



School of Oriental & African Studies

Reducing Food Price Volatility for Food Security & Development: G20 Action

December 2010

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Questions

- What are the sources of food price instability?
- What has happened to food prices?
- What are the prospects?
- What to do, by/ with who, how, where?
- Why?

Causes of the 2008 spike?

Policy changes

Environmental changes

Population growth

Economic growth

Paris, 1st December 2010

Causes of the 2008 spike?

Policy changes

Environmental changes

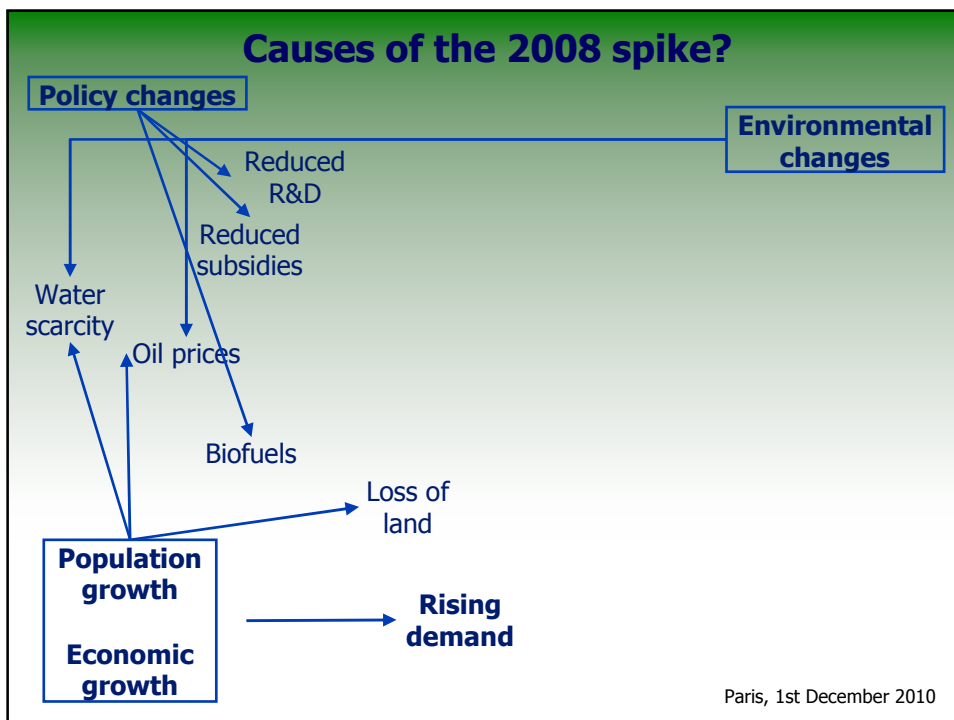
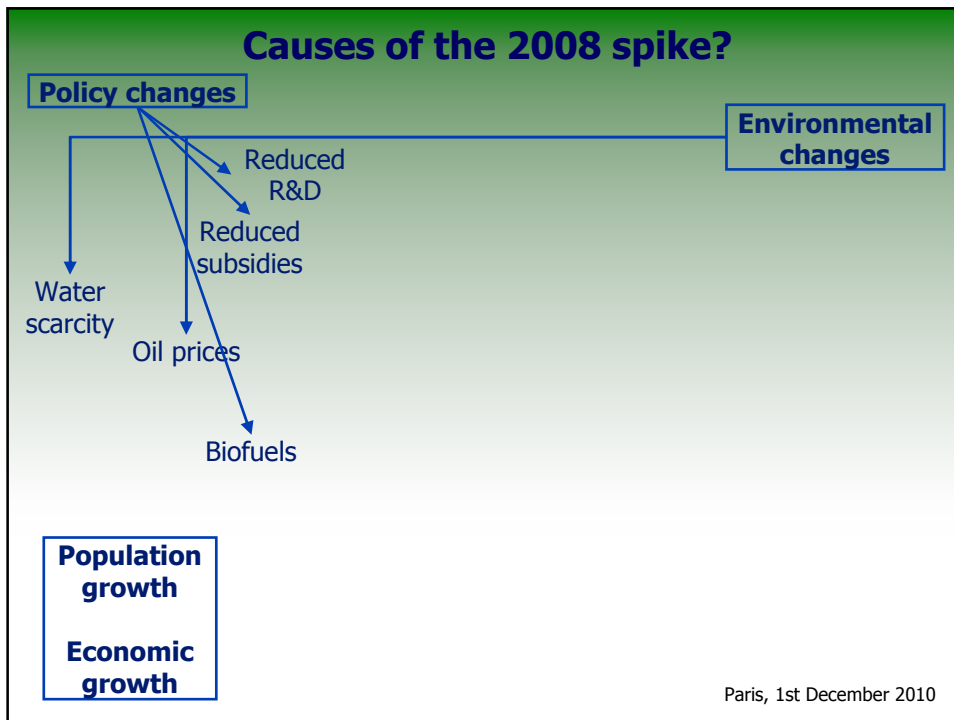
Water scarcity

