

World Agricultural Forum

RETHINKING AGRICULTURE – THE ISSUES

Franz Fischler

Brussels, November 29th, 2011

- Will food prices continue to rise?
- Where is future demand coming from?
- Price volatility makes the markets more insecure.

Has the Food Crisis changed the global Food Policy Paradigm?

(J. Swinnen)

In 2005 :

*“US and Europe’s surplus production is sold on world markets at artificially **low** prices, making it impossible for farmers in developing countries to compete. As a consequence, **over 900 millions of farmers are losing their livelihoods.**”*

In 2008:

*“**Higher** food prices have pushed millions of people in developing countries further into hunger and poverty. There are now **967 million malnourished people in the world....**”*

OECD, IMF, WORLD BANK

In 2003/2004:

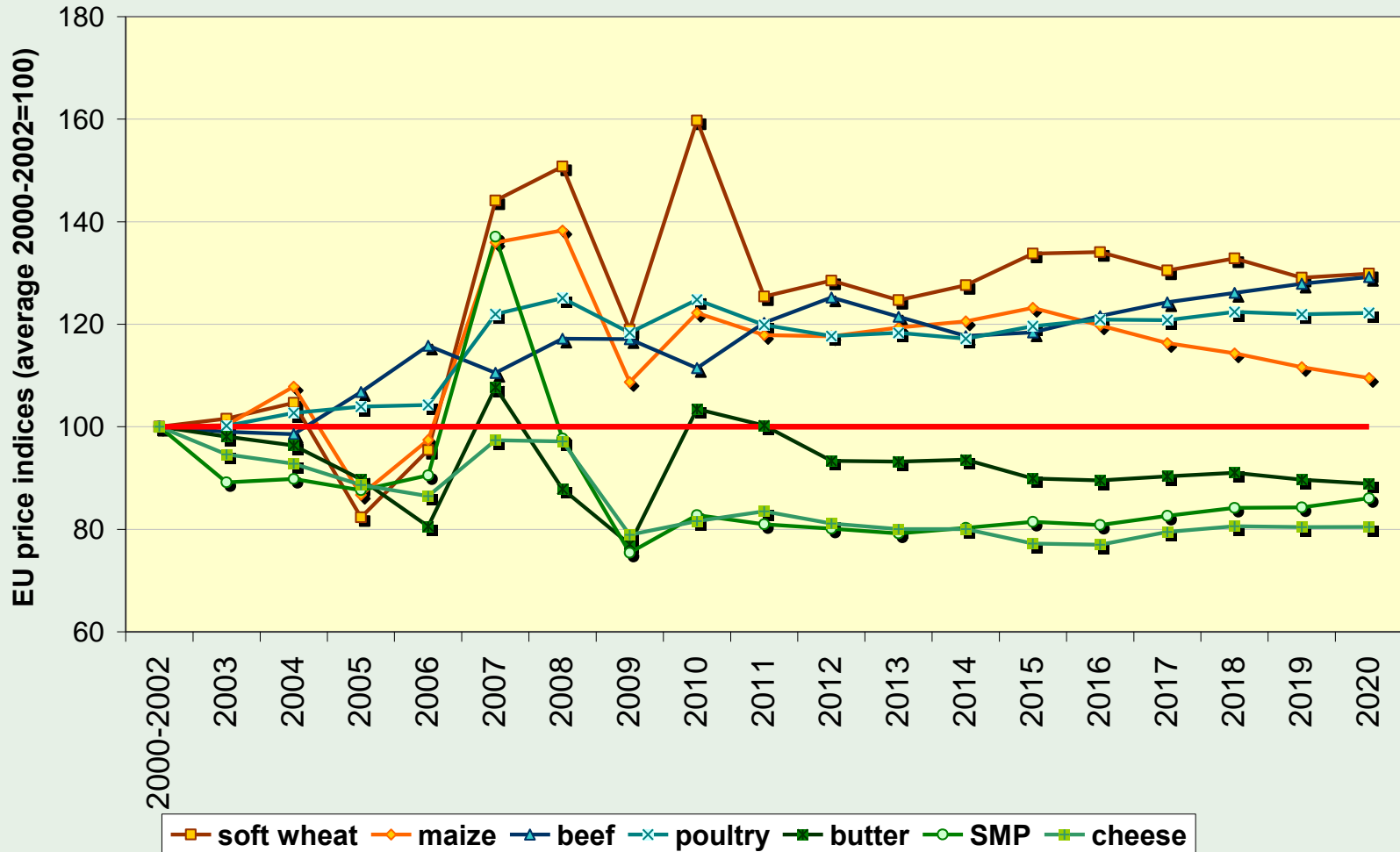
*“Many (developed countries) continue to use various forms of export subsidies that drive **down** world prices ... Because the **majority of the world’s poorest households depend on agriculture** and related activities for their livelihood, this is especially alarming.”*

OECD, IMF, WORLD BANK

In 2008/2009:

*“The **increase** in food prices represents
a major crisis for the world’s poor ...
Up to 105 million people could become
poor due to rising food prices alone.”*

