The Increased Need for Transparency in Global Cereal Policies and Data

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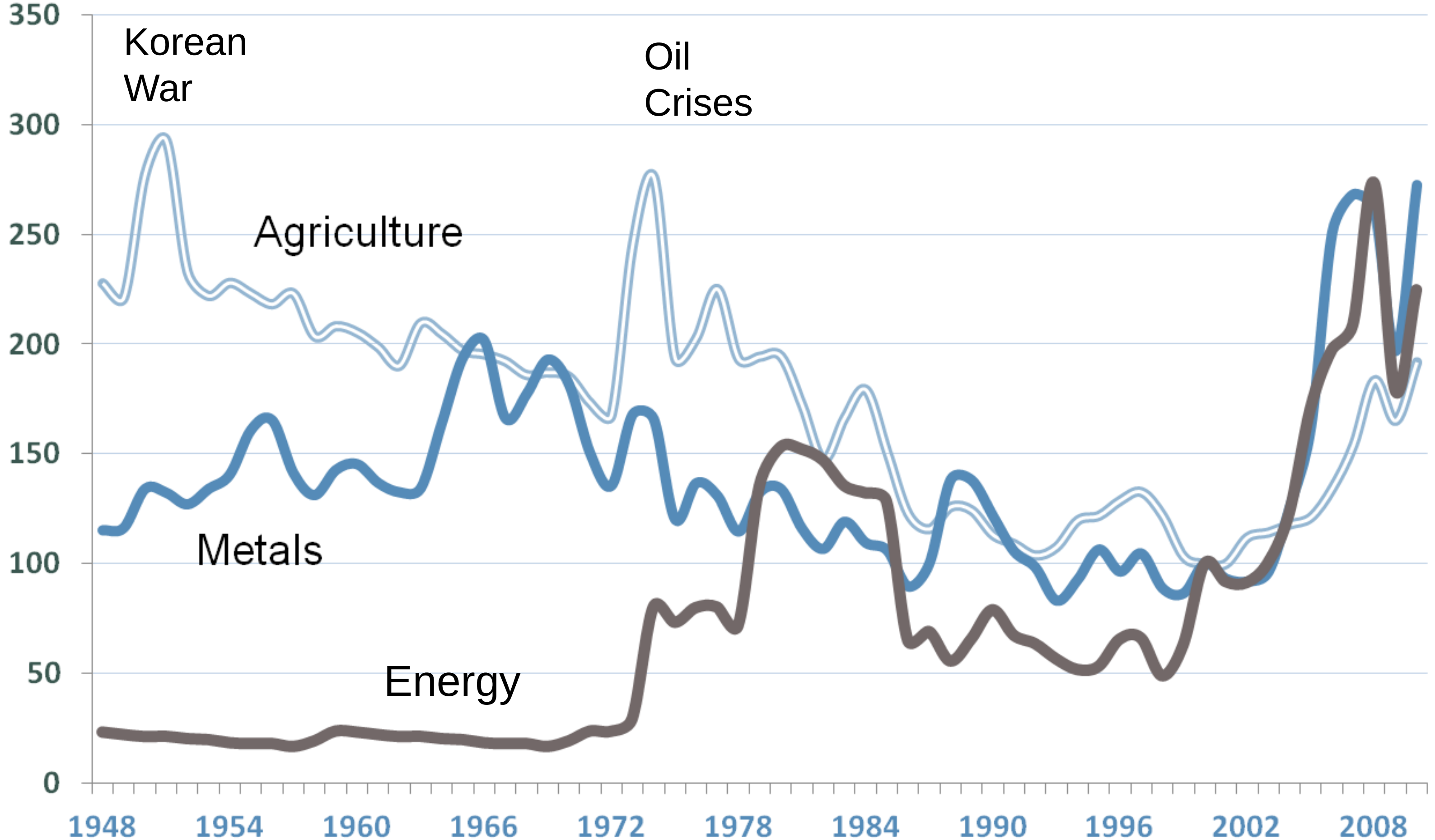
A Changing and More Difficult Context for Global Agriculture and Food Security

Current Agricultural Challenges from the Standpoint of Food Security

- **Still a billion hungry** people, mostly rural
- Food price spikes contributing to **social tension**
- Continuing **food price volatility contributing to uncertainty**
- Rising grain **demand**
- **Slow down in grain crop yield** growth
- Increased **water scarcity** and reached land frontier
- Increasingly **variable climate**
- **Trade policy responses** threaten global food security
- **Greater links between oil**, fertilizer, and food markets

