FOOD PRICE CRISIS:

A Wake Up Call for Food Sovereignty

Food prices have been increasing sharply since 2005. According to the World Bank, global food prices have climbed by 83% over the last three years. The real price of rice rose to a 19-year high in March 2008—an increase of 50% in two weeks alone—while the real price of wheat hit a 28-year high, triggering an international crisis.[1]

The increase in food prices is impacting the most vulnerable and the poor are particularly affected, as their diets rely on the very staples that are becoming scarce or too costly: cereal grains, cooking oil, and dairy. However, the crisis is being felt not only by the poor, but is also eroding the gains of the working and middle classes, while investors and speculators are busy moving financial capital into food commodity markets after the housing bubble burst in 2007.[2]

Impact of Soaring Food Prices

The impact of the world food prices crisis cannot be underestimated, as it threatens stability of governments and—according to the World Bank—might add another 100 million to the figure of a billion people who live on less than $1 a day, the common measure of absolute poverty.

Soaring Prices Leave Poor Hungry and Increase Poverty

Poor families and farmers are the least prepared for volatile prices. In Kyrgyzstan, the poor spend over 70% of their income on food.[3] South Asian countries, which have the largest concentration of poor people in the world, have little to no safety net to deal with the crisis.[4] In Bangladesh, rice prices have soared 70%, hitting hard a population in which the majority survive on less than $1 a day.

According to Joachim von Braun, head of the International Food Policy Research Institute, the increased volatility is particularly detrimental to the poor who have meager assets.[5] "Poor households that are net sellers of food benefit from higher prices, but these are few. Households that are net buyers lose, and they represent the large majority of the poor."[6]

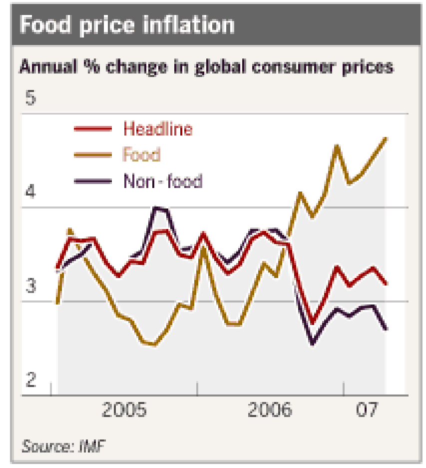
How rising food prices can increase poverty is well demonstrated in Yemen, which imports about 2 million metric tons of wheat per year. It is estimated that after a year of record inflation, doubled wheat and wheat product prices might increase national poverty by 6 percentage points.[7]

In Haiti, where three quarters of the population earns less than $2 a day and one in five children is chronically malnourished, the one business booming amid all gloom is the selling of patties made of mud, oil and sugar, typically one consumed by the most destitute.

--"Hunger Puts Match to Leaders' Feet," International Herald Tribune, April 18, 2008

Contrary to the belief that increased food prices will benefit farmers, smallholder farmers are suffering from high costs and inflation, which make it impossible to produce—even for basic subsistence. The soaring costs of inputs such as gasoline, fertilizer, and pesticides have caused Laotian families to “put down their tools.”[8]

Volatile Wages and Prices Affect Even the Middle Class



Inflationary pressures are so significant that they are affecting not only the poor, but also the middle class. The UN has warned that the middle class and poor alike may experience food rationing in order to mitigate the crisis.

