

Dossier High food prices

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Last update: 15 October 2009

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Scope

The causes of high food prices, the implications for smallholders, the options to mitigate their impact, and the possible roles of the public and private sector were discussed at the 80th International Conference on Agriculture and Development (ICAD) "High food prices: a disaster for the world, a blessing for farmers?" The conference took place at the [Royal Tropical Institute \(KIT\)](#) in Amsterdam on 18 November 2008. Click here for the programme with additional information.

This Internet dossier provides background information for both participants and interested non-participants in the event. The contributing organizations of ICAD 2008 were: [Agriterra](#), [Euroconsult Mott McDonald](#), [KLV \(Royal Netherlands Society for Agricultural Sciences\)](#), [Van Hall Larenstein](#), [Wageningen International](#), [Agri-ProFocus](#), and the Royal Tropical Institute (KIT).



In-depth

Chronology and effects

The first price spikes of the current food crisis appeared in late 2006. World food prices continued to rise dramatically throughout 2007 and reached their peak in February-May 2008, slightly abating afterwards. Viewed over more than three decades, the current rise in food prices does not look very marked, but high prices are expected to be structural, not temporary. The long-term prices of maize, wheat, and rice are expected to rise by 55, 57, and 92% in 2015 (2004=100; World Bank, 2008).

Before the crisis, 850 million of the world's poor were hungry and malnourished. Since then up to 130 million people extra were added to this group, according to recent World Food Programme estimates. For more than 2 billion people high food prices are a serious daily problem and a source of frustration, which was vented through riots in more than 25 developing countries across the globe. Extreme poverty remains the root cause of hunger and malnutrition. High prices may set back by seven years any progress towards the 2015 Millennium Development Goals, not just MDG1, but also those related to health and education. High food prices may help poor farmers, who are net sellers, but hurt the urban poor, who are mostly net buyers.

Causes

The initial price rises are mostly attributed to:

- the rise of **oil prices**, since these have a direct effect on the cost of production, transport, and fertilizers. An important side effect is that some food importing countries with a high oil bill may have less money for food imports. Those food importing countries that are net commodity exporters suffer less of this effect, because non-food commodities have increased in price too.
- recent **climatic shocks** in major cereal producing countries, partly due to climatic change (droughts, floods, cyclones, cold). According to Von Braun of IFPRI, the climate change factor is so far small but bound to become bigger.

Other oft-quoted causes are:

- competition from **biofuels**. Biofuels have become popular due to their supposed effect on CO2 reduction. Pollan points to the Bush administration decision in 2006 to convert maize into ethanol. According to Oxfam, biofuels have perverse effects on global food security and are ineffective in combating climate change.
- **rising demand** from emerging economies of China, India, Indonesia, where higher consumption per capita of meat indirectly increased the demand for grain. The same rising demand also had an effect on the prices of non-food commodities such as oil, metals, and coal.
- depletion of the global **food reserves** has enhanced the volatility of commodity markets. This effect was further strengthened by export bans of major food-exporting countries such as Thailand. The depletion of food reserves is partly due to effective liberalization programmes on grain and butter mountains in the US and EU.
- **speculators**, frustrated with poor investment prospects in other sectors such as real estate, have poured billions into commodities, e.g. resulting in a 25% wheat price hike on one day following Kazakhstan export ban;
- the growing **world population** at a rate of almost 80 million/year;
- the **falling dollar** (exacerbating factor), due to a weakened US economy.

Solutions

The solutions mentioned below have been gleaned chiefly from the article [How to Feed the World](#) in Newsweek, May 19, 2008, in which eight leaders comment: Gordon Brown, Robert Zoellick (World Bank), Jeffrey Sachs (Earth Institute), Joachim Von Braun (IFPRI), Muhammad Yunus (Grameen Bank), Josette Sheeran (WFP), Jacques Diouf (FAO), and Michael Pollan (environmental author).

Short-term solutions are:

- **emergency action** to secure food and funding. This is most likely to be effective if the G8 works with the UN system (Brown);
- international community to **support the WFP and UNICEF** first and for all (Sachs). Developing-country governments to expand food or income transfers and early-childhood nutrition programmes for the urban and rural poor (Von Braun). Generally, improve access of the poor and vulnerable to food (Sachs);
- relax or **lift export bans**.

