

Food for Thought – Talking Points on Food Prices

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Summary

There is a real risk of a food price crisis emerging as a result of COVID-19:

- Food systems are facing a complex set of demand and supply shocks during the COVID-19 pandemic.
- This includes increased demand due to hoarding versus decreased demand due to containment measures; lower prices for food system inputs, such as petroleum, versus decreased supply due to disruption of production, transport and trade.
- There seems to be a risk that rice, and possibly wheat, see a price surge which disconnects them from the downward trend in other basic commodities.
- There is also undoubtedly a risk that specific countries and large urban settlements see sharp increases in prices of scarce commodities, as protests in Afghanistan and in Nigeria have already shown this week.
- The crisis is coming just as farmers in many parts of the world are about to begin planting, and action is therefore needed now.

1. Food price hotspots and the coronavirus

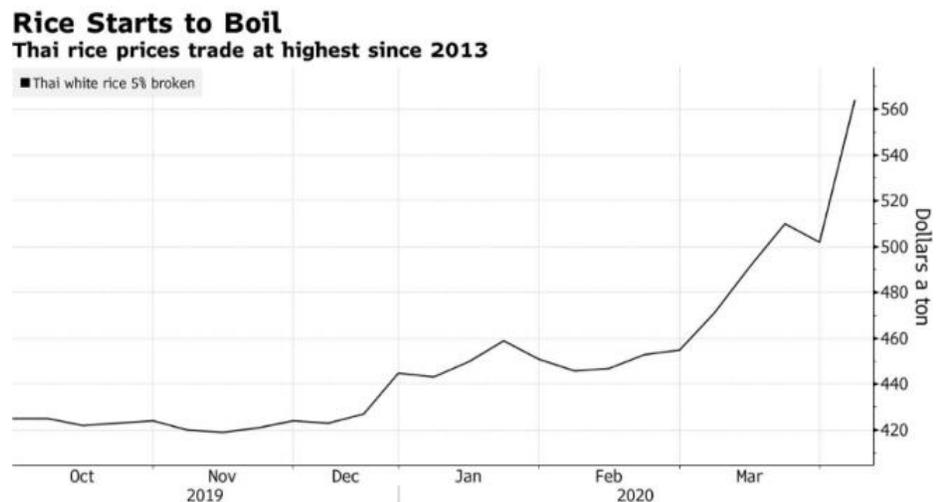
- During this week incidents of spiking prices in countries and subnational communities have started to emerge, from [Afghanistan](#), [Nigeria](#), and [Germany](#) to remote communities in [Australia](#).
- This is likely to be much more widespread due to lack of reporting in many countries of subnational food price movements. The table below from Goma, DRC, shows prices before and after COVID-19, with substantial hikes in basic goods.

PRODUITS	QUANTITE	PRIX AVANT COVID-19	PRIX AVEC COVID-19	OBSERVATION
Farine de maïs	Sac de 25Kg	USD 15	USD 20	
Farine de manioc	Sac de 100Kg	USD 35	USD 50	
Farine de froma	Sac de 25Kg	USD 18	USD 20	
Riz	Sac de 25Kg	USD 18	USD 25	
Huile d'arachide	Bidon de 20L	USD 19	USD 30	
Sucre	Sac de 50Kg	USD 38	USD 40	
Sel	Box de 40 pieces	USD 9	USD 17	
Haricot	Sac de 100Kg	USD 80	USD 120	
Pomme de terre	Sac de 100Kg	USD 40	USD 60	
Poissons salés	20 poissons moyens	USD 55	USD 80	
Savon en poudre (Omo)	Sac de 5Kg	USD 8	USD 10	
Savon liquide	Bouteille de 500ml	CDF 1 800	CDF 2 000	
Cache-nez	-	CDF 200	CDF 1000	
Désinfectant (hand sanitizer)	Bouteille de 260ml	USD 3	USD 5	

Source: CIC-Human Rights Watch Collaboration

2. Global price trends

- The FAO's food price index shows a downward movement for March, with the exception being the price of Thai rice (the global benchmark) which has increased for the third straight month since the beginning of 2020 (see Figure).
- Futures markets have started to shift, however, the price of wheat futures trading in Chicago, the global benchmark, has risen 15% since mid-March and reached as high as \$5.72 a bushel Monday. European prices also [jumped](#).



Source: Thai Rice Exporters Association; cited in [Bloomberg News](#), April 2, 2020.

3. Government measures

- [Vietnam](#), the world's third-largest shipper, has temporarily suspended new export sales to protect domestic supplies amid drought in the Mekong Delta. The prime minister has [asked](#) the trade ministry to submit an export plan before April 5, as shipments need to be controlled in order to ensure national food security, according to a posting on the government website. This move by Vietnam is causing a lot of attention in the international market, a European rice trader told [Reuters](#) news agency: "If food-exporting countries start limiting supplies to secure their own food security, this would be of very great concern." The Philippines, China [and countries in Africa](#) are among the biggest buyers of Vietnam's rice.
- [Myanmar](#) has also said it may cut exports to avoid domestic shortages.
- The [Philippines](#), Vietnam's biggest market, is allocating more than \$600 million for food sufficiency efforts and plans to buy 300,000 tons of rice, possibly through state deals with Southeast Asian suppliers, or through sources such as India and Pakistan.
- [China](#) increased purchase prices for some crops and pledged to buy a record amount from this year's harvest to ensure supplies.
- [Russia](#), the world's biggest wheat exporter, wants to limit grain exports to protect domestic supplies. The Russian Agriculture Ministry has proposed to limit the exports of some grains, including wheat, to 7 million tons for April-June. While the proposal, which needs to be signed off

by the Cabinet, is in line with the expected end-of-season Russian shipments, it has sparked concerns among traders that Moscow could impose further export restrictions, as it has done in the past to deal with high domestic grain prices or poor harvest.

