

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

**POLICY DEPARTMENT B**  
STRUCTURAL AND COHESION POLICIES

**Agriculture and Rural Development**

Culture and Education

Fisheries

Regional Development

Transport and Tourism

**G20 TALKS: LATEST  
DEVELOPMENTS  
ON FOOD SECURITY**

NOTE







DIRECTORATE-GENERAL FOR INTERNAL POLICIES  
POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

AGRICULTURE

# G20 TALKS: LATEST DEVELOPMENTS ON FOOD SECURITY

NOTE

This document was requested by the European Parliament's Committee on Agriculture and Rural Development.

## AUTHORS

Fabian Capitanio, University of Naples Federico II, Italy

## RESPONSIBLE ADMINISTRATOR

Guillaume Ragonnaud  
Policy Department B: Structural and Cohesion Policies  
European Parliament  
B-1047 Brussels  
E-mail: [poldep-cohesion@europarl.europa.eu](mailto:poldep-cohesion@europarl.europa.eu)

## EDITORIAL ASSISTANCE

Lyna Pärt / Catherine Morvan

## LINGUISTIC VERSIONS

Original: EN

## ABOUT THE PUBLISHER

To contact the Policy Department or to subscribe to its monthly newsletter please write to:  
[poldep-cohesion@europarl.europa.eu](mailto:poldep-cohesion@europarl.europa.eu)

Manuscript completed in July 2013.  
© European Union, 2013.

This document is available on the Internet at:  
<http://www.europarl.europa.eu/studies>

## DISCLAIMER

The opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

Reproduction and translation for non-commercial purposes are authorized, provided the source is acknowledged and the publisher is given prior notice and sent a copy.



DIRECTORATE-GENERAL FOR INTERNAL POLICIES  
POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

AGRICULTURE

# G20 TALKS: LATEST DEVELOPMENTS ON FOOD SECURITY

NOTE

## Abstract

Around 1 billion people suffer from chronic undernourishment. Food security is a complex phenomenon, and the main priority is contributing to understanding which environmental and specific factors could affect the state of food security and the exposure to price shock in the international food market.

The role played by Global Actors (e.g. G8 and G20) is crucial. After briefly outlining the food security global governance system, mentioning the recent initiatives within and outside the G20 framework, we assess the concrete results achieved to improve food security.



---

## CONTENTS

LIST OF ABBREVIATIONS	5
LIST OF TABLES	7
LIST OF FIGURES	7
EXECUTIVE SUMMARY	9
GENERAL INFORMATION	11
1. INTRODUCTION	13
1.1. The return of scarcity	15
1.2. Dealing with instability	19
1.3. International initiatives outside the G20 framework	21
1.4. Food prices and poverty: a review of issues	215
2. G20 FORUM AND AGENDA	27
2.1. G20 forum presentation	27
2.2. G20 outputs related to food security	31
3. G20 OUTPUTS ADOPTION PATH ON FOOD SECURITY	39
3.1. AMIS	40
3.2. Emergency Reserves for Food Aid	42
3.3. Public grain reserve	43
3.4. Trade	43
3.5. Commodity market regulation	44
3.6. G20 commitments summary: progress of implementation	45
3.7. Reform of the financial regulatory framework in the EU and US: at a glance	49
4. FINAL COMMENTS	53
REFERENCES	57





## LIST OF ABBREVIATIONS

AGRA	Alliance for a Green Revolution in Africa
AFSI	L'Aquila Food Security Initiative
AFTA	Asean Free Trade Area
AMIS	Agricultural Market Information System
CAADP	Comprehensive Africa Agriculture Development Programme
CAP	Common Agricultural Policy
CCP	Central CounterParties
CFA	Comprehensive Framework for Action
CFS	Committee on World Food Security
CFTC	Commodity Futures Trading Commission
CPSS	Committee on Payment and Settlement Systems
DAC	Development Assistance Committee
ECOWAS	Economic Commission of West African States
EMIR	European Market Infrastructure Regulation
EP	European Parliament
ESMA	European Securities and Markets Authority
EU	European Union
FAFS	Framework for African Food Security
FAO	Food and Agriculture Organisation of the United Nations
FSB	Financial Stability Board
G7	Group of Seven

G8	Group of Eight
G20	Group of Twenty
GDP	Gross Domestic Product
GPAFS	Global Partnership for Agriculture and Food Security
HLTF	High-Level Task Force
I ORI	International Organization Research Institute
I OSCO	International Organization of Securities Commissions
MDG	Millennium Development Goal
MIFID	Markets in Financial Instruments Directive
ODWG	OTC Derivatives Working Group
OECD	Organisation for Economic Co-operation and Development
OTC	Over the Counter (derivatives market)
PREPARE	Predictable Access and Resilience
RRF	Rapid Response Forum
SEMC	South and East Mediterranean Countries
SIFI	Systemically Important Financial Institutions
UNMD	United Nations Millennium Declaration
UAA	Utilized Agricultural Area
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank
WFS	World Food Summit
WTO	World Trade Organization

## LIST OF TABLES

Tab. 3.1		
G20 members' compliance with individual food security		46
Tab. 3.2		
G20 compliance scores on collective food security commitment		48
Tab. 3.3		
G20 compliance scores on collective food security mandates		48

## LIST OF FIGURES

Fig. 1		
Wheat stocks are negatively correlated with wheat prices		19
Fig. 2		
From abundance to scarcity. Index of real prices of farm commodities 1960-2011		20



## EXECUTIVE SUMMARY

### Background

**Food security** exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life. The four pillars of food security are: availability, access, consumption and stability.

**World population** will exceed nine billion in 2050. This represents an increase of about one third when set against the current population of 6.9 billion. Moreover, the per capita farmed area decreased by over 50% between 1963 and 2008 at a global level. The **Utilized agricultural area** (UAA) has increased at an average rate of 0.30% per year in the last 40 years, while increases close to zero are forecast for the near future (+ 0.1% per year). Furthermore, **international markets for agricultural commodities** are the stage on which the **new scarcity** is shown in all its clarity.

In the 2009 G8 summit held in L'Aquila, the leaders issued a strong declaration prioritising the need for an increase in agricultural productivity and in agricultural investments. G8 leaders committed themselves to raising 22 billion dollars in 3 years for agricultural investments and launched the 'L'Aquila Food Security Initiative'.

The **G20** is currently made up of seven advanced economies, twelve emerging economies and the EU. The membership thus comprises five continents, two-thirds of the world's population, roughly 85% of global Gross Domestic Product (GDP) and approximately 80% of world trade. Compared to international organizations such as the United Nations (UN), the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), the World Bank (WB) or the World Trade Organisation (WTO), the G20 does not have a permanently staffed secretariat of its own. The objectives of the G20 have changed over time. During the peak of the financial crisis of 2008-2009, emphasis was placed on economic stimulus, whereas later strategies were thought out to exit from the fiscal stimulus without crippling the weak economic growth in some countries. The G8-G20 French Presidency of 2011 promoted the '**Action Plan on Food Price Volatility and Agriculture**', adopted by the G20 Agriculture ministers in June 2011 and endorsed by the G20 leaders the following November, in the **Cannes declaration**. In the Cannes declaration, the G20 member countries agreed that, 'mitigating excessive food and agricultural commodity price volatility is (...) an important endeavour' and decided to act on the **5 objectives** proposed by the G20 Agricultural Ministers. To improve market information and transparency in order to make international markets for agricultural commodities more effective, the **Agricultural Market Information System (AMIS)** managed by the FAO and the '**Global Agricultural Geo-monitoring Initiative**' were launched in September 2011.

In 2012, optimism about the G20's ability to deliver on this front had begun to fade. **There has not been much action since the Cannes summit** and, in the run-up to the Los Cabos summit, as mentioned above, the discussion has shifted towards a **narrower focus on productivity growth and away from broader economic policy reforms** that can contribute to food security.

Donors have met their L'Aquila commitments, but disbursements and support for the Comprehensive Africa Agriculture Development Programme (CAADP) and country-led plans are seriously off track. Moreover, AMIS covers four grains (wheat, maize, rice, and soybeans) that together make up the bulk of international cereal markets. **2012 did show the value of AMIS**. In contrast with earlier price spikes, no government imposed an export ban, which makes a significant difference in not exacerbating volatility. In 2011 the G20 members

requested the World Food Programme (WFP) to carry out a feasibility study and pilot project to establish a grain reserve for humanitarian purposes. The WFP had already given a lot of thought to physical reserves in regions that consistently required food aid.

The multilateral agricultural trade agenda is at an impasse, particularly in the context of the global trade talks in the WTO, whose Doha Round has been bogged down for many years.

One of the most controversial issues in analyzing the causes of the 2007–08 food price crisis was the role of the commodity exchanges. The CFS High Level Panel of Experts' 2011 report on price volatility argued that the evidence indicated a sufficiently serious enough systemic risk that tighter regulation would be worth the possible costs for financial actors in the interest of the billions of people whose livelihoods and food security are affected by volatility in international markets.

The analysis of the G20 members' compliance with individual commitments revealed a relatively high level of performance (IORI 2013). With the exception of China, all G20 members successfully delivered on the objective to strengthen international policy coordination, not introducing new and removing previously imposed export restrictions on food purchased for humanitarian purposes by the WFP. The G20 fully complied with collective commitments, with a score of 1. The AMIS has been established and is operational in accordance with its Terms of Reference; the G20 acted on 4 out of 5 mandates, selected for assessment.

Following up on the decisions taken at the international level, both the US and the EU have implemented some measures aimed at improving the regulation and functioning of the markets, in order to protect its integrity and solidity. In the EU, one of the most relevant is the proposal for a regulation on derivatives traded OTC, called Regulation 'EMIR' (European Market Infrastructure Regulation); in the US, the Reform of OTC financial derivatives began with the adoption of the Dodd Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act).

## Aim

After a brief introduction of the main conceptual aspects of food security, the aim of this briefing note is to point out the shift from a former focus on food energy availability to a more comprehensive appraisal of this phenomenon in recent times. The most likely causes of recent rises in food prices are also described. Food security issues are analyzed in connection with rural poverty issues and with the failure to achieve successful agricultural development in many developing countries. Many factors influence food security. It is a complex phenomenon, encompassing elements related to standards of living, health, income distribution, import dependency and other aspects, and it is fundamental to consider the connection linking the various key factors influencing the state of a country in terms of food security.

In this context, the priority is contributing to the development of a multidimensional approach to understanding which environment and specific factors may affect the state of food security and the exposure to price shock in the international food market.

In this respect, the role played by global actors such as the G8 and G20 is crucial.

