

Newsletter ECLAC/FAO/IICA



The response of Latin America and the Caribbean to higher and volatile food prices and opportunities for regional cooperation

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NACIONES UNIDAS



FOREWORD

Since the end of 2010, the volatility of commodities prices has become a key concern for policymakers. This is combined with uncertainty over the possibility of a new global economic crisis due to the recent macroeconomic shocks experienced in various European countries and the United States.

In this context, FAO organized 14 seminars around the world in 2011 to promote cross-sectoral dialogue on the increase and volatility of food and agricultural commodity prices. Four of these seminars were held in Latin America and the Caribbean: Southern Cone countries met in Santiago, Chile; Central American countries met in San Salvador, El Salvador; Caribbean countries met in Port-of-Spain, Trinidad and Tobago; and countries from both within and outside the region met in Mexico City. These seminars were organized by FAO and supported by ECLAC, IICA (Santiago and San Salvador) and RUTA (San Salvador).

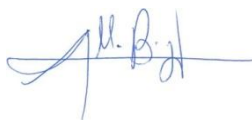
The purpose of the seminars was to facilitate the exchange of information and the sharing of experiences regarding policies (agricultural, commercial, financial and social) implemented by countries in the last five years to deal with the threats and opportunities arising from higher and more volatile food prices.

The participation of officials from the ministries of agriculture, social development, economy, finance, health and central banks, as well as representatives of civil society organizations, universities and international organizations, allowed content-rich dialogue and analysis while complex issues, including price volatility, were discussed from the perspective of different sectors impacted by higher prices.

We are pleased to make the results of these policy discussions available to you, with the aim of contributing information and analysis to the complex decision-making process.



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INTRODUCTION

Food price volatility continues to be a major concern for analysts and policymakers in Latin America and the rest of the world. Recent studies¹ estimate that as a result of higher food prices, the number of people living in extreme poverty in low and middle-income countries has increased by 44 million. Meanwhile, governments continue to seek answers and solutions to price volatility in local markets (Figure 1).

The rise and volatility of food prices is a problem with multiple causes and impacts².

At the **macroeconomic** level, price volatility impacts inflation (given the weight of food in the consumer basket); the balance of trade (especially in net food importing countries); the exchange rate (especially in countries where food represents a high proportion of exports); and the fiscal deficit, either due to a decrease in tax revenues as a result of lower import tariffs, or the need to increase public spending on social programmes.

In terms of **consumers**, the rise in food prices has increased the number of people living below the poverty line and in conditions of food insecurity, with more children at risk from the effects of chronic malnutrition that can be devastating in the long term.

For **producers**, the rise in food prices represents an opportunity to increase profit margins. However, the majority of producers in Latin America and the Caribbean are small farmers who are net consumers of food. In fact, the rise in food

prices and greater volatility could become a missed opportunity for many small farmers due to asymmetries in the transmission of prices of inputs and products, higher input costs and the low productivity levels prevailing in farms of the region.

In general, price volatility causes:

- Lower investment in agriculture by farmers, investors and banks.
- A reduction in the effectiveness of allocating resources from public and private sources.
- Political instability, resulting in decisions that can affect long-term economic growth.

Moreover, the increase in price volatility has occurred in an increasingly complex global context in which farmers, consumers and decision makers face other important challenges. These include:

- The close relationship between food, energy and financial markets, with the resulting increase in price volatility.
- Serious market information asymmetry at the national, regional and global levels, which often leads to the overreaction of markets to certain news and policy announcements.
- The variable profitability of farming.
- Increasing demand for food in Asia, particularly in China, and India (world food production will have to double by 2050 to meet expected demand).
- Climate change.
- The growing shortage of water and land.

These issues were discussed in three sub-regional seminars and an international forum held in Latin America and the Caribbean in 2011. The aim of this newsletter is to give an overview of the discussions at these events and the resulting recommendations for a future work plan in the

¹ World Bank (2011), Food Price Watch, February 2011. Available at: http://siteresources.worldbank.org/INTPREMNET/Resources/Food_Price_Watch_Feb_2011_Final_Version.pdf

² ECLAC/FAO/IICA (2011a), Price Volatility in Agricultural Markets (2000-2010): Implications for Latin America and Policy Options (online). Issue 1/2011. Santiago, Chile.

region. It is important to note that the presentations given by experts at the seminars do not necessarily coincide with the positions of the international agencies organizing these events. However, the main objective of this document is to bring together different views and opinions, thereby facilitating the exchange of information and enabling better international and inter-agency coordination in response to the increase and volatility of food prices.

Regional analysis of the current economic situation

The seminars were inaugurated by representatives of international agencies (FAO, IICA, ECLAC), local governments and regional institutions like RUTA (Central America) and CARICOM (Caribbean), regional financial institutions, embassies and producers' associations. In their opening remarks, the organizers and guests agreed on the importance of the main topic given that all countries of the region are facing another potential global economic crisis combined with a situation of extreme food price volatility rarely seen before. They also recognized that differences between countries in the sub-regions may cause them to react differently despite the common international context. The following points emerged from the seminars as part of a shared vision of the main challenges facing the region in terms of the global food market:

- Participants expressed concern about the **impact of the increase in international food prices on the poorest households**, particularly in net food importing countries. The recent behaviour of international prices undermines the aspirations of these countries to fully realize their right to **food security**. The participants identified new and growing challenges in the current global context to achieve food security and to meet the necessary conditions of food availability, access, stability and consumption. These conditions are especially threatened by difficulties in access to

food more than a reduction in food supply or lower agricultural productivity, in other words it is essentially a problem of social relationships and the poor distribution of productive resources and income. This situation is expected to have a **negative impact on the achievement of the Millennium Development Goals** relating to poverty and hunger reduction, since fair and stable prices for food are crucial for economic growth and reducing hunger and poverty.

- However, participants also recognized that **the rise in food prices can be positive for net exporting countries** because it generates foreign exchange and encourages growth. Moreover, the current situation represents an **opportunity for agricultural development and rural areas**, especially due to the recent focus on the potential of agriculture to reduce poverty and food insecurity. Several countries of the region play a fundamental role in the global food supply, especially of grains, vegetable oils and meat, which means their policies affect international commodities markets. The challenge for the region is to take advantage of the current situation of high prices to further diversify its economy.

- The participants highlighted some of the **causal factors** of the rise and volatility of food prices such as the international financial crisis, rising oil prices, climate change, the increase in demand for food in emerging countries with large populations, the increase in biofuels production and related subsidies, speculation which is highly interconnected with the commodities markets, and changes in exchange rates and the phenomena of hoarding. The growing gap between demand and supply has generated an almost continuous depletion of stocks, which has increased the vulnerability of certain countries and has been a crucial factor in food price volatility. In addition, the rise in international food prices has occurred in a **highly interconnected and interdependent world**

economy that is experiencing a severe financial and economic crisis.

- The participants also stressed that the increase in international food prices – which are expected, at least for 2012, to remain high and volatile – has a **structural component**, linked to profound changes in demand, production and world trade in food. This is combined with other long-term trends, such as a changing population pyramid including an increasing proportion of young people in developing countries. The unemployment resulting from an economic crisis tends to affect young people the most. This situation, combined with the increase in food prices and historical conditions of inequality, has caused political instability and far-reaching social movements in several countries. Faced with this situation, it is important to **increase food production in the region in order to create employment and a better quality of life in rural areas**.

- **The return of agriculture to the top of national agendas** is an opportunity to reverse the process of under-investment in the agriculture sector, especially considering that agricultural production must double by 2050 to meet the needs of the growing world population. Greater availability of food and higher incomes are needed to improve the access of the world's poorest people to food supplies. Food markets must also become more efficient and reduce speculation, avoiding oligopolistic failures that impede a more efficient supply for the population as a whole. Better risk management, market information and food safety levels are also necessary. This requires **intensive processes of investment and regional integration**. Higher productivity must be achieved through higher investment and technological improvements, including the prudent and controlled use of biotechnology and the strengthening of research and development processes. Promoting greater international trade is also important as well as

improving the efficiency of production and distribution channels.

