

# Global Food Price Crisis and Policy Responses

Vikas Rawal

# Trends in Global Food Prices

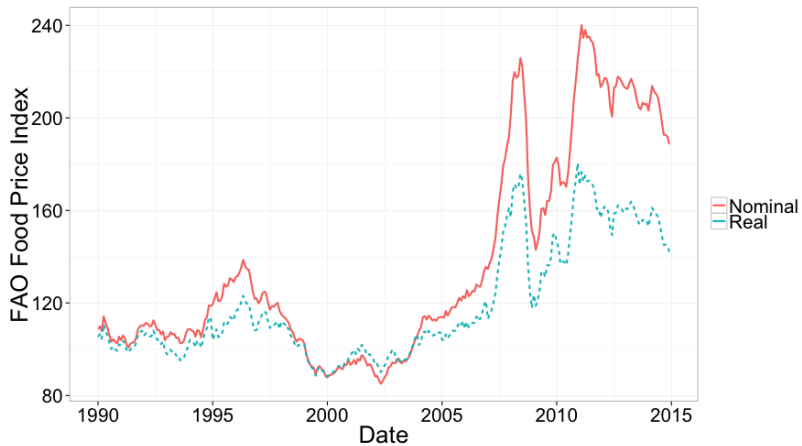


Figure: Global Food Prices, 1990-2015

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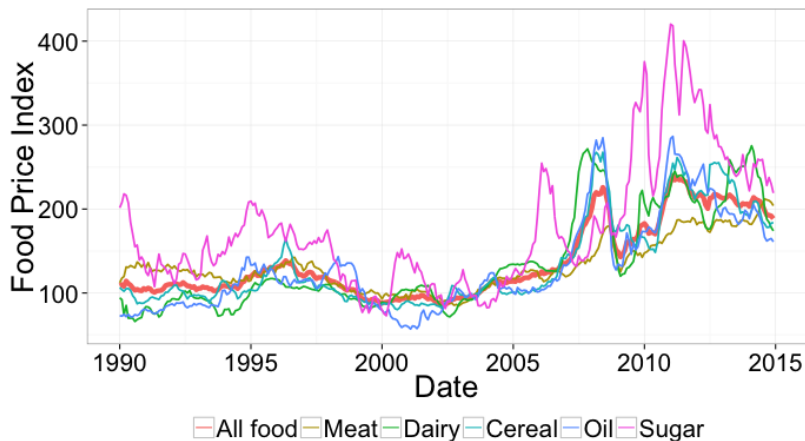


Figure: Global Food Prices, 1990-2015

# Biofuels

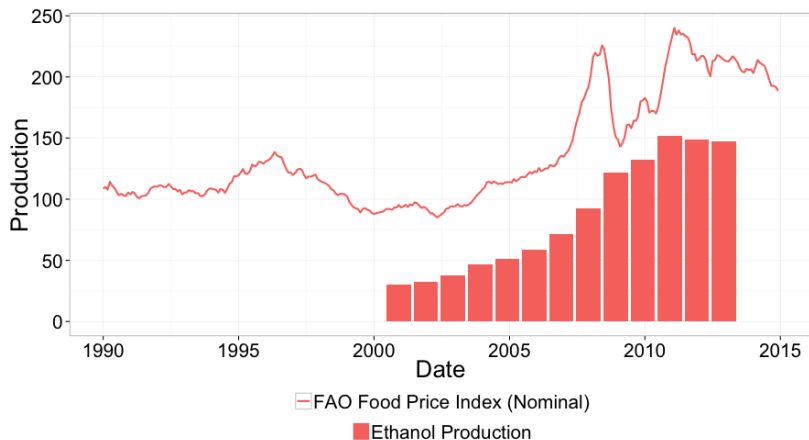
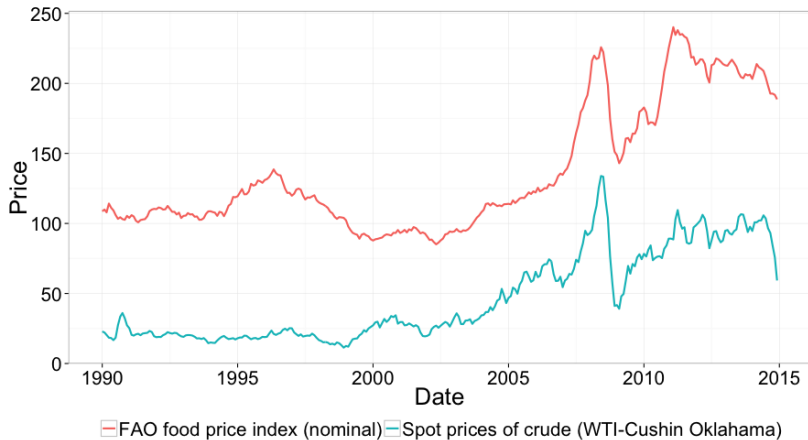


