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UN issues policy guide for countries hit hard by high food prices

The poorest of those most affected by high food prices spend over 75 per cent of their income on food

26 January 2011 – The United Nations Food and Agriculture Organization (FAO) is calling on countries to carefully examine the implications of high food prices and not to take any policy actions that might appear useful in the short term but could have harmful, longer-term effects or even aggravate the situation.

The call comes with the agency's publication today of an updated guide for policy-makers in developing countries, aimed at helping them address the negative impacts of high food prices or to tap into opportunities.

"The experience of the 2007/2008 food crisis shows that in some cases, hastily taken decisions by governments to mitigate the impact of the crisis, have actually contributed to or exacerbated the crisis and aggravated its impact on food insecurity," said the director of FAO's Policy and Programme Development Support Division, Richard China.

He cited the example of export restrictions applied by some surplus food-producing countries, which exacerbated the global food market situation during the 2007/2008 crisis.

"FAO strongly advises against such measures, as they often provoke more uncertainty and disruption on world markets and drive prices up further globally, while depressing prices domestically and hence curtailing incentives to produce more food," Mr. China said.

The FAO Food Price Index, a measure of basic food prices at the international level, peaked in December 2010. "With this new price shock only two years after the crisis in 2007/08, there is a serious concern now about implications for food markets in vulnerable countries," Mr. China added.

The guide – formally known as the *Guide for Policy and Programmatic Actions at Country Level to Address High Food Prices* – stresses that low-income, food-deficit countries have been hit hard by high food prices in recent years. Many of these countries have to pay larger food import bills when food prices are soaring. Almost all countries in Africa are net importers of cereals.

The people most affected by higher food prices are net food buyers such as urban residents and small farmers, fishers, foresters, pastoralists and agricultural labourers who do not produce enough food to cover their needs. The poorest among them spend more than 70 to 75 per cent of their income on buying food.

Net food-exporters should benefit from high food prices and could experience an improvement in their terms of trade and more income. However, experience of the 2007/2008 food crisis showed that a variety of supply side constraints limited the supply response to higher prices in most developing countries.

The FAO guide emphasizes that there is no "one-size-fits-all" solution that can be applied with the same chance of success in every country. The mix of policy and programmatic actions has to be specifically adapted to local conditions and agreed on by key stakeholders in each country.

In any case, "care should be taken not to adopt measures that could undermine the existing market," the guide said.

In the medium and long term, only investment in developing countries' agricultural sectors will result in sustainable increases in productivity, healthy markets, increased resilience to international price spikes and improved food security, said Mr. China. The guide favours community seed production by farmer field schools, farmer groups or cooperatives, to enhance access to both traditional and improved seed varieties at the community level, as well as the use of integrated pest management. It also discusses instruments that can be used to target the food insecurity of the poor, such as safety net programmes based on food or cash transfers.

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