In this briefing note, we briefly introduce the global food security system, also mentioning the recent initiative outside the G20 framework. We analyze the G20 history in more detail, its role in global governance and its interactions with other global actors. Attention has been devoted to the description of all G20 outputs related to food security, analyzing the progress that has been made (and the results achieved) following the adoption of the G20 outputs in the field of food security.

## GENERAL INFORMATION

### KEY FINDINGS

- The planet will be inhabited by about 2.5 billion more people in the space of a few decades.
- Compared with today, there will be 19 more cities with over ten million inhabitants and five of these will be in Asia.
- In China, individual meat demand per annum is forecast to increase by over 28 kg in the next 40 years (over 50 per cent more than current demand); the same is forecast for dairy products.
- Crops for biofuels have taken up about 20–22 million hectares in the last few years and could, as a result of further development, reach over 35–40 million hectares by 2020.
- It is calculated that human activities lead to a rate of biodiversity loss 1,000 times higher than the natural rate.
- The population range affected by water scarcity problems, according to recent estimates, will rise from the current 700 million people to over 2.5 billion in 2035.
- According to data supplied by the World Resources Institute, over 60 per cent of the overall increase in atmospheric CO<sub>2</sub> levels in the last 250 years has occurred in the last 30 years.
- The most optimistic scenarios indicate a price rise, in real terms, from now to 2050 of between 75 per cent and 110 per cent for maize, 30–180 per cent for rice and 40–60 per cent for wheat.
- What is the role of global governance (e.g. G20)? In the near future we must find solutions to adequately deal with the problem of market volatility and the situations of food vulnerability associated with it and its impact on the agricultural production fabric. In the long run, we need policies able to provide lasting and generalised food sustainability.

Box: Text box Success Story

### SUCCESS STORY

#### Ethiopia – a success story

In Ethiopia in 2011 the government devoted \$1.15 billion to the agriculture sector or 19.7% of total government expenditures and the country is on track to meet the Millennium Development Goals (MDGs) by 2015. Between 2003 and 2009, Ethiopia spent an average of 13.7% of the budget on agriculture. This follows historically strong commitments to the agriculture sector (averaging roughly 15% during the 2000s). Budgetary funding distribution is broadly aligned with the national agriculture plan, which was developed through the Comprehensive Africa Agriculture Development Programme (CAADP) process. According to the 2011 budget, the top programmes by investment amount are: 1) Productive Safety Net Programme (PSNP); 2) disaster risk reduction and preparedness; 3) natural resource management; 4) agricultural development.

Source: A Growing Opportunity: Measuring Investments in African Agriculture ONE Data Report (2013)



## 1. INTRODUCTION

### KEY FINDINGS

- Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.
- In 1992 the concept of the livelihood approaches became fundamental to international organizations' development programmes.
- The four pillars of Food Security are Availability, Access, Consumption and Stability.
- World population will exceed nine billion in 2050. This represents an increase of about one third when set against the current population of 6.9 billion, a lower projected increase than in the past.
- At a global level the per capita farmed area decreased by over 50% between 1963 and 2008. The used agricultural area (UAA) has increased at an average rate of 0.30% per year in the last 40 years while increases close to zero are forecast for the near future (+ 0.1% per year).
- The international markets for agricultural commodities are the stage on which the new scarcity is shown in all its clarity.
- In the 2009 G8-Summit held in L'Aquila, the leaders issued a strong declaration prioritising the need for an increase in agricultural productivity and of agricultural investments. The G8 leaders committed themselves to raise 22 billion dollars in 3 years for agricultural investments and launched the 'L'Aquila Food Security Initiative' (AFSI).

The concept of food security has been developed over the last thirty years reflecting the changes in official policy thinking (Clay, 2002). The [Rome Declaration definition of food security](#) has been formally endorsed at a global level: 'Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.'<sup>1</sup>

The above definition of the World Food Summit (1996) implicitly includes the multidimensional nature of food security by considering more profoundly the [four main dimensions](#) (food availability, access, use and stability) that need to be guaranteed in order to assure food security for most people. Specifically, these are:

- **Food Availability:** (supply) is the physical presence of sufficient choice and quantity of calories to meet consumer needs at a competitive price. Referring to the availability of sufficient quantities of good quality food supplied either through domestic production or by importing from the international food markets in addition to the quantities provided by the food aid programs.

<sup>1</sup> FAO. Rome Declaration. 1996; Available from: <http://www.fao.org/docrep/003/w3613e/w3613e00.HTM>

Food availability could be constrained by several different problems including states of (i) inappropriate agricultural knowledge, technologies, and practices; (ii) inappropriate economic policies, including pricing, marketing, tax and tariff policies; (iii) high population growth rates that offset increased production or imports together with many other natural economic and political natural obstacles that negatively affect the supply and/or distribution of food. Food Availability can be measured and evaluated using several indicators including methods such as estimating the aggregate and per capita food.

- **Food Access:** (demand) is the ability of consumers to acquire food which is safe, affordable, competitively priced, culturally acceptable and nutritious by using physical or financial resources. Access depends on an individual's financial resources and total household expenditure, physical mobility and the distance and availability of transport to food stores, as well as food preferences. Food access can be assessed using several indicators including political stability, infrastructure settings development, natural disaster frequencies, income level and its distribution, price levels, employment and jobs availability (FAO, 2006).
- **Food Consumption/Utilization:** stresses the importance of using food properly by adopting adequate food processing and storage techniques and using adequate knowledge with regard to nutrition and child care as well as taking into account sanitation and other health care issues such as clean drinking water, arriving at a situation of the satisfaction of nutritional and physiological needs. Constraints to food utilization, however, include (i) nutrient losses associated with food preparation; (ii) inadequate knowledge and practice of preventative health techniques, child care, and sanitation; and (iii) cultural practices that limit consumption of a nutritionally adequate diet by certain groups or family members. Food Consumption/Utilization can be assessed by assessing health status, water quantity and quality, and nutritional status, separately for adults and children, re. food utilization and safety.
- **Food Stability:** indicates the necessity of having access to adequate food for individuals, households or a population at all times in order to be considered as enjoying a status of food security. In fact, people should not, in any case, risk losing access to food as a consequence of economic or cyclical climatic crisis events (e.g. seasonal food insecurity). Food supply is usually assessed by taking into account food production steadiness, trade dynamics, the provision of stocks and fluctuations in consumption.

It is important to note that these interpretations of food security focus first and foremost on the individual.

### Box: The millennium declaration and the goal of reducing world poverty and hunger

The Millennium Declaration was adopted by the United Nations in 2000, with the aim of carrying forward, in coordinated fashion at international level, a series of actions to build a less poor, more sustainable world.

The declaration sets out eight targets for reaching this ambitious proposition, each of which constitutes a 'millennium goal'. The first on the list is that of the fight against extreme poverty and hunger in the world. The undertaking is to at least halve, between 1990 and 2015, the percentage of the world's population who live on less than a dollar a day and to halve the proportion of people who suffer from hunger. The other goals concern the wider diffusion of primary education, gender equality, the reduction in infant mortality, improvement in maternal health, the fight against AIDS and malaria, the Earth's environmental sustainability and promotion of a global partnership for development.

The peaks in food prices recorded in recent years have virtually wiped out the progress achieved on Goal 1 up to 2005.

## 1.1. The return of scarcity

From the early 1950s there was a long period of stagnating and **declining prices** on agricultural markets, interrupted only by some hikes coinciding with extraordinary events such as the 'oil shock' in the 1970s. The scenario changed in the mid-1990s when an inverse trend began, with sharp peaks in farm commodity prices in 2007/2008 and 2010/2011. The most recent forecasts<sup>2</sup> indicate a **sizeable rise in prices for the coming years**.

Several causes are driving the increase in agricultural commodity prices. One of the main ones is the headlong **growth in food consumption**, associated with population growth, but especially with higher purchasing power among increasingly broad ranges of the population in emerging countries. According to the FAO, the world population will exceed nine billion in 2050. This represents an increase of about one third against the current population of 6.9 billion, a lower projected increase than in the past. In fact, the population increase of over 30% predicted by the FAO for the next 40 years is well below the relative growth in the past four decades, during which the population more than doubled.

The largest increases will take place in developing countries, while the population in high-income economies will remain almost stable and in some areas, especially in some regions of Europe, there may even be population declines. By contrast, in Africa the population is expected to double, growing from one to two billion by 2050. In emerging areas growth will continue to be sustained especially in India and while China's growth should slow down, absolute increases will remain appreciable. In these two countries, which now make up over one-third of the world's population, the number of inhabitants is expected to rise from the current 2.5 billion to 3.2 by the year 2050.

The global effects of population increases will be strictly linked to **migration intensity between the countryside and towns**. Around 50% of the world's population is now distributed in urban areas, the other half in rural areas. In 1950 only 28% of the population

<sup>2</sup> OECD-FAO Agricultural Outlook 2013-2022, <http://www.oecd.org/site/oecd-faoagriculturaloutlook/highlights-2013-EN.pdf>.

lived in large urban agglomerations; in 2050 this percentage is destined to reach 70%. Compared with today, there will be 19 more cities with over ten million inhabitants and five of these will be in Asia where the trend toward metropolitan concentration will be particularly marked. FAO estimates the reduction in the population active in agriculture in the next 40 years at around 30%. However, it will also contribute to orienting consumer choices for much of the world's population towards products with greater services content (starting with processing) and thus bring them closer to lifestyles in the planet's wealthier areas.

The most important contribution to the [global convergence of diets](#) will be made by the expansion of the middle classes in emerging areas. Individual income in countries like India, Brazil and China rose at sustained rates in recent years, only to slow down, but not stop rising completely during this long phase of world economic recession. The cases that stand out most are those of China and India which recorded annual growth rates close to the double figures in the years immediately prior to the recession and which are forecast, according to the International Monetary Fund, to continue their trend at least for the next 20 years. This means on one hand that expenditure on food consumption grows fast, on the other that food habits change radically (the so called 'substitution effect' explained by Engel's Law<sup>3</sup>).

As populations gradually become richer, the unprocessed starch products (like rice and flour) in their diets are replaced by products with a higher protein content (such as meat, milk and other dairy products) and by processed products with greater value added, promoting a process of dietary convergence worldwide along the models of richer populations. This trend is involving several billion people in emerging countries and the [demand of livestock products](#) is forecast to increase very fast in the coming years with the consequence of a [multiplying effect on the demand for some agricultural raw materials](#) such as soya and wheat, which form the basis of animal feeds<sup>4</sup>.

