



## The World Food Situation: Will this ‘Perfect Storm’ move on to become a mere passing cloud?

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### **Foreword**

By *Rick Burnette*

*Jim Goering, an ECHO board member, holds a PhD in Agricultural Economics and has professional work experience at the University of California/Berkeley, Harvard University, the World Bank and World Vision. In a paper presented at the 2008 ECHO Agricultural Conference in Ft. Myers, Florida, Dr. Goering explored causes that led to a sharp rise in global food prices between 2006 and 2008, following more than four decades of either declining or stable food prices.*

*Factors that contributed to decreased food supplies included high fuel prices; grains and oilseeds being diverted to biofuel production; adverse global weather patterns; and sharp cutbacks in public sector investment in agriculture in developing countries. Simultaneously, the growth of per capita income in India and China, higher meat consumption in those countries, and continued world population growth increased overall food demand.*

*According to Dr. Goering, although this “perfect storm” culminated in sharp world-wide rises in grain and food prices, a deteriorating world economy resulted in such prices beginning to dip during the last half of 2008. In light of recent food price volatility, what might the future hold?*

### **The Outlook**

What is the outlook for world food prices? In the immediate future (the next few months), some moderation in global food prices seems likely in response to very recent (since mid-2008) declines in world grain and energy prices. In the short-term (next 2 to 3 years) world food prices are likely to remain relatively high, as depleted grain stocks are rebuilt; more rapid economic growth resumes in countries such as China and India; and prices of key farm inputs such as fertilizer remain high. Over the medium-term (beyond about 2010), the outlook becomes more cloudy. In that time frame the world’s farmers seem likely to respond with increased production in response to attractive grain prices. However, we are also likely to see continued income growth and associated dietary changes world-wide; continued high energy and farm input prices; and steady population growth. In light of these realities, world grain and food prices are likely to remain significantly above the levels of the past two decades.

Arguably, society is best served if food prices are moderated from the high levels of 2006 and 2007. If this is to occur, an appropriate response from the international community will be required. In the immediate near term, there will be need for increased food supplies for humanitarian relief in critically food-short situations such as Darfur and drought-prone countries such as Ethiopia. Looking forward, there is need to re-emphasize and increase investment in developing country agriculture, with a focus on small-scale farmers and good agricultural

research to strengthen agriculture's technological base for the longer-term. The Food and Agriculture Organization of the United Nations (FAO) has estimated that the annual cost of a comprehensive program of this nature would be in the range of about \$30 billion per year—a manageable figure if there is global political commitment to the effort.

In terms of ECHO's ministry, these emerging circumstances suggest several programmatic considerations, namely (i) letting ECHO's vision drive our efforts "...to bring glory to God and blessing to mankind by using science and technology to help the poor; (ii) a continued focus on the poor, including the landless, those with few economic assets, minorities, etc.; (iii), emphasis on "pro-poor" development activities for small farmers in marginal agricultural areas; (iv) the continued search for technologies that lead to increased local-level food production and marketable surpluses with minimal use of purchased production inputs; (v) emphasis on cost-effective opportunities for program expansion in chronically food-deficient areas such as Sub-Saharan Africa; and, (vi) the continued search for synergistic program links with NGOs and organizations such as World Vision, the Gates Foundation, the CGIAR centers and the US Peace Corps.

In conclusion, and with reference to the original question of whether the recent 'perfect storm' will morph into a mere passing cloud, the views of knowledgeable international organizations seem realistic. The World Bank suggests that "Food crop prices are likely to remain well above 2004 levels through 2015 for most food crops." The International Food Policy Research Institute notes that "World agriculture has entered a new, unsustainable and politically risky period," while *The Economist* magazine states simply that "The era of cheap food is over."