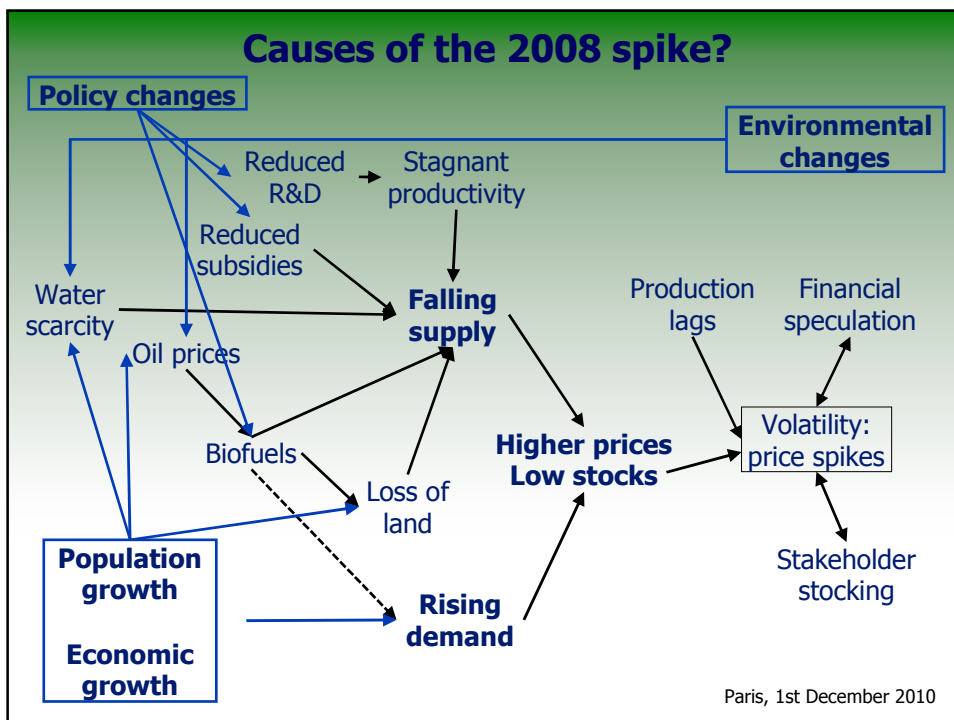
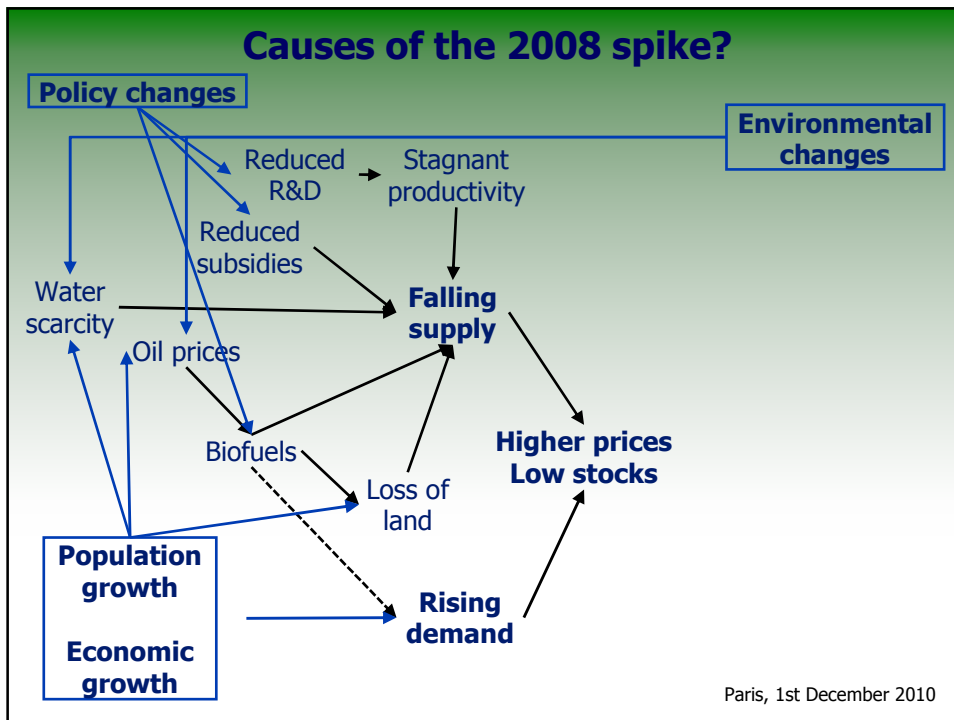
Oil prices