Medium- to long-term solutions include:

- increase the **global grain reserve** (Von Braun), e.g. in the form of a Global Food Bank (Yunus, Grameen Bank)
- put New Deal for **Global Food Policy** into action (Zoellick)
- strengthen research for a **new Green Revolution**
- establish a **Poverty and Agriculture Fund** by oil-exporting nations @ 10 US\$/barrel (Yunus)
- strengthen the **global food system**, by China, India, and Brazil assuming co-responsibility (Von Braun)
- increase **smallholder productivity** by improving access to seeds and fertilizers (Sachs), e.g. by subsidies (Diouf, FAO), improve access. Generally, help African smallholders break the cycle of poverty (World Bank);
- promote **agricultural growth** by reversing distorted trade and investment policies (Diouf), eg. by **trade reform** to provide a level playing field for developing-country farmers (Von Braun, Brown), but also by investing in agricultural infrastructure such as irrigation, transport, and storage (Diouf). Special attention for small-scale irrigation in Africa (Sachs);
- cut all **subsidies on biofuel** crops, including maize and canola (Sachs) and more specifically cut US subsidies for ethanol and drop tariffs on Brazilian ethanol (Pollan);
- reduce the **oil dependence** of modern agriculture (Pollan)
- reduce world **meat consumption** or feed food animals differently (Pollan)
- bring **more land** into cereal production in Ukraine and elsewhere.

References

- [How to Feed the World](#): World Leaders Comment. Special Report. Newsweek, May 19, 2008.
- World Bank (2008) [Rising food prices: Policy options and World Bank response](#). Background note, 11 pp.
- Zoellick, R. (2008) [“A Challenge of Economic Statecraft”](#) Speech with some details on the World Bank’s New Deal for Global Food Policy.
- Von Braun, J. , 2008, [High and Rising Food Prices: Why Are They Rising, Who Is Affected, How Are They Affected, and What Should Be Done?](#) Presented at a USAID conference on “Addressing the Challenges of a Changing World Food Situation: Preventing Crisis and Leveraging Opportunity” Washington, D.C. April 11, 2008
- Yunus, M. (2008) [Solving the food crisis](#). In The Guardian, May 16, 2008.

- Sachs, J. (2008) [Food Crisis: Articles](#). Five recent articles by Jeffrey Sachs on the food crisis and how to solve it.
- Oxfam (2008) [Another Inconvenient Truth: How biofuel policies are deepening poverty and accelerating climate change](#). Oxfam briefing paper, 58 pp.

