

The State of Agricultural Commodity Markets

High food prices and the food crisis –
experiences and lessons learned



Key messages

- 1 In June 2008, the prices of basic foods on international markets reached their highest levels for 30 years, threatening the food security of the poor worldwide. In 2007 and 2008, mainly because of high food prices, an additional 115 million people were pushed into chronic hunger.
- 2 Since then, prices have declined, driven lower by the financial crisis, emerging world recession, falling oil prices and an appreciating US dollar. However, they are still high by recent historical standards and the structural problems underlying the vulnerability of developing countries to international price increases remain.
- 3 Many factors contributed to the dramatic increase in world food prices, but new biofuel demands and record oil prices were the major drivers, leading some analysts to ask whether new linkages between food and energy markets have broken the long-run downward trend in real agricultural commodity prices.
- 4 High product prices did not prove to be an opportunity for farmers in developing countries. They did not seize that opportunity to invest and raise their production and productivity because the high prices did not filter through to them, their access to affordable inputs was limited, their available technology was weak, necessary infrastructure and institutions were lacking and some policy responses (such as price controls and tariff reductions) actually reduced incentives.
- 5 The need to protect consumers from higher food prices must be balanced against maintaining incentives for productivity-raising investment and supply response. Policy measures need to be targeted, non-distortionary and positive towards agricultural investment.
- 6 Many developing countries need international support to overcome budgetary constraints and to identify and implement appropriate policies. Developed countries also need to consider the impacts of their agriculture, trade and energy policies on international food prices and availability.