G-20 Officials Agree on Steps to Stabilize Food Prices

By MATTHEW SALTMARSH and STEVEN ERLANGER

PARIS — Agriculture ministers from the Group of 20 leading economies agreed Thursday on measures intended to lift global production and improve supplies of basic foods, while mitigating price swings.

The agreements were hailed by ministers as important steps, although some advocates said they did not go far enough, especially in tackling biofuel subsidies.

The initiatives included creating a database on food stocks to be managed by the United Nations' Food and Agriculture Organization in Rome; a joint international research program on wheat; strengthening support for research into rice production; and a “rapid response forum” among Group of 20 members to assess and respond to food crises.

While investment in production was encouraged, the ministers did not offer specifics.

The ministers also agreed, in hard bargaining late Wednesday night, to remove export restrictions on food for humanitarian purposes and reaffirmed their opposition to export bans — an issue that will be taken up by the World Trade Organization. They asked the World Food Program to develop a pilot program for regional humanitarian food reserves.

“Concrete, very precise and ambitious measures will be taken,” the chairman of the meeting, the French agricultural minister, Bruno Le Maire, told reporters. “Better transparency in agricultural markets will translate into less price volatility.”

The president of the World Bank, Robert B. Zoellick, called the steps made here “modest,” saying, “It’s just a start but it’s progress.” He was pleased, he said in an interview, that the Group of 20 had finally focused on agriculture and the continuing crisis he sees in food supply, especially for poorer countries with weaker links to the world’s financial and commodity markets.

Food stocks of wheat and corn are too low, he suggested, given the increasing demand for feed stocks from China, India and the developing world, where people are eating more meat. Keeping up with that increasing demand will not allow a growth in emergency food stocks unless more action is taken, he said. And if there is an unforeseen event or disastrous weather, these stocks might quickly disappear and prices soar.

“We’re in a danger zone for a number of years,” he said. “If you get a bad weather event you get hammered.”

The 24-page declaration was the result of months of negotiations. India and China, in particular, had been reluctant to release data on stocks, which are seen as strategic. Final agreement was obtained only at a dinner Wednesday night, attended by, among others, President Nicolas Sarkozy of France and Pascal Lamy, the chief of the World Trade Organization.

In general, Mr. Zoellick said, the Group of 20 allowed countries like India and China to take more collective responsibility for world crises and challenges. “This is where the G-20 can work, as long as they don’t feel ordered around by the bigger countries,” he said, citing the agreement by Beijing and New Delhi on food stocks. “They know it’s in their interest to do it.”

This first-of-a-kind meeting was called by France, the current holder of the Group of 20 and Group of 8 presidencies, after world food prices hit record levels this spring, raising concerns about a replay of the riots in some countries in 2007 and 2008.
The current spike — driven by drought in Western Europe, a Russian export ban last summer and bad weather in Canada and Australia — contributed to the social and political unrest in the Arab world this year.

In recent weeks there has been a slight letup in food prices, but the main wheat futures contract traded in Chicago remains up about 50 percent from its level a year ago. And few analysts expect a major retrenchment in prices in the months ahead.

With an eye on the presidential election next year, Mr. Sarkozy has complained about what he calls the damaging role of speculators in financial and food markets. But few analysts agree on whether speculators do much to move food prices, or even on how to tell when an investment is “speculative.”

International institutions like the World Bank and the Food and Agriculture Organization were happy that the political impetus coincided with their desire to create tools to help alleviate the effects of price swings on the poorest. But the ministers were unable to agree on how to curb speculation in agricultural markets.

France had pushed for establishing rules on position limits in futures markets leading up to the meeting, but failed to gain a consensus. The farm ministers instead said they “strongly encourage” finance ministers to “take the appropriate decisions for a better regulation and supervision of agricultural financial markets” before the closing summit of France’s Group of 20 presidency in Cannes in November.

There was also no accord on whether or how to cut or end subsidies on biofuels. In the declaration, ministers merely said they would “continue to address the challenges and opportunities posed by biofuels.”

“The problem is not biofuels in themselves,” said the F.A.O.’s director general, Jacques Diouf. “The problem is the policies adopted by certain governments to encourage the development of biofuels.”

“The final declaration is particularly disappointing on biofuels,” said Olivier De Schutter, a professor tasked by the United Nations with reporting on food issues. “There is a consensus among international agencies that this has been a major factor in the price increases of basic food commodities over the past four years.”

In the United States, about 37 percent of the corn crop in 2010 went to ethanol, and the figure will be no lower this year, he said. Agriculture Secretary Tom Vilsack noted that the issue was alive in Congress and said it was “likely that we will see changes in the way in which the industry is supported.”