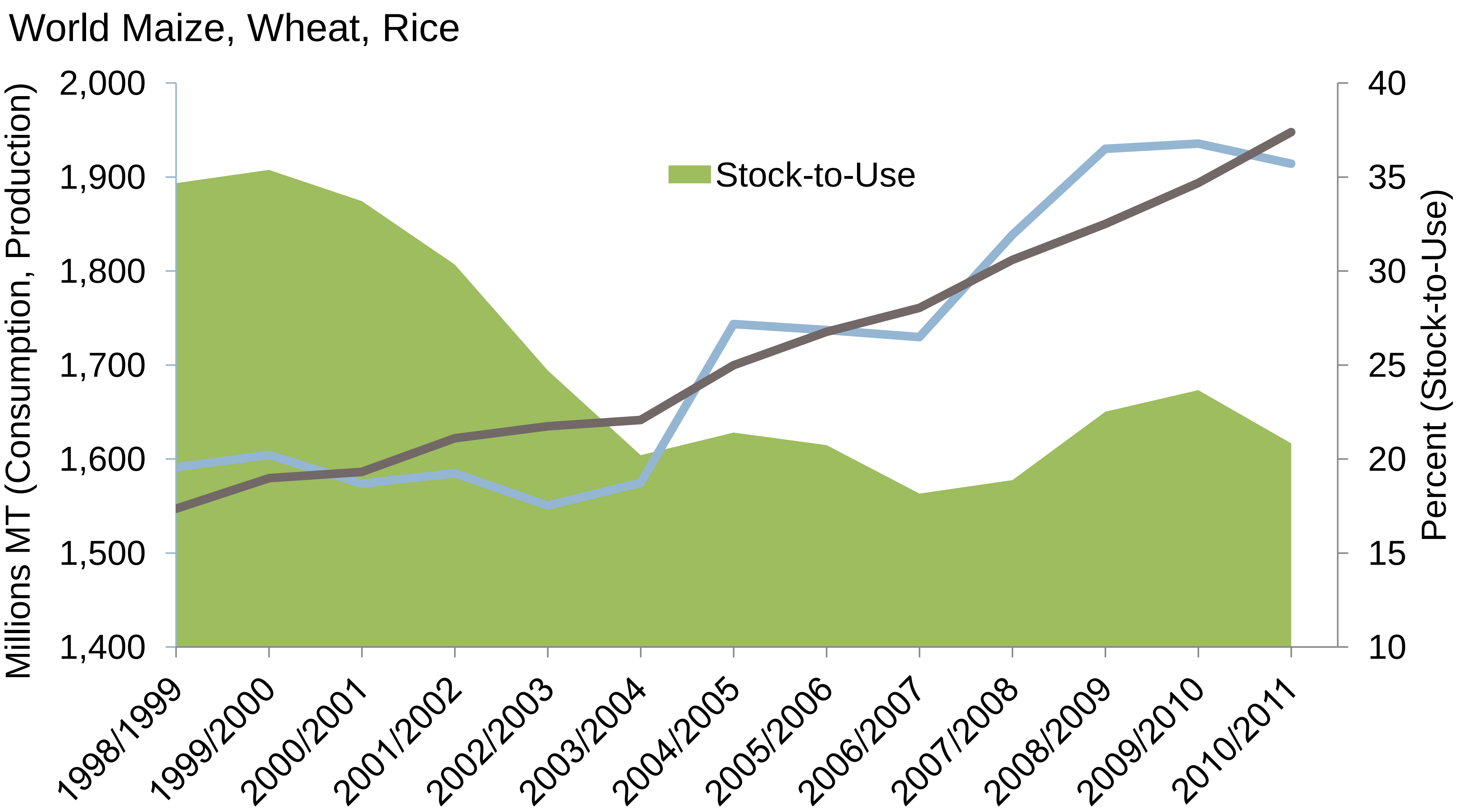
Long-term Commodity Real Prices 1948-2010