In February of 2008 the World Food Program reported seeing “the emergence of a ‘new area of hunger’ in developing countries where even middle-class, urban people are being ‘priced out of the food market’ because of rising food prices.”[9] The Indian government is panicking since “the inflation rate, as measured by the point-to-point movement of the wholesale price index, reached a 40-month high at 7% for the week ended March 22, 2008.”[10]

Growing Social Unrest with Scarcity of Food Staples

Several UN agencies have issued warnings against impending food riots because of acute hike in prices of rice, corn, wheat, and other staples. World Bank President Robert Zoellick has estimated 33 countries could face social unrest because of higher food and energy prices.[11]

Morocco, Guinea, Mexico, Egypt, Burkina Faso, Indonesia, Mauritania, Senegal, and Uzbekistan have already been rocked by mass protests that are spreading across the world. Argentineans boycotted the $6 per kilo price of tomatoes in early October 2007, as food prices were “galloping at 22.5%, more than double the inflation rate in other sectors like clothing.”[12] In September 2007, Italian consumer groups announced a buy-no-pasta day in protest of high pasta and tomato prices.[13] In April 2008, protesters in Haiti tried to storm the National Palace, while in Yemen children have taken to the streets to highlight child hunger.

“There is a wrong notion that the farmers are benefiting from the existing futures trading in the country. The farmers get the lowest price for their produce in the season at harvest and, thereafter, the produce passes into the hands of traders and corporate houses that manipulate high prices for commodities in the futures Markets. Farmers have no opportunity to participate in this.”

--Krishna Bir Chaudhary, President, Bharatiya Krishak Samaj, India’s largest farmers’ organization

Governments are resorting to desperate measures to address growing social unrest before it destabilizes countries. In Cairo, the military has been put to work baking bread; Pakistan has reintroduced ration cards for the first time in two decades; Russia has frozen prices of bread, milk, eggs and cooking oil; Indonesia revised its 2008 budget and has increased food subsidies by $280 million following protests. In the Philippines, the National Bureau of Investigation has been called in to raid traders suspected of hoarding rice to push up the prices and China, India, Egypt, Vietnam, and Cambodia have imposed export controls on key agricultural commodities.

High Food Prices Benefit Few and Far Between

Contrary to common assumption, high food prices will not benefit poor farmers. Instead, smallholder farmers face the threat of losing their livelihood, as poor farming households stand to spend more on consumption expenditures than they bring in on the income side.

"The payments made by the Canadian Wheat Board show that the farmers were paid between $260-$284 a ton for various qualities of non-durum wheat, while the global price for wheat peaked to over $520 a ton. In India, farmers were paid Rs.850 a quintal while wheat was imported at Rs.1650 a quintal."[14]

In fact, it is traders and middlemen who stand to gain most. Speculation in world commodities is driving prices upward, from global futures commodity trading to traders and hoarders in West Africa,[15] Thailand,[16] and the Philippines.[17] "Analysts say traders [in West Africa] are seeking to maximize profit by hoarding stocks because they know the low production will yield higher prices."[18] Middlemen, such as the millers and packers in Thailand, and the traders in the Philippines, are also hoarding stocks for similar reasons.

> *"The impact has been felt around the world. Food riots have broken out in Morocco, Yemen, Mexico, Guinea, Mauritania, Senegal and Uzbekistan. Pakistan has reintroduced rationing for the first time in two decades. Russia has frozen the price of milk, bread, eggs and cooking oil for six months. Thailand is also planning a freeze on food staples. After protests around Indonesia, Jakarta has increased public food subsidies. India has banned the export of rice except the high-quality basmati variety."*
>
> *--Julian Borger, The Guardian, February 26, 2008*

Additionally, transportation costs—which make up a significant proportion of the final cost of food because of increases in oil prices and distance to markets—are not passed on to farmers.

Increased Dependence on Rich Nations

At the macroeconomic level, it is not only the poorest people, but also the poorest and food-importing countries bearing the brunt of expensive food commodities worldwide. In 2005, Oxfam observed that Sierra Leone and Haiti were spending 80.3% and 62.7%, respectively, of their available export revenue on food imports.[19]

> *"Recognising that rising wheat prices on world markets are partly to blame, consumer organizations in Italy argue that farmers are not gaining the benefit and that, for example, the price of tomatoes can be 50 times more for the customer once they pass through the long chain from field to shop counter."*
>
> *--Guy Dinmore, Financial Times, September 14, 2007*