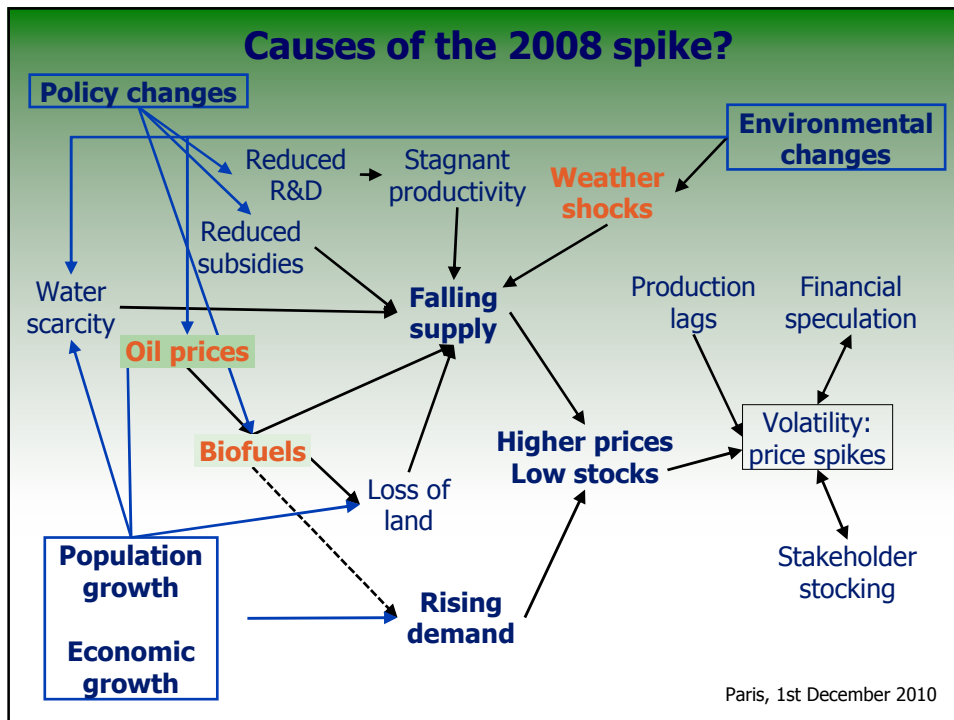
Population growth

Economic growth

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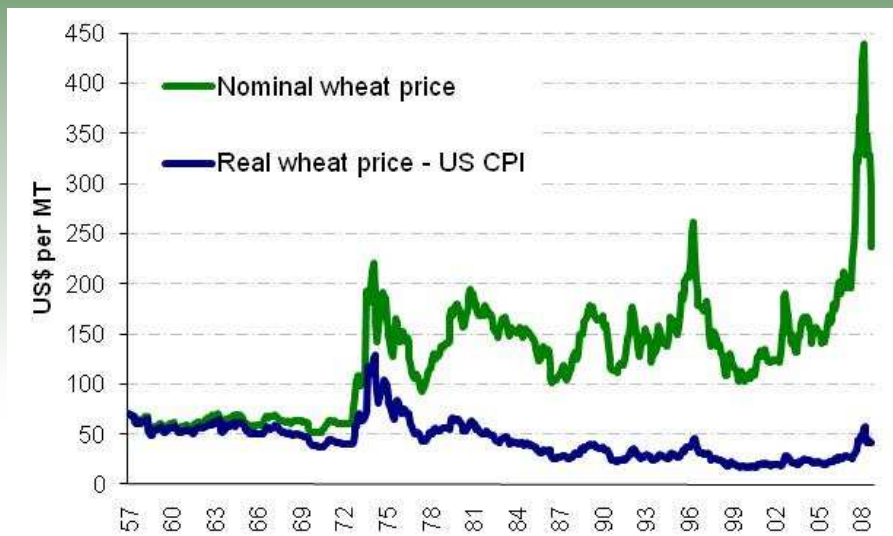
- ### Drivers of food price changes
- ❑ Long term drivers
 - ❑ Policies
 - ❑ Environmental eg climate change
 - ❑ Population
 - ❑ Economic growth
 - ❑ Energy prices
 - ❑ Technical change / labour productivity
 - ❑ Short term drivers
 - ❑ Weather shocks
 - ❑ Policy shocks
 - ❑ Stocks
 - ❑ Distinguish between
 - ❑ Low, middle, high income economies / people?
 - ❑ Long and short term food prices
 - ❑ **What has happened to food prices?**
- Paris, 1st December 2010

What has happened to food prices?

Long term trend	Decline relative to income, due to labour productivity increases from energy substitution & technical change
Short term spike	More expensive relative to other goods and services, relative to inputs

Paris, 1st December 2010

What has happened to food prices?