- Developing countries have shown **very low rates of investment in science and technology** related to agriculture, thus limiting the growth of crop yields and production. The technical capacity to produce sufficient food for the world's population exists, but this requires political will and institutional development to remove the obstacles that currently deny food security to about one billion people globally.

- Efforts to increase production should consider the **broad potential of small-scale agriculture**, which simultaneously achieves the objectives of increasing food availability and incomes in poor areas. In addition to policies that increase food production, measures should be taken to reduce food waste, which is currently estimated at close to one third of total production. The potential of rural agro-industry and local agri-food systems (LAFS) was also highlighted, particularly in terms of the development of poor and isolated communities. However, the development of these systems requires better organizational capacity at the local level as well as new infrastructure and support services.

- The food crisis is an issue that requires **public policies**, especially in the context of the economic and financial crisis. The participants recognized that the current situation is different from 2008 since **instruments to deal with price spikes and volatility** have been developed in the last three years. However, the region must become more flexible in its response to higher food prices and should adopt a more proactive approach based on risk analysis and projections, the collective use of natural resources in the region, the aggressive coordination of external resources, and the exploitation of opportunities for South-South cooperation. The region should also attract more agricultural investment through

innovative financial instruments. In this regard the participants emphasized the need for an **integrated policy approach** due to the increasing interconnectedness of the financial, energy and agriculture markets.

- Achieving food security in the region, which is defined by FAO as the goal of "Ensuring that all people at all times have both physical and economic access to the basic food that they need", calls for close **regional cooperation** and **multilateral actions**. Food and nutritional security depends on the efforts by each country and civil society, but also on the ability of governments to adopt an integrated regional vision of shared challenges and a collaborative strategy to address them. Part of the solution at the regional level includes taking advantage of the opportunity provided by the crisis to strengthen cooperation between countries. **The support of international agencies** is also important to identify activities in the region that build on the efforts made by each country and to implement policies at the regional level.

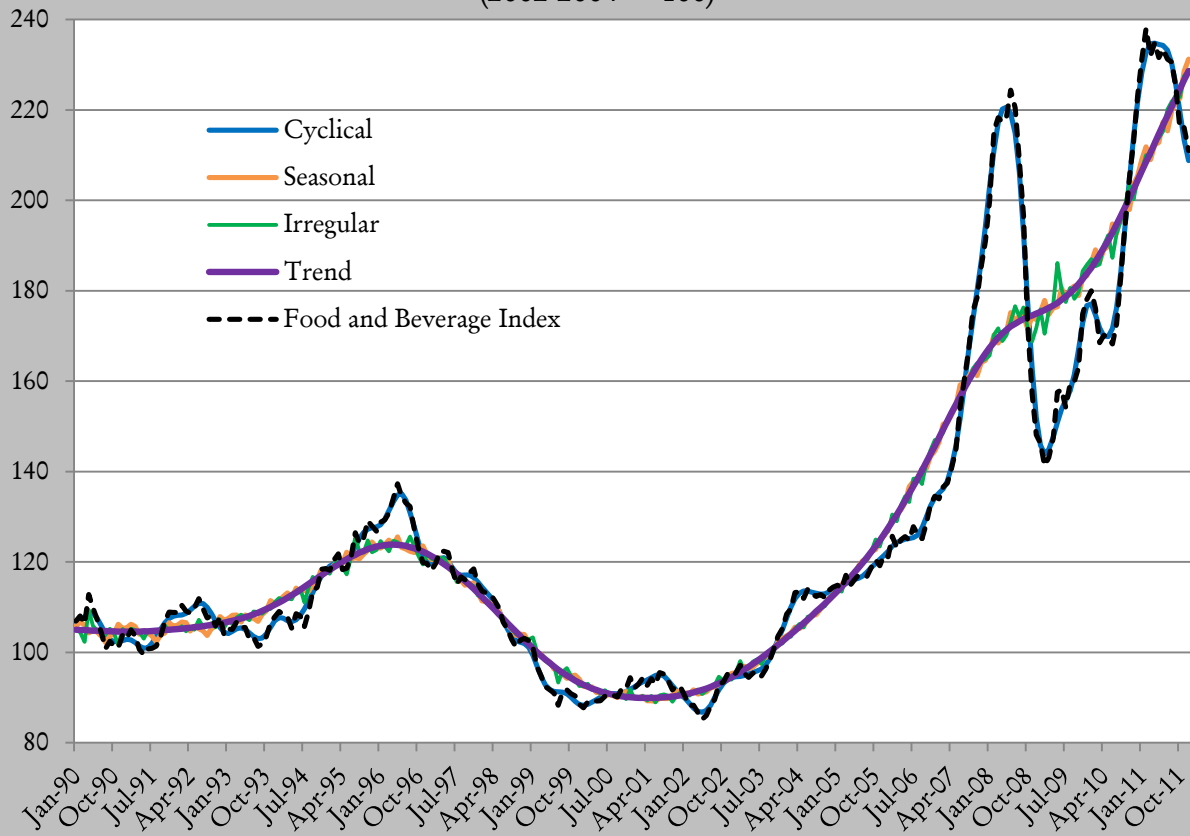
- Participants also expressed their concern about dealing with food insecurity through **price control mechanisms and protectionism**, as this tends to discourage agricultural production in those countries which have comparative and competitive advantages in food production, including several Latin American countries. Market regulation is important but this must take place in a context of **trade facilitation**. The regulation of financial markets must also be

strengthened without inhibiting the efficient allocation of resources. Direct support for food security in poor areas helps to develop human capital, but public policies that rely exclusively on transfer mechanisms to help the poor are too limited in scope. These policies should be maintained and complemented with others that improve the **productive capacities** of low-income families to use the land and local inputs to generate a sustainable income.

- Achieving food security at the regional level requires **short, medium and long term strategies**. In addition to policies designed to ensure access to food in the short and medium term, such as transfer mechanisms and subsidies, a stable legal framework is needed to achieve the long-term goals of food security and the reactivation of the agricultural sector.

Beyond this general analysis, which was the focus of the International Forum on Food Security and Food Price Volatility held in Mexico City, the three sub-regional seminars provided the venue for a more detailed discussion on certain issues including the results of specific policies and the economic outlook for the region. The next three sections summarize the conclusions of these seminars, while the fourth section presents the regional issues addressed at the International Forum in Mexico. Finally, the fifth section contains the main recommendations of the participants for a future work agenda involving all countries of the region.

Figure 1
 FAO Food Price Index and Time Series Components (Jan-90/Dec-11)
 (2002-2004 = 100)



Note: More details about the time series components of food prices are available from ECLAC/FAO/IICA (2011b)³

Source: FAO *Food Price Indexes*. Available at <http://bit.ly/gC6TGF>

³ ECLAC/FAO/IICA (2011b). *The Outlook for Agriculture and Rural Development in the Americas: A Perspective on Latin America and the Caribbean 2011 – 2012*. San José, C.R. IICA, 2011.

I. CROSS-SECTORAL POLICY DIALOGUE WITH SOUTHERN CONE COUNTRIES

Sub-regional outlook

The countries of the Southern Cone are major producers of raw materials, both agricultural and mineral. This means that the impact of the rise in international prices for food and other commodities is different in these countries compared to the rest of Latin America and the Caribbean. Indeed, the increase in prices has generated an extraordinary flow of income to countries of the Southern Cone, which has affected the real exchange rate with implications for economic policies in the short and long term.

Despite this difference, Southern Cone countries and other countries of the region share concerns about the recent behaviour of food prices, in particular their impact on the food security of the most vulnerable. For this reason, policies are needed to contain the rise in domestic prices, maintain the purchasing power of real wages, support small farmers to obtain better prices for their products and ensure access to food.

Main issues

Some of the main challenges that emerged in the sub-regional seminar are summarized as follows:

Macroeconomic policy:

- Can domestic policies, both macroeconomic and agricultural, mitigate the problem of a lack of international coordination (in particular with regard to commodities speculation) and the destabilizing impacts of financial liquidity cycles?
- How can the emergence of Dutch disease and, in particular, the appreciation of the real exchange rate be avoided? What instruments can be used to channel revenues from natural

resources to investment rather than consumption?

