

# Policy Responses to Volatile Prices and Food Security

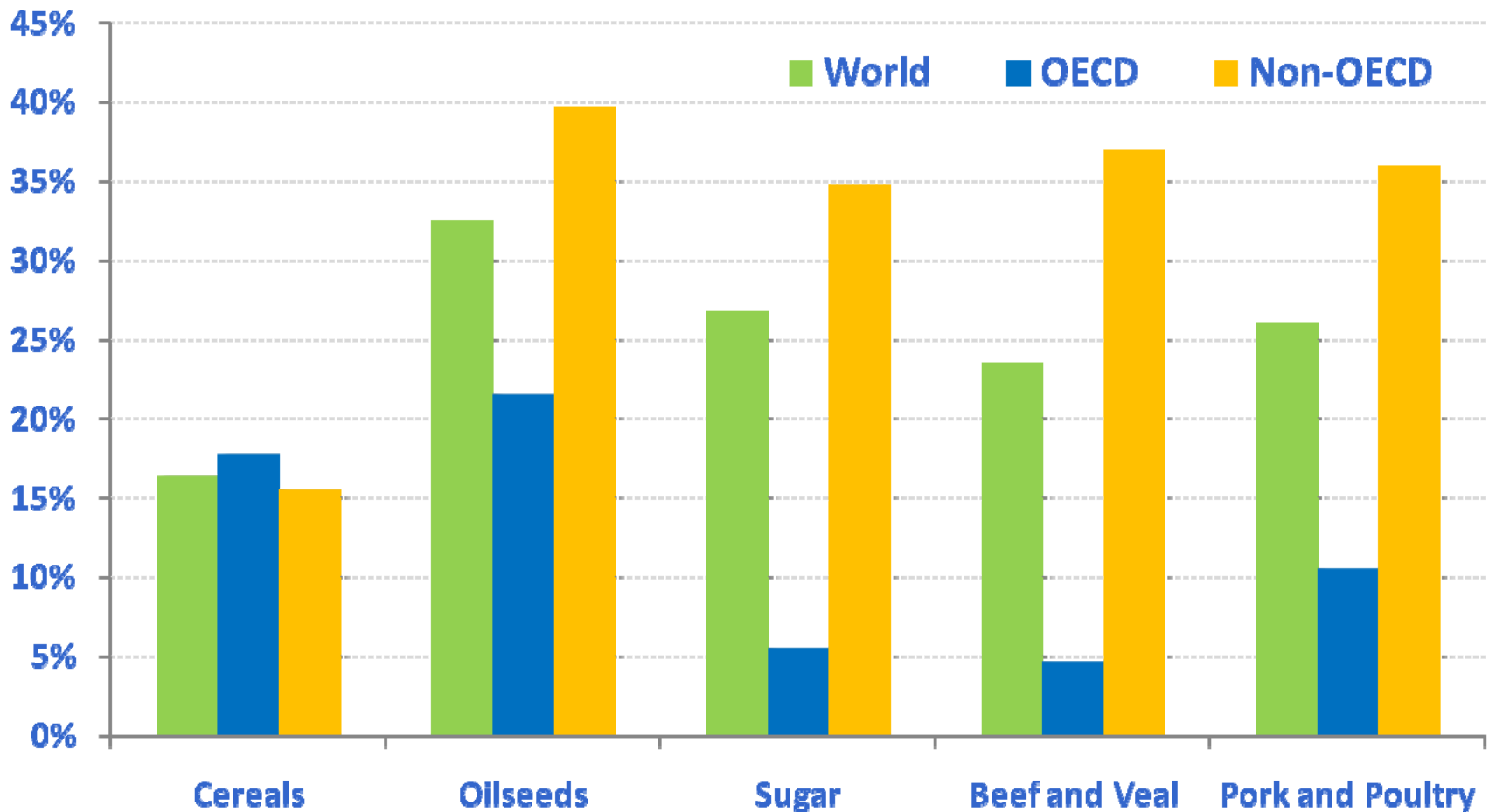
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Trade and Agriculture Directorate



