G20 ministers agree action plan to curb food price volatility
Agriculture ministers unveil plan to step up productivity and create an early warning system to monitor commodity market information

G20 action plan: main points

Mark Tran, Paris
 guardian.co.uk, Thursday 23 June 2011 16.01 BST

Brazil's agriculture ministers Wagner Rossi, left, and Afonso Bandeira Florence, talk with their British counterpart, Caroline Spelman, at the G20 nations agriculture meeting in Paris. Photograph: Ian Langsdon/EPA

Agriculture ministers from the world's 20 leading economies called on Thursday for a big increase in productivity and greater transparency in commodity markets as a way of curbing volatility in food prices.

The French agriculture minister, Bruno Le Maire, called agreement on a 24-page action plan unveiled in Paris as a "tour de force" and a victory against hunger in the world.

Analysts and campaigners were less enthusiastic at the outcome, which followed two days of talks in the French capital. "The plan of action tries to address the symptoms of price volatility on agricultural markets," said Olivier De Schutter, the UN special rapporteur on the right to food, "but it fails to address the causes."

De Schutter argued that food markets are highly dependent on energy markets, irresponsible mandates to increase the production and use of biofuels, and speculation that cannot be reduced to investors manipulating prices but which is the result of the "financialisation" of the commodities markets.
A key element of the action plan is a call for more transparency in commodity markets linked to an early warning system – an agricultural market information system – that would collect information on stocks, and the supply and demand of crops. Le Maire said India and China, which have been reluctant to provide such information on grounds of national security, would be given more time to come up the data.

The action plan encourages the private sector to come forward with this information, but there is no compulsion on big traders like Cargill and Bunge to release data, and they may be less than forthcoming on grounds of commercial sensitivity.

But the World Bank president, Robert Zoellick, welcomed moves for greater openness. "What we saw when prices started to surge in 2008 was that the lack of information on stocks and availability can lead to panic in markets, and panic is what leads to price hikes," he said. "Uncertainty leads to volatility."

France pushed hard for tough language on speculation – Le Maire insisted that it had full British backing, contrary to press reports – and it could claim some vindication. The action plan said it looked forward to recommendations from a securities body, the International Organisation of Securities Commissions, to address "market abuses and manipulations" and to impose trading limits where appropriate. But, essentially, it will be up the G20 finance ministers to decide on what measures will be appropriate.

France, the current president of the G20, had pushed hard for the first ever summit of G20 agriculture ministers to deal with food prices, which surged in 2007-08, triggering riots in 30 countries.

There was broad agreement on the need to help small farmers in the developing world to move from subsistence to sustainability, and a call for greater private sector investment in agriculture in the developing world.

It is estimated that agricultural production will have to increase by 70% over the next 50 years to feed a world population expected to reach 9 billion over the same period. But experts questioned the viability of the approach as large investors are not particularly interested in dealing with small farmers and prefer to seek returns from large holdings.

De Schutter and NGOs were critical of the action plan on biofuels, which has been recognised by the World Bank and other international bodies as contributing to food price rises by diverting crops toward the production of fuel.

"That the G20 still insists on the need for more studies rather than on the need to remove distorting fiscal incentives and subsidies (despite a recent vote in the US senate in favour of reducing significantly the subsidies in support of ethanol producers), shows how commercial interests trump the concern for food security in this particular case," De Schutter said.