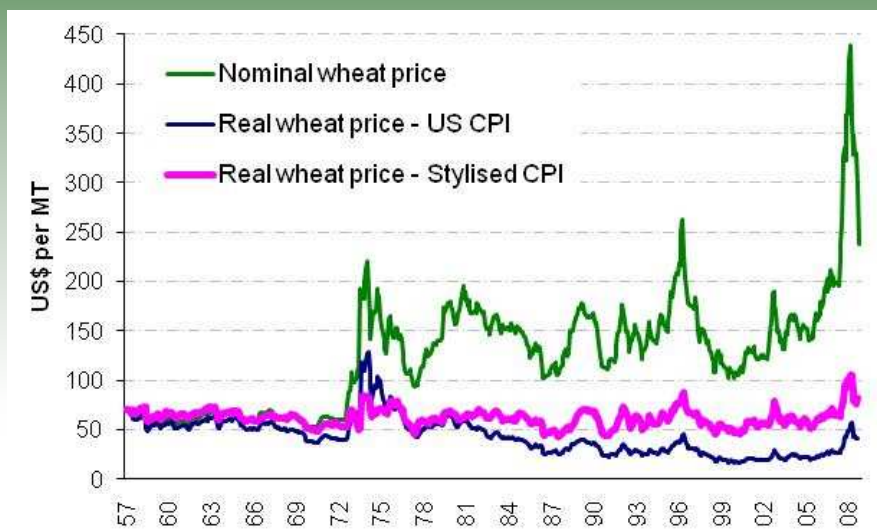
Paris, 1st December 2010

What has happened to food prices?

	Rich buyers, sellers
Long term trend	Decline relative to income, due to labour productivity increases from energy substitution & technical change
Short term spike	More expensive relative to other goods and services, relative to inputs

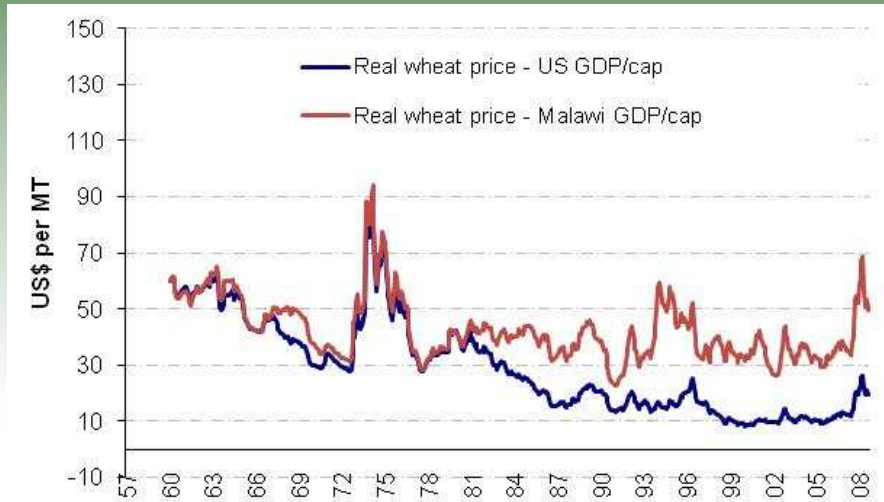
Paris, 1st December 2010

What has happened to food prices?



Paris, 1st December 2010

What has happened to food prices?



Paris, 1st December 2010

What has happened to food prices?

	Rich buyers, sellers	Less / emerging poor (buyers & sellers)	Poor (net buyers)
Long term trend	Decline relative to income, due to labour productivity increases from energy substitution & technical change	↔	Always high relative to income
Short term spike	More expensive relative to other goods and services, relative to inputs	↔	More expensive relative to income, more difficult to afford

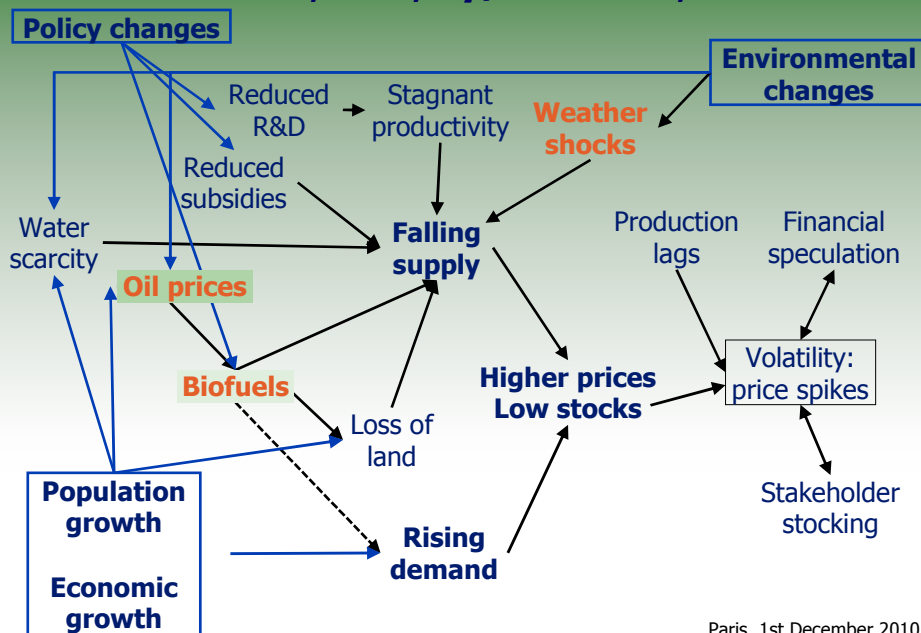
Paris, 1st December 2010

What is going to happen?