**USDA Agricultural Outlook Forum, Arlington, Virginia  
26-27 February 2009**

# Demand growth from 2003-07 to 2017

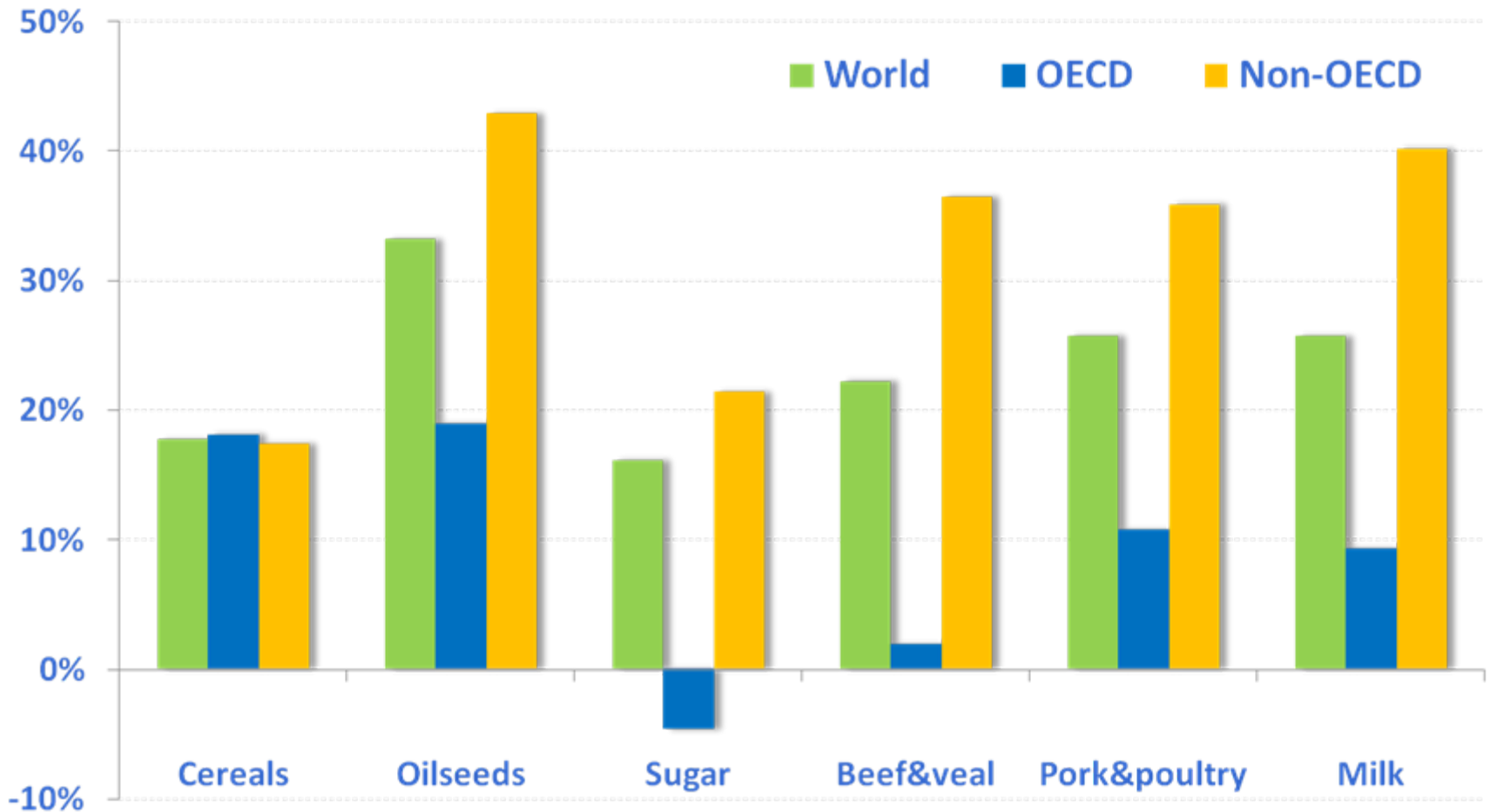
*Demand growth is largest in non-OECD area*