Indices, Deflated 2005 = 100

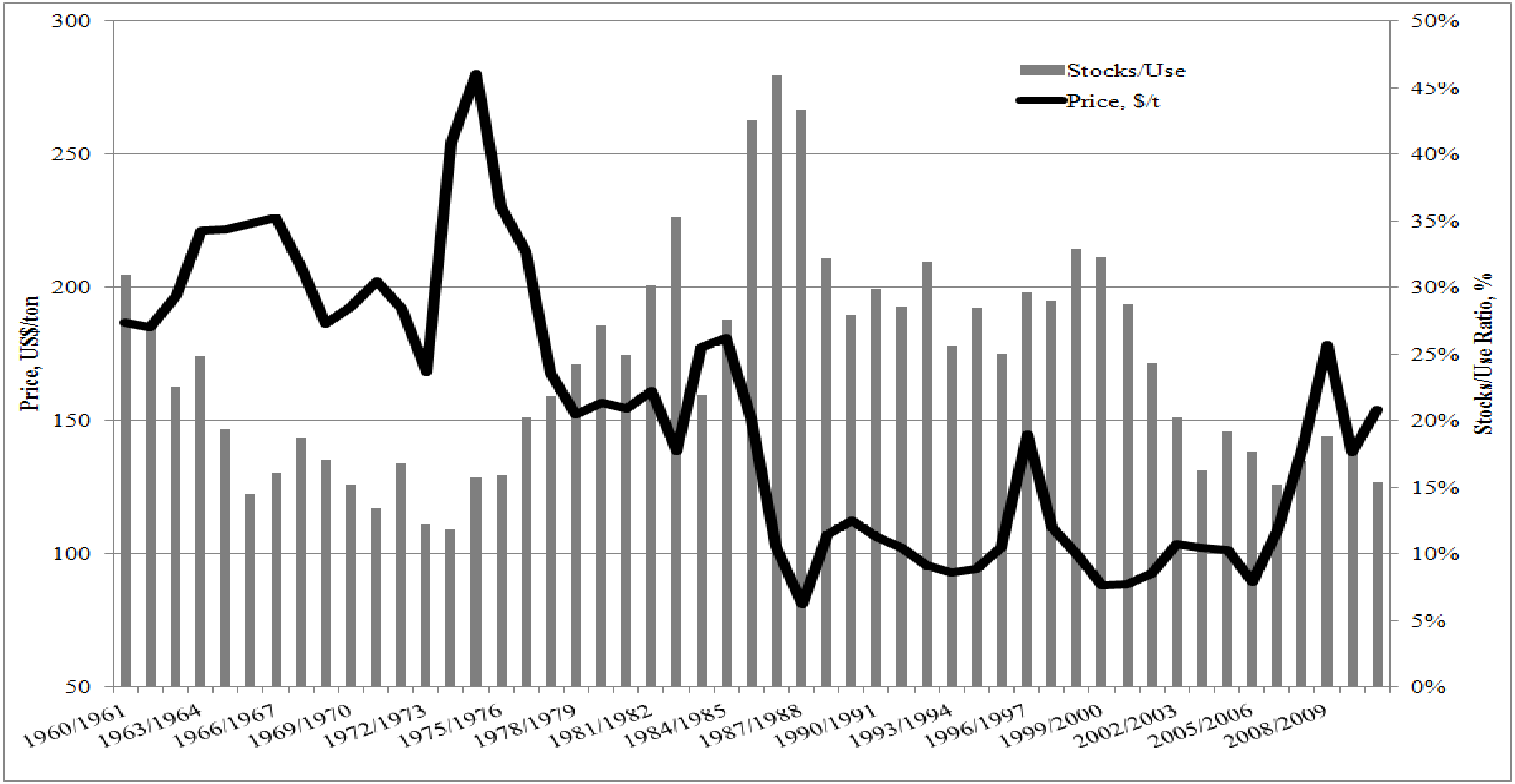


Source: World Bank, DECPG

↑ Food Demand + Production Shocks + Stocks ↓ = Food Price Volatility



Real Maize Prices vs. Stocks-to-Use 1960-2011



Source: Sergiy Zorya and Varun Kshirsagar, World Bank, using USDA data

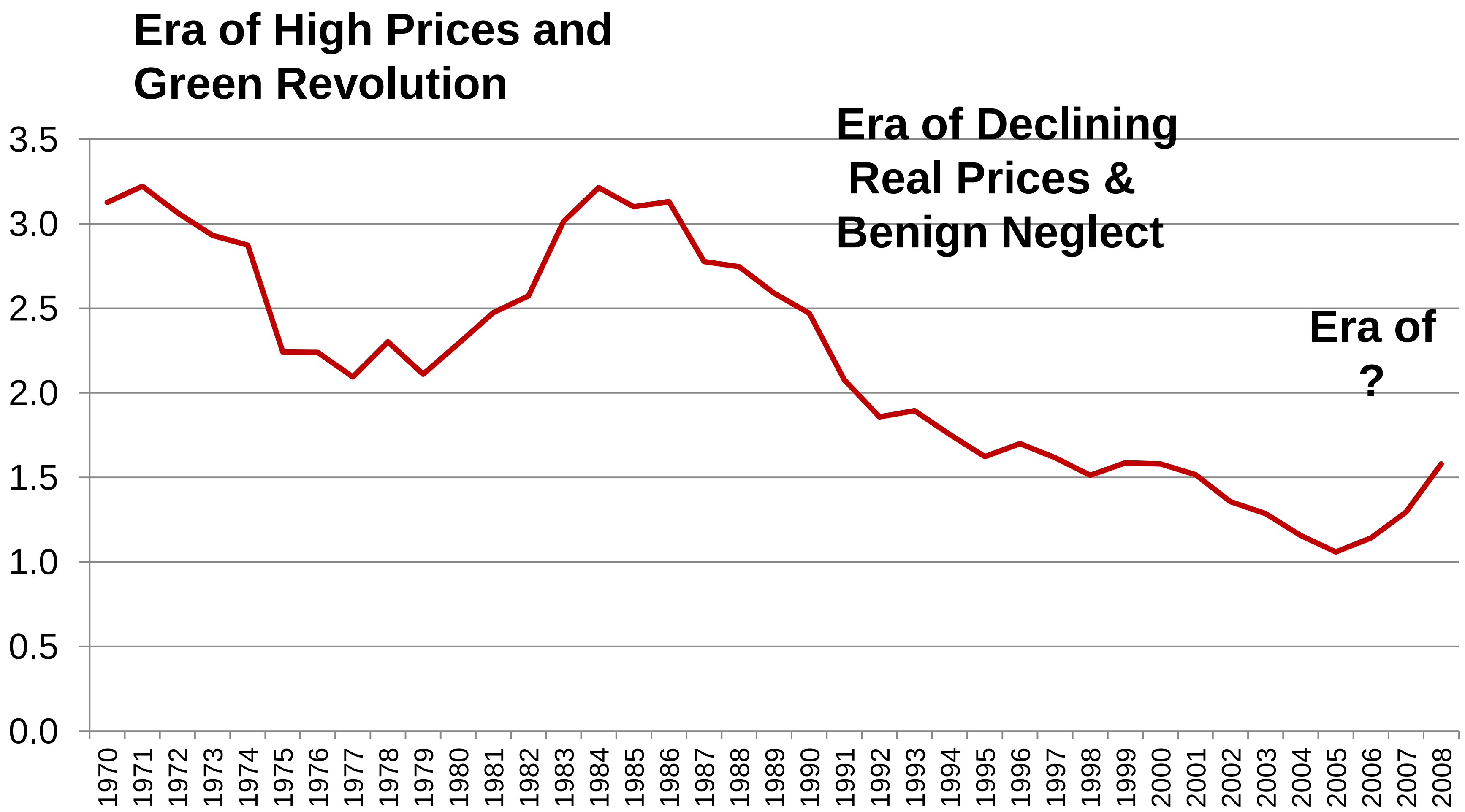