Nepal, an agricultural economy, exports most of its commodities and relies upon rice imports from India. In a move to secure its own food supply, India banned rice exports—except basmati rice—in February 2008, leading to both rice shortages in Nepal and increased inflationary pressure on rice prices.[20]

Similarly, Bangladesh's dependence on rice imports has plunged the country into a crisis, given it desperately needed food grains after Cyclone Sidr in December destroyed $600 million worth of its rice crop. The Philippines is potentially among the biggest losers—with 91 million people, it cannot feed itself. After its farmers warned of a looming shortfall Manila's fast-food outlets offered to serve "half portions" of rice to conserve stocks.[21]

Reduced Food Aid

Food aid is counter-cyclical to commodity prices and therefore declines as food prices increase.[22] Between 2000 and 2006 alone, food aid declined by 40 percent,[23] with food aid flows in 2007 coming in at their lowest level since 1973.[24] Any further decline in food aid now will exacerbate the already worrisome situation of inadequate access to food due to high food prices and lower levels of food imports.[25]

"Together with rising prices for other foods, like wheat, soybeans, pork and cooking oil, higher rice prices are also contributing to inflation in many developing countries. Retail rice prices have already jumped by as much as 60 percent in recent months in Vietnam. Overall consumer prices are more than 19 percent higher this month than last March. The inflation rate has nearly tripled in the last year."

--"High Rice Cost Creating Fears of Asia Unrest," The New York Times*, March 29, 2008.*

The United Nations' World Food Program (WFP), which feeds 73 million people in almost 80 countries, has warned that it may not be able to make its food aid commitments. In March 2008, the WFP called upon its donor governments to close the funding gap of at least $500m by May 1 in order to avoid reducing food rations.

The budget crisis and imminent humanitarian crisis is directly correlated with the global rise in food prices. According to the WFP officials, its funding gap is now about $600m-$700m, after a 20% jump in food costs in the past three weeks, the rise in the price of oil to about $100 a barrel, and a surge in shipping costs.[26] The extra cost of feeding the 28 million "poorest of the poor" spread across 14 Asian countries will cost $160m a year and the WFP has asked three dozen donor governments for the cash as part of a $500m global appeal to offset rising food prices.[27]

Increased Malnutrition

Malnutrition and death are not new consequences of high food prices in the free market.[28] With rising food prices comes increased evidence of malnutrition. "Afghanistan President Hamid Karzai has asked the WFP to feed an extra 2.5 million people, who are now in danger of malnutrition as a result of a harsh winter and the effect of high world prices in a country that is heavily dependent on imports."[29] The FAO found that the most food-insecure countries include twenty countries in which over 30% of the population is malnourished.[30] In Sudan, the FAO expects malnutrition rates to deteriorate in the coming months because of lack of proper access to food.

The threat of "intergenerational transfers of poverty" is another concern of the current crisis. The World Bank's *2008 World Development Report* has expressed concern over early malnutrition, which in turn causes children's education and health to suffer later in their lives.

In India, people are scrimping on milk for their children, . . . daily bowls of dal are getting thinner as each bag of lentils is stretched across a few more meals.

--"Hunger Puts Match to Leaders' feet," International Herald Tribune, April 18, 2008

Causes of the Food Price Crisis

Various causes for the current food price crisis are being cited by policymakers and the media—most common among them being the increased demand from China, India, and other emerging economies whose increasing per capita growth has whetted appetites, as well as the oft-cited rising fuel and fertilizer costs, climate change, and impact of biofuels production. What is missing in the discourse is analysis of the failure of the free market, which made countries vulnerable in the first place; ironically, it is being promoted as a solution to the current crisis.

Freedom to Trade versus Freedom from Hunger

Over the last few decades, liberalization of agriculture, dismantling of state run institutions like marketing boards, and specialization of developing countries in exportable cash crops such as coffee, cocoa, cotton, and even flowers—encouraged by international financial institutions backed by rich countries like the U.S.—has driven the poorest countries into a downward spiral, directly threatening food security and economic sustainability.