Competition for land use is not restricted to the process of urbanization but also now includes also [the rise of the areas covered by biofuel production](#)<sup>5</sup>. [Global ethanol and biodiesel productions](#) are projected to continue their rapid increases over the projection period and to reach respectively some 155 billion and 42 billion by 2020<sup>6</sup>, even if these projections are subject to a high level of uncertainties. The raw materials used will largely be ad hoc crops. [In 2020](#) 13% of global maize production, 15% of vegetable oils and 30% of sugar cane will be used for the production of biofuels. Crops for biofuels have taken up about 20-22 million hectares in the last few years and could, as a result of further development, reach over 35-40 million hectares in 2020.

The policies supporting biofuel production are affecting the food market in two main ways: the change in land use from food to energy production, and the quantity of foodstuffs

---

<sup>3</sup> Ernst Engel, whose law is still taught in university lecture halls, observed the relation between income changes and expenditure on consumption. As early as 1857, the German economist observed that as income rose, the share of income allocated to food consumption decreased, as well as the share to satisfy the whole range of the other primary needs (clothing, washing etc.), in favour of goods termed 'superior', used to meet needs that go beyond 'prime necessity', such as transport and free time.

<sup>4</sup> To globally satisfy a diet which will be increasingly enriched in calories and be changing in its composition, annual cereals production will have to reach around three billion tons, about one third higher than today, that of soya will have to increase by 140% and that of meat will have to reach 470 million tons, 200 million more than current production (FAO 2010).

<sup>5</sup> HLPE (2013), Biofuels and Food Security, [http://www.fao.org/fileadmin/user\\_upload/hlpe/hlpe\\_documents/HLPE\\_Reports/HLPE-Report-5\\_Biofuels\\_and\\_food\\_security.pdf](http://www.fao.org/fileadmin/user_upload/hlpe/hlpe_documents/HLPE_Reports/HLPE-Report-5_Biofuels_and_food_security.pdf)

<sup>6</sup> OECD-FAO, Agricultural Outlook 2011–2020. Rome: FAO, pp. 77–93 (2011).

progressively removed from market trading. To what extent this has actually supported the upward trend in prices remains uncertain, yet it is undeniable that biofuel represents an **additional source of agriculture commodity demand** for a market already short of strategic commodities, such as sugar and cereals.

In general terms, the objective of increasing the amount of foodstuffs available on the markets cannot be achieved through the expanding of world agricultural areas. Today this option only can play a marginal role. Of the remaining land, the more fertile areas are already farmed and thus possible expansion can only rely on marginal and scarcely productive lands or on a reduction, not at all desirable, of the current surface area given over to forests. The **per capita farmed area decreased by over 50% between 1963 and 2008**. The Utilised agricultural area (UAA) has increased at an average rate of 0.30% per year in the last 40 years while increases close to zero are forecast for the near future (+ 0.1% per year).

Subject to growing competition between the various uses, also **water** has also become a critical factor not because its overall availability worldwide is insufficient to cover demand, but because it is not distributed on the basis of the various regional needs: 15% of the world's fresh water is concentrated in the Amazon forest inhabited by only 1% of the world's population. By contrast in China, which accounts for 20% of the population, a mere 7% of world fresh water is available. This makes **the water problem geographically specific**.

Critical situations regarding water consumption may arise from overexploitation, climatic stress and pollution when certain water courses receive more waste than they can assimilate. In the course of time, some such situations have been alleviated in many parts of the world as a result of technological progress, which has allowed an increase of about 700% in the storage capacity of fluvial systems over the past 50 years, promoting economic development, especially agriculture.

By contrast, problems have become more serious in other areas, for example where economic and urban expansion have required large quantities of water, exchanged for ever greater doses of pollution. There are also cases where **erosion** has led to a reduction in water availability in many large areas of Africa, including some South and East Mediterranean Countries (SEMC). This is in clear constraint to possible expansion in the agriculture sector, which becomes even more serious if we view the growing negative implications accompanying the relationship between water and agriculture starting with the Green Revolution. **Agriculture is indirectly responsible for about 40% of pollution** of surface water, stemming from the increase in use of chemicals such as fertilizers and pesticides, whose use seems to intensify when areas are devoted to biofuel production. In past years the adjustment of supply to demand was guaranteed by **technical progress**. The agriculture sector has experienced a period of great agricultural capacity almost on a global scale, called '**the Green Revolution**' that witnessed a remarkable increase in world agricultural production between the early 1960s and the end of the 1980s. The technological progress experienced in the more developed economies and its transfer to other regions, in particular led to the doubling of yields for some cereal crops which are basic for the human diet, such as rice, wheat and maize, as well as bringing about increases in the productivity of other plant species and livestock. The sustained increases in yield were led by a marked rise in public investment in agricultural research, both in more developed and in developing countries.

Now we are faced with two types of limits. On the one hand [the need for more sustainable agriculture](#), hence based on less use of chemical inputs, one of the main protagonists of the Green Revolution while, on the other, the concern at having reached a [technological barrier](#) meaning that we are able to achieve only marginal short-term increases.

The OECD and FAO<sup>7</sup> recently estimated that for the coming years the annual growth in production will continue to be slower than in the past, falling from an annual average of 2.4% for the previous decade to 1.7% for the coming years. According to many analysts, these data indicate unequivocally the end of the season of the Green Revolution and the reaching of a level of efficiency that will be hard to improve upon in the short-medium term (Brown, 2012).

This concern is reinforced by the [decline in public expenditure devoted to research and development](#) in the farm sector, which has stagnated in poorer countries, while in more developed countries it is growing at decidedly lower rates than in previous decades. Only in some emerging countries are the investments in R&D growing and many voices have pointed out the close relationship between the trend in public expenditure in research and the decline in growth rates for farm productivity. We are dealing with a sector in which, more than in others, public investments is fundamental.

The particular fragmentation affected the farming system [limits private R&D activity](#). Even where firms reach a significant size, such as in the seed or agro-chemicals sectors, they are characterized by a short-medium term view and are calibrated on production scales such as to maximize the rate of return on investments as rapidly as possible. Instead, public research allows investment in long-term solutions, taking due account of the diversity of contexts in which the research is to be applied as well as the social and environmental sustainability of the technical improvement.

What gives cause for concern is [not only long-term structural factors](#). Also those of a contingent nature have far more impact than in the past, since the greater integration of the economy favours a more rapid transfer of signals (and shocks) from one market to another (De Castro et al., 2012). Such integration is also partly responsible for another aspect of the current scenario: [market volatility](#).

This term is used when the frequency and range of price variations recorded in a given time span are greater than the historical average. Between 2007 and 2008 the farm price index used by the International Monetary Fund (IMF) rose by 50%, to then drop sharply (without return to its pre-boom levels) and rise to even higher levels at the beginning of 2011, representing a rise of 130% against 2002 levels.

This phenomenon, dependent on several causes, exacerbates the natural instability of agricultural markets linked to the seasonal cycles. One cause arises from the [small-scale market](#), characterized by low volumes and a restricted number of exporters. Only 12% of maize and 18% of wheat are traded on international markets; the remaining part staying within producer countries.

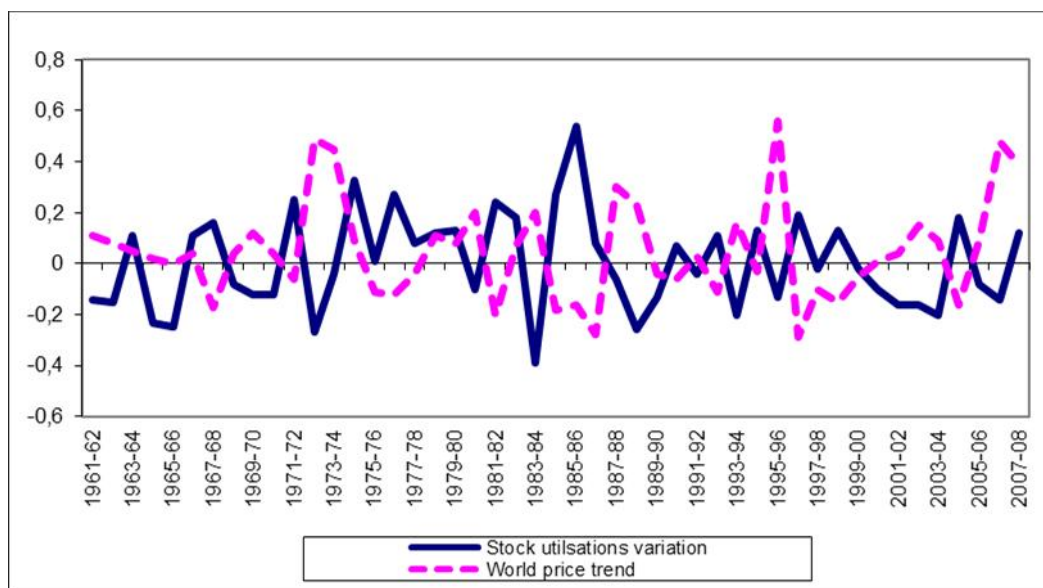
This means that even in the case of modest shocks, repercussions on prices may be significant and the return to equilibrium may take a long time. This is what has happened with the [increasing frequency of extreme meteorological events](#) linked to the broader phenomenon of climate change.

Often reactions to these events have led to [restrictions in trade](#). In 2010 we experienced a new cycle of measures which were completely uncoordinated at the international level. In summer 2010, following huge wildfires which hit Russia and caused damage to crops, Moscow banned grain exports, triggering price increases. The Russian example was followed by Ukraine, while in parallel many governments began to subsidize imports or reduce their taxation. The announcement of the ban was enough for many concerned importers to begin to negotiate higher volumes than in the past, fearing subsequent price rises. According to the FAO, world wheat prices increased by between 60 and 80% between July and September 2010 after the export ban decided by Russia.

Government reactions to price booms are aimed at stabilizing domestic supply as rapidly as possible by adopting protective measures (such as bans on exports or incentives for imports), to alleviate the impact of increases upon its citizens. Yet these initiatives have had the sole result of [exporting instability](#) (and inflation), taking it from national to international markets (Tangermann 2011), amplifying price oscillations and triggering a vicious circle which made the markets even more precarious.

The scenario is further complicated by the [state of reserves](#) of strategic agricultural products. Today, the level of food reserves is much lower than in the past. In 2007 cereal reserves reached their historical minimum. This actually made the agricultural supply even more inelastic than it is naturally, further [restricting the capacity to respond to price increases](#).