The Numbers 1960-2011

(average annual growth rates %)

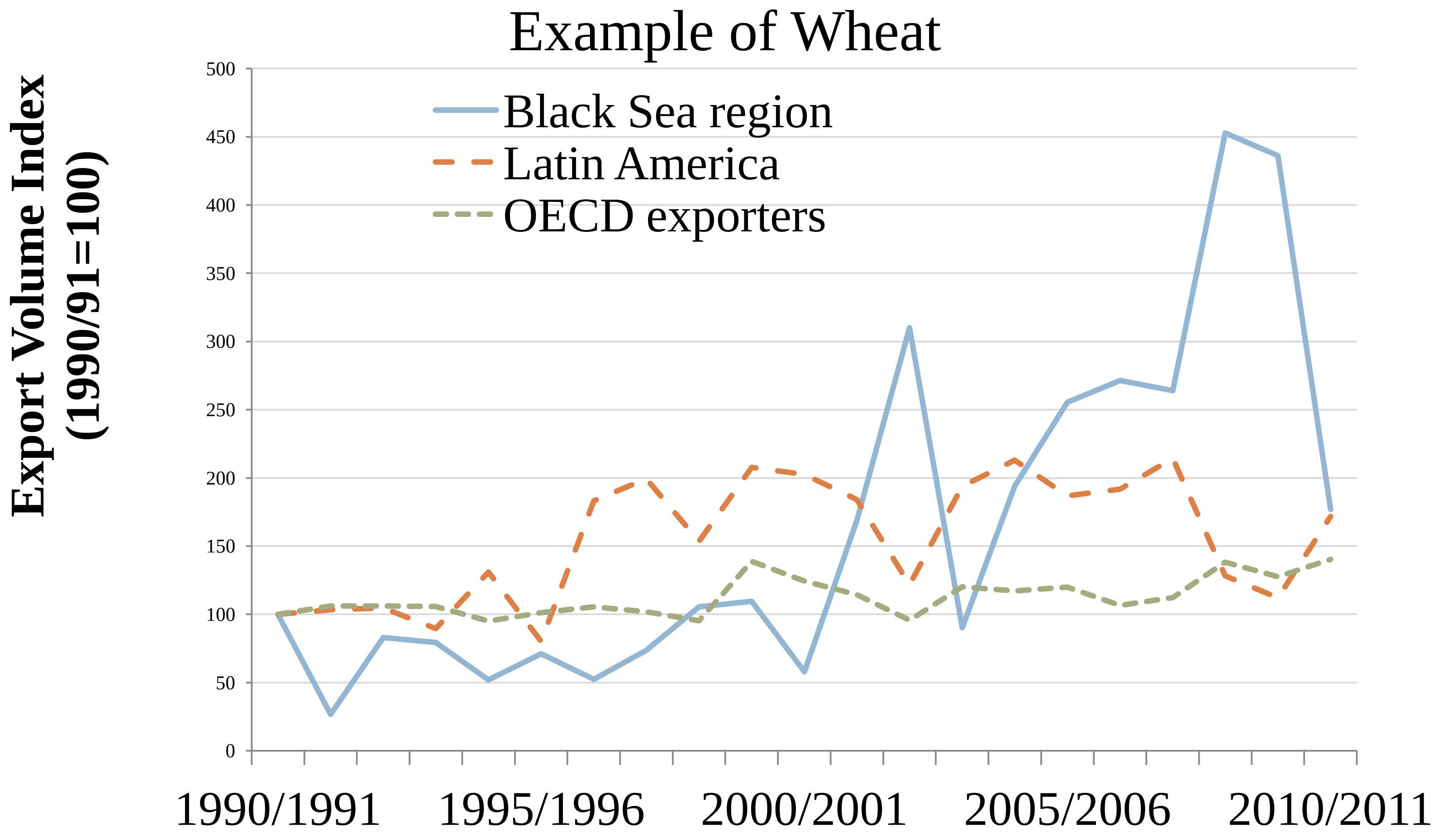
	1960-2011	1960-2003	2003-2011
Rice/Wheat/Maize			
Consumption	2.5	2.5	**2.5**
Production	2.4	2.3	**2.8**
(of which Yield)	1.9	1.9	**1.7**
(of which Area)	0.5	0.4	**1.1**
Maize alone			
Consumption	3.0	2.8	**3.8**
Production	2.9	2.7	**3.7**

