



# **Governance & Development: Views from G20 Countries**

**Session 2**

**Presentation**

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**Food security and food price volatility**

**JÖRG MAYER**

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Issues of Concern for G20 Countries

**Achieving Global Food Security and Nutrition:  
How can the G20 Help?**

New Delhi, 18 September 2013

**Food security  
and food price volatility**

Jörg Mayer

Division on Globalisation and Development Strategies

UNCTAD



**Impact of food price volatility on food security depends  
on pass-through of international to national food prices**

- Recent international food price volatility higher than in the 1980s–1990s, but lower than in 1970s
- But sizeable market liberalisation since 1970s:
  - Domestic prices more closely connected to international prices
  - Many developing countries recorded a significant increase in imports as a share of total food supply
  - Heterogeneous mix of imported and domestic sources of volatility causes price transmissions to be uneven and to occur often with significant lags





## Impacts differ widely at both macro-economic and microeconomic levels

- Key to vulnerability are the **net effects** at both macroeconomic and microeconomic levels
- Rising prices:
  - Net exporting countries and large producers: earnings windfall
  - Net importing countries: balance-of-payments and fiscal problems
  - Food-price driven inflationary effects
  - Nutrition and poverty issues for net food buyers
- Excessive volatility
  - Definition: price volatility that induces inefficient investment decisions or problems beyond the capacity of producers, consumers or nations to cope with
  - Depends on specific circumstances of household or nation



## Impact on consumers: high and volatile food prices affect household incomes and purchasing power

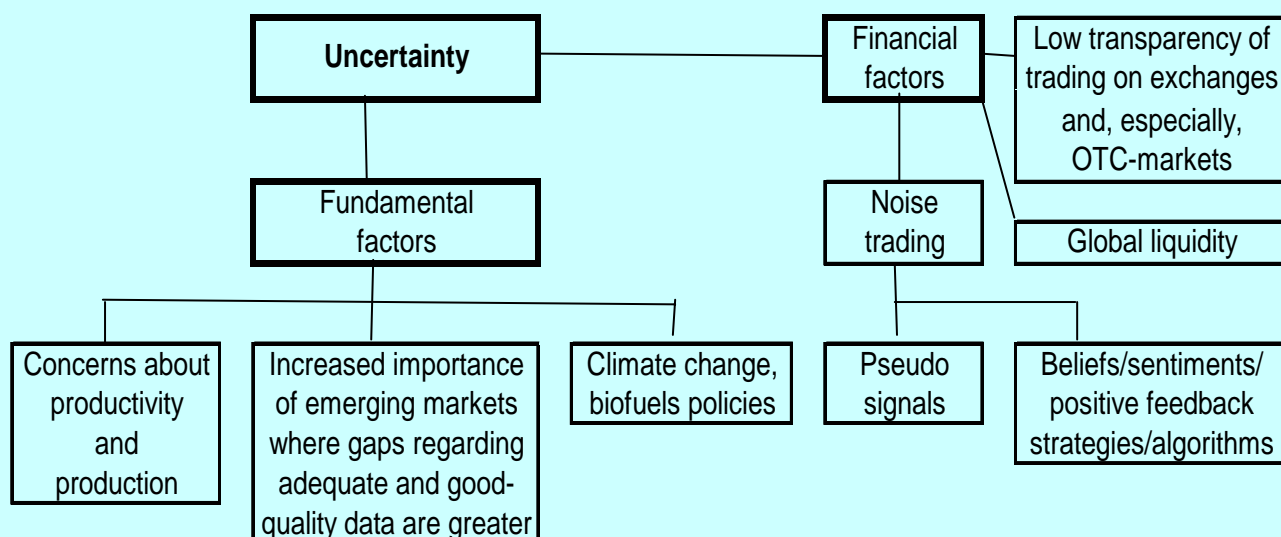
- High and volatile food prices can transform vulnerable into hungry and poor people; the poor spend 60-70 per cent of their income on food
- Nearly all urban dwellers are net food buyers
- Even most rural dwellers are net food buyers – land-less rural households often poorest of poor
- Reaction often implies:
  - reduced spending on health and education and shift of diet towards less nutritious food
  - distress asset sales causing irreversible adverse effects

## High and volatile prices: concern to producers?

- Small-scale farmers and agricultural labourers are often net food buyers
- Net-food-selling farmers should benefit from high prices; and high prices should stimulate production and raise demand for unskilled, poor farm workers ...
- ... but much of the gains from higher world prices go to large landowners in upper-middle-income exporting countries who are not poor
- Prices may collapse suddenly and price uncertainty may push farmers to adopt risk minimization strategies that discourage investment in food production

Price volatility is closely related to uncertainty which has always been a characteristic of commodity markets, but has increased for both fundamental and financial reasons

### Sources of uncertainty





## The G20 has addressed commodity price issues mainly in four reports

- Inter-agency report: "Price Volatility in Global Food and Agricultural Markets: Policy Responses" (2011)
- Report by Study Group on Commodities (2011)
- Report on the impacts of excessive commodity price volatility on growth (2012)
- Series of reports by Task Force on Commodity Futures Markets of the International Organization of Securities Commissions (IOSCO) (2011–13)



## Can the G20 help achieve global food security?

- "The G20 is the premier forum for international cooperation on the most important issues of the global economic and financial agenda"
- Some argue that addressing food security by "focusing narrowly on production, information and mechanisms to cope with price volatility" is counter-productive as it stifles debate in other institutions and is too timid on biofuels, trade policy and financial issues
- However, whether G20 can help achieve global food security and nutrition, or whether other international bodies should take the helm, is part of the broader issue of the G20 covering development issues, and, even more generally, the role of multilateralism
- An important issue, which seems to be within the G20 mandate but has remained largely unexplored, concerns the link between global liquidity and food price volatility



**Thank you !**

[joerg.mayer@unctad.org](mailto:joerg.mayer@unctad.org)

