11 November 2009 (Singapore) - Public policies and programs are needed to reduce the impact of high food prices on the population most vulnerable to those price spikes—the world’s poor, according to a new report released by the Pacific Economic Cooperation Council (PECC) at the Asia Pacific Economic Cooperation (APEC) Leaders’ Summit in Singapore.

Safety net programs can address short-term needs, but raising incomes must be the focus long term, according to the report, *Market Volatility and the Food System*.

In 2005-09, the Asia Pacific region’s food system faced price volatility not seen since the 1970s, according to Dr. Walter J. Armbruster, Pacific Food System Outlook project chairman. “In addition to price volatility, real agricultural prices increased in the 2000s, as they became more closely linked to non-agricultural commodity and energy prices. Some of these price increases—such as fertilizer and transportation costs—changed the cost structure of agriculture,” Armbruster added.

Of all agricultural commodity markets, world rice trade was among the most volatile in the 2000s. Given the central role of rice in the diet and in agricultural production in this region, volatile rice prices were the single most important phenomenon affecting the region’s food system in recent years.

“Policy intervention played a significant role in raising agricultural commodity prices, especially in the case of rice. Analyses have shown that trade restrictions by major exporters and speculative buying by a few importers were responsible for driving up world rice prices in 2007-08,” according to William Coyle, senior economist at USDA’s Economic Research Service and the project’s director. “Both interventions created a psychology of scarcity and a propensity to hoard. Countries dependent on imports and a stable open trading system were confronted for the first time in decades with uncertain foreign supplies of a key food staple.”

Public- and private-sector leaders have a significant role to play in what may be a new era of greater price instability in the food and agricultural sectors, says Armbruster.
Governments must protect the most vulnerable, but it is also important to avoid actions that harm other countries as occurred in the global rice market in 2007-08. The region community leaders need to promote the advantages of an open food system and be vocal about the consequences of interventionist policies.

The role of biofuels in this high-price and volatile era may be overstated. Declining profitability has slowed biofuels growth. This new demand for agricultural commodities is still substantially less than for feed or for direct food use.

Policies put in place now will influence the extent of price volatility for agricultural commodities and food well into the future.

Regional and international cooperation will be necessary to avoid undesirable actions by individual countries in times of crop shortfalls or other factors affecting commodity and food price stability. Public and private sector leaders can play a critical role in stimulating dialogue and development of plans to collaborate with other countries within the region and internationally on policies to benefit everyone.

PFSO is a project of the Pacific Economic Cooperation Council (PECC) in collaboration with the Farm Foundation and the Economic Research Service of the U.S. Department of Agriculture.

FOR MORE INFORMATION CONTACT:

Walter J. Armbruster, Farm Foundation, +1 (630) 271-1679, walt@farmfoundation.org
William T. Coyle, USDA Economic Research Service, +1(202) 694-5216, wcoyle@ers.usda.gov
Jessica Yom, PECC International Secretariat, +65 9875 1473, Jessica.Yom@pecc.org

The PFSO report, Market Volatility and the Food System, is available online at http://www.pecc.org/research/food-and-agriculture. Copies of the report are also available on request:

Betty Ip, PECC International Secretariat,
Tel: +65 67-37-9822, Ext. 16
E-mail: betty.ip@pecc.org

Asia-Pacific Economic Cooperation (http://www.apec.org/) promotes open trade and economic cooperation among its 21 members around the Pacific Rim.

Pacific Economic Cooperation Council (www.pecc.org), whose membership consists of 23 economies and 3 institutions, is a multi-stakeholder regional forum promoting dialogue and economic development in the Asia-Pacific Region. Founded in 1980, PECC is the only non-governmental official observer of APEC (Asia-Pacific Economic Cooperation), and provides independent business and research input for the regional policy-making process.

Farm Foundation (www.farmandfoundation.org) is a U.S.-based non profit working as a catalyst for sound public policy by providing objective information to foster a deeper understanding of issues shaping the future for agriculture, food systems and rural regions. Farm Foundation does not advocate or lobby.

Economic Research Service (www.ers.usda.gov) is the economic information and research branch of the U.S. Department of Agriculture.