



High food prices: the food security crisis of 2007-2008 and recent food price increases – Facts and lessons

Characteristics of recent periods of high food prices

Modern crises, such as the food crisis of the 1970s and the food security crisis of 2007-2008 are not due to food scarcity as there is sufficient food available world wide and adequate means to bring food to eventual deficit areas, but they are due to problems of access by a mass of population living in poverty. Because we are living in a globalised world, these crises have become global crises.

There are many common characteristics and some differences between the situation observed in the 1970s, 2007-2008 and today. The crises of the mid-1970s and 2007-2008 both:

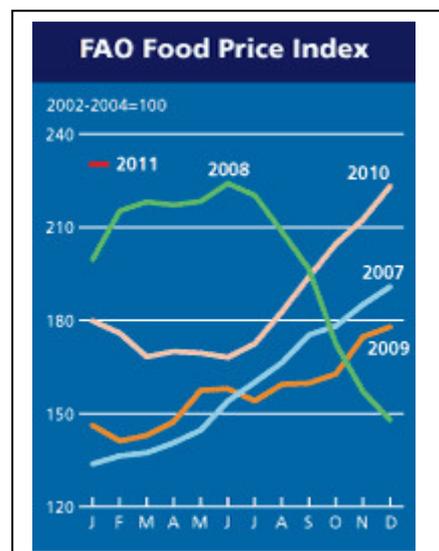
- Followed a period of relatively stable agricultural markets characterised in one case by a strong increase of world production and in the other by a trend of decreasing prices.
- Have been ignited by episodes of drought.
- Were concomitant to high energy prices which impacted strongly on costs of production and transport.
- Occurred at a time when food stocks were very low, which contributed to a greater volatility of prices
- Saw some food exporting countries put restriction on their exports so as to protect their consumers at home and thus created a panic on international markets.

The difference in 2007-2008 was that:

- The crisis followed a period where agriculture had been neglected.
- Rapid economic growth in emerging countries like Brazil, China and India accelerated growth of food demand in those countries.
- There was also a tightening of links between agricultural and energy markets because of the emergence of biofuels.
- The dollar was weak, interest rates low and together with the boom in financial markets this added to the pressure on food markets, although there is no consensus on real impact of financial speculation.

The situation observed at the end of 2010 and the beginning of 2011 shows one major difference with the 2007-2008 crisis:

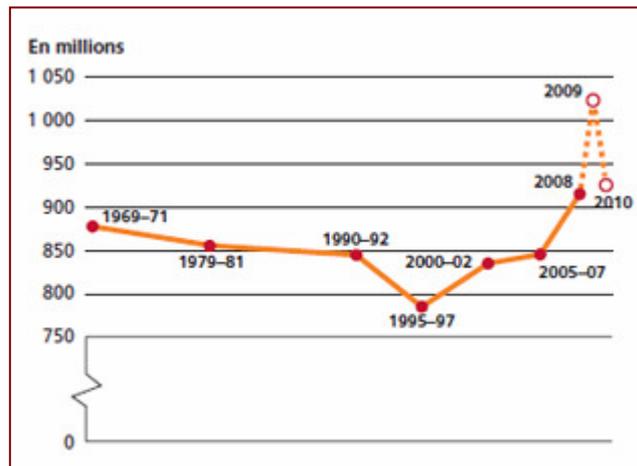
- The tension is observed mostly on sugar, wheat and maize markets, and not on the rice market which had been most hit in 2008.
- The evolution of wheat and maize market will depend on future harvest and planting.



The impact of the 2007-2008 food security crisis

Numerous studies conducted during the 2007-2008 food security crisis have analysed the impact of high food prices. The main points that emerge from this work are that:

- There has been an increase of undernourished population. FAO's estimates show that the total number passed from 850 million in 2006 to more than one billion in 2009.
- There has been an increase of the number of persons in poverty. The World Bank estimated that additional 50 million people were made poor in 2008 because of high food prices.
- High food prices have created civil unrest in many countries and a few governments were even overthrown.
- There has been a change in policy orientation in many countries in reaction to the crisis which resulted from reduced confidence in world markets and private sector-operated food marketing. This has led to a change of strategy from food security to self sufficiency, implementation of measures to isolate from the world market, increased involvement of government in the food system and specific arrangements to shunt "normal" international trade processes (bilateral or regional agreements, land acquisition, etc.).
- At global level, the international community mobilised resources to address the crisis mainly to fund the provision of seeds and fertilizer to producers (e.g. the USD1 billion EU Food Facility).



Some lessons from the 2007-2008 crisis

Some lessons can be drawn from the experience gained in 2007-2008:

- Many of the actions implemented (including those supported by FAO) did not have an element of sustainability either technically or financially designed into them, and were focused mainly on distribution of agricultural inputs. Even partial repayment for seed or fertilizer where feasible which would have introduced some element of sustainability did not occur. The lesson is that where possible a systems approach should be used to effect improvements along the whole chain from inputs to production to markets. Also, longer term investments are needed to reduce risk of periodic crises in the future.
- Distribution of inputs without training or other associated technical assistance is of limited use and does not lead to sustainable solutions, particularly when underlying structural problems are not addressed (development of seed industry, irrigation systems, access to markets, post harvest processing). To avoid distortion of targeting for local personal or political aims, there is a need for high transparency (publish, advertise) on the process and conditions of distribution.
- External agencies are generally not very good at distributing input effectively in a timely fashion. In some cases token amounts have been distributed in order to be able to claim to "reach" large numbers of beneficiaries. It seems more effective and efficient to work through existing structures.
- To be in a position to target support to the most needy sections of the population, governments may consider investing in strengthening farmer registration. Different farming systems, agro-climatic and socio-economic conditions should among the criteria on which information should be collected.
- The design and implementation of safety nets (including productive safety nets) improves with participation and consultation of key stakeholders.