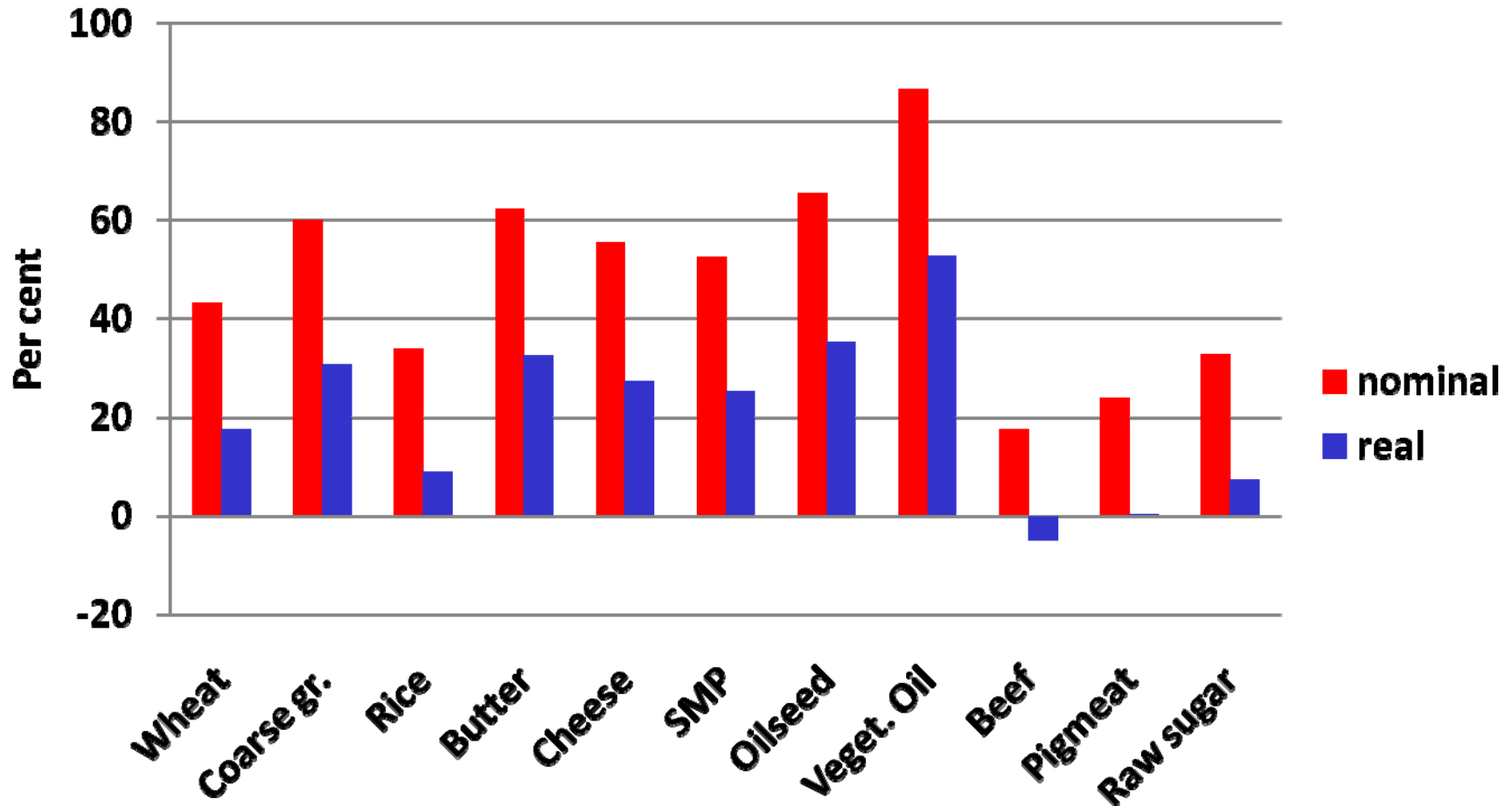
# Output growth from 2003-07 to 2017

*Output Growth is largest in non-OECD area*



