Global Food Price Crisis and Policy Responses

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Trends in Global Food Prices

Figure: Global Food Prices, 1990-2015
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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.