"Commodity speculation can quickly lead to another food crisis", warn Olivier De Schutter and Eva Joly

PARIS - Olivier De Schutter, the UN Special Rapporteur on the Right to Food, and Eva Joly, President of the Development Committee of the European Parliament, called on the European and international authorities to impose immediate restrictions on financial speculation in agricultural markets. “Inaction would quickly lead to another food crisis”, they said.

On the eve of an emergency FAO meeting devoted to market volatility – to be held on Friday – Eva Joly and Olivier De Schutter held a joint press conference to present a series of proposals that would respond to the challenges posed by financial speculation in agricultural markets.

"The 2007-2008 food prices increase suddenly plunged 150 million more people into hunger," said the UN expert. "This crisis was largely fuelled by large investment groups - hedge funds, pension funds, investment banks - speculating in a totally deregulated financial framework. Two years after this global tragedy, little has changed. There is a strong resistance to regulate futures markets, derivatives and index funds. Under these conditions, we run straight into a new food crisis."

While presenting the first conclusions of his new study on commodity speculation (to be published this week), the United Nations Special Rapporteur deplored the weakness of initiatives at the international level, “inadequate to meet current challenges, e.g. price volatility exacerbated by climate change”, he said.

MEP Eva Joly pointed out the timidity displayed by European states to regulate commodity speculation, while the U.S. has reached a milestone this summer by adopting the Dodd-Frank Act. "The European Commission must urgently address the impact of commodity derivatives products," she said. "The unregulated trade in these products and the rising tide of speculative capital is a serious threat to both food security and agricultural production. The European Parliament urged the Commission to act swiftly on this."

The UN expert and the MEP welcomed the recent EC “European Market Infrastructure Regulation” (EMIR) draft directive, while considering that it sent a bad signal by not prohibiting purely speculative operations such as short sales or derivatives indexes.

Beyond the EU level, De Schutter and Joly called for the establishment of a multilateral framework to fight against speculation on food prices. According to Olivier De Schutter, such a framework should restrict access to commodities derivatives markets. “We have to make a distinction between traders hedging against genuine trade risks from non-traditional, market momentum-based speculators interested simply in making gains on price changes”, he said.
“Certain important regulatory bodies comprise too few experts in commodity markets: a first improvement could be simply to begin remedying this imbalance.”

Concluding their speeches, Joly and De Schutter noted that regulatory measures should also be accompanied by specific support to poor countries in the rebuilding of food stocks, and greater transparency in the management of stocks to limit damage caused by food price fluctuations.

"Poor people living in food-importing countries bear the brunt of price fluctuations exacerbated by speculation," concluded De Schutter. "Concerted action at all levels of the chain is needed to avoid a return to chaos of 2008.”

END

***

Contacts:

- Olivier De Schutter: +32 488 48 20 04 / srfood@ohchr.org
- Eva Joly: +32 485 14 54 85 / coralie.guillot@europarl.europa.eu

Eva Joly, Member of European Parliament elected in 2009, is President of the Development Committee and Member of the Committee on Economic and Monetary Affairs of the European Parliament. More info: http://europeecologie.eu/-Eva-Joly-

Olivier De Schutter has been appointed Special Rapporteur on the Right to Food in May 2008 by the Council for Human Rights United Nations. It is independent of any government and any organization. More info: http://www.srfood.org