Policy Responses to Volatile Prices and Food Security

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Demand growth from 2003-07 to 2017

Demand growth is largest in non-OECD area

- Cereals
- Oilseeds
- Sugar
- Beef and Veal
- Pork and Poultry

Demand growth is largest in non-OECD area.
Output growth from 2003-07 to 2017

Output Growth is largest in non-OECD area

- Cereals
- Oilseeds
- Sugar
- Beef & veal
- Pork & poultry
- Milk

World
OECD
Non-OECD
2008 projections: higher world prices

Average 2008-2017 compared to average 1998-2007

Per cent

-20
0
20
40
60
80
100

Wheat
Coarse gr.
Rice
Butter
Cheese
SMP
Oilseed
Veget. Oil
Beef
Pigmeat
Raw sugar

nominal
real

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Uncertainty of projections

Stochastic wheat/maize prices (nominal USD/t) in 2008 and 2017

- 10% percentile
- Median Price
- 90% percentile

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<thead>
<tr>
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<th>2008</th>
<th>2017</th>
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<tbody>
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<td>Maize</td>
<td></td>
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<td>Wheat</td>
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• Despite bailouts confidence has not been restored (Banking still fragile)

• Impacts of fiscal stimulation uncertain

• Job loss could reach 50 million (mainly in poorest countries)

• Impacts growing in developing countries (falling exports, capital flows)
Developing countries hardest hit
(contribution of food to consumer price inflation)

February 2007 to February 2008
Rising prices caught world by surprise

- Wheat, rice, maize, oilseed prices highest in 3 decades
- 75 million more below hunger threshold in 2008
- Major setback to MDGs on poverty and hunger
- Violent demonstrations in over 30 countries
- Food security moves up international policy agenda
Plethora of *ad hoc* policy responses

![Chart showing policy responses in different regions.](chart)

- **Asia 26**: Market Measures, Trade Measures, Consumer support, Producer support.
- **Africa 33**: Market Measures, Trade Measures, Consumer support, Producer support.
- **LAC 22**: Market Measures, Trade Measures, Consumer support, Producer support.
Ad Hoc policy measures: mixed results

- %△ country rice price
- %△ Int'l Gr 1 rice
- %△ Int'l Gr 2 rice

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<tr>
<th>Country</th>
<th>%△ country rice price</th>
<th>%△ Int'l Gr 1 rice</th>
<th>%△ Int'l Gr 2 rice</th>
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<tr>
<td>Africa (imported rice)</td>
<td>80</td>
<td>140</td>
<td>140</td>
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<tr>
<td>Asia (local rice)</td>
<td>50</td>
<td>100</td>
<td>100</td>
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<tr>
<td>LAC (local rice)</td>
<td>60</td>
<td>120</td>
<td>120</td>
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<tr>
<td>Chile</td>
<td>100</td>
<td>140</td>
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A new policy paradigm?

- From open markets to protectionism
- From food security to self sufficiency
- From imports to outsourcing (land acquisition)
- From private to public market interventions
Immediate & short-term policy responses

- Avoid policy responses that exacerbate the situation
  - Provide humanitarian aid (cash/vouchers)
  - Support to increase agricultural output
  - Review biofuel support policies
Medium & longer term policy responses

- Open up agricultural markets, avoid import and export restrictions
- Improve the productivity of global agriculture, particularly in developing countries
- Improve the purchasing power of the poor in developing countries – economy wide growth
Unresolved issues

• What future for 500 million small farms (less than 2 hectares)?

• How to enhance/finance investment in agriculture?

• What response to climate change and limited water resources?

• How can trade contribute to food security?
Thank You

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