Source: Robert Townsend, World Bank, using USDA data

Preceding Ten Year Growth Rates (% p.a.) in Cereal Yields in Developing Countries 1960-2008



Grain Exports from New Main Exporters Are More Variable Than from Traditional Exporters



Source: USDA

How Have Developing Countries Been Doing In Recent Years?

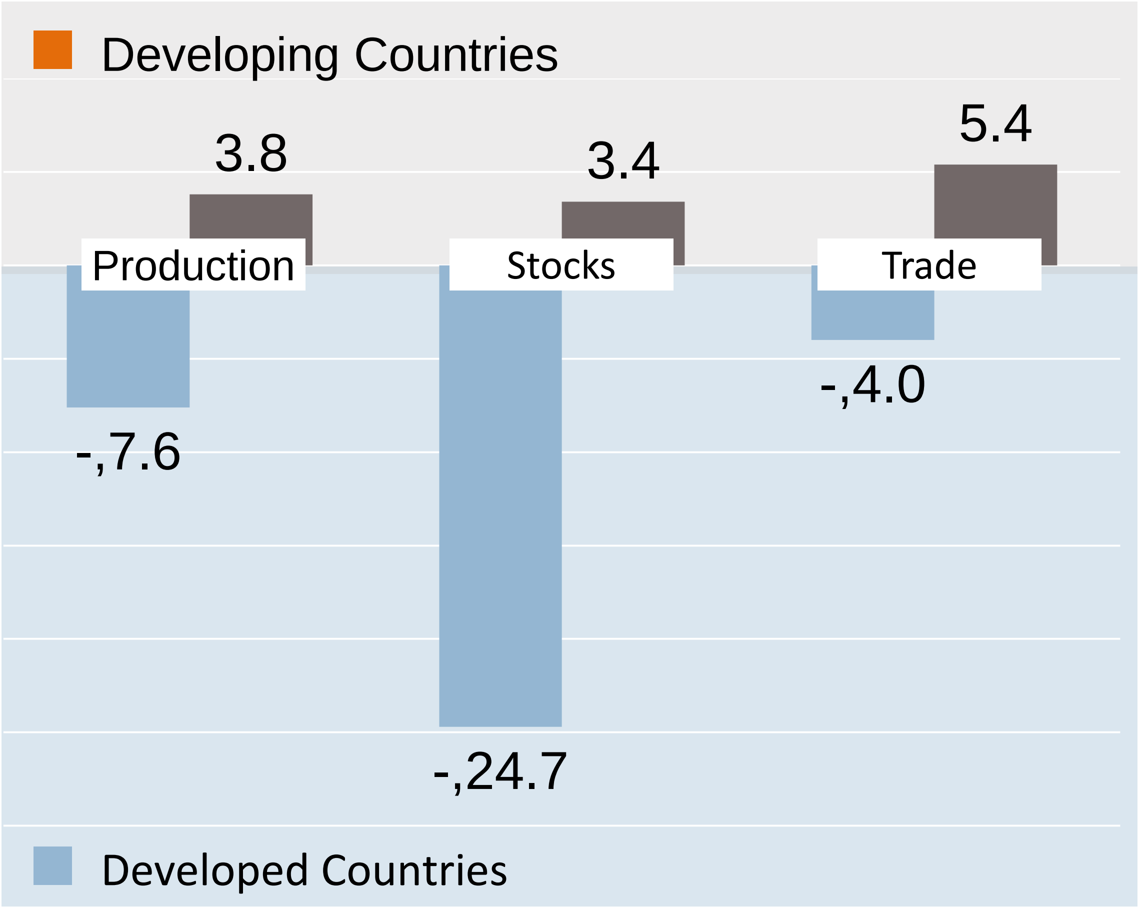
- **Food Security – MDG1 on hunger**
  - 18 countries already met MDG on hunger
  - 26 countries on track to meeting MDG on hunger
  - 42 countries insufficient progress (or deterioration)

- **Growth** – 2009/10 to 2010/11 cereals
  - 3.8 % increase in production (compared to 7.6 % decline in OECD countries)
  - 5.4 % increase in trade

- **Poverty Reduction** - MDG
  - Progress but not fast enough in the poorest countries