# 2008 projections: higher world prices

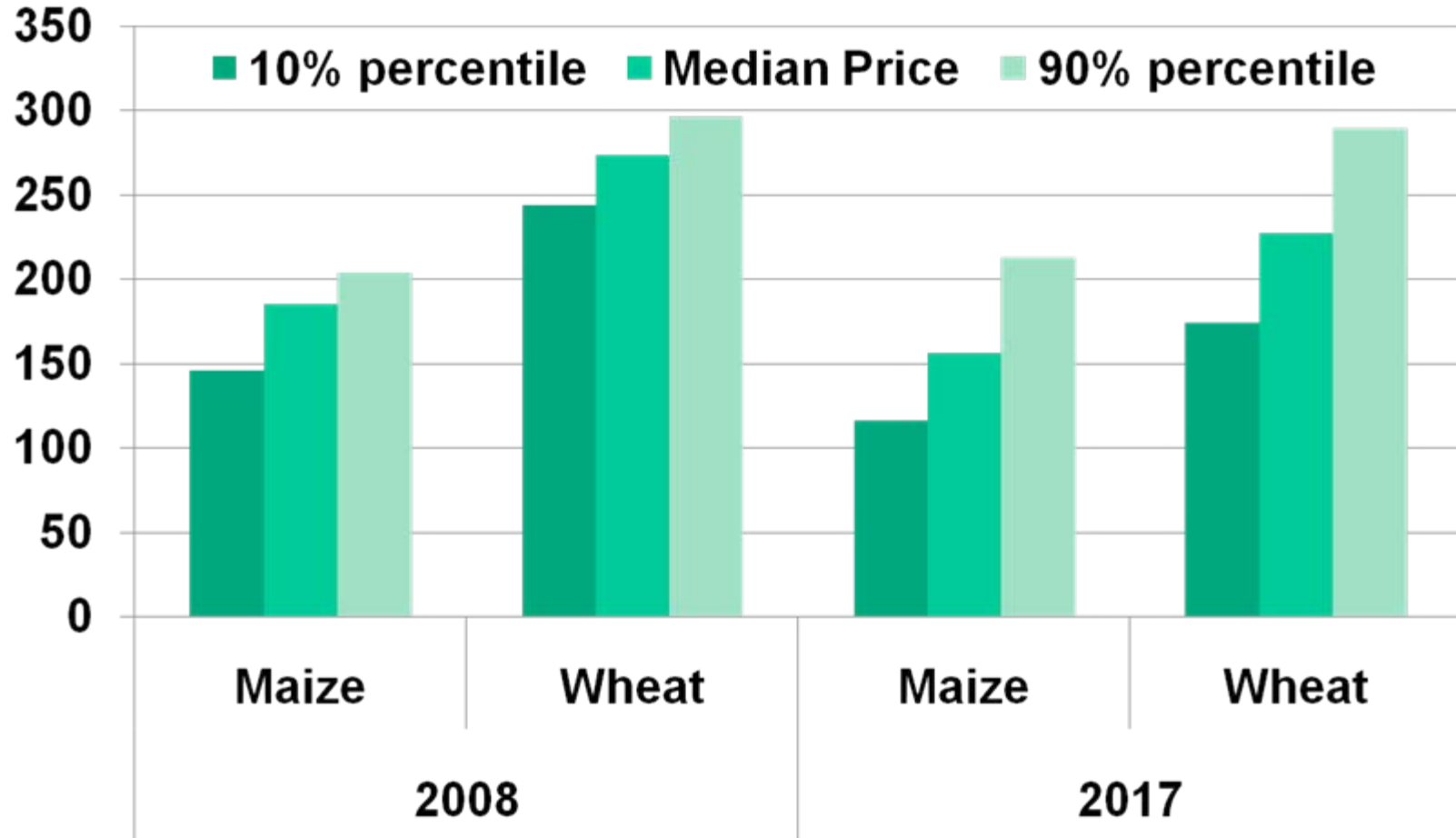
Average 2008-2017 compared to average 1998-2007





