

**RIGHT TO FOOD**  
ISSUES BRIEF 1

## Food Price Volatility and the Right to Food

- \* It is generally recognized that high food price volatility has a negative impact on food security.
- \* This volatility affects particularly the most vulnerable groups; smallholder/family agriculture and low income urban and rural populations.
- \* Policy measures taken in 2006-2008 during the soaring food prices crisis were applied mainly to meet the effects and not the causes. The sudden increase of food prices that started in the second semester of 2010 shows that a weak world food system equilibrium already existed.
- \* Putting into practice Right to Food principles can help to enhance the efficiency and sustainability of the majority of policy tools being implemented to confront and reduce prices volatility, by indentifying the possible negative effects of those tools on the most vulnerable, while suggesting the use of alternative policy measures to turn negative effects into positive ones for improvements in food security.
- \* It seems evident that a medium-term solution to reduce the excessive volatility would inevitably have to take account of better food security governance. It is in this field where the Right to Food approach has showed some significant value added experiences.
- \* Right to Food approaches address the root of the problem: the structural causes that underlie price volatility, and contributes to overcoming the social, political and cultural origins of hunger.

### Volatility and the experience during 2006-2008

Volatility, in terms of significant and frequent changes in the direction and magnitude of food prices<sup>1</sup>, results in harmful effects to producers, consumers and states. This phenomenon puts at risk decisions made by producers about what and how much to produce. In the case of events provoking soaring prices, people with low incomes have significantly reduced purchase capacity and the inequalities are expanded. During 2006 and 2008 period for example the increased prices were a major factor in the increase in the number of hungry people to more than one billion. This situation may be a threat for the states also because they may confront high inflationary situations with unexpected fiscal and budgetary repercussions, thus generating considerable social tension.

There is no clear evidence about future volatility trends. Past experiences showed that periods of high and volatile prices are often followed by long periods of relatively low

and stable prices but the high levels occurring over the last five years represent major concerns regarding the frequency, seriousness and depth of these events<sup>2</sup>.

FAO studied<sup>3</sup> the different policy's tools applied in 81 countries in the past food prices crisis during 2006 and 2008. Analyzing the measures used we realize that the main part were initiatives addressed to mitigate the high level prices to the consumer. Governments turned mainly to measures which could be implemented in a fast and simple way. However, partly due to the low food prices which existed during the past decade (in real terms), there were no incentives to invest in the agricultural sector and the public capacity to operate in the rural area was dismantled. Consequently the different measures implemented were not only insufficient, but also failed to achieve the expected results. The decrease in food prices which occurred in the second semester of

2 FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank, the WTO, IFPRI and the UN HLTF. 2011. *Price Volatility in Food and Agricultural Markets: Policy Responses*. Rome. FAO.

3 Demeke, M., Pangrazio, G. & Maetz, M. 2011. *Country responses to turmoil in global food markets*. In *Safeguarding food security in volatile global markets*, edited by Prakash, A. Rome. FAO.

1 FAO. 2010. *Price Volatility in Agricultural Markets. Evidence, impact on food security and policy responses*. ES Policy Brief, n. 12. Rome.

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2008 provoked many governments to deactivate those measures thereby obtaining only short term results.

**Policy measures adopted by 81 countries in Asia, Africa and Latin America and the Caribbean during the 2006-2008 episode.**

Domestic Market Based Measures	Number of countries
Release stock at subsidized price	35
Suspension/reduction VAT and other taxes	23
Admin. Price control or restrict private trade	21
Trade Policy Measures	
Reduction of tariffs and customs fees on imports	43
Restricted or banned export	25
Safety net	
Cash or Food transfer	33
Increase disposable income	
Production Support Programmes	35
Fertilizers and Seeds Programmes	9
Market-Based Intervention	

**Source:** Demeke, M., Pangrazio, G. & Maetz, M. 2011. Country responses to turmoil in global food markets. In *Safeguarding food security in volatile global markets*, edited by Prakash, A. Rome. FAO.

Therefore, the high levels of volatility experienced in global commodities prices during 2006 and 2008 bore witness to the weak equilibrium of agricultural markets, the limited public capacity to manage the situation in favor of general purposes, and the dramatic consequences over the increase of world hunger. This experience evidenced the necessity to consider the access to food like a **fundamental human right** and consequently a priority issue to guarantee the countries' social and economic viability.

### Analyzing the new measures under a Right to Food Approach

The problems resulting from excessive food prices volatility have brought about several policy measures in the last years. Many of them are still proposals and governments are looking for effective implementation tools. Those initiatives are being discussed in many different forums, and their realization is presumed to be in the international agenda in the next months. Based on the importance of this issue for the future food security situation at global, regional and national

levels, it is essential to analyze this and provide some recommendations under a right to food approach.

#### a) Sustainable production and risk management

In a context of soaring food prices any structural answer to food price volatility must be linked to re-investment in the agricultural sector. Under a rights perspective, this production increase has to be sustainable and focus on public efforts for poor smallholder farmers and agricultural wage-workers<sup>4</sup>.

