this document.

1. At the Seoul Summit (11–12 November 2010), and under the Food Security pillar of the Seoul Multi-year Action Plan on Development, the G20 Leaders requested that “FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank and the WTO work with key stakeholders to develop options for G20 consideration on how to better mitigate and manage the risks associated with the price volatility of food and other agriculture commodities, without distorting market behaviour, ultimately to protect the most vulnerable.”

2. In response, the institutions joined forces to produce a policy report entitled *Price Volatility in Food and Agricultural Markets: Policy Responses* that was submitted for consideration by the G20 Agriculture Ministers in June 2011.

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3. The preparation of this report, coordinated by FAO and OECD, was undertaken in a truly collaborative manner with IFAD, IMF, UNCTAD, WFP, the World Bank, the WTO, IFPRI and the UN High-Level Task Force (HLTF) on the Global Food Security Crisis.
4. The approach taken in this report reflects the view of the various collaborating international organizations that price volatility and its impacts on food security is a complex issue with many dimensions, agricultural and non-agricultural, short- and long-term, and with largely differentiated consequences on consumers and producers in developed and developing countries. The report begins with a discussion of volatility and of the ways in which volatility affects countries, businesses, consumers and farmers. Lessons learned from experiences were briefly reviewed as well as the factors determining likely levels of volatility in the future. The report offers a set of suggestions for a systematic and internationally coordinated response to price volatility, building on the lessons learned as a result of the 2007–08 food crisis.
5. The report distinguishes between policy options designed to prevent or reduce price volatility and those designed to mitigate its consequences. Both types of interventions are explored in detail. Scope was identified for actions at individual, national, regional and international levels; some to help avert a threat, others in the nature of contingency plans to improve readiness, while still others address long-term issues of resilience. Finally, the report explores mechanisms of international cooperation to implement the proposed recommendations and to monitor progress.
6. The inter-agency report was considered by the G20 Agriculture Ministers in a meeting held in Paris on 22–23 June 2011. Out of the set of proposals put forward in the report, the following recommendations were approved by the Ministers:
 - a) G20 governments commit to strengthen the longer-term productivity, sustainability and resilience of the food and agriculture system world-wide. They agree to support agricultural research and innovation and create the enabling environment to encourage public and private investment in agriculture. In this context, the G20 launched the Tropical Agriculture Platform to contribute to fostering knowledge sharing and enhancing capabilities. The initiative is led by FAO and includes interested G20 Agricultural Research Systems, aiming at the identification of appropriate capacity development practices, the consolidation of best training practices and the promotion of modalities to support continuous learning and improve ownership by national stakeholders in developing countries.
 - b) G20 governments decided to launch the Agricultural Market Information System (AMIS) to increase collaboration between International Organizations, major food exporting and importing countries and the private sector. AMIS will be based on existing information mechanisms and will be housed in FAO. G20 governments also call for the establishment of a Rapid Response Forum within AMIS which, when the market situation indicates high food security risk, will discuss appropriate policy responses, strengthening synergies with the Committee on World Food Security (CFS) to promote greater international policy convergence.
 - c) G20 Agriculture Ministers strongly encouraged G20 Finance Ministers to take the appropriate decisions for a better regulation and supervision of agricultural futures and derivative markets.
 - d) G20 governments reiterated their commitment to bring the Doha Development Round to a successful conclusion and agree to remove export restrictions or taxes on food purchased for non-commercial humanitarian purposes.
 - e) G20 governments supported the development by the WFP of a pilot project for an ECOWAS regional emergency humanitarian food reserves system, consistent with WTO rules, in partnership with the countries concerned. Such a humanitarian reserve complements and integrates national and regional food security mechanisms, operating with the active participation of countries and region concerned and building national and regional capacity to manage food stocks and to design and deploy effective safety net systems.

- f) G20 governments recognize the importance of safety nets to protect the vulnerable (including producers). They encourage International Organizations and Multilateral and Regional Development Banks to further explore counter-cyclical mechanisms to assist low income food deficit countries during food price surges.
 - g) G20 governments support the efforts to provide vulnerable households, communities and governments with effective market-based risk management instruments. To this effect the G20 welcome efforts to develop innovative risk management tools for governments and firms in developing countries.
7. The recommendations for which an agreement could not be reached are as follows:
- a) Strengthen and enforce consultation and notification processes currently in place at the WTO on export restrictions.
 - b) Remove provisions of current national policies that subsidize (or mandate) biofuels. Failing a removal of support, develop contingency plans to adjust policies that stimulate biofuel production or consumption (in particular mandatory obligations) when global markets are under pressure and food supplies are endangered.
 - c) The CFS should be charged with the broad task of monitoring the implementation of the recommendations of this report¹.
8. The G20 Agriculture Ministers' Meeting culminated in the Action Plan on Food Price Volatility and Agriculture, which was presented to the G20 Summit held in Cannes on 3–4 November 2011. The G20 Leaders welcomed the Action Plan and decided to act on its five objectives: (i) improving agricultural production and productivity; (ii) increasing market information and transparency; (iii) reducing the effects of price volatility for the most vulnerable; (iv) strengthening international policy coordination; and (v) improving the functioning of agricultural commodity derivatives' markets.

Suggested action by the Committee

9. The Committee may wish to:
- a) take note of the collaboration between FAO and the other international institutions for the preparation of the price volatility report for the G20; and
 - b) take note of, and provide guidance with regard to, the recommendations presented in this document.

¹ While no agreement was reached on this recommendation (7.c.), the Ministers' Action Plan supports the role of the CFS in policy coordination.