

NEW YORK - JOHANNESBURG, 24 June 2011- The agriculture ministers of major economies, rich as well as emerging, meeting for the first time as the world verges on another food crisis in only four years, have disappointed. Their decisions, summed up in a 24-page Action Plan on Food Price Volatility and Agriculture, lacked the teeth to bite the neck of the crisis, according to food experts and NGOs.

That the agreement was reached at all was a tribute to French agriculture minister Bruno Le Maire, who chaired the meeting, said Olivier De Schutter, the UN Special Rapporteur on the Right to Food. The action plan dealt with the symptoms and not the causes of the current crisis. "There is much more that could be done," he told IRIN.

2011 began with food prices as high as they were during the 2007/08 crisis. Erratic weather, speculators, conflicts, trade restrictions, the cost of fuel and the use of food grains to produce bioethanol all played their part in keeping food, including all the major staple food grains, expensive. The world was looking to the G20 countries for decisive leadership.

Shenggen Fan, director-general of the International Food Policy Research Institute (IFPRI), a US-based think-tank, who was in Paris for the meeting, said the G20 did not identify the "most pressing priorities", nor provide details on how to deal with them to help everyone move beyond "words and rhetoric to action and implementation".

"Fixing the global food system and ending the food price crisis requires major surgery, yet the G20 produced little more than a sticking-plaster," said Jean-Cyril Dagorn, a policy advisor to the Oxfam aid agency.

Biofuels

"I was looking for stronger language on three most urgent actions: biofuels, safety nets and trade restrictions," said Fan. "I think they should have called for halting the use of food grains to produce biofuel [first generation biofuel] by curtailing subsidies and reforming policies to end the competition between food and fuel, and call for production of second generation biofuels [which are made from biomass]."

Crude oil costs around US\$100 a barrel, making biofuel an attractive alternative. So more maize, vegetable oil and sugar cane are used to produce biofuel, which the [World Bank and the Food and Agriculture Organization \(FAO\) have identified as a major factor](#) in keeping food prices high.

The US Department of Agriculture, in its World Agricultural Supply and Demand Estimates report, released in April 2011, noted that the use of maize to produce ethanol was 31 percent of total maize output in 2008/09 and would reach a projected 40 percent in 2010/11.

The G20 ministers offered little on curbing biofuel production, merely acknowledging the need “to further analyse all factors that influence the relationship between biofuels production and (i) food availability, (ii) response of agriculture to price increase and volatility, (iii) sustainability of agriculture production, and further analyse potential policy responses.”

De Schutter said the “commercial interests of the US and Brazil have been making it impossible to achieve a result on biofuels.” He was particularly frustrated because an international consensus now sees biofuel production - and the land-grabbing that has followed - as “a major factor” in more expensive food.

Prior to the summit, US Agriculture Secretary Tom Vilsack - a former governor of Iowa, which receives significant US government subsidies to produce ethanol - called biofuels a “tremendous job creator” and claimed that their role in pushing up food prices was overstated.

Crude oil prices will remain high in 2011 and are expected to reach \$107 by 2020, according to the [Agricultural Outlook 2011-2020, produced](#) jointly by FAO and the Organization for Economic Cooperation and Development (OECD), which will make investment in ethanol and biodiesel even more lucrative.

The cautious G20 stance on first generation biofuels seemed to echo that of the African Union (AU). “We [in Africa] cannot dismiss first generation biofuels entirely - look at the success Brazil has had with sugarcane-based ethanol. We are developing a framework to ensure that production of biofuel and related issues around 'land grab' do not compromise food security,” said Richard Mkandawire, head of the AU Comprehensive Africa Agricultural Development Programme (CAADP).

Speculations

Speculators have contributed much to the spike in global food prices, but the G20 ministers did little more than encourage their finance counterparts “to take the appropriate decisions” to regulate the markets. The lack of good and timely information is seen as a major factor driving speculation.

The Paris meeting established a monitoring system called the Agriculture Market Information System (AMIS), to be based at FAO headquarters in Rome. It will allow “major players on the agri-food markets to share data, to enhance existing information systems, to promote greater shared understanding of food price developments, and further policy dialogue and cooperation.”

A major problem with AMIS is that without the full participation of the private sector, “the information will be incomplete,” De Schutter noted. Private companies - Archer Daniels Midland, Bunge, Cargill and Louis Dreyfus – known in the industry as the ABCD of food -

control upwards of 90 percent of global grain trade. The G20 communiqué merely “[urges] private sector entities to participate in AMIS.”

An international voluntary network of agriculture production monitoring based on geoinformation was also established. The Global Agriculture Geo-Monitoring Initiative will serve as “a useful input for AMIS concerning the provision of more accurate crop forecasts data.”

A Rapid Response Forum will be set up “within the framework of AMIS” for senior agriculture policy officials “to share views and plans for immediate actions in order to prevent or mitigate world food price crises.”

Trade restrictions

Eliminating trade restrictions on agricultural commodities, such as export bans, import tariffs, and non-tariff barriers, and refraining from imposing new ones - seen as a major factor in the sharp spike in wheat prices in 2010 - was critical, said IFPRI's Fan.

"This will enhance the efficiency of global agricultural markets, lowering prices for consumers and increasing opportunities for smallholders to export their produce." Yet the action plan merely asks the countries to refrain from imposing trade restrictions and tariffs, and "reduce" barriers where they can.

On the other hand, the G20 countries agreed to remove any export restrictions on food bought as aid by the World Food Programme (WFP). "At the moment, WFP has to seek approval from each country," Fan pointed out. The measure will be presented to the World Trade Organization for approval.

The G20 ministers also offered support for a pilot programme for a targeted emergency humanitarian food reserve system. The feasibility study, which will take into account issues such as the eligibility of countries, size, composition, and funds for the proposed reserve, will be conducted by WFP and partners in September 2011.

"This is of course an important tool for the World Food Programme, and it will allow the WFP to have access to food stocks on time to react to crises - but at the same time, the issue of food stocks that could have a stabilizing effect on prices is studiously avoided," said De Schutter.

"Yet that question will necessarily re-emerge, when it will be asked how the emergency food reserves shall function? Which farmers shall we buy from? Shall we turn to the local smallholders, or shall these reserves be a means for US or EU farmers to deal with their surpluses? And shall we buy at a fair price, supporting the incomes of smallholders? Whom we shall source the supplies from?"

Insurance

The G20 did spell out in some detail several ways to protect countries and food producers from various risks. At the meeting, the World Bank's private investment arm, the International Finance Corporation (IFC), announced that it will be piloting a new Agriculture Price Risk Management (APRM) product to allow medium-sized and smaller agriculture producers such as cooperatives to hedge against downward price movements, and agriculture buyers such as food processors to hedge against upward price movements.

This will help reduce the effects of food price volatility. And in doing so, it will enable agricultural producers to improve their access to finance so as to increase production. The G20 countries also called on banking institutions to develop hedging strategies that could help aid organizations maximise their purchasing power.

Yes, De Schutter said, the ministers' actions represent a step in the right direction. But what is needed is "an ambitious jump forward".

Source: [IRIN](#)