

SOUTH AFRICA
AGRICULTURE, FORESTRY AND FISHERIES

**A STATEMENT BY HONOURABLE MINISTER ZOKWANA ON THE OCCASION OF THE THIRD
MINISTERIAL MEETING ON INTERNATIONAL FOOD PRICES**

Theme: Governance and International Commodity Markets

6 October 2014
Rome, Italy

Chair

Dr. José Graziano da Silva, Director-General of the Food and Agriculture Organization of the United Nations (FAO)

Honourable Ministers

Excellencies and Heads of Delegations

Distinguished Delegates

Ladies and Gentlemen

Honourable Ministers and esteemed guests, let me take this opportunity to express my sincere thanks and gratitude to Dr. José Graziano da Silva, Director-General of the Food and Agriculture Organization of the United Nations (FAO) and his team of experts for the kind invitation to South Africa to participate in the Third Ministerial Meeting on International Food Prices themed “Governance and International Commodity Markets”.

I am also pleased to join my counterparts from all the Member States to share our experiences on modalities adopted by various members to manage agricultural commodity markets with a view of curbing food price volatility in the interest of food security. South Africa therefore, fully supports the commitment, actions and the pursuit by FAO, allied International organizations and the G20 to contain Food Price Volatility with the ultimate goal of achieving Global Food Security.

Just short of two decades ago, South Africa deregulated and liberalised its agricultural markets and trade respectively as part of our commitment to macroeconomic reform to prepare our agricultural markets to be integrated in the global trading environment. The outcome of our reform processes is a competitive agricultural sector that is a producer and exporter of a range of agricultural products, with maize being one of our key export commodities.

As part of the global trading system, our agricultural sector is equally affected by global swings in commodity prices as experienced since 2008. The current tight economic environment characterised by low economic growth, high unemployment, malnutrition, hunger and poverty has pushed a larger percentage of South Africans into the food insecurity status, a key problem that my country is addressing through the implementation of the Integrated Food Security and Nutrition Policy. South Africa has always been concerned about the negative effects of food price volatility on poor households who do not have the capacity to produce nor buy food.

In 2006, South Africa established the national Food Price Monitoring System as a response to tracking and understanding the underlying causes of unexplained high food prices that are

detrimental to food security. The system monitors prices of a basket of selected food items monthly and then we issue quarterly and annual reports on food price trends. One of the core functions of the system is to alert government when food prices increase in an unexplained manner so that government can implement appropriate actions, such as safety nets to cushion the poor against price increases.

In addition, South Africa has a well-established agricultural Commodity Derivatives Division as part of the Johannesburg Stock Exchange (JSE) used as a price discovery tool for grains. The price discovered on the derivatives market serves as the market reference price for grains, particularly white and yellow maize, throughout the Southern African region. Producers, users, domestic and foreign traders and financiers of maize hedge their price risk on the Commodity Derivatives Division of the JSE, thereby effectively limiting their exposure to adverse price movements in the maize markets. We are however not fully apprised of the effect of using food as a financial asset and the implication thereof on food prices and food security. We therefore recommend that work on the role of food commodities as underlying assets in futures markets be concluded as a matter of urgency to provide policy guidance on how these institutions should be regulated. Based on our own experiences in addressing food security and food price volatility, South Africa fully supports the inclusion of food prices in the G20 agenda and commits to participate actively in the implementation of the action plan and the declaration adopted by Agriculture Ministers in 2012.

South Africa further welcomes and supports the good work implemented by FAO on behalf of the G20 and the international organizations, particularly the establishment of the Agricultural Market Information System (AMIS) and its associated Global Food Market Information Group aimed at collecting food market information and the Rapid Response Forum (RRF) for promoting international policy coordination on food markets. South Africa believes that the foundation laid through the established AMIS will create scope for efficient trade of targeted commodities from surplus producers to deficit countries in a fair and transparent manner in the interest of promoting trade and achieving global food security.

South Africa is convinced that a fair global trading environment and open markets will contribute to addressing the challenge of food security and therefore call on all member states to commit and join the call for a successful conclusion of the WTO Doha Development agenda.

South Africa further notes that the 2011 report on **“Price Volatility in Food and Agricultural Markets: Policy Responses”** authored by the International Organization under the G20 leadership highlighted a number of factors contributing to global food price volatility and we therefore recommend that those factors should be explored in detail and that a practical action plan be developed to address them in the same manner that AMIS was developed.

The high level of post-harvest and post production losses due to inadequate infrastructure, poor storage facilities, inadequate technical capacity and under-developed markets was identified as an important issue which affects the underlying supply-demand balance for food, particularly in developing countries. South Africa therefore calls on the G20 to highlight this as a key priority area of focus for a global policy and development agenda to be coordinated by the FAO and allied organizations.

We further note that the role of smallholder farmers in the effort to contribute to global food security has been minimal and therefore propose that a mechanism be developed through regional structures and coordinated by FAO to integrate smallholder farmers in developing economies into the broader global food marketing and trading platforms.

In closing, South Africa is pleased with progress made thus far and believes that the experience gathered so far in establishing AMIS should be replicated in developing well-coordinated and practical global actions in addressing the other areas of work identified by Ministers Declaration and the G20 Action plan in addressing food price volatility.

I, thank you