- What role can multilateral institutions play in promoting stability and structural change?
- Trade policy:
- How can the rise in domestic prices be controlled without resorting to protectionism, which magnifies the contraction in trade and affects other sectors of the economy?
- How can intra-regional trade be increased in response to the instability of the international food supply?
- How can countries respond to the challenge of increasing food production in a context of lower growth in global agricultural yields?

Agricultural policy:

- How can the production of small-scale farmers be increased to mainly supply the domestic market, while overcoming the productivity gaps that exist compared to modern export-oriented agriculture?
- How can the efficient use of natural resources, agricultural inputs and energy be promoted, considering that these items have become more costly in recent years?

Policy measures

Macroeconomic

In the short term, the appreciation of the exchange rate can help control inflation given the reduction in prices of imported products in local currency. However, from a long-term perspective, the real exchange rate (RER) is essential for the development of sectors where technological and productivity gaps are large, especially in the absence of technological development and innovation policies. Access to

international markets facilitates structural change since it promotes learning processes and productivity gains. But the appreciation of the real exchange rate limits the development of such processes in sectors that do not benefit from the increase in prices. The region must face the challenge of promoting greater productive diversification by incorporating high technology. But the real exchange rate is key to closing the competitiveness gap and allowing countries to compete in foreign markets.

In the short term, the main policy challenges for the region are how to control the inflow of capital, evaluate the macroeconomic impacts of long-term problems and reform microeconomic policies (learning processes, supply side, and diversification of the productive structure).

Trade

Data from *Global Trade Alert* indicates that, since 2008, there has been an increase of protectionist measures around the world. In industrialized countries, these are mainly domestic policies such as subsidies and preferences for national goods in public procurement processes. But developing countries have taken measures that directly impact trade (tariffs, non-automatic licensing, and minimum customs duties amongst others). There has also been an increase in antidumping measures globally.

In South America, Argentina and Brazil have both adopted some of these measures. In Argentina, there have been tariff hikes (in the context of MERCOSUR's Common External Tariff), antidumping rules, non-automatic import licenses, minimum customs values (MCV), informal barriers to imports, subsidies and export restrictions. Similar measures, with the exception of minimum customs values and export restrictions, have been taken in Brazil. In Brazil, there has also been managed trade (in coordination with the private sector) in the powdered milk industry.

In the first five months of 2011, 14.4% of intraregional trade in the Southern Cone was subject to restrictions, while 5.3% of total imports were affected by these measures.

By analysing the results of these measures, three main conclusions can be drawn: a) agricultural protectionism affects other sectors of the economy; b) intraregional trade should be maintained in times of crisis; c) in a crisis situation, protectionist measures increase the contraction of trade, making it difficult for intraregional trade to provide a safety valve in case of external shocks.

Production

Another of the issues discussed in the seminar was the trend of declining rates of growth in world agricultural yields, including crops like soybean, corn, wheat and rice, particularly since the end of the 1980s. This has been combined with large productivity gaps that exist within countries between modern export-oriented agriculture and the production of small farmers more oriented to supplying the domestic market.

In this scenario, the region must increase its productive capacity. This was the position of some countries in the region, including Argentina, at the G-20 meeting held in June 2011. For this reason, more investment in biotechnology to build resistance to drought, pests and salinity is important, as well as good agricultural practices (GAP), direct seeding, precision agriculture and mechanization. These enable a more efficient use of inputs such as fertilizers and energy, which have increased in price. Countries in the region must also replace corn used to produce biofuels with other crops and forest biomass. Finally, risk management was identified as another key area for the competitive development of agriculture in the region.

In the last decade, some countries have implemented public programmes to strengthen food production based on family farming. Some

of the most significant experiences in the region are summarized as follows:

Argentina: One of the current government's main objectives is strengthening institutions, including the creation of the Ministry of Agriculture, Livestock and Fisheries (MINAGRI) in 2009 (formerly a department of the Economy Ministry) and the creation of the Office for Family Farming. In this context, the *Agricultural and Agri-Food Strategic Plan 2010-2016* was drafted and has been implemented by MINAGRI with the participation of productive sectors, universities, provincial governments and other actors. Other relevant measures include the creation of the National Family Farming Forum, the strengthening of the National Institute of Agricultural Technology (INTA) and the National Food Safety and Quality Service (SENASA), and support for the Special Meeting on Family Farming (REAF).

MINAGRI works closely with provincial and municipal governments to implement rural development policies including: a) helping communities move up the value chain in dairy, fruit, wine, honey, spices, and livestock production; b) improving public infrastructure (irrigation, electrification, rural roads, technical schools, health centres and water supply); and c) small-scale inclusive productive systems (manual milking, artisanal winemaking, etc.).

Other initiatives include: a) implementation of the National Family Farming Registry (RENAF); b) collective marketing programmes; c) adaption of food safety norms to the reality of family farming; d) support for family farming business initiatives; e) financing instruments (revolving funds); f) emergency agricultural funds to compensate for weather and market contingencies; g) strengthening of peri-urban production systems. This last initiative includes the PRO HUERTA programme, funded by the Ministry of Social Development and executed by

INTA (including 624,000 family, school and community gardens and 125,000 farms).

Chile: In the agricultural sector, the main activities are led by the Institute for Agricultural Development (INDAP) (see Box 1). This institution serves a very heterogeneous sector, composed of 262,000 farms, of which 58% are subsistence, so-called *multi-purpose* farms. This segment has many difficulties in marketing produce, farmers are elderly (average 53 years) with low formal education (average 6 years of basic education), with an average 3 hectares of irrigated land, limited access to financial services, poor management ability and limited access to information.

Box 1.

Chile's Institute for Agricultural Development (INDAP)

INDAP's strategy of agricultural development includes the following key instruments:

- a) Technical assistance programmes for small-scale farmers, including productive partnerships between agribusiness and producers.
- b) Local assistance programmes for subsistence producers (PRODESAL), executed through the municipalities and serving approximately 53,000 producers with a goal to reach 88,000 producers by 2015.
- c) Indigenous land development programme, which serves approximately 20,000 families.
- d) Investment development programme, including subsidies for investment in warehouses, fences, infrastructure, etc.
- e) Intra and extra predial irrigation programmes in coordination with water rights regularization programmes.
- f) Soil recovery programmes.
- g) Credit platform (short and long-term loans).
- h) Financial assistance programme, to help producers access private banking loans.
- i) Revolving irrigation fund.
- j) Agricultural insurance.

Social

One of the most important recent trends has been the proliferation of successful public programmes to fight rural poverty. The most significant experiences in this regard are:

Bolivia: The food crisis in Bolivia is a structural problem associated with the system of land tenure, the labour market and the productive system. Previous economic models are considered consumerist and predatory and a new model is needed to deal with the impact of climate change. This requires an integrated response that considers market policies and regulation (price bands, domestic demand, diversification of exports, storage, R&D, investments). Given the scope of the global food crisis, however, responses are needed that transcend the efforts of a single country.

Brazil: The government has taken a multi-sectoral approach to reducing poverty. In the context of the rise in international food prices associated with the economic crisis, the maintenance of anti-poverty programmes has required increased spending by the government to protect people who, as a result of rising prices and/or the loss of their income, have swelled the population of the poor and destitute. The national strategy has four main focus areas that have been maintained or strengthened in recent years:

1. Income assurance and social protection policies. This includes the welfare programme *Bolsa Familia*, which gives families a subsidy depending on their level of income. There are currently 14 million families served by this programme.

Box 2.

Institutionalization of food and nutritional security in Brazil

Through Law No. 11,346 of 2006, which created the National Food and Nutrition Security System (SISAN), around 2,000 members elected from across the country meet regularly as part of the National Food Security Council to establish the guidelines of the National Food and Nutrition Security Policy (PNSAN). This policy is multi-sectoral in nature and includes various public programmes including the following:

- a) Promotion of universal access to food supplies: Includes the Bolsa Familia Programme; National School Nutrition Programme; Network of Public Food and Nutrition Facilities; National Worker's Food Programme and the Food Distribution Programme for Specific Groups.
- b) Development of food production, processing and distribution systems: Includes the National Programme to Strengthen Family Agriculture (PRONAF); Food Purchase Programme for Family Agriculture (PAA); Agrarian Reform; Conservation and Agro-Biodiversity Management Programme, and the Fisheries and Aquaculture Programme.
- c) Promotion of universal access to water: Includes the construction of tanks (cisterns) to store rainwater for human consumption and irrigation.
- d) Support for indigenous peoples and traditional communities: Programme that includes the distribution of food and land regularization.
- e) Support for food and nutritional education programmes: Includes actions by the Ministry of Social Development, Health and Education.
- f) Strengthening food and nutrition programmes: Primary level healthcare in coordination with the Ministry of Health.