Figure 1: Wheat stocks are negatively correlated with wheat prices



Source: Our elaboration from USDA data

In addition, the role played by the [financial markets](#) during the price rises is being hotly debated. Some governments, but also several analysts and representatives of international institutions have pointed the finger at financial speculation, it being identified as one of the main drivers behind recent booms in farm prices.

<sup>7</sup> <http://www.oecd.org/site/oecd-faoagriculturaloutlook/highlights-2013-EN.pdf>.

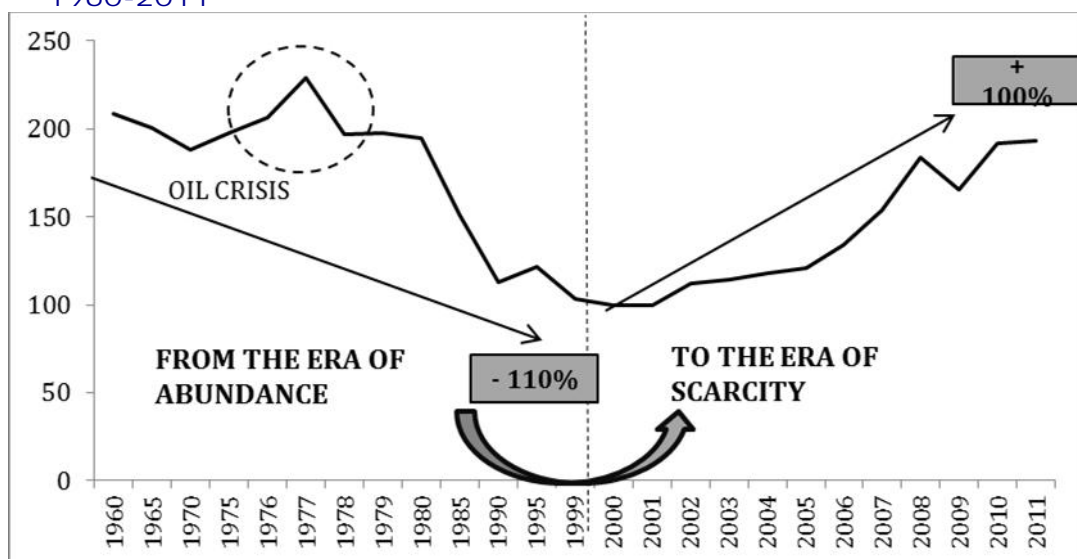
In its broader, more authoritative strands the economics literature is rather sceptical with regard to the nexus of direct causality which is thought by many to connect speculation and price rises. The trend in futures quotations is **theoretically tied to expectations on demand-supply relations** and thus tends to converge on the real market value of the traded commodity as the contract expiry date approaches.

By contrast, financial operations conducted outside commodity exchange circuits are different, such as in the so-called **'over the counter'** (OTC) market, where it is large institutional intermediaries which trade commodities through **non-standardized contracts** and without solvency guarantees made available by stock exchanges. This generates large risks, like those which became reality during the financial bubble in 2007, in which the contractual renegeing of many players who had taken on excessive risks led to real market failure.

## 1.2. Dealing with instability

As already noted, one of the main drivers is the headlong growth in food consumption, associated with population growth, but especially with the higher purchasing power among increasingly broad ranges of the population in emerging countries. As early as the mid-1990s, major increases were being witnessed in the demand for some strategic agricultural commodities, such as wheat, whose prices had long been in constant decline. Demand began to rise at an average rate of 2% per annum, especially thanks to China, India and Brazil, able on their own to account for at least one-third of increases in world requirements at that time. There has been a transition from a period of abundance, albeit characterised by problems of unfair distribution of available resources, to one of structural scarcity manifested in a progressive widening of the scissors between food availability and demand against a trend, at first timid and then more marked, of price rises. For many years the change was not perceived or was at the very least underestimated.

Figure 2: From abundance to scarcity. Index of real prices of farm commodities 1960-2011



Source: World Bank, 2000=100

Only with the price rises cyclically experienced in recent years has the alarm been raised, especially after the prices hikes of 2007/2008. Although phenomena of this type are not unknown on agricultural markets, the current rises have structurally different causes. The



1970s oil crisis also coincided with a phase of demand increase, but at that time it was chiefly energy prices that pushed up farm prices. Assuming that growth rates of future productivity do not exceed those of the previous decade, [the most optimistic scenarios indicate a price rise](#), in real terms, between now and 2050 of between 75% and 110% for maize, 30-180% for rice and 40-60% for wheat.

This phenomenon exacerbates the instability of agricultural markets, which are already structurally turbulent per se. Commodity prices are often tied to more or less lengthy seasonal cycles - usually annual - separating sowing from harvest. According to the law of demand and supply, the equilibrium price normally tends to rise, and reserves to diminish, in phases that precede the new harvest when quantities become scarce, and then decline, in a good year, in the period immediately after harvest. Thus even small variations in supply or demand can cause significant price movements at certain times.

This natural volatility is exacerbated by a small-scale market trading low volumes and with a small number of exporters, as indicated by the amount of world production of some foodstuffs actually exported. We emphasized above that only 12% of maize and 18% of wheat are traded on international markets; the remaining part stays within producer countries. This means that the quantities traded are very small. Hence, even in the case of modest shocks, repercussions on prices may be significant and the return to equilibrium may take a long time. With such low volumes, concentrated in the hands of a few exporters, small variations in the quantities exported or required for import, produce appreciable increases or decreases in prices.

Clearly, variations in prices are inevitable, or rather, desirable for the proper functioning of markets and efficient allocation of resources. Yet when volatility becomes extreme, it creates a generalised negative impact, especially hitting the poorer sectors of the world's population.

### 1.3. International initiatives outside the G20 framework

The topic of food security, in other words the possibility of gaining access to food, has returned to centre stage with the recent boom in food prices. This is not to say the problem did not exist before. Hunger has continued despite the technical progress recorded in recent decades, tormenting hundreds of millions of people in the world's poorer areas. Great responsibility falls on the shoulders of wealthier nations, whose commitment in combating hunger in the world has been insufficient both in terms of resources and the tools available. However, despite the weakness and inefficiency that has often been a hallmark of intervention in the international community, at the end of the 1990s and the start of the new millennium we were able to record some major results in tackling poverty in less developed areas of the planet. The results were also the fruit of a new assumption of responsibility, the target being that of halving the percentage of the world's population in conditions of extreme poverty by 2015.

However, it should be acknowledged that neither the political will nor the necessary financial resources have materialised to hit this target and there has not been the great international mobilisation that would have been necessary.

A first sign of the new trend of the attention to the issue in the 'global agenda' is represented by the [World Development Report 'Agriculture for Development'](#), released by the World Bank in 2008, during the first peak in international food prices. After 25 years, the institution dedicated its annual report to the role of agriculture, highlighting the important role played by small farmers in poverty reduction and recognising the need

to increase the assets of poor farmers in order to increase their productivity and raise income opportunities in rural areas<sup>8</sup>.

Since the 1990s the interest surrounding hunger and food security has risen and the [World Food Summit \(WFS\) that took place in Rome \(1996\)](#), hosted by the FAO, attracted [198 governments](#), who agreed on the conference goal to set the 'political, conceptual, and technical blueprint for an on-going effort to eradicate hunger in all countries with the target of reducing by half the number of undernourished people by no later than the year 2015' (FAO, 1996a). To achieve this goal, each government adopted a broad action plan that addressed the political, economic, and social dimensions of hunger and food security with a total of seven commitments, twenty-seven specific objectives, and 182 proposed actions to be taken at the national and international level.

During the mid-1990s, there was the launch of the [International Development Goals \(IDGs\)](#) set by the DAC of the OECD, that keep as a priority what emerged from WFS at the top of the agenda.

The [2000 Millennium Summit and Millennium Declaration](#) stated the intention 'to halve, by the year 2015, the proportion of the world's people whose income is less than one dollar a day and the proportion of people who suffer from hunger and, by the same date, to halve the proportion of people who are unable to reach or to afford safe drinking water' (UN, 2000). In 2001, [the Secretary General's report to the General Assembly](#), the Road map towards the implementation of the United Nations Millennium Declaration ('[2001 Road map](#)') listed 8 Millennium Development Goals, 18 Targets and 48 Indicators in the annex. The hunger target, 'to halve the proportion of people suffering from hunger between 1990 and 2015' (then Target 2, now Target 1C), was altered from the prior WFS goal which was to halve the number – rather than the proportion - of people suffering from hunger.

There were also a few important initiatives that were launched in the 2000s which are emblematic of the increased priority towards food and agriculture investment at this time. The [2003 Maputo Declaration](#) established the [Comprehensive Africa Agriculture Development Programme \(CAADP\)](#), which called upon African nations to increase public investment in agriculture to 10% of national budgets and to increase the growth of agricultural GDP to 6% per year (CAADP, 2012).

The CAADP Pillar III, 'food supply and hunger' explicitly states its goal to meet the 2015 MDG target halving hunger by fulfilling the three objectives outlined in the FAFS (CAADP, 2009). The Maputo Declaration and CAADP principles were supported by the G8, first at the 2005 Gleneagles Summit, where donor governments committed to increasing ODA to Africa<sup>9</sup> and also to strengthen support for African governments' commitment to invest in agriculture (G8 Information Centre, 2013).

Kofi Annan initiated the [Alliance for a Green Revolution in Africa \(AGRA\) in 2006](#) with funding from The Gates Foundation and The Rockefeller Foundation, with the vision that 'Africa can feed itself and feed the world' (AGRA, 2011). AGRA's approach involves much greater participation by the private sector and less emphasis on building national public institutional capacity (Patel, 2013). The Gates Foundation is AGRA's primary funding

---

<sup>8</sup> World Bank (2008), The World Development Report: Agriculture for Development, Washington DC.

<sup>9</sup> Gleneagles committed to (i) increase ODA by \$50 billion for all developing countries a year by 2010, compared to 2004. Will start to rise immediately, and (ii) an extra \$25 billion a year for Africa, more than doubling aid by 2010 (G8 Information Centre, 2013).

source<sup>10</sup> and this eventuality pushes AGRA's investments to tend to be in-line with the technology-driven approach that often characterizes Gates' development efforts. Gates' stated objectives for AGRA grants include increasing access to improved crop varieties, 'more resilient' and higher yielding seeds, and 'locally appropriate' fertilizers (Gates, 2013). Nearly half of AGRA's cumulative commitments have been allocated to the seed research and development program<sup>11</sup>; looking at the future effects of climate change on crop yields, this becoming a strategic field in many areas around the world. In fact, AGRA's policy and partnerships program is mainly 'focused on relaxing government restrictions to allow for improved seed varieties, reducing transaction costs, facilitating open markets, and securing land and property rights' (AGRA, 2013a).