- ❑ Rising energy prices?
- ❑ Water scarcity?
- ❑ Climate change impacts?
- ❑ Population growth
- ❑ Economic growth
- ❑ Impacts on labour productivity, incomes, equity, economies, food security, food stocks, price variability?
- ❑ *Implications for international policies:*
 - ❑ Increase stocks
 - ❑ Raise supply - productivity
 - ❑ Whose productivity where?
 - ❑ What constraints?
 - ❑ Low productivity traps, price tight ropes?
 - ❑ What policies, what technologies?
 - ❑ Reduce demand?
 - ❑ Manage risk

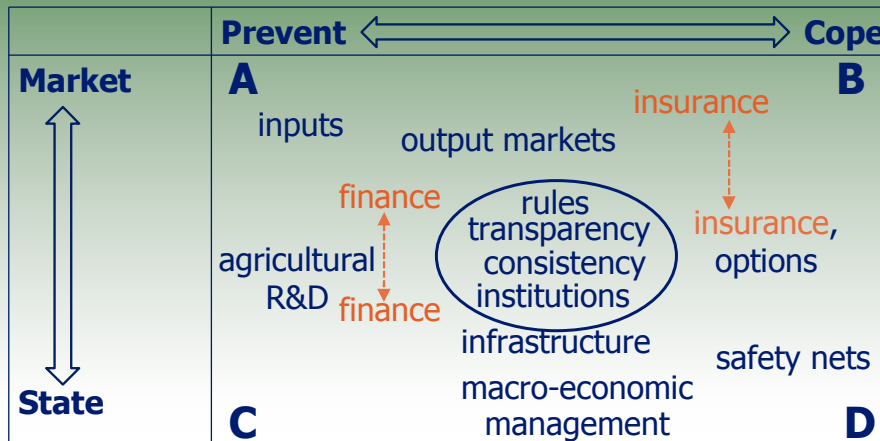
Paris, 1st December 2010

What to do, how, by/with who, where?