It seems that a significant part of the solution could be found in small scale family agriculture and consequently this has to be promoted on a scale large enough to obtain the amount of income and food to satisfy producer and consumer demand. It is essential that this effort should not compromise future demands; it necessarily requires the provision to producers of the required resources and capacities.

Promoting this kind of more sustainable agriculture, resilient to climate and price shocks, on a large enough scale, requires public support in combination with the private sector (smallholders are privates mainly). This could be achieved by giving priority to public goods like extension services, access to credit and risk insurances adapted to the specification of this kind of producers, research and innovation, capacity and support to producer's organizations and cooperatives. On the other hand, it is advisable to consider the externalities produced by the more industrialized agriculture, incorporating in their cost the use of natural resources (water, soil and biodiversity fundamentally) and promoting incentives to facilitate a transition to more efficient and sustainable production models with less impact on the weak food international system equilibrium.

Watching for the correct design, implementation and fulfillment of labor rules in the rural sector is also essential. Employees must be also able to take advantage of the eventual agricultural sector growth through more accurate incomes and the correspondent social benefits (health coverage and retirement pensions fundamentally).

Putting into practice all these recommendations requires an committed political will that could be translated into increased financial resources for the state and more efficient utilization of those resources.

#### b) Social safety net programs

Social and food safety nets serve as a method by which States may fulfill their obligation to provide for the implementation of the right to food for those who, for reasons beyond their control, cannot provide for themselves. Social and food safety nets play a key role in fighting transitory and chronic hunger, including reducing the gravity of food emergencies, and thus in assuring the right to food. As all human rights are interdependent and interrelated, safety nets must be designed and implemented with regard to other

<sup>4</sup> FAO, CEPAL, OIT. 2010. *Políticas de Mercado de trabajo y pobreza rural en América Latina*. Santiago de Chile.

human rights, in particular other economic, social and cultural as well as political rights, and to the principle of non-discrimination. In fact, if adequately designed, safety nets can make an important contribution to poverty reduction and development through linkages and synergies with family agriculture, health and education programs. Therefore food safety nets could play a relevant role in increasing productivity and thus economic growth and should be considered an investment and a contribution to long-term development, not just welfare.

While conceptually the idea of a food safety net is straightforward, the formulation, design and implementation are complex. No specific program design is better, *a priori*. A particular design should depend on local objectives and conditions. As such, design should be driven by the needs and circumstances of a particular country or region, and the views of the participants, rather than the needs and priorities of donor countries and agencies.

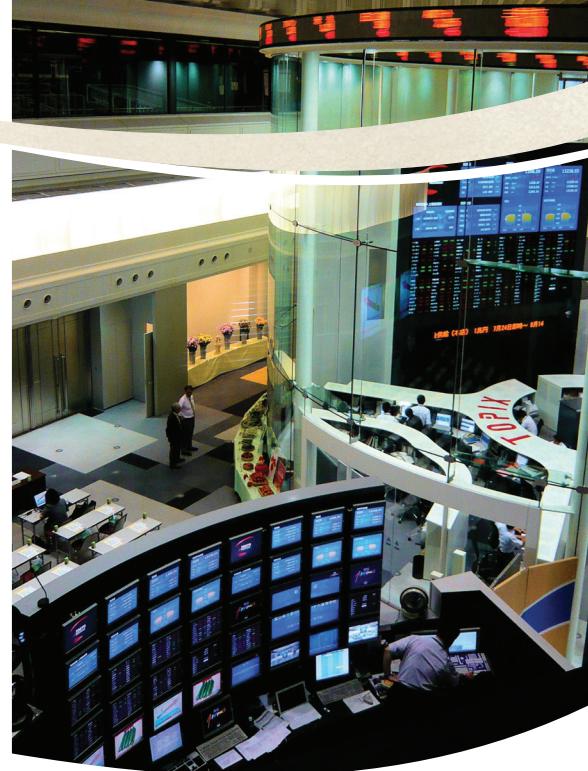
#### c) Management of Food Stocks

The availability and use of strategic food stocks at regional, national and local levels is one of the most proposed measures recently. It is argued by many actors that this measure would facilitate the intervention in the food supply when extremely high food volatility situations attempt the adequate right to food of the most vulnerable groups. By contrast, other relevant groups defend that these kind of measures are not only extremely costly but also have a limited success in reducing the volatility of prices. In any case if the option to stabilize prices, using buffer stocks, is taken the challenge consists in stipulating a stocks mechanism which is less expensive and more efficient than in the past and that its' management reaches the most vulnerable population avoiding disruption of the normal market operation. It would be also important to work at the scale required to promote food stocks managed by individual or community farmers (under a cooperative modality whenever would be possible). An ambitious post harvest program (there is already a vast experience in this field) would significantly increase the offer at national and subnational level, reducing volatility risk at domestic market and allowing precisely a direct effect on the income and food availability of the most vulnerable groups.

A rights approach also needs to promote measures to provide more reliable information about stocks management in the international food commodities markets. It would offer better knowledge regarding the stocks level availability, transparency and accountability in their management. All those measures would render potential speculative movements more difficult.