Another important development was [Brazil's national Fome Zero](#) (Zero Hunger) program. Fome Zero was based on a proposal submitted by the Brazilian Workers Party in 1991, then developed into a National Food Security Policy in 1993, but was not formally instituted until 2003 (Silva et al., 2011 p. 18).

[In April 2008, the High Level Task Force \(HLTF\) was established by the Secretary General to coordinate 22 UN departments, agencies, funds and programmes as well as the World Bank, IMF and WTO with the objective of providing a unified response to the crisis. It resulted in the publication of the Comprehensive Framework for Action \(CFA\). Among other things, the HLTF highlighted the need and recommended the implementation of the reform of the Committee on World Food Security \(CFS\) in order to build a political platform dealing with food security and nutrition in a UN setting.](#)

Elsewhere, in [2008](#) the G8 leaders proposed the creation of a [Global Partnership on Agriculture, Food Security and Nutrition \(GPAFS\)](#) aiming at increasing investment in agriculture and at providing a global policy forum. This proposal was strongly contested by many developing countries and civil society organizations that are traditionally in favour of 'discussions being held inside the UN system, where every country has the same voting power, rather than in fora which primarily represent donor countries, or where the voting power largely depends on contributions'.

[In June 2008, the FAO organized the High Level Conference on Food Security: The Challenges of Climate Change and Bioenergy.](#) The main results of the conference was a 'call to arms' for each member to commit to a 'two track approach' (short-term and medium/long-term measures) to address the challenges of food security and hunger. The HLTF, led by David Nabarro, would later formalize this approach as the CFA, first publicized in 2008 and then updated in 2010. The CFS also went through a reform process in 2009 to become more participatory, to encourage broader representation from civil society, philanthropy and the private sector. As part of the CFS reform, the [High Level Panel of Experts on Food Security and Nutrition \(HLPE\)](#) was established.

As mentioned above, the real turning point in putting food security as a top international priority came with the 2008 food crisis.

<sup>10</sup> The Gates Foundation has provided AGRA with \$382 million in ten grants between 2006 and 2013 (Bill and Melinda Gates Foundation, 2013). According to the most recent status report (2011), AGRA had committed \$260 million in grants since 2006.

<sup>11</sup> Seed improvement funding includes commitments of \$97 million to the PASS program and \$15 million to a seed investment fund, which combined accounts for 43% AGRA's cumulative grant commitments. The remainder is divided between AGRA's soil health program (\$56m/22%), innovative financing (\$42m/16%), market access (\$24m/9%), policy improvement (\$7m/3%) and other programs (\$19m/7%) (AGRA, 2011).

The G8 proposal was developed and presented by the French President, Nicolas Sarkozy, during the High-Level Conference on World Food Security held in FAO in June 2008. Three main pillars were identified as crucial for the future of global food security governance. First of all, the strengthening of the coordination among all the international actors, namely members states, intergovernmental organizations, representatives of civil society and the private sector. Secondly, the recognition of the need to create an independent scientific body that contributes to inform policy decisions. Finally, as already mentioned, a call is made for major funding to be dedicated to the fight against hunger.

The July 2008 Hokkaido Toyako G8 Summit was the first to have a distinct statement concerning food security, and supported the HLTF and CFA. This meeting represented the acknowledgment that food security was a central theme of the international agenda representing the beginning of the pattern of L'Aquila Food Security Initiative (AFSI). Specifically, in the 2009 G8-Summit held in L'Aquila, the leaders issued a powerful declaration prioritising the need for an increase in agricultural productivity and of agricultural investments. Recognizing the agricultural sector as a primary actor in tackling the food security issue, for the first time in G8 history, a meeting of agricultural ministers preceded the Summit. The G8 leaders in L'Aquila committed to raise 22 billion dollars in 3 years for agricultural investments and launched the AFSI, endorsed by 26 nations and 14 international organizations. This was based on a 'comprehensive approach', including: 'increased agriculture productivity, stimulus to pre- and post-harvest interventions, emphasis on private sector growth, smallholders, women and families, the preservation of the natural resource base, expansion of employment and decent work opportunities, knowledge and training, increased trade flows, and support for good governance and policy reform'<sup>12</sup>.

Since 2009, the AFSI has met on a regular basis, in a roadmap that reached fruition in 2012, with the Camp David declaration launching the New Alliance for Food Security and Nutrition. Recognized as the 'next phase' of the G8 'shared commitment to achieving global food security', the priorities of the New Alliance are: mobilizing 'private capital for food security'; taking 'innovation to scale'; reducing and managing risk; improving nutritional outcomes and reducing child stunting. The progress report to the New Alliance Leadership Council, G8 summit 2013, held in Northern Ireland, Lough Erne, under the UK Presidency<sup>13</sup>, 'highlights the creation of partnership agreements in six African countries; progress made implementing policy reforms and catalysing private sector investment; and the launch of tools to mobilise capital, improve access to new technology, manage risk and improve nutrition'.

Theoretically, considering the wide recognition of the UN coordination role, the CFS was considered the most appropriate body to coordinate the global response to the food crisis and to lead the reform of the global governance of food security. Since the start of the reform process in 2008, the CFS has played a central and effective role in the area of food security and nutrition, creating strong linkages between the Committee and the different regional and national contexts with the aim of ensuring that the process is based on what is happening on the ground and promoting a flexible implementation in order to quickly respond to the changing needs at global, regional and national levels.

---

<sup>12</sup> Official Declaration, L'Aquila 2008.

<sup>13</sup> Official Declaration, Lough Erne, 2013, pp.13.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/207771/Lough\\_Erne\\_2013\\_G8\\_Leaders\\_Communique.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207771/Lough_Erne_2013_G8_Leaders_Communique.pdf).

In January 2009, the UN Secretary-General recognized the importance of strengthening the international efforts towards GPAFS as a result of an inclusive and participatory process. The Director-General of FAO announced the FAO initiative to undertake the process of creation of the HLPE that might represent a response to the request for a scientific body advanced by the G8. The FAO Director-General intervention represented an important step in reiterating the central role of the FAO, and, therefore, of the then as yet unreformed CFS, in the global system. On its side, the CFS reform process guaranteed a broad level of participation through the creation of a contact group composed of representatives of a wide range of international organizations, research institutions, NGOs and CSOs as well as the private sector. At the same time, during the process, it was agreed that the creation of the HLPE should be placed under the umbrella of the reformed CFS. As highlighted by Gitz and Meybeck, 'by reproducing in its own reform process the major characteristics – inclusiveness – unanimously claimed as a goal for the future GPAFS and the renewed governance of the global world food system, and [...] annexing the debates on renewed expert input, the CFS [...] managed to secure its position as the place of debates on the reform of the international governance of world food security'.

As a result of a long process, the reform of CFS was approved at its 35th Session in October 2009. The reformed CFS has been designed in order to provide a platform for discussion and coordination to strengthen collaborative actions among a wide and different range of interested stakeholders, promote greater policy convergence and coordination on the basis of best practices, expert advice, lessons learned and inputs received from regional and national experiences and, finally, provide support in the implementation, monitoring and evaluation of their nationally and regionally owned plans of action for the elimination of hunger.

Since 2008, it is clear that initiatives and commitments of the several international organizations have begun to coincide in an ever denser fashion, setting up a sort of archipelago within global governance; governance, however, that does not express a clear demarcation either of responsibilities of each organization, or any responsibility in fulfilling the commitments.

#### 1.4. Food prices and poverty: a review of issues

The first conceptual link between food prices and poverty is the so called pass-through or the link between international and national prices: a null pass-through would imply no effects; conversely, a positive/negative pass-through suggests a direct/inverse relationship between prices (De Hoyos and Medvedev, 2009). Price transmission of a traded commodity is complete when the prices - converted to a common currency - on two competitive markets (e.g. foreign and domestic market) differs only by their transfer costs.

In perfect markets, changes in the prices of agricultural commodities are transmitted both horizontally (spatially) and vertically (along the value chain). A full transmission of price shocks - from international to domestic wholesale markets and to small-scale farms (farm gate price) and also in the other direction - indicates the presence of a frictionless and well-functioning market, stated more simply, a perfect market.

A number of factors affect the degree of price transmission: the scale of transaction costs as well as competition among traders, producers and retailers together with domestic and international policies (Winters et al., 2004).

Major obstacles for not passing-through price signals could be:

- **Transport costs** (due to road toll, fuel taxes, inadequate infrastructure) and transaction costs (information, negotiation, and monitoring and enforcement costs);
- **Market power**: along production chains some agents may behave as price makers while some others as price takers, depending on the degree of concentration of each industry. For example, it might be the case that a price increase in inputs of an industry is passed on to consumers, while decreases in input price decreases could be captured in the mark-ups of the industry;
- **Increasing returns to scale in production**<sup>14</sup>: along the same lines, these may be at the origin of market power: their effect on vertical price transmission is different from that of market power;
- **Product homogeneity and differentiation**: the degree of substitutability in consumption between similar goods produced in different countries may affect market integration and price transmission;
- **Exchange rates** and the extent to which changes in the exchange rates are 'passed through';
- **Border and domestic policies** that directly affect spatial price transmission include trade policies (tariff and non-tariff barriers, quotas; marketing boards fixing local prices; stabilization funds (to use past savings to cushion the effect of commodity price downswings), taxes, social prices for basic foodstuffs to protect urban populations and others.

In particular, low transaction costs may be related to a **high degree of price transmission**. Imperfect competition is usually cause of asymmetry in price transmission in that positive and negative price shocks are differently transmitted along the supply chain. Agricultural policies usually represent frictions to trade and price transmission but can also lead to poverty reduction (Badiane and Kerallah, 1999).

A second important link is that between **national price changes and real income redistribution**. In fact, the shares of net food producers and consumers over the total population are key indicators in poverty analysis and price changes may help to reduce poverty and inequality (Bussolo et al., 2009; Caracciolo and Santeramo, 2013). The majority of studies aimed at evaluating the impact of global markets on household poverty rely on CGE models (Hertel and Winters, 2006). Basic references for this modelling approach are to be found in Ginsburgh and Keyzer (1997) and Devarajan et al. (1997).

---

<sup>14</sup> The term returns to scale arises in the context of a firm's production function. It explains the behaviour of rate of increase in the output/production to the subsequent increase in the inputs i.e. the factors of production in the long run. In the long run all factors of production are variable and subject to change due a given increase in size/scale. If output increases by more than that proportional change, there are increasing returns to scale (IRS). Thus the returns to scale faced by a firm are purely technologically imposed and are not influenced by economic decisions or by market conditions.