2. Institutionalization of food and nutrition security.
3. Participation of the Ministry of Social Development and the Fight against Hunger in the area of food and nutrition security, promoting multiple production, commercialization and consumption initiatives.
4. *Plan Brasil sin Miseria*, (second version of the Zero Hunger plan), which aims to eradicate extreme poverty in four years. It includes three areas of action: minimum income, productive inclusion and access to public services.

Chile: The government has implemented various programmes aimed at fighting poverty including the *Chile Solidario* programme, the *Puente* programme and nutritional programmes run by the National Council for School Assistance (JUNAEB) in rural and urban schools. Another programme is run by the Food Network, an NGO that has established agreements with companies to pick up whatever food is not consumed prior to it being thrown out. This programme has demonstrated that the creation of

Paraguay: The government is working to increase the supply and availability of food for the local population. This means looking at these issues not only in terms of the world market (exports), but also from the perspective of the domestic market, establishing links between economic and social policies. There is interest in developing tools to manage uncertainties (stabilization funds, insurance) and concerns about trade restrictions at the intra-regional level. Other areas of interest include technology development, especially in relation to small farmers, forestry and climate change, as well as the implementation of integrated social protection systems that incorporate nutrition.

Peru: Since 2002, when a national agreement was signed that included 30 policies based on the Millennium Development Goals with a 20-year horizon, reducing poverty and chronic child

food banks is needed to help those who have problems in obtaining sufficient food. This is an especially important issue considering that, according to FAO estimates, approximately 30% of food is wasted.

Ecuador: The government is working to increase food production, which means reforming sectoral institutions. This effort is based on constitutional reforms (creation of a popular economy, creation of the concept of Food Sovereignty) and the implementation of family farming programmes. In this context, the government is working on revitalizing local markets and creating a public procurement and inclusive businesses programme (PRONERI) to eliminate middlemen and improve the conditions of sale for products of small-scale agriculture. Another key issue is the marketing of food products, including export promotion and domestic consumption, which requires more transparent markets and a change in consumption habits. Finally, the issue of employment is key: a policy is needed that ensures dignified working conditions for producers and workers alike.

malnutrition has been an important part of the government's strategy. It has also approved the National Strategy for Food Security, the Rural Development Strategy and the National Plan of Action for Children, among other programmes. Within this framework, 12 public policies were approved and 19 strategic programmes implemented using the "Budget by Results" methodology. In order to face challenges in nutrition and reduce poverty, the budget of the Ministry of Women and Social Development was increased from 3.92 billion soles (US\$1 billion) in 2006 to 7.59 billion soles in 2011.

Uruguay: The banking and financial crisis that affected the country in 2002 left large parts of the population vulnerable to higher food prices. As a result of the lessons learned from this crisis, the Food Security Monitoring Agency and the Food Security Commission were created in September

2008. The Family Farming Board was also created in 2009 as part of the Ministry of Livestock, Agriculture and Fisheries and a legal definition of family farming was established.

Conclusions and Perspectives

It is clear that the Southern Cone is a key source of basic foods needed to face future global nutritional challenges, which puts this region in the centre of the global food debate. The main conclusions of the seminar were as follows:

- The problem of food security in Southern Cone countries is mainly an issue of access and nutrition.
- The issue of proper nutrition is not sufficiently established as an explicit objective in the region's social safety nets.
- To solve this problem, it is important to continue strengthening social safety nets as many countries in the region have done successfully.
- Developing productivity improvements and technological innovations that help to increase domestic food supply should be a top priority. The reduction in the growth of crop yields is a disturbing trend considering future and current global food challenges.
- The Southern Cone faces many environmental challenges, including better management of water resources, the mitigation of greenhouse gases and adaptation to climate change. This requires the use of new technologies, especially by small farmers. The global food supply must be increased but the environmental consequences must also be considered.

Box 3

Social programmes in Peru

In 2005, the Conditional Rural Subsidy Programme (JUNTOS) was created, which benefits 471,000 families in 646 poor districts of 14 departments in Peru. The national social strategy (CRECER) was also established, which aims to fight poverty and reduce chronic malnutrition in 1,119 districts nationwide. This strategy considers three main areas of intervention: human capital development; the promotion of opportunities and economic capacities; and the creation of a social protection network. This strategy works at national, regional and community levels and uses an integrated approach, which includes services, cash transfers, organization, access to infrastructure and equipment (water storage, cooking facilities and others), higher incomes and improvement in food availability. In 2006, another reform was passed to encourage investment and reduce poverty and exclusion.

The National Food Assistance Programme also ensures food supplies and basic nutrition for people in situations of extreme poverty and at high nutritional risk. This programme is aimed at 4.2 million children under the age of three as well as preschool and school-age children, pregnant women, breastfeeding mothers, the infirm and the homeless.

This strategy has been successful by reducing total poverty from 48.7% in 2005 to 31.3% in 2010, and reducing child malnutrition from 28.5% in 2007 to 23.2% in 2010.

However, Peru still faces challenges including: a) improving the distribution of the benefits of growth; b) continuing to prioritize the issue of poverty and child malnutrition in national policy; c) designing different strategies for rural and urban areas; d) improving the monitoring of social programmes to increase transparency in the management of resources; and e) improving the coordination of local and regional governments and programmes.

Recent experience offers an important lesson: the participation of all stakeholders in social programmes is key for their effectiveness, which requires political commitment at the highest level.

II. CROSS-SECTORAL POLICY DIALOGUE WITH CENTRAL AMERICAN COUNTRIES

Sub-regional outlook

The seminar noted the high dependency of many Central American countries on imports and the impact of the current rise in food prices on inflation levels in these economies, purchasing power and the access of the poor to food. While inflation rates, both general and food-related, tended to stabilize in Latin America in the first half of 2011, these continued rising in the majority of Central American countries.

In particular, there was concern about the impact of the increase in the price of white corn (used in making tortillas) on food security in Central America and Mexico. Given the importance of corn in the diet of the majority of Central American countries, the increase in its price has meant that food inflation rates continue to rise. Between June 2010 and June 2011, the wholesale price of white corn and tortillas in Mexico increased 65% and 25%, respectively. In Guatemala and El Salvador, the wholesale price of white corn and tortillas increased 56% and 112%, respectively, in the same 12-month period. Similarly, in Guatemala the price of tortillas increased 33% from March 2010 to March 2011.

Main issues

The need to reorganize the Central American agenda was proposed and priority issues were suggested for the consideration of the participants:

- Are higher food prices being transmitted to producers, in particular small farmers?
- Are greater transparency and competitiveness needed in regional food markets?
- How can instruments be developed to manage climate risks and facilitate a regional coordinated response to natural disasters?
- Would the coordination of trade policies contribute to reducing the volatility of food prices in the region?
- How can the regional system of animal and plant health, as well as food quality and safety, become more integrated?
- Could there be greater investment and cooperation between agricultural research institutes?
- What challenges are there for development banks in the financing of small producers?
- Should compliance with labour laws in rural areas be a greater political priority?
- How much do social safety nets depend on external financing and aid?

Policy measures

Macroeconomic stability and intraregional trade

Successful initiatives and activities in the region should be shared with other countries to improve agricultural productivity and trade. In particular, the participants recommended that countries in the region conduct joint purchasing of inputs and consider developing regional irrigation projects, in order to take advantage of the potential in all countries.

Increasing food production in the short and medium-term

The seminar emphasized the need for new agricultural policies able to adapt to population growth, climate change, market instability and speculation, the production of biofuels, information technology and biotechnology. A regional supply policy would also help to reduce the region's dependence on imports.

Markets must be made more efficient and transparent while small producers need to move

up value chains. Many middlemen are making extra profits so civil society organizations are essential to control abuses.