# Uncertainty of projections

Stochastic wheat/maize prices (nominal USD/t) in 2008 and 2017



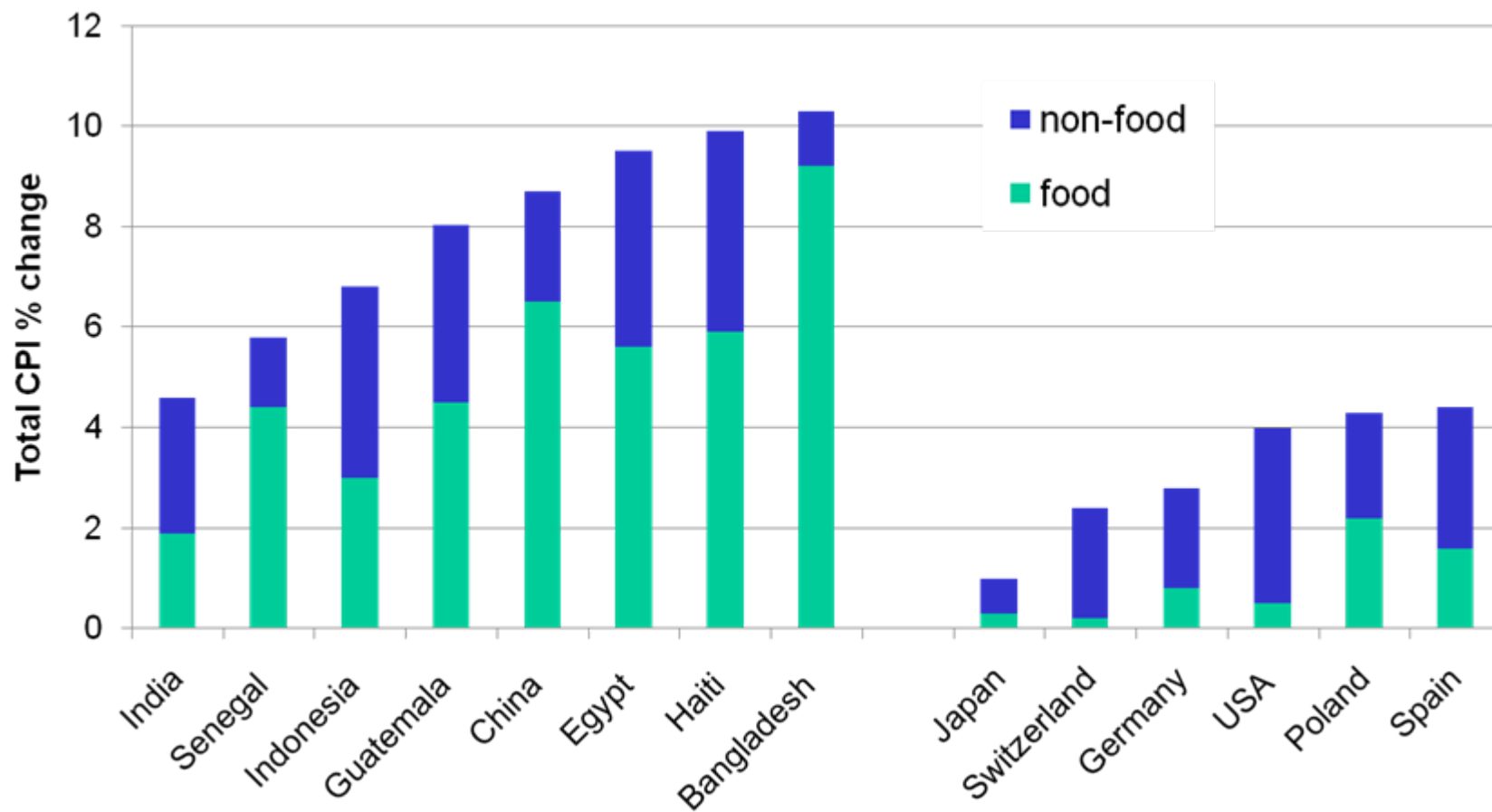


# Economic crisis increases uncertainty

- **Despite bailouts confidence has not been restored (Banking still fragile)**
- **Impacts of fiscal stimulation uncertain**
- **Job loss could reach 50 million (mainly in poorest countries)**
- **Impacts growing in developing countries (falling exports, capital flows)**

# Developing countries hardest hit

(contribution of food to consumer price inflation)