The removal of tariff barriers has allowed a handful of Northern countries to capture Third World markets by dumping heavily subsidized commodities while undermining local food production and destroying livelihoods of small farmers. This has resulted in developing countries changing from net exporters to large importers of food, with the food trade surplus of $1 billion in the 1970s transforming into $11 billion deficit by 2001.

The dismantling of marketing boards that protected both producers and consumers against sharp rises or drops in prices has further worsened the situation. In the 1990s, Indonesia signed the GATT agreement, which resulted in a sharp reduction of government intervention in food production and trade and in the opening of the domestic market to foreign imports. By the end of the 1990s, Indonesia had become a large importer of rice and one of the largest recipients of food aid.

Insecurity and Dependency Inherent to Food Import Surges

Trade liberalization is touted as the solution to curb excessive U.S. and European farm subsidies and protectionist policies of developing nations. Yet, the displacement of domestic and regional markets due to food import surges has become a usual outcome of the liberalization of trade.

The FAO Briefs on Import Surges document these surges that have taken place with alarming frequency in the past decade or two that had "devastating consequences for the rural poor and local economies in Africa."[31] "In Cameroon, lowering tariff protection to 25% saw poultry imports increase by about six-fold. In Senegal, 70% of the poultry industry has been wiped out in recent years because of EU poultry."[32] Similarly when Ghana reduced its rice tariffs from 100 to 20% as a result of the structural adjustment policies enforced by the World Bank, rice imports in Ghana increased from 250,000 tons in 1998 to 415,150 tons in 2003. "Domestic rice, which had accounted for 43% of the domestic market in 2000, captured only 29% of the domestic market in 2003. In all, 66% of rice producers recorded negative returns, leading to loss of employment."[33]

"In Mozambique, vegetable oil imports (palm, soy and sunflower) saw a fivefold increase between 2000 and 2004. Domestic production shrank drastically, from 21,000 tons in 1981 to 3,500 in 2002,"[34] affecting some 108,000 small-holder households growing oilseeds, "not to mention another 1 million families involved in substitute products (soy and copra). Small oil processing operations have closed down, resulting in the termination of thousands of jobs."[35]

In addition to Africa, food import surges are affecting developing countries around the world, including those is South and Southeast Asia, Latin America, and the Caribbean. Although each country is affected in different food markets, the narratives remain strikingly similar: an import surge of a food staple displaces the domestic market, thereby decreasing domestic production and employment by startling percentages. "Food gaps in Guatemala, Honduras, and Peru are projected to jump more than 20% by 2016. Peru has always relied heavily on imports of grain, and grain imports in both Guatemala and Honduras have risen 10 percent per year since 1990. In fact, in 2006, grain imports exceeded domestic production in Honduras by 30%, and Guatemala by 55%."[36]

"In the western part of the [African] subregion where food prices are influenced mainly by international markets due to the high dependence of these countries on wheat and rice imports, both rural and urban consumers have been affected by the prevailing high international cereal prices, notably in Guinea-Bissau, Mauritania and Senegal."

--"Food Emergencies Update," Food and Agriculture Organization, February 2008

Countries whose local economies were essentially obliterated by the dumping of cheap grains in the form of food aid and cheap subsidized commodities from richer nations are now experiencing shortages because the markets they have come to depend on have changed their policies. The U.S. and European biofuel policy is a case in point: routing maize production to biofuels instead of into the food supply compounds scarcity in both the market availability and food aid availability of the grain.

The Food and Agriculture Organization's (FAO) report, T*he State of Food and Agriculture (SOFA) 2007*, foresaw the implications of trade liberalization policies: volatile prices and wages for the poor, landless, and vulnerable. And the World Bank's 2008 World Development Report (WDR), *Agriculture for Development*, echoed this premonition, expressing particular concern for "food-importing countries with tight foreign exchange constraints." Yet, both institutions' policies continuously fail to address these concerns, making the probability of such food crises recurring under current trade policies very high.