The fundamental role of family agriculture in food production and food security should also be recognized. Family farming ensures sustainable production and is less vulnerable to international crises. However, this sector requires financing and technological support to develop, not just traditional aid.

The seminar highlighted the difficulty faced by producers, especially small farmers, in obtaining financing from private banks. The risk associated with this activity means there is a need for development banks to prioritize funding for family-scale farming. Traditionally, private banks do not grant long-term loans to these farmers but rather consumer loans with terms that do not allow them to make important changes in the productivity of their farms. In this regard, public institutions that can provide risk capital and crop insurance to small farmers are essential.

There are common market failures in financing agricultural production, especially in the long term and for small productive units. Overcoming the liquidity crisis remains a problem of the perception of risk, which means there is an important role for public policies.

The role of the Central American Bank for Economic Integration (CABEI) could be crucial to enabling the development of financial systems that provide capital for family farming, loans at preferential rates, insurance and, eventually, savings instruments, options for the use of remittances and new payment methods.

Improving financing for agriculture requires a regional strategy for attracting investment, a strong development bank, banking sector reform and better regulation. This includes specific restrictions on loan allocation (percentages, limits, and associated credit) as well as the participation of the private sector.

The seminar also called for progress in creating a regional food security policy. A follow-up seminar is needed to establish an agenda for specific commitments including dates, names of those responsible and indicators of success over a one-year period.

Box 4

Mitigating the impact of high food prices on the most vulnerable

A regional approach to the development of social programmes was proposed at the seminar to complement the social policies of each country. This approach would include the exchange of information related to social programmes; studies to improve their efficiency; and the development of new programmes with a focus on agricultural production.

Social programmes help improve income distribution and they should be part of a long-term policy that includes a minimum wage, access to goods and services and decent working conditions. Family farming can also play a role in these programmes but it is necessary to move from a welfare model to a social assistance model.

Conclusions and perspectives

Central American countries all share, to a large extent, problems arising from the rise in food prices and greater volatility, but they have different options and abilities to solve them. The first conclusion of the seminar was that food and nutrition security transcends the actions of a single country and should be addressed with a regional vision.

Governments (including sub-national authorities), the private sector and international agencies need to decide concrete actions that are framed within regional policies and a long-term vision. This effort should be adapted to the current challenges while building on progress made in regional integration such as the Central

American Strategy of Rural Territorial Development and the Central American Agricultural Policy, as well as other examples of regional cooperation.

Considering the inequality in many of these societies and the high proportion of people living in poverty, greater awareness needs to be created about the importance of food and nutrition security because of its impact on national development. Mechanisms should be established to bring the issue of food and nutrition security to the national bodies that decide budgets, in order to ensure appropriate attention is given to these issues in each country.

Public policies must be reformed due to the consequences of the rise in food prices, especially policies that led Central American countries to become net importers of food.

On the other hand, the opportunities that these high prices provide for agricultural production should also be analysed. In particular, it is

important to determine whether higher prices actually benefit producers or are completely absorbed by middlemen.

It is a paradox that those who produce food in the region, including family and small-scale agriculture, are the most vulnerable to food insecurity. Support for family farming must form part of an agri-food development strategy to achieve food security and improve nutrition. Not only does family farming help alleviate rural poverty but it also takes advantage of the productive potential of this sector. However, public policies are also needed to support subsistence farming which is important for the food security of households in rural communities.

Central American countries face a very important fiscal challenge considering their low tax burden (tax revenues as a share of GDP), and beyond any political goodwill this is perhaps their main limitation in dealing with the food crisis.

III. CROSS-SECTORAL POLICY DIALOGUE WITH CARIBBEAN COUNTRIES

Sub-regional outlook

The situation of rising food prices raises concerns about the food and nutritional situation of people in the Caribbean, particularly poor families which constitute approximately 20% of the population. Food represents approximately 20% of the total expenditure of households in Caribbean countries and high food prices are expected to have a major impact on the poor who spend a large part of their income on food, in some cases reaching more than 40% of total household expenditure.

Main issues

Amongst the concepts and ideas discussed during the seminar, the following main issues were emphasized:

- Rising food prices: the regional situation and impact on growth and poverty in the Caribbean.
- Challenges and responses to rising prices in the supply of imported foods, domestic production and vulnerable populations.
- The following questions were also raised to encourage the exchange of experiences related to food programmes in Caribbean countries:
 - What are the main challenges posed by imported foods for the supply of food at the national level?
 - What are the main challenges posed by domestic production for the supply of food at the national level?
 - What political and practical measures could work in a situation where food prices are expected to remain high and volatile in the long term?
 - What role can international financial institutions and development agencies play to help countries cope with food price spikes?

Policy measures

The **regional response of CARICOM** to the food price crisis of 2007-08 included the following measures:

- A review of the Common External Tariff system used by CARICOM to identify elements that are subjected to high tariffs and represent a significant weight in the basket of the Consumer Price Index (CPI) of the member countries.
- An analysis of the impact on tax revenues of the elimination or reduction of the Common External Tariff for certain products.
- Recommendation that the Common External Tariff for certain products be reduced or eliminated.
- Development of key considerations including the need to monitor, at the national level, the benefits to consumers of changes in the Common External Tariff.
- Following a review of the Common External Tariff, the following actions were proposed:
 - Temporary exemption of basic goods without affecting import substitution plans and programmes.
 - Commit to the initial list of products to increase production and improve regional food security.
 - Improve regulations, non-tariff measures and access to markets to facilitate supply and transport in the region.
 - Promote food supplies from regional and national sources for institutional clients (e.g. school nutrition programmes).
 - Improve infrastructure and packaging used to transport products from farms to markets.

- Joint purchasing from suppliers outside the region.

Some member states also introduced other measures such as price controls, better information for consumers, tax exemptions, diversification of supply sources, subsidies and transfers, public procurement, market intervention, and joint purchasing.

Three facts were identified as important in developing solutions to the current situation of high and volatile food prices: high prices are here to stay, there exists inactive land and labour resources in the region, and the region is committed to achieving food and nutritional security.

The policy options employed by the **Caribbean countries** to mitigate the effects of the global food crisis and improve food security were organized into the following three categories:

- a) Measures to ensure the food security of households through the strengthening of social safety nets.
- b) Measures to reduce domestic food prices in the short term through trade policies or administrative procedures.
- c) Measures to improve the supply of food in the long term.

Strengthening social safety nets

This basically involves social programmes aimed at vulnerable groups. These measures improve the purchasing power of the poor without distorting domestic incentives to produce more food, and without reducing the incomes of producers and traders. There are several types of social initiatives used by Caribbean countries. These include:

- Increasing wages for workers.
- Reducing the cost of living for workers at the lower end of the wage scale.

- Increasing the threshold level for income tax.
- Increasing old age pensions.
- Increasing social assistance for poor people.

Box 5

Medium and long term initiatives in the Caribbean

Short-term actions in Caribbean countries should be aimed at making food affordable for poor people. However, the region must take into account demand and supply side factors in the medium and long term.

On the demand side, countries should promote a healthy and nutritious diet using regional and national foods. This would have a significant impact by reducing food imports in the region and increasing the local supply of products that make up the food basket in most Caribbean countries.

On the supply side, countries should join the Jagdeo Initiative, which is aimed at reducing the main constraints to agricultural development in the region. Countries need to promote the participation of the private sector (individuals and institutions) in agriculture to boost production; promote investment in research and technology; improve transport and logistics; improve marketing and sales infrastructure; improve access to credit and financing to increase land usage; and improve food safety and animal health standards. *Management of domestic food prices*

In addition to reducing tariffs and taxes on staples and inputs along the food chain, some Caribbean countries have used the following measures: subsidies for certain foods like flour and rice, tax reduction on certain foods with value-added, and the reduction of taxes on fuels and energy-related products, such as gasoline, kerosene and gas for cooking. Some governments have also sought to contain the impact of rising fuel prices and

electricity and water rates by absorbing the increase in energy bills.

Other countries have imposed tariffs on imports to promote domestic production and increase national income. Although the reduction of tariffs and taxes may provide some relief to consumers, it also results in fiscal costs. The loss of income can be very significant and the fiscal implications of combining this measure with the additional costs of social programmes may require cuts in low-priority investments in the public sector.