Paris, 1st December 2010

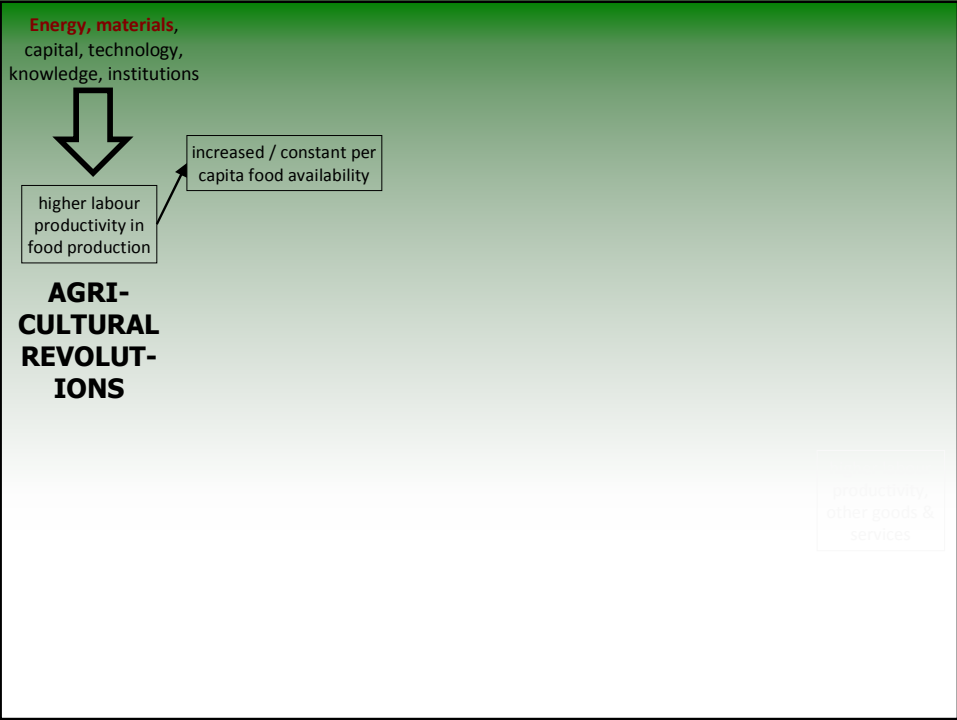
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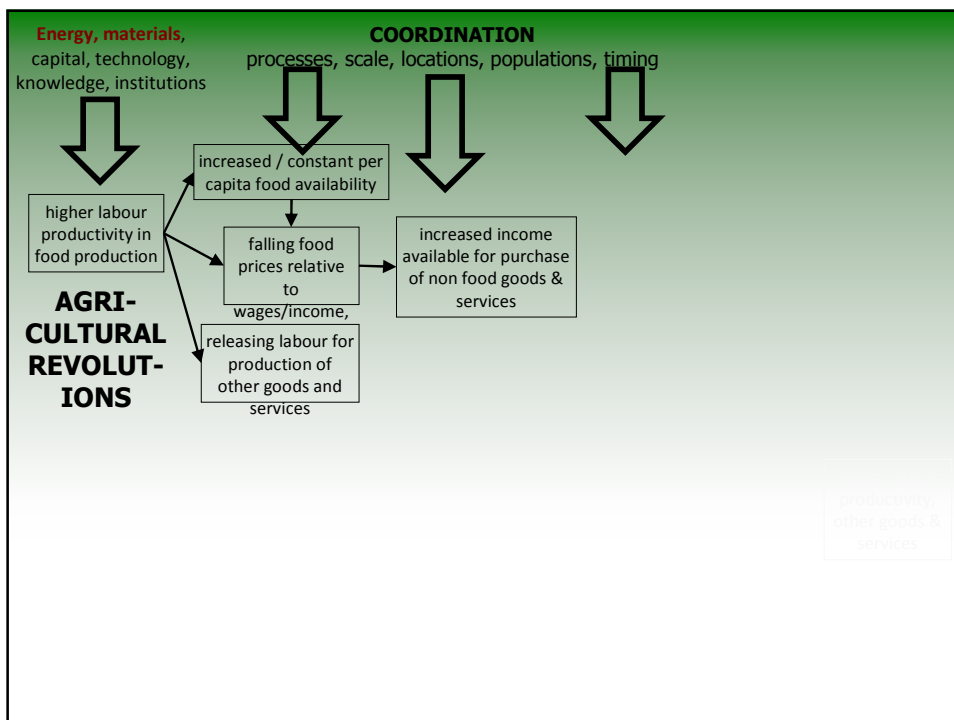
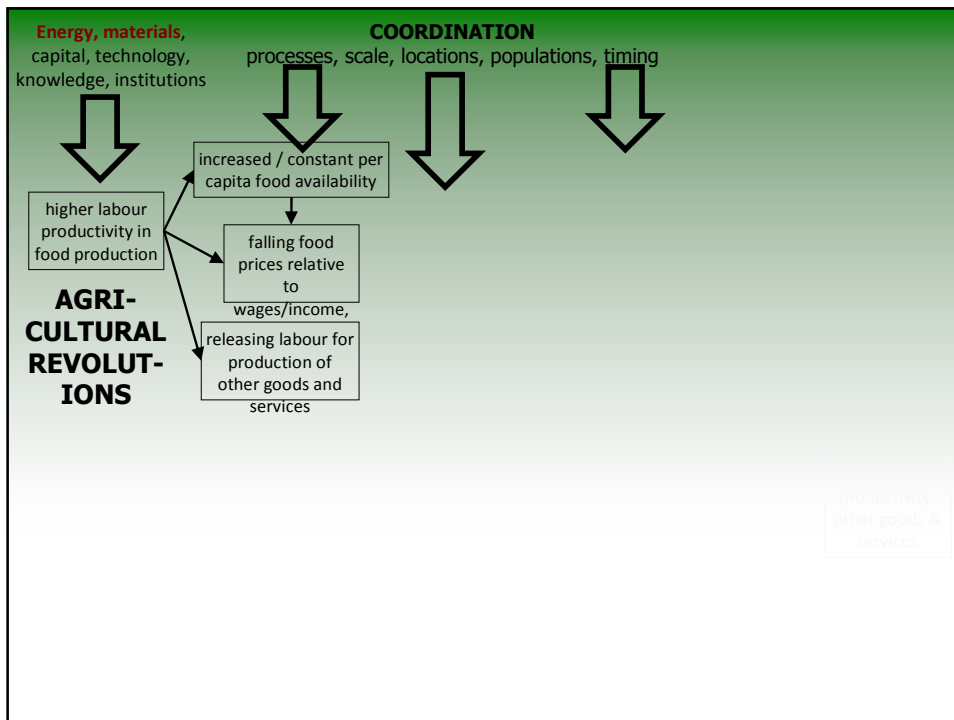


