Food reserves must be used to curb volatility in price and supply – top UN food expert

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A farmer visits her rice paddy field outside Hanoi on September 6, 2012. Rice prices in Vietnam rose because of high demand amid low domestic stocks, traders said. REUTERS/Nguyen Huy Kham

By Astrid Zweynert

LONDON (AlertNet) - The United Nations' top expert on food called on governments to set up strategic food reserves in regions prone to shortages so that where local purchases are not possible, humanitarian agencies have access to stocks below the market rate.

U.N. Special Rapporteur for the Right to Food Olivier De Schutter urged a broader use of food stocks not only to soften the impact of food crises, but to prevent them from happening.

"If we buy from small-scale farmers when supply is plentiful, and release these stocks when markets are tight, we can prevent the volatile price swings and supply shocks which create humanitarian crises in the first place," De Schutter said in a statement released on Tuesday, which is declared World Food Day by the United Nations.

"Reserves are not a panacea, but provided the governance conditions are right, they can form an integral part of a strategy to curb excessive price volatility," he added.

Grain prices shot to record highs this summer – the third spike in four years – fuelled by drought in the United States, Russia and other key producers.

"The right to food is denied every time prices spike and people are no longer able to put food on the table," said De Schutter.

The United Nations estimates there are 868 million undernourished people in the world.

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De Schutter also stressed the importance of social protection as a means to improve food security. Such social protection provides mechanisms to cushion the poor against the impact of crop failure, unemployment and soaring food prices.

In terms of food security, it may also include provision of seeds and fertilisers, the introduction of sustainable farming methods, cash transfers to poor families and various forms of market support.

"Despite the importance of social protection for global food security, 75-80% of the world's poor do not have comprehensive social protection, while the total costs of introducing it would amount to only 2-6% of global GDP."

In a briefing note co-signed by Magdalena Sepúlveda, the Special Rapporteur on Extreme Poverty and Human Rights, De Schutter called for the creation of a Global Fund for Social Protection (GFSP).

It would be used to close the funding shortfall between what least developed countries (LDCs) can reasonably pay and what it costs to put a social protection floor in place.

It would also be used to help underwrite these schemes against the risks of excess demand triggered by major shocks by advising LDCs on suitable private reinsurance options, subsidising premiums where necessary, and act as the reinsurer of last resort in cases where private schemes are not extensive or affordable enough.

To contain food price volatility farm ministers meeting in Rome on Tuesday 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, blamed by many experts as causing wild price spikes.

But they failed to agree on the bold idea of strategic grain stocks and side-stepped food use in biofuels, another factor experts believe contributes to food price swings.

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