During the food price crisis of 2007-08, Guyana, the main exporter of rice in the region, implemented a system for strict monitoring of exports of rice in order to ensure an adequate supply to meet the needs of its domestic market. In addition, both Guyana and Suriname imposed restrictions on the export of certain rice products, while some countries varied their sources of imports with the aim of reducing prices.

Food supply

Although the increase in grain prices is clearly a burden for the member states of CARICOM, it also presents an opportunity to stimulate food production and increase the contribution of agriculture to growth in the medium and long term. Higher grain prices represent good investment opportunities, and therefore help to reverse the declining trend in overall investment in the agricultural sector by the government, the private sector and donors.

It should be noted, however, that some of these short-term policy options can limit the scope of the long-term solution. For example, policy responses seeking to distort markets through price controls, export restrictions, or the direct involvement of the government in marketing activities can decrease the response of the food supply in the medium term.

For many countries in the Caribbean, transport and logistics are key components of the food production chain. While countries can do little to reduce costs of shipping and national distribution, strengthening overland transport chains and improving transport capacity to control increases in food prices is important. In addition, improvements in the efficiency of customs agencies, logistical performance and storage can also provide significant consumer benefits, while generating a favourable supply response.

Most of the countries have implemented programmes of agrarian reform to make land a more accessible resource. Agricultural loan programmes have been strengthened so that financing is more accessible in the sector. For example, Guyana is implementing agricultural export diversification programmes, as well as programmes to promote agricultural development and rural enterprises. In addition, Guyana has invested in irrigation and drainage programmes. Trinidad and Tobago has also increased its budget for the Ministry of Agriculture, Land and Marine Resources to develop new infrastructure (access roads, irrigation and drainage works).

Guyana has launched a campaign entitled "produce more food", while Jamaica launched a similar programme, under the slogan "Eat what we grow and grow what we eat". Similar programmes have been launched in Suriname and Trinidad and Tobago.

The countries of the Caribbean are also promoting urban gardens and school gardening programmes. Similarly, there are initiatives to distribute seeds and other planting materials, chemicals and fertilizers. While some countries have attracted investment to increase agricultural production, others have strengthened systems of agricultural incentives and insurance schemes.

The development of the institutional framework has also been a key factor in the Caribbean.

Conclusions and perspectives

The participants concluded that the seminar was a timely response to the increase and volatility of food prices, which is a topic that should be addressed with the utmost urgency. Caribbean countries recognized that short-term options are limited and the focus should be to develop and implement strategies in the medium and long term, both national and regional, that are solid, innovative, multi-sectoral and carried out through strategic alliances.

The participants discussed the issue of high food prices and recommended that in order to address the issue in the short, medium and long term the Member States and Region needed to:

- Improve the information and policy coordination on issue of food prices through the establishment of a Regional Technical Working Group on Monitoring/Managing Food Prices, with responsibilities for monitoring global and domestic prices and policies, recommending policy and program actions and mobilizing resources for action.
- Strengthen the implementation of praedial larceny best practice legislation to reduce food theft (losses) and increase investment.
- Harmonize labelling and quality standards to enhance extra- and intra-regional trade.
- Reduce post-harvest loss through the promotion of investment in cold storage and agro-processing facilities, collective storage capacity, and effective and efficient transportation systems.
- Promote small and medium-size farming activities through increased supply of/access to farm inputs, collective purchasing arrangements, promotion of urban / backyard gardens, improved technical assistance /

extension services, and promotion of farmers markets.

- Encourage and facilitate cross-border investments.
- Re-commit to the implementation of the Jagdeo Initiative on Agriculture, which is aimed at increasing agricultural production in the region, through the alleviation of the key binding constraints to the sector.
- Explore the potential of producing sorghum and corn as inputs for feed production, and if techno-economically feasible implement actions to facilitate the same.
- Increase the focus on product diversification.
- Promote and strengthen farmers' organizations.
- Remove non-competitive business practices, reducing the costs and administrative hurdles to the establishment of new enterprises etc.
- Strengthen social safety nets and feeding programmes targeting schools, the physically challenged, the elderly etc. However such programmes should be backed by purchase agreements with domestic producers to further stimulate the development of profitable agricultural enterprises.
- Establish clusters to reduce production and marketing costs and by extension the cost to the consumer.
- Strengthen advocacy - government/consumer groups. Ongoing initiatives, such as the publication of data on the availability of best prices were seen as favourable. There was however a need for countries to develop a legal framework for the protection of consumers. While some countries had enacted competitive laws, many had not instituted the framework to enforce implementation of the legal provisions.

- Strengthen information collection, analysis and dissemination systems, particularly in the areas of production and marketing to reduce inefficiencies and by extension costs.
- Promote local foods as a way of reversing the taste and preference for imported food.
- Monitor and manage food-aid given the potential negative impact on domestic production.
- Incorporate the relevant elements of the summary and conclusions of the consultation in the Regional and National Food and Nutrition Security Plans of the Caribbean.

IV. INTERNATIONAL FORUM ON FOOD SECURITY AND FOOD PRICE VOLATILITY, MEXICO CITY

Sub-regional outlook

Given the international nature of this forum, topics included the outlook and policies adopted by different Latin American countries. However, given the important participation of authorities and representatives of the Mexican agricultural sector, some national issues were addressed, especially the impact of the rise in prices of basic grains on Mexico's import-dependent economy.

Mexico's significant participation in agriculture and the global food trade, as well as the fact that it will soon assume the presidency of the G-20, have made the problem of higher food prices and volatility a national priority.

Main issues

Among the concepts and ideas discussed in the presentations, the following points were highlighted:

- The complexity of analysing factors contributing to higher food prices, due to their multiplicity and interdependence.
- Importance of international cooperation and multilateral actions to promote food security.
- Policy measures and higher investment to coordinate the existing technical capacity to produce sufficient food for the world's population.
- Market regulation to improve access of the population to food while facilitating increased trade.
- Potential of small-scale agriculture to increase the availability of food while increasing incomes of the poor and improving food security.
- Policies to mitigate the impact of food price volatility, improve the competitiveness of

markets for basic grains, increase production and achieve food security.

Box 6

Food price volatility in Mexico

Although price volatility has been a permanent condition in Mexico's agricultural production, the time intervals during which price variations are amplified have recently become much shorter. The factors that led to higher international prices in 2006-2008 and 2010-2011 are the same (e.g. economic growth in emerging countries, decreased inventories, economic recession, exchange rate, oil prices, demand for biofuels, climate variability), but they have taken place on a different timeline and with different relative importance for Mexico.

The results of a study on the transmission of international prices of corn and wheat to national average prices were presented in the forum. These showed that price transmission was highest in wheat, a little lower in yellow corn and much lower in white corn. In general terms, the elasticity of price transmission during price spikes is significantly greater than during a reduction of prices.

Policy measures

Mitigation of the impact of higher prices in other countries

Chile⁴ has avoided government intervention in the operation of agricultural markets. Instead, it uses countercyclical subsidies to support lower-

⁴Chile also participated in the Southern Cone seminar. Costa Rica participated in the Central America seminar. More information on policy measures in these countries can be found in the respective chapters on each seminar in this report.

income social segments during emergencies, such as the recent rise in fuel prices.

To avoid the financial, economic and social impacts caused by fluctuations in international prices, the government's objective is to ensure full transparency in international and domestic trade. While it adheres to a strict policy of non-intervention in prices or supply and demand for goods, the role of the state is important in Chile. For example, the government defends and promotes competition in markets through the National Economic Prosecutor's Office.

Chile has various mechanisms in place to counter the effects of price volatility through institutions responsible for monitoring competition, making the certification of quality standards more transparent, providing agricultural insurance against climate risks and providing timely information systems. There is also a private wheat wholesaler (COTRISA), which buys, sells, packages, stores, transports, distributes, and markets wheat and other grains in the domestic market.

Colombia. The Colombian vision on policies to mitigate the impact of the volatility of food prices is based on the concept that hunger is a consequence of violence, poverty and social exclusion. This implies the need for a comprehensive national policy, capable of improving sector performance and regulating food prices.