February 2007 to February 2008

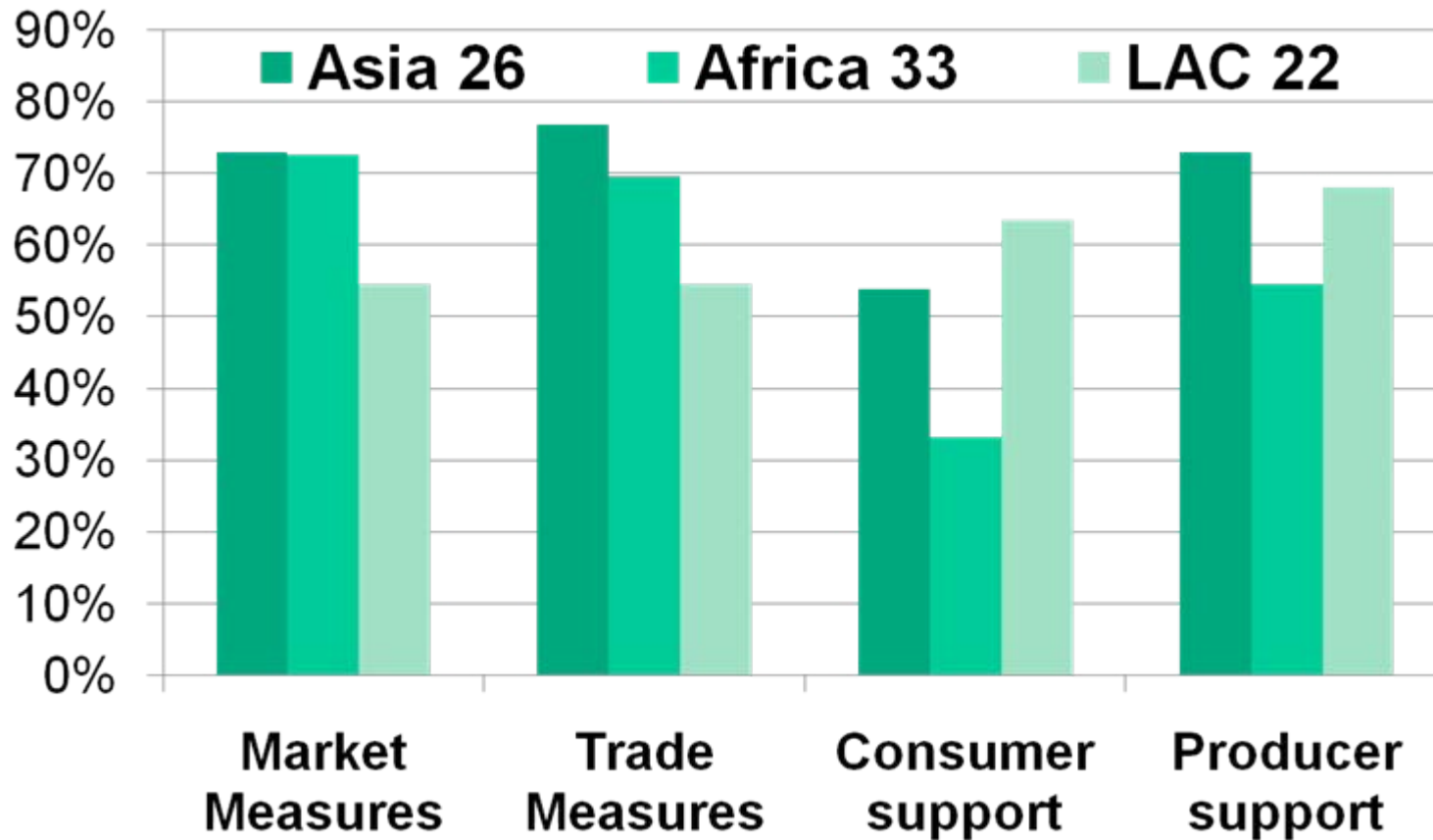


# Rising prices caught world by surprise

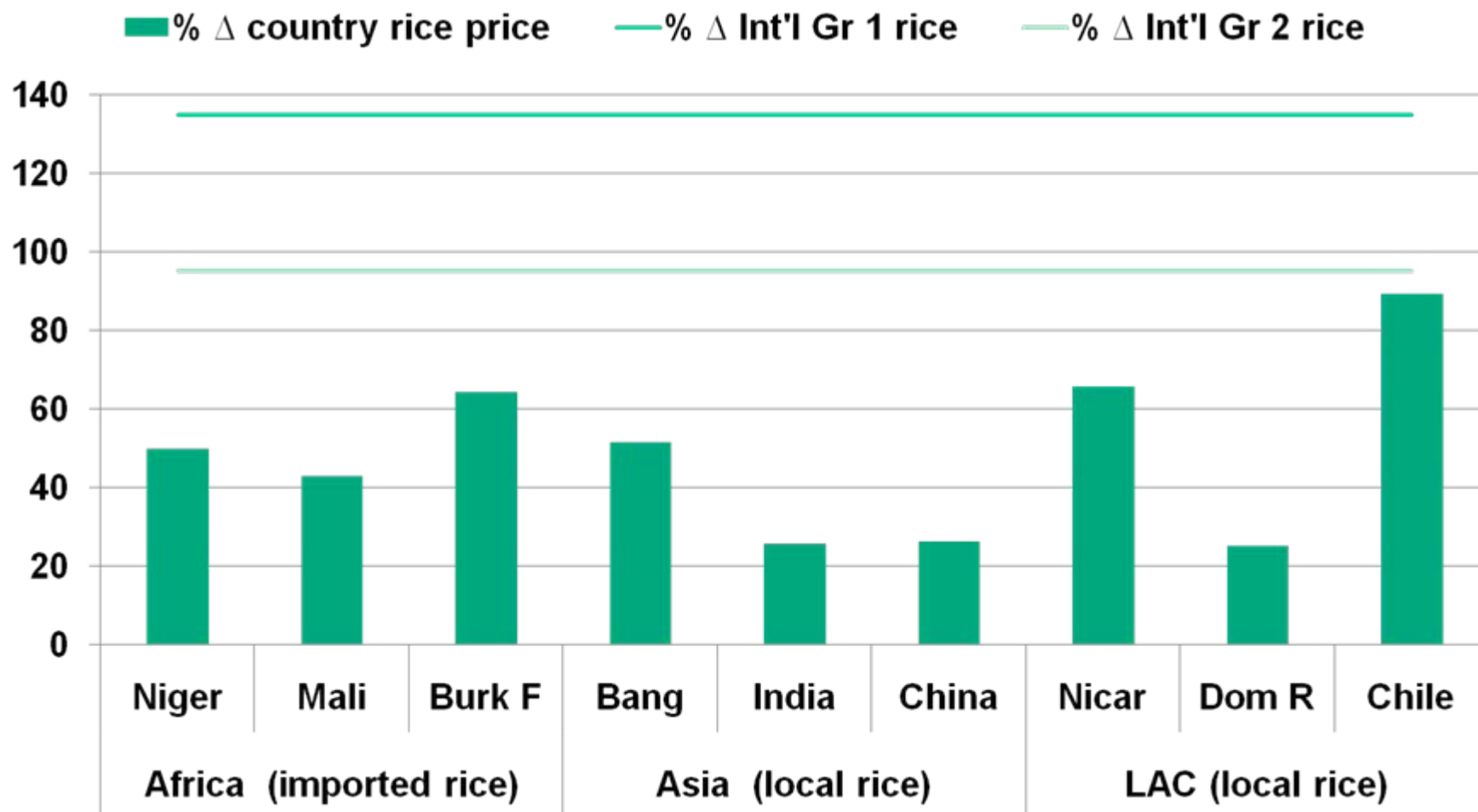
- **Wheat, rice, maize, oilseed prices highest in 3 decades**
- **75 million more below hunger threshold in 2008**
- **Major setback to MDGs on poverty and hunger**
- **Violent demonstrations in over 30 countries**
- **Food security moves up international policy agenda**



# Plethora of *ad hoc* policy responses



# Ad Hoc policy measures: mixed results





# A new policy paradigm?

- **From open markets to protectionism**
- **From food security to self sufficiency**
- **From imports to outsourcing (land acquisition)**
- **From private to public market interventions**

- **Avoid policy responses that exacerbate the situation**
- **Provide humanitarian aid (cash/vouchers)**
- **Support to increase agricultural output**
- **Review biofuel support policies**



## Medium & longer term policy responses

- **Open up agricultural markets, avoid import and export restrictions**
- **Improve the productivity of global agriculture, particularly in developing countries**
- **Improve the purchasing power of the poor in developing countries – economy wide growth**



# Unresolved issues

- **What future for 500 million small farms (less than 2 hectares)?**
- **How to enhance/finance investment in agriculture?**
- **What response to climate change and limited water resources?**
- **How can trade contribute to food security?**



# Thank You

## Trade and Agriculture Directorate



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