Resources

General publications on the food crisis

- FAO (2009) [How to feed the world in 2050](#). Proceedings of an expert meeting held 24-26 June 2009, FAO Headquarters, Rome.
- World Bank (2008) [Rising food prices in Sub-Saharan Africa : poverty impact and policy responses](#). Policy Research working paper no. WPS 4738 of Oct. 2008 shows that rising food prices are likely to lead to higher poverty in sub-Saharan Africa as the negative impact on net poor consumers outweighs the benefits to poor producers.
- FARA (2008) [Knowledge-based food democracy: the way out of the African food crisis: realising the potential of the NARS, SROs and FARA](#). Forum for Agricultural Research in Africa.
- Oxfam (2008) [Double-edged prices. Lessons from the food price crisis: 10 actions developing countries should take](#).
- FAO (2008) [Crop Prospects and Food Situation, No.4, October 2008](#) Based on the latest production forecast, a significant improvement in the global supply and demand balance for cereals in the 2008/09 season can be expected. International prices of most cereals have continued to fall in the past two months. Despite an improvement in the outlook for global cereal supplies in 2008/09 and the declines already witnessed in international prices, FAO's latest estimates indicate that 36 countries around the world are in need of external assistance as a result of crop failures, conflict or insecurity, natural disasters, and high domestic food prices.
- Brot für die Welt, ICCO, and FIAN (2008) [Right to Food and Nutrition Watch](#). The Zero Issue (Oct. 2008) of this new series deals with "The World Food Crisis and the Human Right to Food".
- Tyner, W. Hurt, C. and Abbott, Ph. (2008) [What's driving food prices?](#) This study by three Purdue University economists identifies three broad sets of forces driving food price increases: global changes in production and consumption of key commodities, the depreciation of the U.S. dollar, and growth in the production of biofuels.
- FAO (2008) [Briefing paper: Hunger on the rise](#). Provisional estimates show that the number of undernourished people in 2007 increased by 75 million, over and above FAO's estimate of 848 million undernourished in 2003-05, with much of this increase attributed to high food prices. This brings the number of undernourished people worldwide to 923 million in 2007, of which 907 million in the developing world. Given the continued and drastic increase in prices of staple cereals and oil crops well into 2008, the number of people suffering from chronic hunger is likely to have increased further.
- UNCTAD (2008) [Tackling the global food crisis](#). Policy brief no. 2.
- Von Braun, J. (2008) [High and rising food prices: why are they rising, who is affected, how are they affected, and what should be done?](#) Presented at a U.S. Agency for International Development (USAID) conference on "Addressing the Challenges of a Changing World Food Situation: Preventing Crisis and Leveraging Opportunity" Washington, D.C., April 11, 2008.
- World Bank (2008) [The effects of high food prices in Africa – Q&A](#)
- World Bank (2008) [Rising food prices: Policy options and World Bank response](#). Note for information as background to the discussion of recent market developments at the Development Committee meeting.

- Wiggins, S. and Levy, S. (2008) [Rising food prices: A global crisis](#). ODI briefing paper no. 37.
- Oxfam (2008) [Another inconvenient truth: how biofuels are deepening poverty and accelerating climatic change](#). Briefing paper no. 114.
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- KFFSG (2008) [The impact of rising food prices on disparate livelihood groups in Kenya](#). The Kenya Food Security Steering Group (KFSSG).
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- Bello, W. (2008) [How to manufacture a global food crisis: lessons from the World Bank](#).
- IFAD (2008) [Strategic priorities for a results-based programme of work](#).
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- Eide, A. (2008) [The right to food and the impact of liquid biofuels](#). FAO Right to Food Studies.
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- The Guardian (2008) [FAQ: the five factors that are driving up costs](#). May 27, 2008.
- Renewable Fuels Agency (2008) [Gallagher Review of the indirect effects of biofuels production](#).
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- The Economist (2007) [Food prices: the end of cheap food](#). December 6, 2007.
- Brahmabhatt, M. and Christiaensen, L. (2008) [Rising food prices in East Asia: challenges and policy options](#). Sustainable Development Department of the East Asia and Pacific region of the World Bank.
- Bricas, N. and Bru, E. (2008) [Rising food prices in developing countries: causes, consequences and solutions](#). A synopsis based on contributions from CIRAD researchers specializing in food crop production and food security.
- Fresco, L.O. (2008) [Voedsel is geen olie \[Food is not oil\]](#) Dutch article in NRC Handelsblad, March 18, 2008.
- Velthuis, O. (2008) [Eten genoeg voor 24 miljard monden \[Enough food for 24 billion mouths\]](#) Dutch article in Volkskrant, April 19, 2008.

Publications on the role of smallholders

- Wiggins, S. (2009) Can the smallholder model deliver poverty reduction and food security for a rapidly growing population in Africa? In: FAO (2009) [How to feed the world in 2050](#).
- Collier, P. and Dercon, S. (2009) African agriculture in 50 years: smallholders in a rapidly changing world. In: FAO (2009) [How to feed the world in 2050](#).
- FAO (2008) [Growing demand on agriculture and rising prices of commodities: an opportunity for smallholders in low-income, agricultural-based countries?](#) Paper prepared for the Round Table organized during the Thirty-first session of IFAD's Governing Council, 14 February, 2008.
- Aa, G. (2008) [Hoera, de gierst wordt duurder: boeren in Niger varen wel bij stijgende voedselprijzen \[Hurray, millet gets more expensive: farmers in Niger prosper as food prices rise\]](#) Dutch article in NRC Handelsblad, July 12, 2008.