The problems in Colombia have been exacerbated by the 2010-2011 winter cold snap, which led to the creation of a Rapid Response Plan including the following aspects: i) financing (FINAGRO), ii) helping small producers to open bank accounts, iii) social housing in rural areas, iv) irrigation and drainage infrastructure, v) support for fisheries and aquaculture, vi) veterinary services, vii) supply of seeds, viii) municipal extension centers for small farmers and supplementary cattle feed.

Costa Rica. The national strategy aims to respond to the volatility of food prices through an integrated action plan, including structural and short-term measures.

The main points of this plan include competitiveness, innovation and technological development; management of rural territories and family farming; adaptation to climate change; sustainable farm management; gender equality and youth programmes.

The instruments used to implement this strategy include competitiveness programmes, research and technology transfer, inclusion of small producers in value chains, development of family farming, better quality and food safety standards, and food fortification.

In response to increased price volatility, Costa Rica has identified the following priorities: investment in infrastructure, extension services, communication and education; innovation and development; improved functioning of agricultural markets and insertion of family farmers in value chains; improved market and price monitoring information systems; and the need for better food security and nutrition indicators.

Competitiveness of grain markets

The Mexican experience has highlighted the importance of reaching agreements between all actors in the production chain that incorporate pro-competitiveness measures into market strategies. By identifying links in the chain, such agreements should include: i) an integral analysis and strategic vision ii) internal regulation, iii) an annual action plan with goals, strategies, actions, targets and indicators of performance and management, and iv) a technical secretariat.

Grain market strategies should also consider linkages with livestock markets, which constitute an increasingly important share of demand.

In the international market, producers must comply with quality and food safety standards, while paying attention to opportunities of associativity, market information and price comparison systems among different countries.

Contract farming was also analyzed in the forum as a potential tool for regulating basic food markets. This mechanism, which establishes conditions for the production and marketing of farm products, ensures favourable conditions of sale for the producer and a secure source of supply for the buyer. At the same time, it favours competitive prices in value chains and provides greater certainty in the production-consumption relationship.

The use of hedging instruments to manage risk was also discussed. In response to higher price volatility in Mexico, hedging has been supplemented by other mechanisms including compensation based on transport costs, income targets, access to grains for the livestock sector, exports and production improvements.

Increased production and food security

From the broad perspective, public policies to increase grain production and achieve food security should include developing a more competitive economy capable of creating new jobs, while policies at the sectoral level should promote the sustainable production of high quality, wholesome and affordable food products.

Grain production programmes in Mexico include: MasAgro, Technified Irrigation, Protected Agriculture, Strategic Food Security Programme (PESA), Risk Prevention and Management (plant and animal health and food safety, contract farming, disaster relief, and early warning systems).

Governments should prioritize investment in public infrastructure, improve the access of producers to financing, help them to manage climatic and plant and animal health risks,

promote rural extension, open new markets, and manage natural resources and climate change in a sustainable way.

In the next decade, a significant increase in the population of the middle class is expected in developing countries (with annual household income greater than US\$20,000), which will mean a large increase in the demand for food with the corresponding need to increase production in the medium and long term.

A large part of the increase in production must be achieved by higher productivity, derived from technological innovations that do not involve using more natural resources. These include technologies to control pests, disease, drought, salinity and flooding; to maximize efficiency in production processes; to increase the access of producers to genetic resources, including traditional and hybrid seeds generated by new biotechnological processes.

Agricultural innovation must be complemented by markets that function efficiently and transparently in terms of production forecasts and stock levels. In addition, export bans should be avoided while progress is made in lowering trade barriers.

During the discussion of food security challenges, one participant in the seminar noted that "in the next 50 years we need to produce an amount of food equivalent to the amount consumed in the entire history of mankind".

The International Maize and Wheat Improvement Center, which is based in Mexico, supports the production of corn and wheat in Latin America, Africa and Asia, helping to develop germplasm adapted to climate change. However, germplasm alone is not enough; better land management, access to technology and price information is also required, as well as better organization and cooperation between farmers. All actors of the production chain must be integrated in a coordinated effort of

development, adaptation and adoption of sustainable solutions to current problems. Small-scale producers faced with the negative impacts of climate change should also have access to low-cost seeds that improve their productivity.

Conclusions and perspectives

The increase and volatility of international food prices has occurred in a context of economic crisis, which increases the impact on food security. The current global context also generates great uncertainty and lack of confidence, which amplifies price volatility and makes policymaking more difficult.

However, a consensus on the causal factors of rising and volatile international food prices has been reached. The priority of this issue on the agenda of the G-20 confirms the presence of food and agriculture at the forefront of the public agenda, which should be considered an opportunity to carry out reforms and implement policies needed to increase the productivity and competitiveness of agriculture while improving the access of the world population to food. However, it is still necessary to increase global awareness about food security and the conditions necessary to achieve it in households around the world.

Reports drafted by international agencies have made a valuable contribution to achieving a coordinated international response. For example, the G-20 meeting in June 2011 has led to a comprehensive plan of action including specific recommendations such as the creation of the Agricultural Market Information System (AMIS) and the multi-agency Rapid Response Forum, with headquarters in the FAO. Policy recommendations include support for family farming and the development of targeted programmes including rural financing institutions offering savings, loans, insurance (climate and prices) and banking services; measures to strengthen technical assistance and

Box 7

Social safety nets in Mexico

Social protection in Mexico includes food programmes run by the Secretariat for Social Development:

Rural Supply (Abasto Rural). This programme, managed by DICONSA, aims to supply rural communities of high and very high levels of marginalization with quality basic food products in an efficient, affordable and timely manner. There are 23,000 stores in rural communities that distribute 22 products with average savings for the consumer of 20%. The price of corn and corn flour has remained unchanged since 2007. In addition, it distributes fortified food products.

Social Milk Supply (Abasto Social de Leche). This programme, managed by LICONSA, aims to improve levels of nutrition of poor people. It distributes over one billion litres of milk at a preferential price that allows a greater than 50% saving, benefiting more than three million families.

Human Development Opportunities (Oportunidades). Consists of conditional cash transfers to improve nutrition, health and education, in different stages of life: i) children (*vivir mejor*); (ii) food supplements for mothers and children; (iii) scholarships and school supplies for students; (iv) young people with opportunities; v) food assistance for families (*vivir mejor*); (vi) support for the elderly.

Food Programme (PAL). Its objective is to improve food and nutrition through direct subsidies and donations. The programme reaches 5.8 million families through *Oportunidades*, 3 million families through LICONSA and 677,000 families through PAL. Studies of these programmes have shown their capacity to reduce childhood diseases and achieve better development, including a major reduction in the prevalence of stunted growth in children under 5 years old in rural areas.

rural extension programmes; and measures to increase access of small producers to markets, in some cases through public procurement programmes.

International agencies that participated in the forum in Mexico expressed their interest in creating, within the AMIS framework, a Food Price Monitoring Center in Mexico. This agency will be coordinated jointly by Mexico's Secretariat for Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) and FAO in collaboration with other

international agencies and with the involvement of the private sector, producer organizations and rural organizations.

The creation of a Food Price Monitoring Center was proposed with linkages to other institutions and civil society organizations whose functions would be: monitoring international food prices; monitoring food prices in the different regions of the country including prices received by producers, wholesalers and consumers, and monitoring the national and international prices of key agricultural inputs.

V. COUNTRY RECOMMENDATIONS FOR A FUTURE WORK PLAN

The participants in the three sub-regional seminars and international forum identified common areas of concern to develop a future work plan. These recommendations are organized by sector (trade, consumer and producer) in Table 1.

One of the main areas identified is the need for *increased transparency and competition in food markets*. To address this concern, measures were proposed to establish regional regulations that improve efficiency and equity in food value chains, to coordinate government interventions in price formation and to improve information systems for food production, trade and inventories at a regional level.

In addition, participants agreed that *countries should take better advantage of the free trade area in the region*, and proposed that regional organizations use mechanisms and instruments to enhance intraregional trade in food.

Participants also highlighted the importance of programmes designed to reduce the vulnerability of consumers to price shocks. They agreed that a *regional approach to food security* is needed but that nutrition is not generally established as an explicit objective of social programmes in the region. Therefore, the creation of specific institutions was recommended to address this problem.