## 2. G20 FORUM AND AGENDA

### KEY FINDINGS

- The G20 currently is made up of seven advanced economies, twelve emerging economies and the EU. The membership thus comprises five continents, two-thirds of the world's population, roughly 85% of global GDP and approximately 80% of world trade.
- Compared to international organizations such as the UN, the OECD, IMF, World Bank or WTO the G20 does not have a permanently staffed secretariat of its own.
- The objectives of the G20 have changed over time. During the peak of the financial crisis of 2008-2009, emphasis was placed on economic stimulus, whereas later strategies were thought out to exit from the fiscal stimulus without crippling the weak economic growth in some countries.
- The G8-G20 French Presidency of 2011 promoted the 'Action Plan on Food Price Volatility and Agriculture', adopted by the G20 Agriculture ministers in June 2011 and endorsed by the G20 leaders the following November, in the Cannes declaration.
- In the Cannes declaration, the G20 member countries agreed that, 'mitigating excessive food and agricultural commodity price volatility is (...) an important endeavour' and decided to act on the 5 objectives proposed by the G20 Agricultural Ministers.
- By improving market information and transparency in order to make international markets for agricultural commodities more effective, the AMIS managed by the FAO and the 'Global Agricultural Geo-monitoring Initiative' were launched in September 2011.

A number of action plans, as well as numerous proposals and measures to counter the current crisis were adopted at the summits over the years. After a presentation of the G20 forum, the analysis that follows seeks to present the evolution of the G20 agenda as the crisis effects widened in scope and depth. The transformation involved not only a change of the agenda issues (e.g. from private actors' risk exposure to sovereign financing) or their ranking (e.g. top ranking for employment in 2011 compared to the highest ranking accorded to financial regulation in 2008), but also changes related to the agenda's comprehensiveness (from financial regulation in 2008 to monetary and fiscal coordination in 2011), its geographical focus (from the US in 2008 to Europe and the East in 2011) and the changing manner of the group's functioning (from the top leaders' meetings to specific ministerial meetings).

### 2.1. G20 forum presentation

Unlike international organizations such as the UN, the OECD, IMF, World Bank or WTO, **the G20 does not have a permanently staffed secretariat of its own**. Rather, it is an informal club without permanent representatives of its members that was designed to

provide a forum for debate and consensus-seeking. Its chair rotates between members, and is selected from a different regional grouping of countries each year. 'The chair is part of a revolving three-member management Troika of past, present and future chairs. The incumbent chair establishes a temporary secretariat for the duration of its term, which coordinates the group's work and organizes its meetings. The role of the Troika is to ensure continuity in the G20's work and management across host years'<sup>15</sup>.

Not being a traditional international organization with conferred powers, the G20 can focus on activities such as agenda-setting, policy coordination, consensus-building and the distribution of tasks across existing institutions. **G20 became an actor on the global agenda in 1999**, after the Asian financial crisis. Up and until 2008 the G20 kept meeting regularly in this de facto grouping. **In 2008**, as part of the response to that year's global financial crisis, **the G20 was elevated to the level of a summit of heads of government**. The next year, at the third G20 Summit in Pittsburgh, the participating states declared that the G20 was the 'premier forum' for global economic governance.

The G20 currently is made up of seven advanced economies, twelve emerging economies and the EU<sup>16</sup>. Thus the membership comprises all continents, around 66% of the world's population, roughly 85% of global GDP and approximately 80% of world trade.

**The summits held in Washington, London and Pittsburgh (during 2008 and 2009)** were held at time when the first peak in food prices on international markets rang the first alarm regarding the new equilibria in commodity markets. The issues deliberated at these summits reflected the group's extreme concern with viability and the functioning of financial markets, both national and global. Therefore, a motto that connects these three summits was 'cooperation and coordination in financial regulation'.

**Specifically, at the 2008 Washington summit** leaders acknowledged that urgent national measures to cope with the crisis would not suffice because the challenges were too comprehensive for any single country to act independently. The causes of the crisis were extensively discussed and they reached conclusions that substantial financial regulatory reform was needed, together with better coordination of macroeconomic policies in the short and medium term. The final document of the summit<sup>17</sup> included an **Action Plan** with several objectives such as improved regulatory transparency, higher regulator accountability, sound development of regulation, the promotion of financial markets' integrity, strengthened international cooperation and the reform of international financial organisations. It was concluded that the global economy would benefit from stronger support for market principles, open trade and investment regimes, and sound financial regulation.

**Perhaps for the first time, G20 members began to recognize** the impotence of individual governments in dealing with a financial and economic crisis that, for the first time, appear really global.

**The G20 London Summit in April 2009** followed several formal and informal meetings within and outside the group. Further expansionary fiscal measures were agreed upon and a declaration on the strengthening of the financial system and the **upgrading of the**

---

<sup>15</sup> Wouters and Geraets, p. 10.

<sup>16</sup> The 19 Countries are (alphabetically): Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom and the United States.

<sup>17</sup> Full text of the document available at <http://www.g20.org/images/stories/docs/eng/washington.pdf>.



[Financial Stability Forum to a Financial Stability Board \(FSB\)](#). Interestingly enough, the issues of global trade and the reduction of protectionism fell well behind the goals of confidence building, growth, employment and lending, but ahead of an inclusive, green and sustainable recovery. An explicit, financially measurable commitment was made [to implement a \\$1.1 trillion programme in credit support markets as well as growth and employment in the world economy](#). It would appear that the priority of each member was economic growth and overcoming the financial crisis.

[The G20 Summit in Pittsburgh](#) resulted in several important developments. This meeting was characterized by the agreement on the need for strengthening international coordination in macroeconomic policies and strengthening financial regulations. Moreover, the importance of discouraging protectionism was emphasized. To summarise, G20 members manifested the wish to take over the leading role from the G8 and become the central forum for tackling weakness in the global economy and financial markets.

One year after the first gathering in Washington, [the G20 leaders recognised](#) that without macroeconomic changes previously agreed, cooperation in financial regulation would not produce durable results.

[The summits held in Toronto and Seoul during 2010](#) had also a common denominator: a shift from reactive behaviour - responding to the crisis, toward a proactive stand - monitoring and steering the macroeconomic "boat".

The period around the time of the Toronto Summit in 2010 was characterized by an agreement on a set of principles for fiscal consolidation in the context of '[The Framework for Strong, Sustainable and Balanced Growth](#)', and by an agreement on the process of IMF reform. The European Union's sovereign debt crisis, and especially the dilemma over whether to save or to spend, affected EU-US relations. 'China and India supported the US in favour of larger spending that would probably increase the demand for their own goods, while Europe/Germany-France stood firmly by their plans to carry out significant cuts and reduce spending. There were signs that the UK had already started to re-evaluate its own position within the EU and did not support further spending reduction, not to mention further financial centralisation in Brussels'<sup>18</sup>.

[The reform of the IMF](#) was signed during the Meeting of the Finance Ministers and Central Bank Governors [held on 23 October 2010 in Gyeongju, Republic of Korea, which preceded the fifth G20 Meeting in Seoul the following 11-12 November](#). The Seoul Summit Document reaffirmed the commitment to reform the IMF. The need to resist protectionist policies was emphasized and again the strong wish was expressed to bring the Doha Development Agenda in the WTO to a successful conclusion. However, strong differences between China and the United States surrounding exchange rate policies overshadowed the fifth G20 Summit. The Korean presidency was also credited with placing issues such as global financial safety nets and development on the agenda in a way that requires future summits to follow-up on them. Prior to the sixth G20 Heads of State Summit in Cannes in November 2011 this broadening of the agenda was also reflected in the fact that G20 meetings now take place, not only at the level of Heads of State or ministers of finance, but also at the ministerial level. [In June 2011](#), Ministers of Agriculture of the G20 countries met for the first official G20 Agriculture Ministerial, during which they discussed biofuels, high and volatile food prices as well as other issues related

---

<sup>18</sup> Bradlow D.D: (2013), A Framework for Assessing Global Economic Governance, Boston College Law Review, vol. 54 Issue 3.

to food security. Finance, development and labour ministers also met [in September 2011](#). The proliferation of sectoral ministerial meetings increases the degree of actor informality within the G20 setting. In the run-up to [the sixth G20 Summit held in Cannes on 3 and 4 November 2011](#), the French Presidency presented six priorities which included the combating of commodity price volatility and the 'strengthening of the social dimension of globalization'. Other items on the agenda included the phasing out of fossil fuel subsidies, anti-corruption policies and innovative financing for development. Very little was achieved on these topics as growing fears concerning the European sovereign debt crisis and a possible default of Greece overshadowed most of the sixth summit's other agenda items. This does not mean, however, that the Cannes Summit was a complete failure, as some commentators have suggested. [One of the decisions agreed upon was the strengthening of the resources and governance of the FSB](#). To this end G20 Leaders equipped the FSB with a stronger political mandate, greater financial autonomy and legal personality. In itself, this decision can be seen as an example of the formalization of processes and structures that previously had many informal characteristics.

[In the 2012 meeting in Los Cabos](#), a significant step forward was the attempt to include the representation of developing countries in the G20 summit. The Los Cabos Summit delivered the first policy progress accountability report for the G20, even though the report was written by national governments.

The G20 members in Los Cabos undertook specific commitments on fiscal, exchange rate and structural issues, on an [increase in IMF resources by 450 billion dollars and improving the IMF's role](#) in bilateral and multilateral surveillance but, overall, the summit apparently confirmed the diminishing effectiveness and relevance of the G20 as an organ of international governance since its inception in December 2008. While few accomplishments were achieved in the area of global governance during the Mexican presidency, acute problems surrounding collective action paralysed the G20 in the lead-up to and during the Los Cabos summit. These collective action issues and the ensuing failure of global governance were attributable to the absence of leadership evident at both the global and European levels, which in turn testified to the excessive dispersion of state economic and political power within the international system.