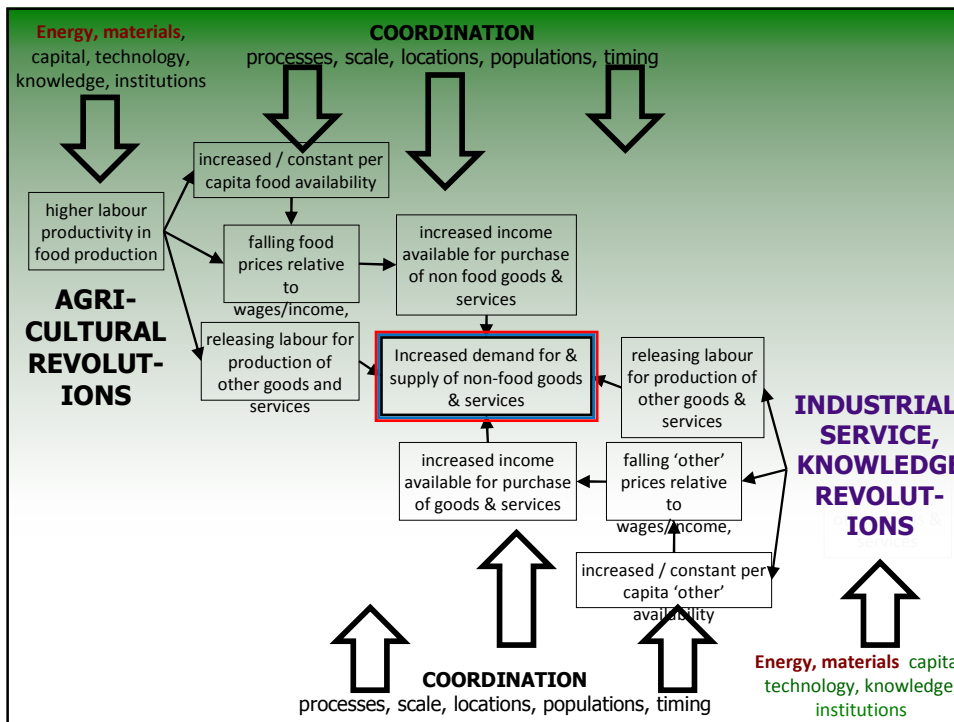
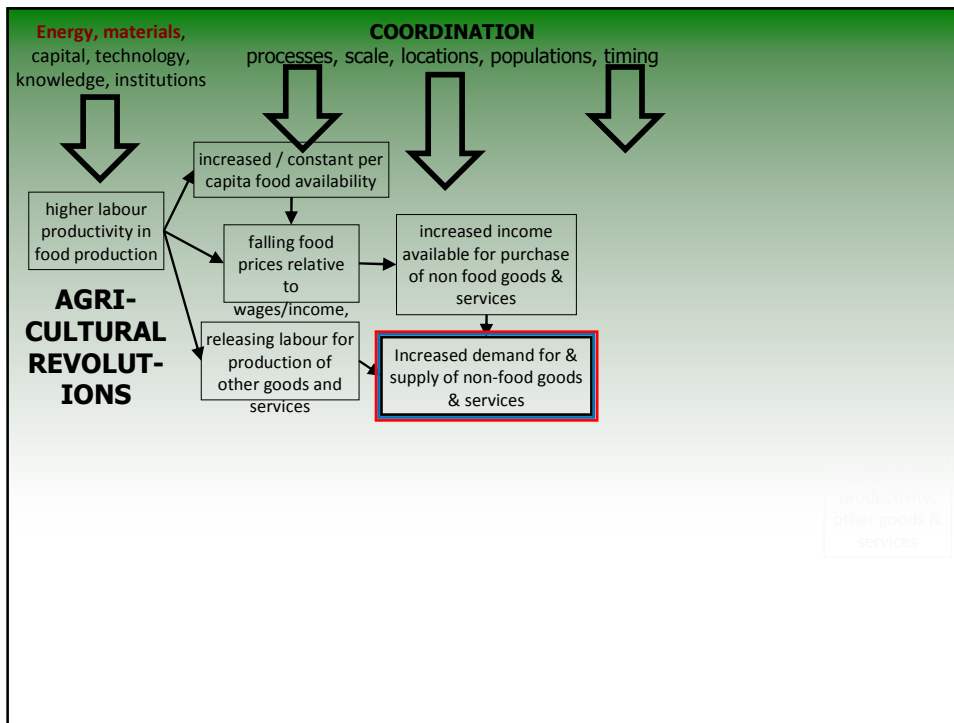
Notes: Work in progress - stylised contents & location, instruments extend across & contribute to both prevention & coping; roles & providers differ between contexts (eg poor, less poor economies) & between levels (eg farm, national, regional, international) - especially for **finance & insurance**. Politicians are critical! Civil society?