#### d) Increasing trade and market efficiency

In 2006 and 2008, the food price crises showed how a great number of trade policy measures provoked counterproductive effects. Several countries implemented export restrictions of food commodities in order to protect domestic markets, but it represented in many cases a significant reduction in the international supplies



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and consequently an increasing in the international food prices. Although it could be a temporal relief for their national consumers, this also implied a disincentive for the producers. On the other hand, the decrease in food importation barriers could have had a positive impact for consumers and importers, but it had also a significant influence in the diminution of states fiscal capacity, and in some cases represented discouragement for the producers. In relation to this issue we cannot forget either that subsidies for the agricultural sector in the developed countries have been denounced by different actors during last decades as an obstacle to the efforts of developing countries.

At domestic level the excessive concentration in food value chains and oligopolies situations cause inefficiencies in local markets and consequently the fiscal and trade policies measures frequently benefits a reduced number of actors. It is in this area where public policy in combination with private actors may work to facilitate food value chains really transparent and equitable. Chains with clear rules and where traditional most vulnerable actors have tools to negotiate and compete in equal conditions.

#### e) Surveillance of Future Markets

Although controversy already exists around the possible impact on food prices due to speculative activities in future markets, many initiatives are being promoted to increase control over these markets. Regulatory initiatives could be considered as an effective tool to protect the right to adequate food. An attentive design should be done, focusing on the protection of the most vulnerable groups against short term movements which produce an excessive food price volatility.

Until those changes are ready, one of the main structural measures proposed to avoid potential speculative movements, is to provide more transparency and increased information on food commodities markets. Information which is reliable and easily available, related to the real situation of production, stocks and sales and its perspectives would be very helpful to limit

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speculative initiatives as well as for the more correct market functioning. The experience of the soaring food prices in the second semester of 2010 shows that more and specific information related to possible shocks (climatic mainly) would help to reduce the food price volatility phenomenon.

**f) Biofuels**

There is little doubt that biofuels are another component that add stress to the weak supply and demand equilibrium of world food market commodities involved and their substitutes. The narrow linkage between biofuels and petrol prices result in the shocks occurring in the producer countries and policy decisions taken in developed countries to support those alternative energies, having a potential impact over food volatility prices.

The promotion of biofuels without taking advice on their possible implication on food security is threatening the achievement of the right to adequate food, not only due to the impact on prices and biodiversity, but because of the high land concentration that this kind of business requires (economies of scale). Nowadays biofuels profitability relies strongly on the use of vast land surfaces and this frequently has directly implications on vulnerable groups whose livelihoods could depend on those lands. People who belong to these vulnerable groups are traditionally marginalized with weak capacities and resources to negotiate and defend their rights equitably with biofuels' promoters.

**g) Decreasing Demand**

Besides the necessity to increase food production, there is also an increasing consensus on the need to reduce the upward demand tendency. Although population growth is not the most important component of the excessive food price volatility, it is obvious that this factor adds pressure to the food equilibrium system. Some voices claim measures to decrease demand through population control growth, but experience proves that when families, mainly women, are provided with capacities, tools and opportunities to develop a free personal and professional life, the birth ratios decrease drastically.

In order to diminish the food demand curve it would also be useful to support initiatives to reduce medium- and high-income countries food losses and waste. It is estimated that roughly one-third of food produced for human consumption is lost<sup>5</sup>. Another option for

developed countries could be to promote more healthy diets that usually require less processing of food products. Industrial food frequently demands larger quantities of grains and water to be produced - the environmental externalities provoked are also higher. In developing countries under right to adequate food perspective the priority has to be focused to support conditions to increase food consumption of the most vulnerable groups, assuring the amount of calories required and the quality of their diets.

**Conclusions**

Analyzing the main policy measures proposed to confront the excessive volatility in food prices, it seems evident that a medium-term solution to reduce the excessive volatility would inevitably have to take into account a better food security governance. It is in this field where the right to food approach has showed some significant value added experiences. Not only because it contributes to improving the efficacy and sustainability of food security policies and programs, but it provides a coherent framework which also affects key elements of **governance**, such as communication spaces for the main stakeholders involved in food security issues and establishes principles for decisions takers to implement processes based on participation, absence of discrimination, transparency and empowerment. At the same time Right to Food is embedded in a legal framework based on rights and duties which provides mechanisms to reinforce accountability and state of law.

The **Committee on World Food Security (CFS)** is nowadays one of the main world forums where governments, international institutions, private sector and civil society organizations work together to improve food security policies. Its reform is considered a very important step to tackle the challenges under a dialogue and coordination perspective linking all interested actors in a common effort to direct world food governance to the progressive realization of right to food<sup>6</sup>. According to this document a **right to food** perspective into the CFS recommendations to face high volatility would be greatly help to address the root of the problem and its structural causes for overcoming the social, political and cultural origins of hunger.

5 FAO. 2011. *Global food losses and food waste. Extent causes and prevention*. Rome.

6 The progressive implementation of the Right to Food Voluntary Guidelines is in the Vision of the reformed CFS and in the Global Strategic Framework for Food Security and Nutrition.