Short-Term Causes That Wreaked Further Havoc

Diverting Land for Biofuel Production

The IMF's *World Economic Outlook (WEO) 2008*, released in April 2008, holds biofuels responsible for almost half the increase in the consumption of major food crops in 2006–07. The report states, "Rising biofuel production in the United States and the European Union has boosted demand for corn, rapeseed oil, and other grains and edible oils. Although biofuels still account for only 1 1/2 percent of the global liquid fuels supply, they accounted for almost half the increase in the consumption of major food crops in 2006–07, mostly because of corn-based ethanol produced in the United States. Biofuel demand has propelled the prices not only for corn, but also for other grains, meat, poultry, and dairy through cost-push and crop and demand substitution effects."[37]

"The 20m tons of extra maize going to ethanol this year [2007] amounts to half the fall in the world's overall grain stocks."

--"The end of cheap food?," The Economist, December 6, 2007

Additional reports from the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), UNCTAD, and other UN agencies have also held biofuels responsible for high food prices.

A report from Goldman Sachs projects a shortage of arable land in key biofuel regions, especially as biofuel production accelerates through 2030.[38] These lands are concentrated in the southern hemisphere: Latin America, Africa, South Asia, China, and Australia.[39] In a 2006 open letter to Kofi Annan of the UN and Dr. Jacques Diouf of the FAO, the National Farmer's Union expressed concern over the fast-declining "per capita cropland area."[40]

Behind this accelerating diversion of agricultural lands for biofuel production is pro-biofuel investment and government policy—primarily in the United States, Europe, and Brazil—aimed at tackling climate change. Yet, mounting evidence shows that ethanol is not actually a viable alternative source of energy; its intensive production methods may actually exacerbate climate change.

High Transportation Costs

High-value markets and their attendant food commodities—presently hailed as a vehicle for economic development—are particularly reliant on transporting food commodities. These high-value commodities and supermarkets not only crowd out existing local food markets, but the long distance between the farmers and these newly-created markets also exacerbate high transportation costs.

With the increase in oil and crude oil prices, the input cost of transporting food commodities has increased. The world oil price increased by 80% over the past 12 months and since 2001 China alone has accounted for about 40% of the increase in oil demand.[41] Average crude oil prices are expected to jump 30.1% in 2008, compared to a 9.5% percent change between 2006 and 2007.[42]

> *"Worldwide investment in biofuels rose from $5 billion in 1995 to $38 billion in 2005 and is expected to top $100 billion by 2010, thanks to investors like Richard Branson and George Soros, GE and BP, Ford and Shell, Cargill and the Carlyle Group."*
>
> *--Michael Grunwald, "The Clean Energy Scam," Time, April 7, 2008*

Climate Change and Resource Scarcity

High food prices are tied to a host of resource scarcity issues,[43] notably climate change and water depletion. The IPCC *Fourth Assessment Report* projects that "'climate change alone is estimated to increase the number of undernourished people to between 40 million and 170 million.'"[44]

Droughts, floods, and freezing weather due to climate change have cut—and are expected to continue cutting—agricultural output and therefore food security in developing countries. For instance, multiple year droughts caused "exceptional shortfall in aggregate food production/supplies" in Lesotho and Swaziland.[45] In Nigeria and Ghana, the decline of coarse grain production led to tight food supply that affected rising food prices in Benin, Burkina Faso, Ghana, Niger, Nigeria and Togo. In China's harshest ice rains, snow, and freezing weather since 1951, millions of hectares of vegetable and oil crops were "severely damaged," and "as of the end of January [2008], about 90 million people were reported to be directly affected." [46] In Mongolia, the harsh winter impacted livestock production as well. The villages of the Northern Atlantic Autonomous Region in Nicaragua, affected by powerful hurricane Felix in September 2007, are receiving international food assistance for the gradual recovery of their livelihood systems.[47]

