Governments tackle food price swings, disagree on stocks
Tue, Oct 16 2012

* Farm ministers meet at FAO to discuss food price volatility
* Participants urge food market transparency, data sharing
* Governments disagree on strategic food reserves
* Discussion on biofuels, meat consumption avoided

By Catherine Homby and Sybille de La Hamade

ROME, Oct 16 (Reuters) - Farm ministers called for greater transparency and restrictive measures to contain volatility in food commodity markets at a meeting on Tuesday, but failed to agree on the bold idea of strategic grain stocks and side-stepped food use in biofuels.

Over 30 ministers and deputy-ministers joined the meeting in Rome set up by the U.N.'s Food and Agriculture Organisation (FAO) after grain prices shot to record highs this summer - the third price spike in four years - fuelled by drought in the United States, Russia and other key producers.

To contain such price swings, participants suggested boosting international coordination and data sharing in both the public and private sectors, and increasing transparency in the physical market and commodity futures trading.

"We need more transparency on the futures markets...we have to be clear about what transactions are going on," German Agriculture Minister Ilse Aigner told the meeting.

"We need position limits to be applied with regards to financial investors on the futures markets and also more information with regard to the frequency of trades."

French Agriculture Minister Stephane Le Foll, who chaired the conference, reiterated France's proposal for global strategic grains reserves, but the idea was opposed by the U.S. ambassador to the United Nations food agencies, David Lane.

Lane said that reserves were costly and would divert resources away from other measures to handle food price volatility, such as support for producers, safety nets for poor consumers and investments in food distribution.

"Large-scale stocks can also encourage hoarding and corruption in the food system and can create uncertainty in markets as the timing and size of the release of stocks are generally non-transparent and unpredictable," he said.

Le Foll had told Reuters in an interview on Monday he did not expect to reach a deal in the short term on France's strategic stocks proposal due to scant international support but said that he would keep pushing for the idea.

An FAO report last week showed one out of every eight people in the world is chronically undernourished, and that progress to reduce hunger has slowed in recent years.

Its closely watched global food price index rose 1.4 percent in September after remaining stable in August, and is close to levels reached during the 2008 food crisis which sparked riots in some poor countries.

NO EMERGENCY

Last month France called an emergency meeting of the Group of 20 leading economies to discuss volatile food markets. It asked for a meeting of the "Rapid Response Forum", created last year to promote early discussion of critical market conditions among senior officials.

But in early October, just days after it took over the chair of G20 farm body AMIS, which decides whether to hold Rapid Response meetings, the United States said such an emergency meeting was not necessary given that agricultural markets were functioning.

FAO decided to maintain its plan to hold a meeting on food prices, though it was not within the G20 framework. Some countries acknowledged that the decision to not convene the Rapid Response Forum had helped calm concern over rising prices.

"We must use this instrument in moderation to avoid any atmosphere of crisis. I am very happy we have not had to use it so far," said Germany's Aigner.

Aid agency Oxfam said Tuesday's meeting was a "last ditch effort" and urged governments to reverse biofuel mandates, boost food reserves and commit to agricultural investments.

"The daunting truth is that G20 countries have failed to call a Rapid Response Forum or to calm markets shaken by extreme weather events," Oxfam's Thierry Kesteloot said in a statement.

U.N Special Rapporteur for the Right to Food, Olivier de Schutter, said that ministers at the meeting had avoided addressing subjects that are key to tackling high food prices and hunger.

"There are many taboo which have not been discussed such as the diversion of crops to biofuel production. Nobody dares to evoke our consumption in rich countries, our taste for meat and the huge impact that has on markets," he said.

"Far too little has been said about the question of power in the food system, and the need to empower small farmers and hold governments accountable. Hunger is not a technical issue, it is deeply political and we need to face that reality."