BUENOS AIRES, May 30, 2011 - Food shortages may be causing hunger in the developing world, but the large Latin American agricultural countries that belong to the Group of 20 (G20) see the situation as an opportunity to exploit.

This became clear at a working meeting on commodities held by the G20 on May 19-20 in Buenos Aires, where economy and agriculture ministers discussed today's soaring food prices.

The meeting was organised to address the causes of the new upward trend in food prices, including the growing demand in China and India, financial speculation and growing production of biofuels.

The concern was raised by France, which currently holds the rotating presidency of the G20 group of major industrialised and emerging nations, that together control most of the world's fertile land.

The G20 members are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States and the European Union.

But France was forced to put aside its original proposal of commodity price controls in the face of pressure from Argentina, Brazil and other major food producers.

However, the countries did commit themselves to making the commodities market more transparent and to make progress towards on a five-point action plan, which the agriculture ministers will discuss in Paris in late June.

The five points are: boost investment in agriculture to increase supplies; expand information sharing to curb speculation and increase transparency; create action mechanisms to overcome the food crisis; control price swings; and establish regulations like the ones that exist in other global markets.

At the Nov. 3-4 summit in Cannes, France, G20 leaders will try to reach agreement on and adopt the plan of action to stabilise the markets and mitigate the impact of price hikes on the most vulnerable nations.

Combating the volatility of commodity prices is one of France's top priorities in the G20 presidency, along with reform of the international monetary system and the strengthening of financial regulations.

In the second half of 2010, food prices climbed by an average of 30 percent, according to a newsletter by the Economic Commission for Latin America and the Caribbean (ECLAC), the Food and Agriculture Organisation (FAO) and the Inter-American Institute for Cooperation on Agriculture (IICA).

The price of wheat went up 94.4 percent between June and December last year, according to the newsletter, "Price volatility in agricultural markets (2000-2010): implications for Latin America and policy options".

The World Bank estimates that since June, 44 million people have been pushed into extreme poverty by higher prices for corn, wheat and oil.

Although their populations also suffer from the consequences, for Latin America's agricultural producers, the scenario represents windfall profits first and foremost.

In India and China, where resources like fertile land and water are limited, demand for food is rising dramatically. And this region should invest to take advantage of that situation, Brazilian economist Mauricio Mesquita Moreira, with the Inter-American Development Bank (IDB), told IPS.

Although financial speculation fuels price swings, the hikes are due above all to growing demand from emerging nations, the economist said.

That is why Latin America must take greater advantage of the terms of trade, instead of continuing to plan for greater industrialisation, which the countries of Asia have already achieved, he argued.

"The idea that industrialising is the only solution was viable in the 1970s and 1980s. If Latin America had moved then towards that stage with more sophisticated and less vulnerable assets, it would be a different thing, but today it makes no sense to insist on this, in an increasingly congested market," he said.

The question is "how to make the most of this opportunity," he added. "Our countries, due to the colonial legacy, have an enormous concentration of wealth, and agriculture is capital-intensive and does not generate much employment.

"The good thing about manufacturing is that it creates enough jobs to make it possible to eliminate poverty in a short period of time. We have seen that in many Asian countries, but I think we have missed the opportunity," he said.

In Mesquita Moreira's view, "the new challenge is to specialise in natural resources, add value, offer more sophisticated goods, while at the same time generating employment and conditional cash transfer schemes for the poor."

Rural producers in the Mercosur (Southern Common Market) countries – Argentina, Brazil, Paraguay and Uruguay – could not agree more.

Represented by the Federation of Rural Associations of Mercosur, the influential agricultural producers stressed "the opportunity that strong food prices are opening up for the region."

The organisation recommended that governments foment production and strengthen political coordination to help maintain domestic supplies while capitalising on the opportunities offered by the global market.

The experts meeting in Buenos Aires agreed that the decisive factor in the food market in the last few years is the surge in demand in China and India.

On the supply side there are other factors that have driven up prices, such as droughts, flooding and other extreme climate events that have affected agricultural yields around the world.

But there are less traditional challenges as well, such as new uses for crops, especially for biofuels, and the "financialisation" of agriculture.

In financial markets, there is exponential growth of futures activity in agriculture, a tool created to mitigate the risks inherent to farming, but which can cause artificial price hikes, the "Price volatility in agricultural markets" newsletter says.

But while these factors trigger fast price swings, the general upwards trend in prices is in response to greater demand, a factor that is here to stay.

Source: IPS