Publications on the link with energy prices

- Dadush, U. and Cord, L. (2008). Technical [briefing on higher food and oil prices](#).
- Dapice, D. (2008). [Inflation promises a belt-tightening era](#).

- Schmidhuber, J. (2008) Price trends of agricultural and energy [commodities: links and impacts on developing countries](#).
- Keyzer, M. Merbis, M. Nubé, M. and van Wesenbeeck, L. (2009) [Food, feed and fuel: when competition starts to bite](#).

Videos selected for the workshops:

- [Andreas Zumach, a UN Expert](#) (workshop 1: trends in prices): The notion that more fields are being cultivated now, will that help to bring down food prices and feed more people? According to Zumach it would if it happened on a global scale.
- [Joachim von Braun on Food Scarcity](#) (workshop 1: trends in prices): Von Braun is Director General at the International Food Policy Research Institute (IFPRI).
- [Food Issues in Latin America](#) (workshop 2: impact on consumers): One of the richest regions of the world is facing the problem of how to feed its own people. Is this an ideological issue, lack of know-how, or just mismanagement of funds?
- [East Timor attempts to answer food crisis](#) (workshop 3: impact on producers): The proposed answer is growing high-yielding varieties of sweet potato instead of rice. Yields are higher, margins are good, and risks are lower, while water consumption is 50%.
- [The Global Food Crisis \(II\)](#) (workshop 4: impact on MDGs): This video demonstrates the short-term solution and long-term strategy of an organization such as World Vision.

Other video's:

- [Policy seminar on food prices - May, 2008](#) Eight videos of the policy seminar, "High Food Prices The What, Who and How of Proposed Policy Actions", held May 28, 2008 at the International Food Policy Research Institute. With contributions from Joachim von Braun, Mark Rosegrant, and John Hoddinott, including a long Q&A session.
- [Protests amid Food Summit in Rome](#) Protesters gathered outside the headquarters of the United Nations Food and Agriculture Organization to demonstrate against the exclusion of farmers from a summit on the global food crisis which kicked off in Rome
- [Mandelson says WTO Pact 'essential' to ease food crisis](#)
- [Experts confirm food crisis](#) The World Food Program warns that rising food prices could turn into a global crisis unless the world acts quickly. There also are calls to limit the increasing use of biofuels, which some believe is partly responsible for the developing crisis in food markets.
- [ActionAid report on global poverty and hunger](#) The international charity, ActionAid, says the increasing costs of food prices around the world- plus cuts in agricultural aid from richer countries - is adding to the poverty dilemma across the developing world.
- Jurfeldt, G., Holmén, H. and Jirström, M. (2005) [Addressing food crisis in Africa: What can sub-saharan Africa learn from Asian experiences in addressing its food crisis?](#) Report of the Division for Rural Development of SIDA, January 2006.

Facts & figures

- Prices of basic food staples remain at exceptionally high levels in Low-Income Food-Deficit Countries [29 August 2008]
- In a single year – from March 2007 to March 2008 – the prices of maize, rice, soya, and wheat increased by 31, 74, 87, and 130%. However, viewed over more than three decades, the current spike in commodity prices does not look so marked.

- The FAO Food Price Index fell to a 6 month low of 213 in July 2008, down 3 percent from the revised estimate in June, but still 37 percent above the corresponding value last year.
- The 2007-2008 impact of food price increases on trade balances are particularly felt in the developing world, including Africa (all countries), the Middle East, South Asia, and Latin America.
- Farmers in sub-Saharan Africa are growing less maize (1-1.5 t/ha) than what would be attainable if they applied the best available technologies (2.5-4.5 t/ha).
- During the 1990s, government spending on agricultural R&D slowed, whereas in some countries it actually fell.
- The requirements of a growing population, increasing meat consumption and biofuel mean demand for grain is likely to increase sharply.
- The share of global maize production used for ethanol was 2.5% in 2000, 5% in 2004, and 11% in 2007.
- Only 19% of global wheat production is internationally traded, and the corresponding shares for maize and rice are 13% and 4%, respectively.