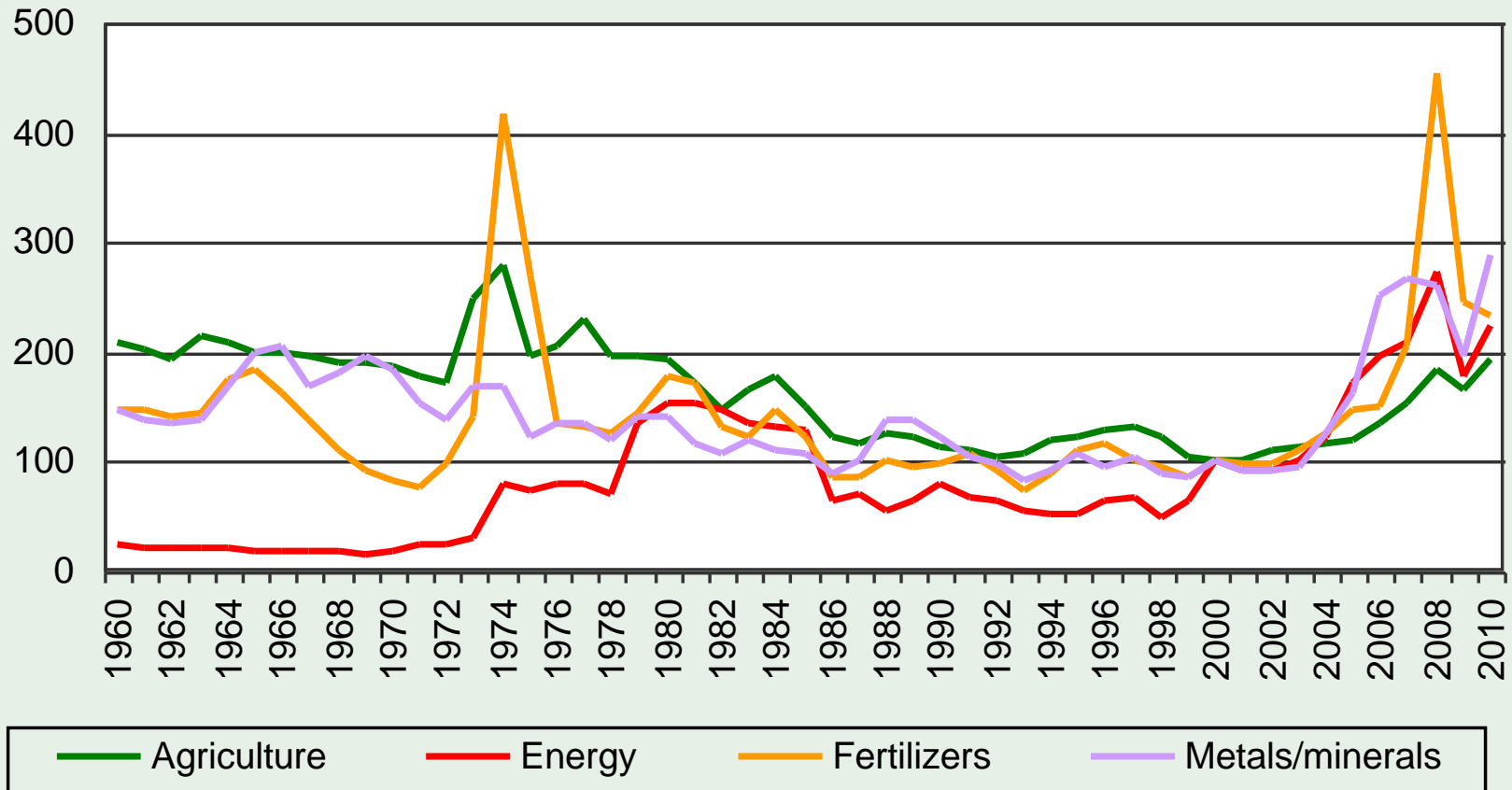
MEDIUM-TERM PROJECTIONS FOR EU AGRICULTURAL COMMODITY PRICES



Source: DG AGRI / European Commission, „The CAP towards 2020, Assessment of Alternative Policy Options“, 2011

PRICE DEVELOPMENTS FOR ENERGY, AGRICULTURE AND FERTILISERS

(World Bank real price indices, 2000 = 100)



Source: World Bank / European Commission, „The CAP towards 2020, Assessment of Alternative Policy Options“, 2011

THE MAIN DRIVERS OF DEMAND

- Increasing consumption of cereals and vegetarian fats in developing countries due to population growth
- Increasing consumption of animal protein in emerging countries
- Biomass use for non food purposes

THE MAIN SUPPLY DRIVERS

- Yield increase because of better crops and more sophisticated production methods
- New cultivated land
- Non agricultural land use
- Production costs (water, energy, natural resources)
- Innovation and education

PRICE VOLATILITY MAKES THE MARKETS MORE INSECURE

- Climate change causes increased crop harvest variations
- The fluctuation of endstocks is increasing
- New forms of financialisation of food markets
- Price volatility on the oil and other commodity markets
- Counterproductive political actions

PRIORITY ACTIONS

- Combating hunger
- Climate change mitigation and adaptation
- Protection of biodiversity
- Innovation and knowledge transfer
- More effective development cooperation
- Less distortive farming policies

COMBATING HUNGER

- We must find better ways to improve the nutrition of the 500 million subsistence farming families
- World food programmes to overcome acute scarcities

INNOVATION AND KNOWLEDGE TRANSFER

- R & D in agriculture
- Agriculture as the backbone of a knowledge-based bio-economy
- Better education and training
- New forms of extension services

MORE EFFECTIVE DEVELOPMENT COOPERATION

- The promise of the industrialized countries: 0.7 % GDP
The reality: 0.3 % GDP
- New forms of financing are needed (e.g. International CO₂ trading system)
- New terms and conditions of technology and other know how transfer
- Disciplines against land grabbing
- Absolute priority given to food versus fuels

LESS DISTORTIVE TRADE POLICIES

- Conclusion of the DOHA-Round with
 - phasing out of all forms of export-subsidisation
 - drastic reduction of trade distorting domestic support
 - better market access
(substantial reduction of border protection, abolition of tariff escalation, increase of tariff quotas, global implementation of EBA)
- Market transparency
- Disciplines for the financial markets
- Reduction of price volatility

Thank you for your attention!