Another important aspect of the G20's functioning, as mentioned, lies in the way it [interacts with other international organisations](#). Cooperation is close with a number of international organisations, such as the IMF, WTO and OECD, 'as the potential to develop common positions on complex issues among G20 members can add political momentum to decision-making in other bodies.' The Director-Generals and heads of traditional organisations take part in G20 Summits. The former Managing Director of the IMF, Dominique Strauss-Kahn has been present at all G20 Summits (his successor Christine Lagarde attended the Cannes Summit), whilst WTO Director-General Pascal Lamy, World Bank President Robert Zoellick, ILO Director General Juan Somavia and OECD Secretary General Angel Gurría have also attended multiple G20 summits after the first one in Washington. UN Secretary-General Ban Ki-moon has also been present at every G20 Summit, except for the one in Washington. [In June 2011](#), the UN General Assembly held an informal thematic debate on the role of the UN in global governance. In response to UN General Assembly resolution 65/94 on the UN in Global Governance, the Secretary-General prepared a report in which it was suggested that there should be 'predictable and consistent engagement' between the UN and G20. Until now there has not been a system in place by which the G20 invites the UN Secretary-General as a matter of course. The presence of the heads of international organisations further indicates the high degree of actor informality that is present in the G20.

There is, however, a 'competitive effect', whereby certain formal bodies such as the [International Monetary and Finance Committee \(IMFC\) of the IMF](#) and the [Development Committee of the World Bank](#) now compete with the G20 as the latter tries to gain authority on these matters. Moreover, the 'G20 leaders' network may have a 'rebalancing effect' in global governance and international organizations. It brings in emerging economies into agenda-setting and the coordination discussions.

In this respect it is interesting to assess domestic accountability at EU level. The EU is represented at G20 leaders' level by European Commission President Barroso and European Council President Van Rompuy. However, since four of its Member States (France, Italy, Germany and the United Kingdom) also take part in G20 meetings in their own right, coordination is essential. Preparation for the G20 takes place in the European Council, where the EU position is coordinated. For the Washington Summit in 2008, the London Summit in 2009 and the Pittsburgh Summit in 2009, this resulted in 'Agreed Language'.

[The European Council of 23 October 2011](#) resulted in a coordinated position for the sixth G20 Summit in Cannes. Prior to the European Council meeting that discussed the preparation for the Cannes G20 Summit, the President of the European Commission attended the plenary debate in the European Parliament (EP). However, it was notable that he only mentioned the G20 once, in the context of the EU proposals on how to implement the G20 commitments to establish a system of financial regulation. He was not questioned by any of the MEPs on the issue of G20. Interestingly, there is no recurring practice of either the President of the Commission or the President of the European Council reporting back to the EP on the issues discussed during a G20 Summit. After the G20 Summits in Washington, London and Seoul, either the President of the Commission or a Commission Member outlined the outcome of these summits in the European Parliament. However, [no such debates were held after the summits in Pittsburgh and Toronto](#), although both G20 summits were preceded by a preparatory debate in the European Parliament at which either the President of the Commission or one of the Members of the Commission outlined the EU's position at the upcoming summit. Hence, there is no institutionalized form of 'ex post' accountability in the EU with respect to the outcomes of G20 summits. It would appear that, in order to ensure effective control over the positions taken by the representatives of the EU at G20 level, the European Parliament should use its powers to hold EU representatives to account on a more structured basis.

## 2.2. G20 outputs related to food security

As already pointed out, food security issues have been on the G20 agenda since 2009. The group's first step was to add its support for the [G8's L'Aquila Declaration](#), which committed G8 governments to spending \$22 billion in development assistance for food security over three years.

Recalling the priority issued at the G8 summit held in L'Aquila, the issues deliberated at these G20 summits reflected the group's extreme concern with the viability and functioning of financial markets, both at national and global level.

[Consequently, since the 2009 Pittsburgh summit](#), the issue of food security was, for the first time, extensively addressed in the G20 summit documents and, successively, has been introduced as [one of the nine key pillars identified in the 'Seoul Development Consensus for Shared Growth'](#), which was a set of principles endorsed by G20 leaders at the Seoul Summit, in 2010. The 2009 Pittsburgh meeting, supported 'the food security

initiative announced in L'Aquila and efforts to further implement the Global Partnership for Agriculture and Food Security and to address excessive price volatility', aiming at enhancing agricultural productivity, facilitating access to technology, and improving food availability. G20 members also addressed the issue of food price volatility and underscored the importance of sustained funding and targeted investment in agriculture for improving long-term food security<sup>19</sup>.

At the [G20 summit in Seoul in 2010](#) the leaders committed themselves to: 'enhanc[ing] food security policy coherence and coordination and increas[ing] agricultural productivity and food availability, including by advancing innovative results-based mechanisms, promoting responsible agriculture investment, fostering smallholder agriculture, and inviting relevant international organisations to develop, for our 2011 Summit in France, proposals to better manage and mitigate risks of food price volatility without distorting market behaviour'<sup>20</sup>.

Substantially, the meaning of the goals and commitments made by various countries during the first two meetings, recognised both the need to improve productivity in agriculture as a tool to fight food security and hunger in the world and the close link between price volatility on financial markets for agricultural commodities and farmers'/citizens' well-being of billions of people in terms of food supply.

The turning point from the perspective of the commitments made by the G20 members came with the summit held in Cannes in 2011. The G8-G20 French Presidency of 2011 promoted the 'Action Plan on Food Price Volatility and Agriculture', adopted by the G20 Agriculture ministers in June 2011 and endorsed by the G20 leaders the following November, in the Cannes declaration.

In preparation for an '[Action Plan on Food Price Volatility and Agriculture](#)' to be discussed at the 3-4 November 2011 Summit Meeting in Cannes the G20 member countries endorsed a number of activities such as a joint report of 10 prominent international institutions and a meeting of G20 Agricultural Ministers in Paris in June 2011. The Agricultural Ministers submitted a draft 'Action Plan' to the Cannes Summit which was taken up by a meeting of the International Organisation for Securities Commission (IOSCO) in September 2011 which suggested regulatory reforms later endorsed by the G20 Finance Ministers.

Specifically, the G20 agriculture ministers [did agree on two actions](#) that were subsequently endorsed by the leaders at the November 2011 summit in Cannes: creating a new '[Agricultural Market Information System](#)' (AMIS) to increase transparency with regard to available food stocks in G20 member countries, and asking the World Food Programme (WFP) to simultaneously perform [a feasibility study and a pilot project for the establishment of an emergency regional food reserve for humanitarian purposes](#). This project, Pre-Positioning for Predictable Access and Resilience (PREPARE), was designed for West Africa in discussion with the Economic Commission of West African States (ECOWAS). The G20 leaders also decided to carry over the subject of commodity market regulation on their agenda for 2012. They also endorsed the (limited) recommendations on market transparency from the report they had commissioned from the International Organisation of Securities Commissions.

---

<sup>19</sup> The Leaders Statement: The Pittsburgh Summit, 25 September 2009. <http://www.g20.utoronto.ca/2009/2009communiqu0925.html>.

<sup>20</sup> The G20 Seoul Summit Leaders' Declaration, 12 November 2010. <http://www.g20.utoronto.ca/2010/g20seoul.html>.

Although the Cannes Summit Meeting was overshadowed by the European financial crisis, the 'Cannes Summit Final Declaration' (Building Our Common Future: Renewed Collective Action For The Benefit Of All, 2011) nevertheless addressed food price volatility and agricultural production (paras 40 ff.), the G20 member countries agreeing that, 'mitigating excessive food and agricultural commodity price volatility is (...) an important endeavour'<sup>21</sup>, and deciding to act on the **5 objectives** proposed by the G20 Agricultural Ministers. These proposals have been widely discussed by hundreds of documents and papers. We will summarise the points made in the Summit Final Declaration in the following way:

1) Firstly, G20 member countries agreed to further invest in agriculture and agricultural research (para 43). In this context they urged multilateral development banks to finalize their joint action plan on water, food, and agriculture and supported the international 'Wheat Initiative' launched in Paris on 15 September, 2011. However, it is not clear from the 'Declaration' whether any new funds will be made available to boost these efforts.

In brief, G20 member undertake a commitment to implement measures aimed at **boosting agricultural growth**, particularly in (but not limited to) developing countries. A policy report 'Price Volatility in Food and Agricultural Markets: Policy Responses,' in section 3, specifies measures aimed at increasing agricultural growth<sup>22</sup>:

- 'Direct investment in agricultural research and development particularly on practices that enhance the resilience of small-scale agriculture towards climate change and resource scarcity.
- Investment in sectors strongly linked to agricultural productivity growth and to strengthening the integration of smallholders into markets, such as agricultural institutions, extension services, roads, ports, power, storage and irrigation systems.
- Non-agricultural investment to enhance the rural institutional environment and bring about positive impacts on human wellbeing, such as investment in education, particularly of women, sanitation and clean water supply, and health care'<sup>23</sup>.

Moreover, G20 members undertake commitments to promote agricultural practices which positively affect the environment and natural resource consumption. A policy report 'Sustainable Agricultural Productivity Growth and Bridging the Gap for Small-Family Farms' specifies measures to promote sustainable agricultural practices. According to the report, G20 countries<sup>24</sup>:

1. 'Commit to reviewing policies that may generate perverse incentives for sustainability and encourage unsustainable use of natural resources, undertaking the integration of natural resource management into agricultural policy, seeking to redress them, and work towards ensuring that environmental sustainability gains are achieved.

<sup>21</sup> Cannes Summit Final Declaration, 4 November 2011. <http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html>.

<sup>22</sup> Price Volatility in Food and Agricultural Markets: Policy Responses, FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank, the WTO, IFPRI, the UN HLTF 2 June 2011. <http://www.oecd.org/trade/agriculturaltrade/48152638.pdf>.

<sup>23</sup> Price Volatility in Food and Agricultural Markets: Policy Responses, FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank, the WTO, IFPRI, the UN HLTF 2 June 2011. <http://www.oecd.org/trade/agriculturaltrade/48152638.pdf>.

<sup>24</sup> Sustainable Agricultural Productivity Growth And Bridging The Gap For Small-Family Farms, OECD 12 June 2012. <http://www.oecd.org/tad/agriculturalpoliciesandsupport/50544691.pdf>.

2. Support developing countries in designing and implementing policies based on a comprehensive analysis of the relationships between food security, food production and natural resource use.
3. Support developing countries to strengthen monitoring and evaluation systems of 'market-smart' smallholder targeted input subsidy programmes, improve small family farm targeting methods and graduation mechanisms, and implement specific training to enhance farmers' knowledge of precision approaches to ensure sustainable input applications on a gender equal basis.'
4. Support interested international and regional organisations to conduct analyses and studies and recommend options to strengthen competition in the fertiliser industry, and improve access to fertilisers at competitive prices, specifically in Sub-Saharan Africa'.

To achieve full compliance members commit themselves to promote the use of these practices both domestically and in developing countries (either bilaterally or through international organizations).

