

ActionAid contribution to the HLPE TORs for the study on price volatility

General principles

ActionAid welcomes the HLPE commitment to embark on the study on food price volatility with the aim to present policy options that can reduce risk and build resilience at all levels., especially for developing countries and their household food security.

Despite record or bumper cereal harvests in most regions in 2010, 29 countries around the world face food difficulties and are in need of external food assistance, and the global food import bill is estimated to hit a near-record high of \$1,026bn in 2011, and rising global prices mean import bills for 77 'Low-Income Food-Deficit Countries' are expected to increase by 20% – an extra cost that many will struggle to afford.

ActionAid wishes the HLPE to give priority to those most affected and threatened by hunger, mainly women and children, mostly affected by high food prices, especially if living in net food importing poor countries.

We would like to draw the attention of HLPE that when the global prices started declining after September 2008 national prices remained high in many countries. It is therefore crucial to investigate national factors along with international factors.

ActionAid in its recent research examines the factors responsible for recent price movements at the national level in three countries, one of them in Asia and the others in Africa. They are Pakistan, Kenya and the Gambia. It revealed a complex set of problems, including;

- Shortage in local and national level crop production
- High cost of production (expensive and low quality inputs, fertilizer and seeds)
- Soil degradation
- High cost of fuel and transportations costs
- High electricity cost impact on milling cost
- Exploitation of market forces through hoarding, low price return to farmers
- Sales and other kind of taxes on food items
- High cost of imported food
- Food export to neighboring countries

Additionally , ActionAid analyzes following factors at international level contributing to food price rise.

- declining ratios of stocks to consumption in many crops;
- a decline in the rate of growth of crop yields;
- climate problems such as floods, irregular rains, droughts and a lowering of water tables;
- the depletion of soils from exhaustion;
- bad wheat harvests in many countries like droughts in Australia, Russia and the Ukraine;
- the diversion of agricultural land to produce biofuel;
- increases in oil and fertilizer prices;
- a long-term decline in agricultural investment; and
- international speculation in the markets for food and oil commodities

ActionAid encourages HLPE whilst analysing extreme causes of volatility in food prices to look at all causes of food price volatility including the causes mentioned above.

Finally AA welcomes the holistic approach the HLPE wants to adopt, in a way that permit to address volatility under its multiple aspects.

Policy responses

In terms of policy options that can reduce and mitigate the risk of price volatility provided in the HLPE table, ActionAid believes that the following urgent measures need to be taken at global level and recommended to Governments, namely to:

- Bolster and maintain global, regional, and national food reserves
- Establish an Agriculture Stability Forum at FAO to improve transparency and oversight of global food markets
- Scrap US and EU industrial biofuel targets and subsidies
- Regulate food commodity derivatives and impose position limits
- Agree a protocol on export bans to ensure supplies to vulnerable neighbors

The HLPE should include in the study the following actions to protect particularly vulnerable countries:

- To be ready to adjust import tariffs and export duties on food staples to maintain fair prices
- To consider using price controls to stabilize local prices
- To intensify efforts with agencies such as the World Food Programme to identify the most vulnerable and provide regionally-procured food assistance
- To expand social safety nets, and particularly target the poorest and most vulnerable, such as women, children and the elderly
- To increase support to smallholder-based sustainable agriculture and women in particular

Nevertheless ActionAid believes that short-term measures are not enough to tackle price volatility. It's crucial to take long term measures to support smallholder farmers, especially women, in their capacity to produce enough food in a sustainable way to feed their community, and get fair price for their production.

On the longer term, the HLPE should emphasize the need to major investment in agriculture, claiming for donors and African governments to fulfill their Maputo declaration and L'Aquila commitments to increase support to smallholder-based sustainable agriculture and social protection, and fulfill new pledges to provide \$100 billion to poor countries to adapt to climate change by 2020.

Poor countries should on their side ensure national agricultural and anti-hunger plans – such as developed through CAADP in Africa – expand social protection and focus support on smallholder-based sustainable agriculture and on the needs of women in particular, as well ensure women, smallholders and civil society groups have a larger role in the governance of local, national, and regional food systems.

ActionAid finally asks the HLPE to take into account in its study the above policy options and to focus on them when developing recommendations to prevent and mitigate effects of food price volatility.