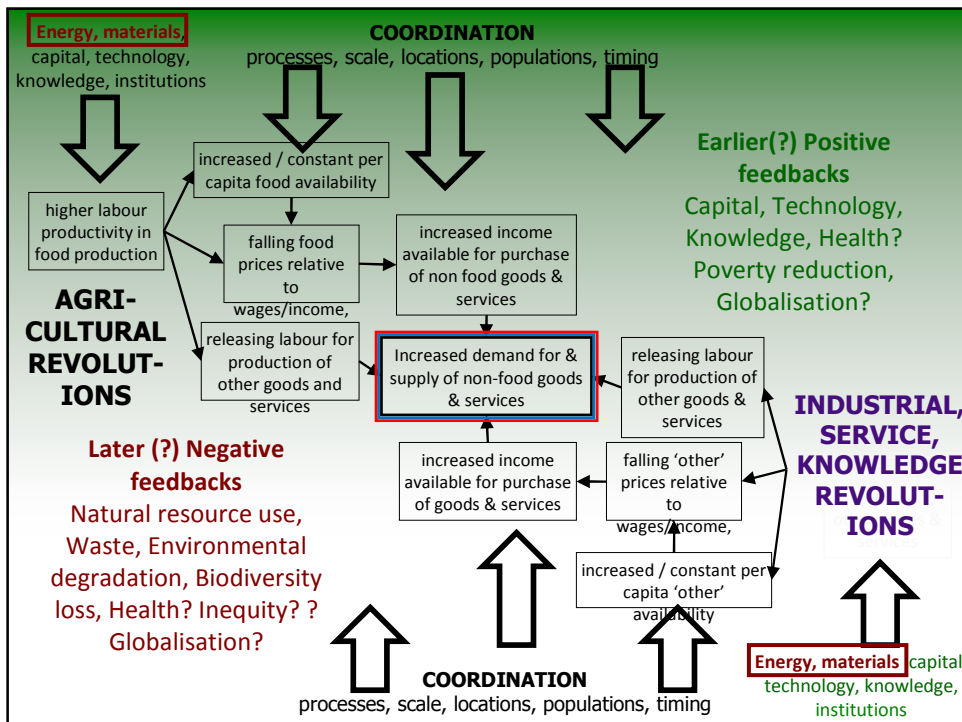
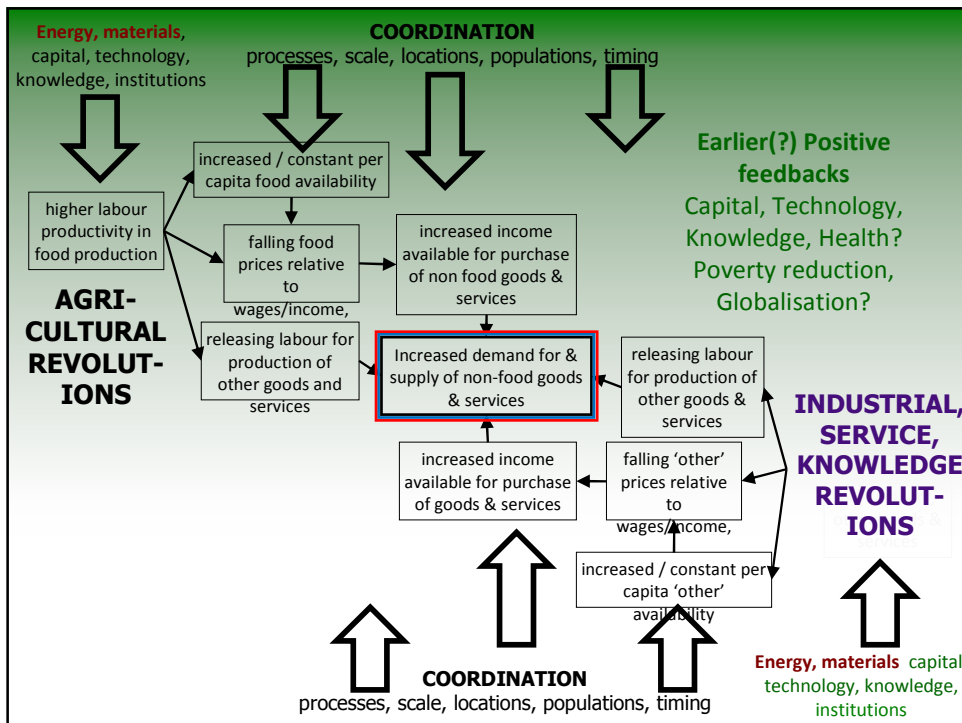
Why?

- ❑ Low stable food prices critical for
 - ❑ Welfare of the poor – incomes, nutrition, health, child development, education,
 - ❑ Development processes
 - ❑ International relations & security
 - ❑ Welfare / lifestyles of developed economies founded on
 - ❑ cheap mobile energy,
 - ❑ cheap food,
 - ❑ Technology & technical change
 - ❑ Institutions & institutional change
- ❑ *A critical G20 issue*











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