DEVELOPING COUNTRIES ENTERED 2010/11 WITH HIGHER PRODUCTION, MORE STOCKS, AND DEEPER TRADE

Cereals, % change 2009/10 to 2010/11 [FAO forecast]



Developing countries

- Improved resilience in some countries, but not all
- Dampened pass-through of world prices so far in some countries but not all

Developed countries

- Handicapped by lower production, stocks, trade
- Weather induced
- Account for 70% of world cereals trade
- Declines contributed to world food price increases

Source: FAO

… BUT MUCH MORE IS NEEDED

OUTLOOK	RESPONSE

World food prices are expected to remain higher and more volatile than their pre-2007 levels

Short term price volatility is increasingly becoming a long term phenomenon

Exploit Opportunities

- **Productivity growth**
- Link farmers to markets

Manage risks

- Improve information and ensure early discussion by policymakers
- **Invest in agricultural resilience**
- Improve safety nets

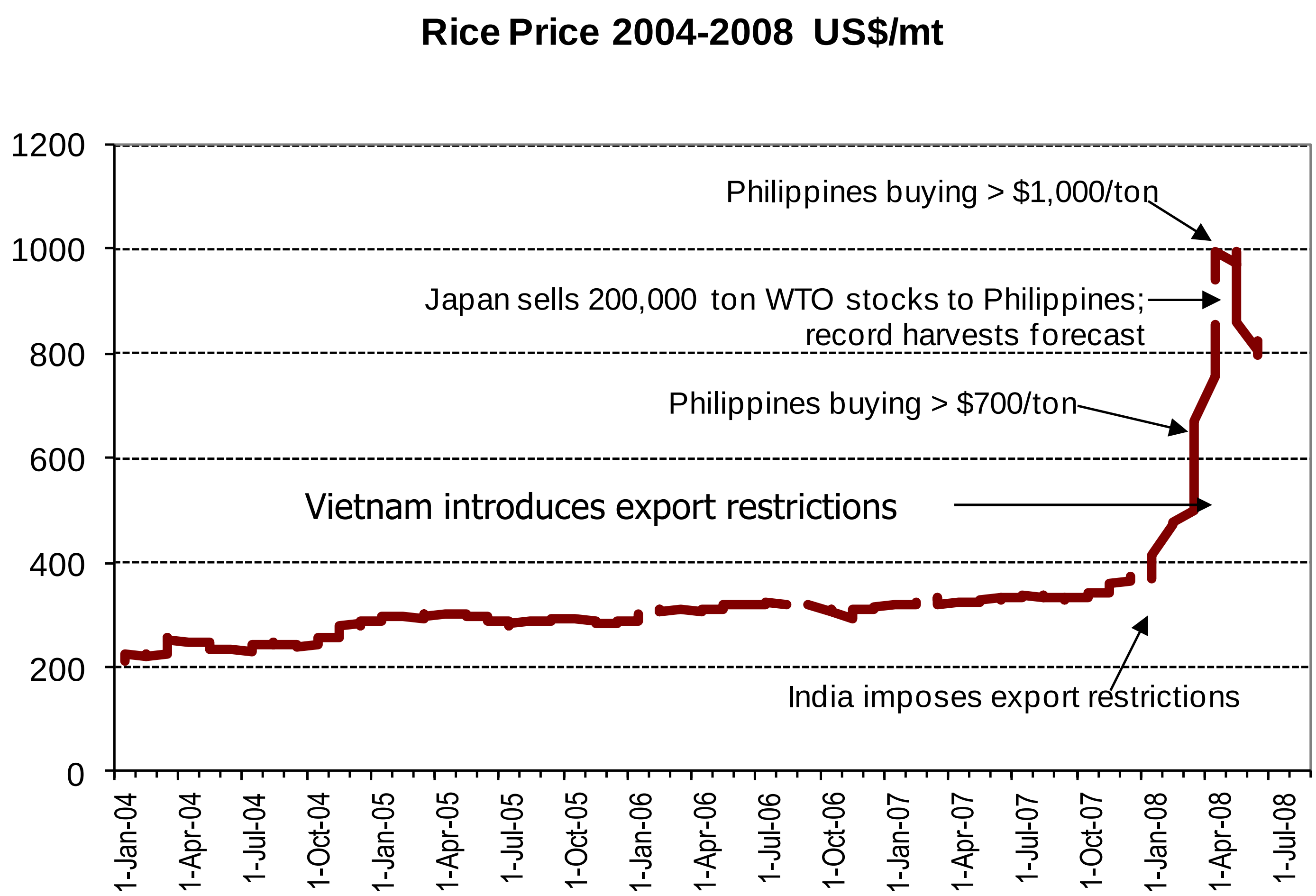
The Need for Increased Transparency and Improved Policy Coordination

