FEED THE FUTURE
The U.S. Government's Global Hunger & Food Security Initiative

RISING FOOD PRICES

The world has entered a period of relatively high food prices, characterized by food commodity prices that are on average 30 to 50 percent above price levels prior to 2006, with price spikes in 2007-08 and again in 2010-11. Another price spike now seems possible, with key commodities prices rising in July 2012. Weather shocks, growing demand for food and feed, higher energy prices, and declining rates of productivity growth all contribute to higher food prices. During the 2007-08 food price crisis, export barriers, hoarding, and some panic purchasing significantly amplified both price increases and price volatility.

Changes in food price indices used by the World Bank, the International Monetary Fund (IMF), and the UN Food and Agriculture Organization (FAO).

The U.S. Government works closely with the G8, G20, and the Food and Agriculture Organization of the United Nations to build in mechanisms to monitor and respond to sharp volatility in food prices. For example, the G20 has launched the Agricultural Market Information System and the Rapid Response Forum, which allow policymakers to track food production data from around the world and create a forum to share information and formulate policy responses in the event of a global food crisis.

Countries can reduce the risk of a food price crisis by increasing transparency and sharing information on stocks and production; abstaining from food export bans and using export quotas and taxes on food sparingly; avoiding panic buying and hoarding; reducing import tariffs and taxes; and creating targeted safety nets for their most vulnerable citizens.

Why Do High Food Prices Matter in Developing Countries?

Poor households often spend more than half of their incomes on food, making them particularly susceptible to food price increases that may result from local supply shortfalls or when higher international commodity prices pass through to local consumers. Countries that import significant amounts of their food may be more vulnerable if they cannot mitigate the effects of price shocks with local production or if they lack adequate funds to maintain import levels. High food prices could also exacerbate social strife in low-income countries that are already suffering from political instability and corruption. High food prices can lead governments to implement short-sighted policy solutions, such as export bans, that are ultimately harmful to their long-term economic health. Countries that import substantial amounts of food commodities often provide a social safety net by mitigating a rapid rise in food prices with domestic food subsidies. However, this can place a significant burden on public budgets and increase fiscal deficits. In some cases, the higher cost of imported food can affect a country's balance of payments and draw down their foreign exchange reserves.

At the same time, high food and food commodity prices provide incentives for farmers and processors to expand food production and invest in productivity-enhancing innovations. Government policies can strengthen those incentives to grow more and waste less. In addition, countries can put in place programs to increase productivity in the food system to lower costs, improve access to local, regional, and international markets, and target safety nets for the most vulnerable.

What Can Feed the Future Do?

As part of the global commitment to reinvest in agriculture following the 2008 food crisis, President Obama pledged $3.5 billion in 2009 to help developing countries fight hunger and poverty by harnessing the power of agriculture to increase food supplies and transform rural economies. The resulting global hunger and food security initiative, Feed the Future, utilizes innovation, research, and partnerships to increase agricultural productivity, link farmers to local and regional markets, and improve nutrition. Those investments will increase the availability of nutritious food and help reduce poor households' vulnerability to food commodity price shocks.

Invest in improving agricultural and trade policies

Reduction of trade barriers, particularly at the regional level, provides easier access to a greater variety of food. Greater access to markets also helps to mitigate the impacts of high local prices resulting from localized weather phenomena, conflict, or other localized supply shocks. Better local policies and accurate information reduce price distortions and increase transparency in agricultural markets.

Invest in risk management tools

Timely and transparent market information systems and financial risk management products can help producers better manage price shocks. To help partner countries prepare for food commodity price spikes, Feed the Future supports the development of risk management tools, such as crop insurance, forward contracts, and futures markets, that can be adapted to the needs of smallholder farmers in the developing world.

Invest in agricultural products and technologies that increase productivity growth and help farmers adapt to heat, drought, and other threats

Improved varieties and better production techniques, including greater efficiency of water, fertilizer, and energy use, can help boost agricultural productivity and make more food available at more affordable prices. Agricultural research and development can make crops and livestock more resistant to pests and diseases, and increase food quality to meet market opportunities and demand. New technologies and resource management practices also help mitigate supply shocks due to crop losses and lower productivity resulting from climatic variability, thereby reducing the pressure on prices both locally and globally.

Invest in research, extension, cooperatives, and education

Investments in research, extension, cooperatives, and education are helpful in transferring technologies and management practices, strengthening a country's agricultural sector, and in making food systems – small and large – more resilient.

Focus Country Examples

Tanzania

In Tanzania, Feed the Future investments will increase rural community links to markets by improving roads that facilitate the flow of food from farm to market. This will increase agricultural and other rural-based production, improve rural communities' access to reasonably priced food, and stimulate greater off-farm employment opportunities.

Ghana

In Ghana, Feed the Future is facilitating direct linkages between buyers, producers, and other actors through pre-season and post-harvest planning, networking, and marketing events. These direct linkages help buyers and farmers understand market possibilities and pricing, helping buyers provide the produce that meets market demands while helping farmers realize a better price for their crops.

Bangladesh

Feed the Future investments will help Bangladesh cope with the impacts of climate change by investing in new technologies to improve rice production. Rice is the primary staple crop in Bangladesh.