Water scarcity is also increasingly dire, as groundwater and freshwater resources are depleted for producing water-intensive food commodities such as biofuels, beef, and grain. "70% of all water used by humans goes into food production. 1 kg wheat takes 1,300L water; 1 kg beef takes 15,000L water."[48] Meanwhile, demand for water continues to rise, even as 500 million people are already “chronically short of water”—a number that is expected to reach 4 billion by 2050.[49]

How to Stave Off the Starvation

In the wake of the current crisis, governments are resorting to desperate measures to address growing misery, starvation and resulting social unrest before it destabilizes countries. Pakistan reintroduced ration cards for the first time in two decades; Russia has frozen prices of milk, bread, eggs, and cooking oil; while many countries including China, India, Vietnam, Cambodia, Niger have imposed export controls on key agricultural commodities to meet domestic needs.

In the meanwhile International Financial Institutions are promoting further trade liberalization and technological fixes such as the Green Revolution to deal with the crisis. This push for trade liberalization comes with criticism of export controls that countries have placed on key agricultural commodities to meet domestic needs.

Speaking at the Center for Global Development, current World Bank President and former U.S. Trade representative Robert Zoellick pushed for the completion of the Doha Round of the WTO saying, “If ever there is a time to cut distorting agricultural subsidies and open markets for food imports, it must be now. If not now, when?” In an opinion editorial, Dominique Strauss-Kahn, Managing Director of the IMF, says, “Completing the Doha Round would play a critically helpful role . . . as it would reduce trade barriers and distortions and encourage agricultural trade.”[50]

“Assessment of the technology lags behind its development, information is anecdotal and contradictory, and uncertainty about possible benefits and damage is unavoidable.”

However, as Harvard Political Economist Dani Rodrik points out, this solution ignores the World Bank's own estimates from its *Development Report on Agriculture*, which show that prices of coarse grains, wheat, and rice will rise between 4% and 7% (relative to all other prices) if there is a successful trade round with complete removal of all restrictions. And this does not even take into account the impact of biofuels on commodity prices.

Zoellick, like many others, has also held up the Green Revolution as the key to increasing food production. In his speech at the Center he committed the Bank to work with countries, especially in sub-Saharan Africa, to create a Green Revolution to “boost productivity,”[51]

However, the World Bank–backed International Assessment of Agricultural Science and Technology for Development's [IAASTD] 2,500-page report released in April 2008 delivered a snub to genetic engineering and chemical-input based industrial agriculture. Nearly 400 scientists involved in the 5-year long process said in the report that they see little role for genetic engineering as it is currently practiced in feeding the poor on a large scale. And in the words of Dr. Robert Watson, Director of the IAASTD, “Are transgenics the simple answer to hunger and poverty? I would argue, no.”

A new study, carried out over the past three years at the University of Kansas shows that genetic modification actually cuts the productivity of crops by about 10 percent, challenging claims by the proponents of technology that it is needed to boost food production to solve the growing world food crisis. [52]

Figure 4.6 Estimated real international commodity price increases following complete trade liberalization

Source: Anderson, Martin, and van der Mensbrugghe 2006a.

The Way Forward

The current crisis requires that International Financial Institutions acknowledge the long-term causes outlined above, which have been at work for some decades now, before recommending policy solutions based on further trade liberalization and technological fixes to the developing countries.

The situation calls for structural changes. These should include:

- **National Safety Nets for the Poor and Most Vulnerable:**

While long-term agricultural policies are needed to reduce volatility of food stocks and prices and ensure adequate food supply to meet domestic needs, safety nets are required to ensure the food security of the most vulnerable members of the population. Safety nets should provide the poorest with resources to meet their basic needs as well as protect them against shocks.

- **Increased Funding for the Poorest Countries:**

Donor countries should provide more aid immediately to support government efforts in poor countries to deal with the current crisis and respond to appeals from UN agencies.