Stock-to-Use Changes (%) 2009-11 for Exporters More Pronounced Than for World

	Rice	Wheat	Maize
World End Stock/Use %	21.8%	30.0%	15.3%
World Change since 2009/10	+0.3%	-0.9%	-2.2%
Major Exporter:	Thailand	EU-27	USA
Major Exp End Stock/Use %	53.0%	9.6%	10.1%
Major Exp Change since 2009/10	-6.8%	-3.3%	-4.3%

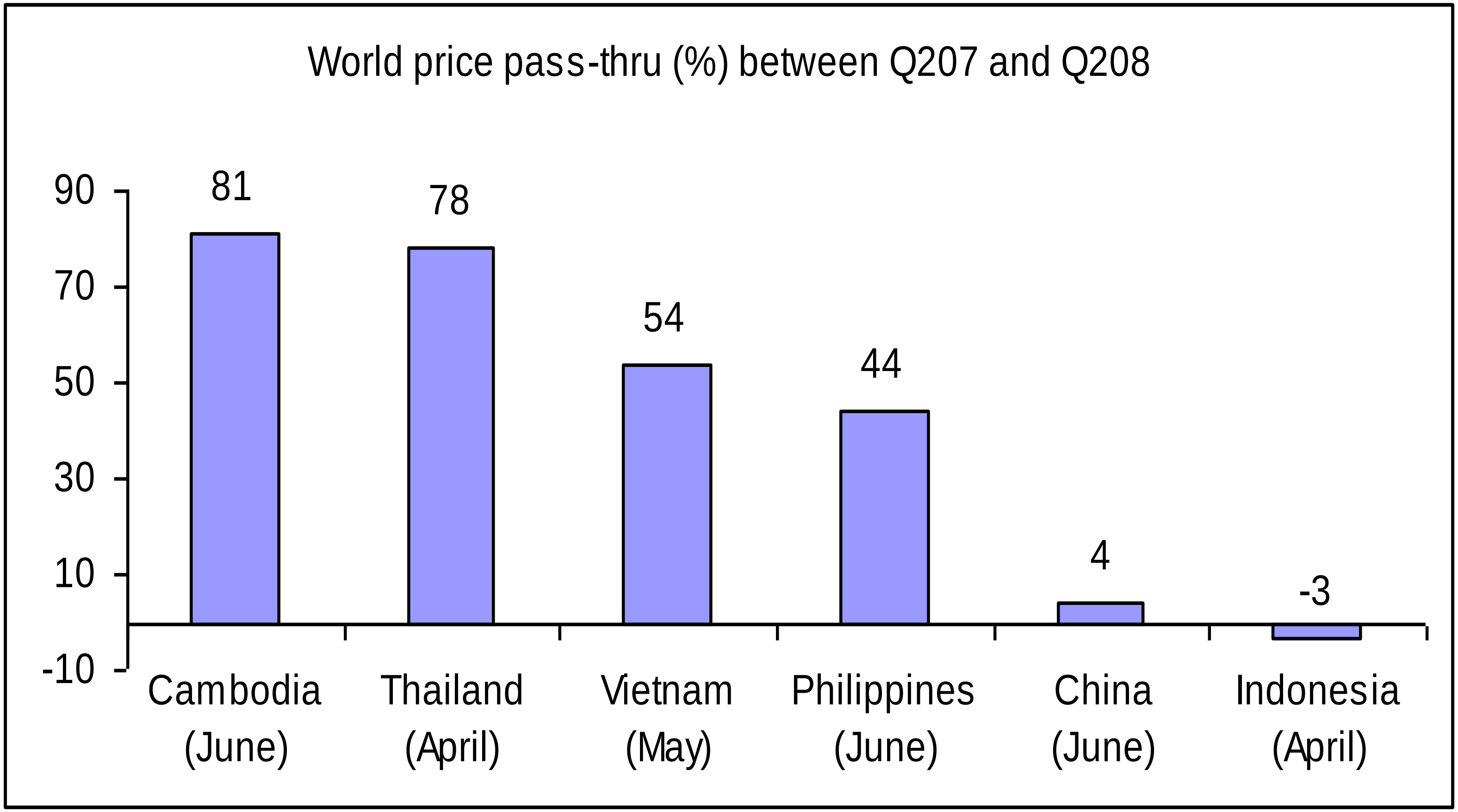
Source: Compiled from USDA WASDE Nov. 2011