Regional cooperation in social protection programmes, including a regional approach to the development of social safety nets within each country, is also important. This includes the exchange of information about social programmes (including those with a focus on agricultural production) and the development of international best practices. In the absence of social protection, rising prices can cause a reduction in consumption with grave

consequences of malnutrition in the very short term.

Amongst the experiences identified in the seminars, some stood out due to their implementation and results in different sub-regions. These include *social protection* and *nutrition programmes*, the creation of *food banks* and programmes that seek to reduce or prevent *post-harvest* losses. With regard to this last point, FAO studies have shown that up to 40% of food is wasted; reducing this amount should therefore be a key element in food security policies.

In terms of production, priority areas include promoting and supporting family farming, investing in technological innovations, and promoting the use of hedging instruments. Improving production systems through the *development of technological innovations* that increase food supply in domestic and world markets is also a top priority. This implies greater investment in R&D programmes, precision agriculture, animal health, trade, irrigation, direct sowing, food safety and quality, credit, technical assistance, and storage infrastructure, among other critical areas.

Policies to **support family farming** are needed to achieve food and nutritional security and should be part of an agro-food development strategy. This is not just about alleviating rural poverty, but exploiting the productive potential of this sector beyond subsistence farming. In this regard, the creation of programmes with a development component designed especially for poor farmers is considered important (public procurement and targeted subsidies to finance technical assistance, micro-credit, improved access to water, new community equipment, and environmental improvements, among others). Such programmes would combine social and productive objectives.

In order for these programmes to be successful, efforts should be focused in the following areas:

- Research and technology transfer at a regional level with an emphasis on family farming.
- The sustainable management of natural resources, incorporating sustainable practices into the rural economy.
- Reducing transaction costs faced by small producers.

With regard to *financing agriculture, especially family farming*, institutions are needed that not only provide commercial loans, but also risk capital and insurance in case of crop losses and, eventually, savings instruments, alternative uses of remittances and new payment methods.

Stronger public institutions are also needed to support production and environmental

regulation. Among other areas, this implies the improvement of marketing systems and programmes to promote research and technology transfer, information management, risk management and adaptation to climate change. This also requires long-term policies to encourage investment in infrastructure.

Finally, it was agreed that national efforts should be framed within *global negotiation processes*. The successful completion of the Doha Round of the World Trade Organization is considered essential, as well as the creation of global food reserves in case of emergencies, the installation of systems to monitor global production and the creation of R&D programmes linked to climate change.

Table 1
Country recommendations for a future work plan

Recommendation	Southern Cone	Central America	Caribbean	Mexico
Trade				
Improve information systems	<p>Create a food price monitoring center to forecast price variations and make domestic markets more transparent.</p> <p>Support the creation of regional information systems (such as food price monitoring) to carry out activities related to:</p> <p>a) Sub-regional price indices as a complement to FAO food price indices</p> <p>b) Studies on price formation</p> <p>c) Upgrading technical standards and market regulations</p>	<p>Improve statistical information about basic foods (production, trade and inventories) and develop early warning mechanisms to avoid situations of scarcity.</p>	<p>Improve information collection, analysis and dissemination systems, especially in the areas of production and marketing to reduce inefficiencies and extension costs.</p> <p>Create a regional technical working group to monitor food prices, improve information and coordinate policies. This group would be responsible for national price controls and making policy recommendations as well as mobilizing resources for these initiatives.</p>	<p>The creation of a Food Price Monitoring Center in Mexico, within the framework of AMIS (Agricultural Market Information System) and the Rapid Response Forum, to monitor national and international prices for:</p> <p>a) Basic food products</p> <p>b) The producer, wholesaler and consumer</p> <p>c) Agricultural inputs</p>

Recommendation	Southern Cone	Central America	Caribbean	Mexico
Trade				
<p>Increase extra and intra-regional trade and improve the efficiency of local markets</p>	<p>Propose solutions to trade barriers in the region.</p> <p>Encourage the creation of a price formation market, e.g. for soybeans since the region is the world's largest producer.</p>	<p>Improve the functioning of markets for basic foods and agricultural inputs and make policy recommendations to increase transparency and competition through the participation of all actors (producers, processors, distributors) in price formation for producers and consumers.</p> <p>Strengthen legislation and institutions in competition and consumer protection.</p> <p>Take advantage of international trade agreements.</p> <p>Analyse opportunities for regional joint purchasing of agricultural inputs.</p>	<p>Improve extra and intraregional trade through the standardization of labels and quality norms.</p> <p>Promote the creation of "clusters" to reduce production and marketing costs and, therefore, the cost to the consumer.</p>	<p>Support the Rapid Response Forum within the framework of AMIS (Agricultural Market Information System), involving:</p> <ul style="list-style-type: none"> a) The commitment of exporting countries to communicate in a timely and direct manner about potential production problems; b) The commitment of importing countries to communicate their expected requirements; c) Avoid in both cases the use of this information for speculative purposes.

Recommendation	Southern Cone	Central America	Caribbean	Mexico
Consumer				
Support social protection and food programmes	<p>Develop stronger social safety nets based on the valuable experience in the region (e.g. Argentina, Bolivia, Brazil, Chile, Ecuador, Mexico, Paraguay, Peru and Uruguay).</p> <p>Evaluate the creation of emergency food reserves for the most vulnerable.</p>	<p>Support the agenda and initiatives of SISCA (Secretariat of Central American Social Integration) in its regional social integration strategy, including the dissemination of methods for the monitoring and evaluation of social programmes.</p> <p>Incorporate agricultural production into social programmes to support subsistence agriculture.</p>	<p>Strengthen social and food programmes through procurement agreements with domestic producers to further stimulate the development of profitable agricultural enterprises.</p>	<p>Recognize the potential of small-scale agriculture to increase the food supply and improve access to food.</p>
Create food banks and programmes to reduce post-harvest losses	<p>Create food banks to take advantage of food unused by large and medium-sized urban and rural enterprises.</p>	<p>Foster investment to reduce crop losses by small producers.</p>	<p>Reduce post-harvest losses through the promotion of investment in infrastructure for storage and processing, and effective and efficient transport systems.</p>	<p>Establish measures to reduce losses and food waste, improve harvest techniques, post-harvest logistics, selection processes, processing and packaging.</p>
Improve dietary habits and agricultural diversification	<p>Foster changes in the consumption patterns of the population. Promote the consumption of healthier products and the consumption of traditional products native to the region.</p>		<p>Promote traditional crops as part of a strategy to reduce imports of food and diversify production.</p>	<p>Focus on the importance of diversifying and simplifying the local diet in international discussions on measures to increase production.</p>
Improve rural working conditions	<p>Monitor the functioning of labour markets and ensure compliance and improvement of labour legislation.</p>	<p>Improve the functioning of agricultural and rural labour markets as part of social protection systems in countries of the region.</p>		

Recommendation	Southern Cone	Central America	Caribbean	Mexico
Producer				
Promote and support family farming	Foster and improve public procurement systems for small-scale farming.	Promote regional agreements for greater coordination of research and the transfer of technology with emphasis on family farming production systems.	Promote family farming through increased access to agricultural inputs, collective purchase agreements, the promotion of urban and peri-urban agriculture, improved technical assistance / extension services and fostering local food fairs.	Emphasize the development of family farming and the implementation of targeted programmes through: <ul style="list-style-type: none"> – Rural financing systems, including savings, credit, insurance (climate and prices) and banking services. – Rural extension and technical assistance. – Access of small producer to markets (in some cases, public procurement programmes).
Prioritize investment in technological innovations	Reform R&D and technical assistance services already offered in the region, in order to develop new technological innovations and accelerate their adoption, especially by small producers.	Promote the exchange of experiences with regard to the modernization of development banks (legal and institutional framework, public policies) within and outside the region.		Strengthen rural extension and agri-food technology transfer programmes.
Promote hedging instruments	Promote new types of production linkages: supplier programmes and business between agribusiness companies and producers (as a component of food price monitoring). Encourage the creation of a system of climate insurance operating at the sub-regional level, in order to reduce the cost of premiums.	Promote the development of hedging instruments including price guarantees and farm income and crop insurance.		

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