More, not less, aid for rural development is necessary. Foreign aid to Africa fell by 40% during the 1990s and the commitment of 0.7% of the GDP has never been reached; according to UNDP, such a donation constitutes only the minimum of what is required to stop the socioeconomic decline of the poorest countries. Policies that help affected countries develop their *own* agricultural sectors actually feed more people and decrease developing countries' dependence on food imports in the long run.

• Shift Away from the Free Market Ideology and Toward Policy Space for Developing Countries to Protect Their Agriculture and Farmers and to Ensure Better Management of Food Stocks:

The inequalities and unfairness in the international trade of agricultural commodities adversely impacts agriculture in developing countries, especially the LDCs. The fight against hunger needs to shift away from the free market ideology that has been driving development policies over the past three decades.

Government intervention is also required, through institutions such as Marketing Boards, to protect prices and markets and the management of national food stocks, all of which are essential to mitigate the effects of the fluctuations of national food production on producers and consumers. No industrialized country has been capable of developing its agriculture without such protective barriers.

• Increased Support for Small Farmers:

Tackling hunger requires that small farmers in developing countries be supported so they can provide for their own populations. Subsistence farmers who constitute 75% of the world's poor should be at the center of development policies. These policies should promote consumption and production of local crops raised by small, sustainable farms rather than encouraging poor nations to specialize in cash crops for Northern markets.

These are merely a few of the recommendations that will help turn the tide against the growing food crisis and help ensure food sovereignty of developing nations. Environmentally sustainable agriculture and bioenergy policies that ensure food and energy sovereignty also need to be supported. To embrace these crucial policies, we need to stop worshiping the golden calf of the so-called free market and instead embrace the principle of food sovereignty. Every country and all people have a right to live in dignity and to be free from hunger. When the market deprives them of this, it is the market that has to give.

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APPENDIX: Measures Taken by Governments to Limit the Impact of Soaring International Cereal Prices on Food Consumption

As international prices of cereals have continued to increase in February and March, governments all over the world have taken policy measures to reduce the transmission of higher international prices into domestic markets, and to protect food consumption by vulnerable populations. Recent developments since early February are listed below**.**

In **Asia,** rising food prices have prompted some of the world's largest rice producing and exporting countries to announce ceilings and even bans on their rice exports. **India** banned non-basmati rice exports in late March, set the minimum export price for basmati rice at USD 1 200 per tonne, and authorized duty-free imports of rice. **Viet Nam** has extended a ban of rice exports until June, and announced in late March that total rice exports, eventually permitted in 2008, would be cut to 3.5 million tonnes from 4.5 million tonnes last year. In **Cambodia,** the Government announced on 26 March a two **-**month ban on rice exports and the release of rice stocks to curb rising domestic prices. **China,** that had introduced a series of quotas/bans on grain exports, has recently announced additional agricultural production support measures, including increases in the minimum purchase prices of wheat and rice, and agricultural inputs subsidies (see Box on China). **Pakistan**, which had raised duties on wheat exports, has also recently raised wheat support prices by 23 percent in an attempt to build up strategic reserves. In **Indonesia,** following protests over shortages of soybeans, the Government has reiterated that it will take a series of measures to stabilize food prices. In the **Philippines,** the Government is analyzing the reduction of rice and maize import tariffs, that stand at 50 percent and 40 percent respectively, and has encouraged the private sector to participate in importing 163 000 tonnes of rice together with the National Food Authority (NFA). The NFA is also selling its rice stocks at subsidized prices. The Government of **Bangladesh** is selling rice at subsidized prices in urban areas, while **Thailand** will release 650 000 tonnes of rice from state stocks to be sold at subsidized prices. **Malaysia** continues to regulate the price of rice which is subsidized and has not suffered variations in recent months, despite price hikes in international prices. The Government is planning to increase its stocks.