- The [US](#) is reported to be in the process of increasing grain reserve stockpiles, with US farmers having lower acreage under wheat production than in previous years.
- [Rwanda](#) was the first African government to act. The trade ministry fixed prices for 17 food items including rice, sugar and cooking oil.
- [Germany](#) lifted its ban on seasonal farm workers entering the country. 80,000 people will now be brought into farms following complaints about the potential impact on food supplies by the agricultural lobby and the retail sector.
- [Afghanistan](#) has introduced price control measures. In order to stabilize markets, President Ashraf Ghani has ordered 24,000 tons of wheat to be distributed to the most vulnerable. He also pledged to keep borders open for imports.
- [Kazakhstan](#) has banned exports of wheat flour, buckwheat, sugar, sunflower oil and some vegetables, including carrots and potatoes, until at least April 15 as it seeks [to build stockpiles to deal with the coronavirus emergency](#). The Central Asian country is a crucial supplier to nations such as Uzbekistan and Afghanistan.
- [Serbia](#) has banned the export of sunflower oil and other goods as a precautionary move.

4. Multilateral Responses

- The FAO Director-General [urged](#) the G-20 to ensure food prices are not disrupted during the pandemic.
- [WHO](#), FAO, WTO joint statement on mitigating the impacts of COVID-19 on food trade and markets.

A comparison with the 2007–8 food crisis

5. Causes of Crisis

- This report from [ODI](#) has a good summary. While many long term factors present in 2007 are different today—oil prices, harvests, US dollar depreciation for example—the key dynamics to watch parallels are on the policy level in export bans and efforts by countries to build stockpiles in the face of tight markets, in particular (the following taken from the ODI report):
 - Amongst the main exporters of rice, Vietnam banned exports in September 2007, followed shortly thereafter by India that banned exports of non-basmati rice in November 2007. Egypt also stopped its exports. Given that less than 7% of global production of rice is traded, and the importance of Indian exports, the result was panic on rice markets as importing countries scrambled to assure supplies. This led to restocking by countries determined to ensure supplies in the teeth of a tight market. This applied above all to rice. For example, in marketing year 2007/08, of the main rice importers, the Philippines imported 71% more than its average imports of rice in the five years from 2001/02 to 2005/06, while Malaysia raised imports over the annual previous average by 54%, Iran by 36%, the EU by 31%, and Saudi Arabia by 15%.

- Different to the 2007-8 crisis which developed within the food sector itself, farmers have now had a shock from outside the food sector. Many farm households depend on remittances and seasonal off-farm labor in order to pay for agricultural inputs at this time of year and in the coming months. These sources of income have just come to a screeching halt in many parts of the world. This will shrivel small private sector supply networks for agricultural inputs. In addition, the landless poor will be hit hard by the inability to move for seasonal labor and more poor households will arrive in rural areas as they flee risks of contagion and loss of income in cities.

6. Impacts on social unrest

- This [article](#) highlights protests in Haiti (the prime minister was kicked out of office, and hospital beds were filled with wounded following riots sparked by food prices). In Egypt: rioters burned cars and destroyed windows as police tried to quell protests. In [Bangladesh](#): 10,000 textile workers clashed with police. Dozens were injured, including 20 policemen. In [Vietnam](#) rice rustling—a crime in which crops were stripped at night from fields by raiders—led to the banning of all harvesting machines from roads after sunset and to farmers, armed with shotguns, camping around their fields 24 hours a day.
- This [article](#) from Reuters chronicles major protests and riots in Burkina Faso, Morocco, Cameroun, Ivory Coast, Mozambique, Senegal, Somalia, South Africa, Haiti, Argentina, Peru, Vietnam and Afghanistan.
- This cause and effect is the norm historically. When the prices of basic foods like rice or bread rise high enough to exceed the grasp of ordinary people, a universal reaction—from Paris in 1789 to Egypt in 1977 to countries across the world in 2007-08—is for people to descend into the streets, either to take matters into their own hands or to demand that their government act.

7. Multilateral Responses

UN Responses

- In June 2008, the WFP [provided](#) \$1.2 billion in food aid in the 62 countries hit hardest by the crisis in [addition](#) to some \$5 billion to 90 million people in 78 countries that year.
- FAO hosted a [High-Level Conference on World Food Security](#), in June 2008 which brought together leaders from around the globe, international organizations and financial institutions to tackle the crisis.
- The UN [launched](#) a High-level Task Force on Global Food Security Crisis chaired by then SG Ban-Ki-moon. It brought together the heads of key UN agencies as well as the International Monetary Fund (IMF), the World Bank and other international experts. The task force's lead coordinator was the Under-Secretary-General for Humanitarian Affairs, John Holmes.

World Bank Responses

- In May 2008, the World Bank [set](#) up the Global Food Crisis Response Program, which was primarily supported through funds from the IBRD, IDA and externally funded trust fund grants.
- The GFRP provided fast-track funding amounting to over \$1.6 billion (while urging agrarian frameworks to fabricate flexibility for the future) that reached 66 million vulnerable people in 49

countries, mostly in Africa. This response received some cautious praise for the flexibility and [light conditionality](#) framework.

Conclusions

- Make preventing a food price crisis a priority at the Spring Meetings, with an agreed protocol to prevent uncoordinated export bans and to assist in aligning government responses.
- Support Government interventions to prevent hoarding and price gouging.
- Support the UN's efforts to step up food price hotspot monitoring and to support Governments with emergency agricultural programs as well as social protection, as laid out in the SG's new report.
- Open up the World Bank's big community-driven development portfolio to allow for the one-time purchase of agricultural inputs and other production support, including wages, to farmers to ensure disruption in this planting season is minimized.

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