Up to Half of the 250% Rice Price Increase in 2008 Was Due To Policy



Source: Aldaz-Caroll 2008

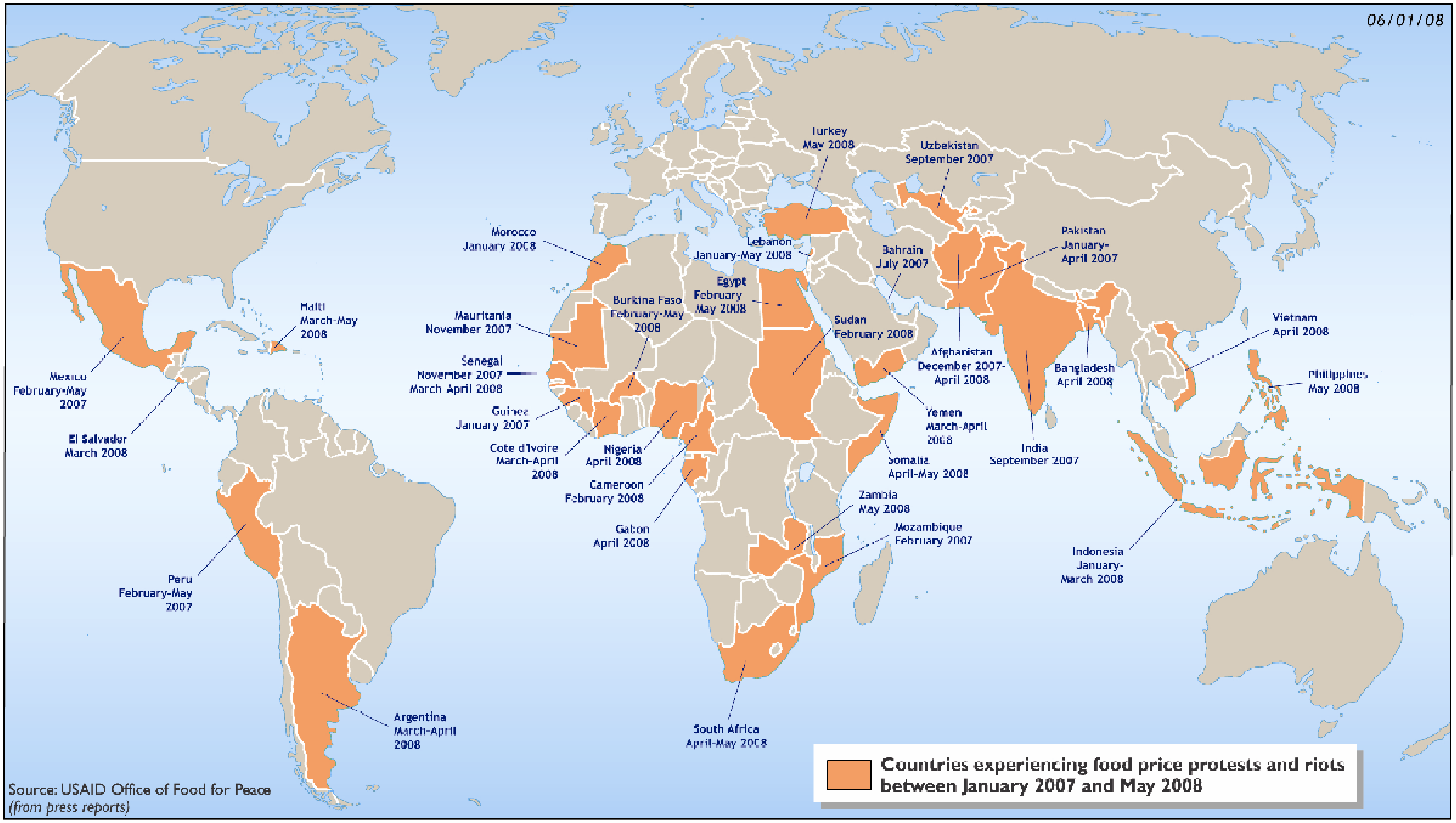
Rice Price Transmission From Global Market to Consumers in 2008 Different Across Asia



Transmission of price peaks limited and uneven

Source: Aldaz-Caroll 2008

Reality Check: Countries Facing Food Price Protests And Riots, January 2007- May 2008



Source: USAID Office of Food for Peace

Short-term Policy Responses Observed in 2008 Affecting Long-run Outcomes

(given in **increasing order of possible negative impact** on long-run policy options)

1. **Reduce (permanently)Food Grain Taxes**/Tariffs
2. **School Feeding** Programs
3. **Cond’nal Cash Transfers** to the Poor
4. **Targeted Food Subsidies**
5. **Food for Work**
6. **Food Aid**

Good

Still good, but more difficult to avoid operational problems or negative impact on incentives

Worse Short-Run Responses Observed in 2008

(given in **increasing order of likely negative impact** on long-run policy objectives)

7. **Build-up of Gov’t Buffer Stocks** for Distribution (governance and cost are issues, but has the fall-back situation in the exporting countries changed?)
8. **Food Rationing** (not sustainable over time)
9. **Price Controls** (bad other than in very short term special circumstances)
10. **Ad Hoc and Temporary Reductions in Tariffs** (the equivalent for net importers of export taxes for net exporters)
10. **Export Restrictions**/Taxes
11. **Inflexible Export Bans**

Not Good

Post-2008 International Grain Market Policy Coordination Needs

To improve trust among players that affect global grain markets:

- **Avoid short-term policy responses** to short-term food insecurity **that have adverse longer-term** implications for both food security and market development
- **Decrease the asymmetries of information that create transactions costs** in international grain markets
- **Recognize the absolute imperative governments face to provide food security** in the face of crisis, including through solidarity from better off neighbors
- **Improve the consistency of market signals**