North Africa depends heavily on cereal imports to satisfy consumption requirements and soaring international prices have pushed up domestic prices of bread and other basic food. In **Egypt**, after a significant rise in wheat flour subsidies, the Government announced at the end of March a ban on rice exports from April to October 2008. Earlier in the month, it had ordered the army to bake bread for the population. In **Western Africa**, in **Senegal**, that normally imports half of its cereal consumption, the Government has subsidized the purchase of wheat flour by 40 percent, waived tariffs and imposed price controls. In **Liberia**, the Government recently suspended the USD 2 tax levied on a standard bag of rice. In **Côte d'Ivoire**, following recent social unrest in response to sharp increases in oil and milk prices, the Government has temporarily suspended import duties on essential foodstuffs. In **Southern Africa**, in **Zambia**, in spite of available export surpluses of maize in 2007/08 marketing year (May/April) the Government has reinstated the export ban which had been in place most of the previous marketing season. It has also implemented large input subsidy schemes to foster cereal production this year. In **Malawi,** the Government has continued with the large scheme to subsidize fertilizers and quality seed in the current agricultural season. In **South Africa,** the Government has announced the increase of disability and old age payments from April 2008, and adjusted the amounts paid in social grants to the poor. In **Zimbabwe**, the Government continues to control imports of maize, wheat and sorghum which are sold at subsidized prices. In **Eastern Africa**, in **Ethiopia**, the Government has recently cancelled the value-added and turnover taxes on food grains and flour, as well as all taxes on cooking oil, and surtax on soap. Earlier, the Government took actions to stabilize cereal prices and to increase the purchasing power of the poor, including expenditures of USD 38 million to subsidize wheat, and USD 366 million to subsidize fuel. The monthly distribution of 25 kg of wheat to 800 000 low-income urban dwellers introduced in

March 2007 will be maintained, as well as distribution of edible oil and other products. The Government has also announced the import of a large quantity of sugar, wheat and cooking oil. In the **United Republic of Tanzania,** the Government has authorized duty-free imports of some 300 000 tonnes of maize, and banned exports of agricultural commodities.

In **Latin America and the Caribbean**, the Government of Mexico that had earlier removed quotas and tariffs for food imports, has made agreements with traders to increase maize imports and reduce retail food prices. It has also recently announced food production support measures and its intention to reduce fertilizers prices by a third. **El Salvador**, **Guatemala**, **Nicaragua** and **Honduras** have jointly agreed to cancel the import levy on wheat flour until the end of the year. **Argentina** has delayed the reopening of its wheat export registry until 21 April from the previous scheduled date of 17 March. It has introduced a new scheme of variable levies for oilseeds and grains to boost state revenue while commodity prices are soaring. As an attempt to partially offset the negative impact of this scheme on farmers' profits, the Government is considering a 20 percent subsidy on the price of fertilizers. **Brazil** has removed the 10 percent import tariff on 1 million tonnes of non-Mercosur wheat until June 30. In **Peru**, the Government announced in late March the launching of a programme to distribute food to the poorest strata of the population. It had earlier removed the tariff on cereal imports. In **Ecuador**, the Government has raised the subsidy on wheat flour introduced last October from USD 10 to USD 14.3 per 50 kg. In **Bolivia**, tariff-free imports of rice, wheat and wheat products, maize, soybean oil and meat are authorized until the end of May, while a ban on exports of grains and meat products has been introduced.

In **Europe**, the **Russian Federation** has announced high purchase prices for grain from domestic producers and is currently selling stocks to millers, after prices of wheat reached record highs in late March, in spite of the introduction of a 40 percent export tariff at the end of January. **Ukraine** has announced a plan to set limits on profit margins by the food industry and traders, as part of a package of anti-inflationary measures.

Source: Food and Agriculture Organization, Crop Prospects and Food Situation, No. 2, April, 2008.

[1] *World Economic Outlook 2008*, International Monetary Fund, page 60.
[2] Ibid.
[3] Mousseau, Frederic. "Hunger on the market," Draft, January 18, 2008.
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