Figure: Global fuel ethanol production ('0,000 barrels) and FAO food price index

# Biofuels have increased an already high dependence of food prices on global energy prices



# Oil economy, financial speculation and biofuels

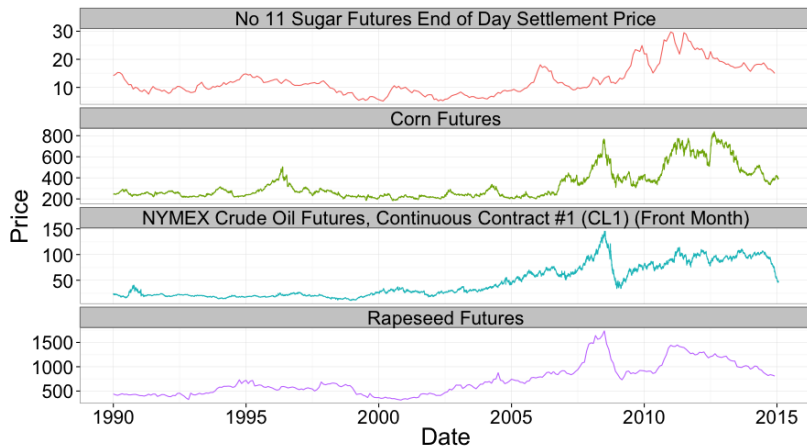
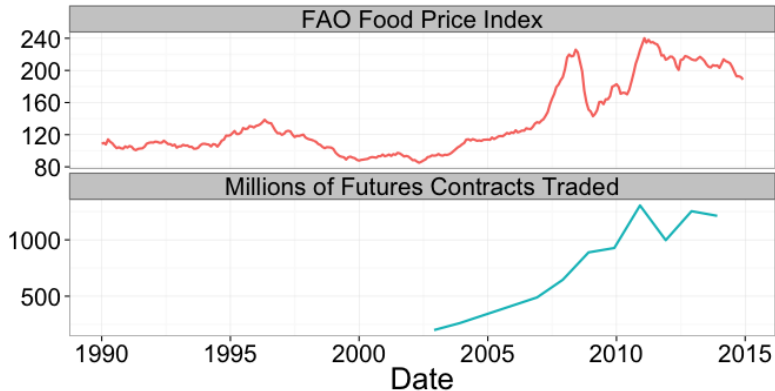


Figure: Future prices (continuous contract) of crude, sugar, corn and rapeseed oil

## Financial speculation and increasing influence of commodity futures markets



**Figure:** FAO Food Price Index and Number of Futures Contracts Traded Globally in Agricultural Commodities

# What explains easing of food prices?

- Global food prices started coming down much before oil prices.
- Caused by policy responses?
  - Using stocks on the margin to stabilise prices
    - Restricted severely by WTO provisions
  - At least in some African countries, new initiatives were taken to expand productive capacity.
    - Fertiliser subsidies were introduced in Burkina Faso, Ghana, Kenya, Malawi, Mali, Nigeria, Rwanda, Senegal, Tanzania and Zambia.



# Price Support and Public Stockholding

- Over the worst phase of the recent global food price crises, capacity of less-developed countries to respond by building stocks was severely limited by WTO provisions.
- A major dispute on the question of price support and public stockholding in WTO in the context of India's National Food Security Act
- Bali Agreement
  - Limited peace clause
    - Allows countries to continue with existing price support and public stockholding programmes
    - No new programs can be initiated.
    - Restrictions on AMS cannot be breached on account of other forms of support (e.g., fertiliser subsidies).
    - Conditional to the countries reporting the data on Aggregate Measure of Support
- Recent attempt to undermine the National Food Security Act in India and cutting down fertiliser subsidies.