2) Second, there is a commitment by G20 member countries 'to improve market information and transparency in order to make international markets for agricultural commodities more effective' (para 44). To that end, AMIS managed by the FAO and the 'Global Agricultural Geo-monitoring Initiative' (through an existing international voluntary network, the Group on Earth Observation) was launched in September 2011. But again, there is no mention of financial resources to support these initiatives.

This commitment requires G20 members to take part in the work of the AMIS and to improve their national systems of collection and dissemination of agricultural data. For full compliance the members need to deliver on both components of the commitment.

The [AMIS official web-site](http://www.amis-outlook.org/)<sup>25</sup> is the source of information on the first part of the commitment, while the second part can be assessed using data from national resources, documents, official government websites, etc. A [policy report](#) 'Price Volatility in Food and Agricultural Markets: Policy Responses'<sup>26</sup> specifies the actions which need to be undertaken for this commitment:

'G20 governments commit to instruct statistical or other relevant agencies to provide timely and accurate data on food production, consumption, and stocks. Where the mechanisms and institutions are not in place nationally to do so, G20 governments should undertake to create them'<sup>27</sup>.

To achieve full compliance members commit to participate in the work of AMIS and improve their national systems of collection and dissemination of agricultural data if needed.

Clearly, the idea behind AMIS is to gather and disseminate more information on physical commodity production and market transactions in the hope that it will help to reduce market uncertainty, and contribute to better functioning, less volatile international food markets. AMIS, housed at the FAO, is a collaborative effort among nine international organizations (FAO, 2011). There was (and remains) no clarity on how AMIS should work with the private sector, particularly the four global grain traders that control an estimated 75 per cent or more of the international cereal trade (ADM, Bunge, Cargill and Louis

---

<sup>25</sup> <http://www.amis-outlook.org/>.

<sup>26</sup> Price Volatility in Food and Agricultural Markets: Policy Responses, FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank, the WTO, IFPRI, the UN HLTF 2 June 2011. <http://www.oecd.org/trade/agriculturaltrade/48152638.pdf>.

<sup>27</sup> Ibid.

Dreyfus). With public stocks now eliminated in most countries, it is these traders that hold such stocks as exist and that know the most about what grain will be available when and from where (Murphy et al., 2012).

Under the heading 'International Policy Coordination', the 'Rapid Response Forum', created in Rome in September 2011, is mentioned (para 48) as well as the agreement to remove or not to impose export restrictions or extraordinary taxes for food purchased for non-commercial humanitarian purposes (para 47). These two decisions can only be considered as a very small step forward in the area of international policy coordination. Even if market disruptions are threatening, the [Rapid Response Forum](#) has no decision-making powers. In addition, other key issues for international policy coordination such as generally abolishing export restrictions on food commodities or energy subsidies and biofuel mandates are not touched in the 'Declaration'.

The support for the most vulnerable to food price shocks receives only short shrift by encouraging various international organizations to develop appropriate risk management tools (para 46 and 72). The new '[Humanitarian Food Reserve System](#)' proposed by the G20 Agricultural Ministers received a weak response in the 'Declaration' inasmuch as respective regional ECOWAS and Asean Free Trade Area (AFTA) initiatives are welcomed.

3) [The third commitment was 'to remove food export restrictions or extraordinary taxes for food purchased for non-commercial humanitarian purposes by the WFP and agree not to impose them in the future'](#).

This is a two-part commitment. [First](#), it requires G20 members to remove existing food export restrictions or extraordinary taxes on food purchased by the World Food Program. Sources of information on existing food export restrictions include the WTO reports on G20 trade measures<sup>28</sup> and the FAO Commodity and Trade Policy Research Working Paper No. 32<sup>29</sup>. These sources provide information on trade measures, including those for restricting food export, for the period of 2007-2012. As some restrictive measures could have been imposed before the specified period, the analysis does not require the registering of all the cases of removal of humanitarian food export restrictions. In addition, a certain limitation is posed by the fact that the WTO reports and the FAO Working paper do not specify whether the measures described were humanitarian in nature. Thus, taking at least one measure to lift restrictions is counted as G20 member compliance with the first part of the commitment. Yet, the report aims to use all the data available for monitoring to assess G20 compliance.

According to the Camp David Accountability Report, as of 19 May 2012 all export restrictions and extraordinary taxes, especially for food purchased for humanitarian purposes, have been removed or were never introduced by G8 members<sup>30</sup>.

[Secondly](#), the commitment calls for G20 members not to impose such export restrictions in the future.

<sup>28</sup> Reports on recent trade developments, World Trade Organization (Geneva). Date of Access: 22 February 2011. [http://www.wto.org/english/news\\_e/archive\\_e/trdev\\_arc\\_e.htm](http://www.wto.org/english/news_e/archive_e/trdev_arc_e.htm)

<sup>29</sup> Food export restrictions: review of the 2007-2010 experience and considerations for disciplining restrictive measures, by Ramesh Sharma, FAO Commodity and Trade Policy Research Working Paper No. 32, Food and Agriculture Organization of the UN, May 2011. Date of Access: 22 February 2011. [http://www.fao.org/fileadmin/templates/est/PUBLICATIONS/Comm\\_Working\\_Papers/EST-WP32.pdf](http://www.fao.org/fileadmin/templates/est/PUBLICATIONS/Comm_Working_Papers/EST-WP32.pdf)

<sup>30</sup> Camp David Accountability Report. Actions, Approach and Results, US Department of State 19 May 2012. Date of Access: 24 May 2012. <http://www.state.gov/documents/organization/189889.pdf>

It is clear that removing food export restrictions is crucial in relation to price volatility and food security. It is worth recalling that in 2007/2008 many cereal exporters banned or restricted their exports. Ukraine set maximum quantities that were then transformed into outright bans. In Argentina, taxation on exports was raised, as happened in Russia and China, where it reached such levels as to constitute an actual ban. In the same period, major rice producers like India, Indonesia and Vietnam closed down flows to the outside world.

These measures, just like the announcements that preceded them, obviously played an important role in generating uncertainty. The panic of governments thus also drove markets into panic. Yet the experience of those two years has not served as a lesson. In 2010 we experienced a new cycle of measures which were completely uncoordinated at the international level. [In summer 2010](#), following huge wildfires which hit Russia and caused damage to crops, Moscow banned grain exports, triggering price increases. The Russian example was followed by Ukraine, while, in parallel, many governments began to subsidise imports or reduce their taxation. The announcement of the ban was enough for many concerned importers to begin to negotiate higher volumes than in the past, fearing subsequent price rises. According to the FAO, world wheat prices increased by between 60 and 80 per cent between [July and September 2010](#) after the export ban decided by Moscow. Given that these dynamics are no longer the exception but have become consolidated practice, many exporters who previously traded sufficient quantities of agricultural commodities to satisfy a few months' demand, today have begun to intervene more massively on markets to cover longer periods.

The effects of this vicious circle also hit the very producers of exporting countries, who see depressed prices on the domestic market whenever they rise on international markets while the cost of inputs continues to rise. This squeezes economic margins and checks growth in production, as testified by the reduction in areas used for wheat farming in Russia, which dropped by about 2.5 per cent in 2011 precisely when international prices continued to rise.

[Local solutions without a global vision](#) – this is basically the failure of policies to tackle the volatility of international markets. In this phase the initiatives of policy-makers appear completely devoid of coordination, and the very credibility of some international institutions like the WTO risks being questioned. Indeed, WTO rules were conceived to facilitate and liberalise trade in the era of abundance, and attention has especially focused on the need to proscribe attitudes that could impede imports, rather than exports, justifying what, with hindsight, might be considered superficial, reductions or interruptions in export flows by virtue of interests linked to national food security. Until a few years ago, this scenario was considered remote. Only in June 2011 was a proposal presented to the WTO by Egypt to ban restrictions on exports of agricultural products towards poor countries which are net importers of foodstuffs. Subsequently, the G20 group urged the WTO to adopt a specific resolution on export restrictions and bans.

[4\) The fourth commitment](#) 'We support initiatives to maximize efficient delivery of food assistance and strengthen supply chains against price and supply shocks, in particular through forward positioning networks and mainstreaming risk management in international food assistance procurements', [requires G20 countries to take actions towards increasing the efficiency of food assistance delivery and strengthening supply chains against price and supply shocks](#). Practical steps in this field are described in



Annex E to the report 'Price Volatility in Food and Agricultural Markets: Policy Responses'<sup>31</sup>. Among them are the strengthening of the forward positioning of humanitarian food assistance, pre-positioning for predictable access and system resilience, developing appropriate risk-management tools, etc<sup>32</sup>.

To achieve full compliance, members need to take actions aimed at maximizing the efficient delivery of food assistance bilaterally and multilaterally (through international organizations).

5) The fifth commitment in the proposed 'Action Plan' concerned the [regulation of agricultural financial markets which was ducked by the Agricultural Ministers](#). However, International Organization of Securities Commissions (IOSCO, in which Finance Ministries are members) published 'Principles for the Regulation and Supervision of Commodity Derivatives Markets' in September 2011. Very much at the urging of the French Presidency these 'Principles' are welcomed and endorsed by the 'Final Summit Declaration' (para 32 and 45). They are 'to ensure enhanced market transparency (...) and achieve appropriate regulation and supervision of participants in these markets' (para 32). Major regulatory provisions include (para 24 and 32):

- By the end of 2012 all over-the-counter (OTC) derivatives are to be traded on organized exchanges or electronic platforms and centrally cleared, by the end of 2012.
- OTC derivatives contracts are to be reported to trade repositories and made available to regulators.
- Market regulators are to be granted intervention powers to address disorderly markets and prevent market abuse, including the power to set ex-ante position limits.

In 2012, [the Los Cabos meeting](#) continued along the lines of the ambitious French program, without any further relevant achievement. The food security and agriculture agenda narrowed sharply to focus on investment in small-scale agriculture and in agricultural knowledge systems (meaning seeds and species research, agricultural technologies, and cultivation techniques). The move away from the market issues of 2011 was a disappointment because it shifted the G20's attention from its areas of natural competence and authority back to areas where the G20 has little comparative advantage. The deputy-ministers of Agriculture of G20 nations launched the '[AgResults Initiative](#)', aimed at improving food security for the poor and vulnerable by encouraging private sector innovation of new agricultural products and systems constrained by market failures in agriculture'.

It is a fact that [food security, among the Russian presidency's priorities, is mentioned only as one of the sub-headings](#) of a more general approach to 'Development to all'.

Recalling the report delivered by the International Organizations Research Institute (IORI)<sup>33</sup>, the several commitments made by the G20 can be divided into three components (p.77): Individual commitments, Collective commitments and Mandates.

<sup>31</sup> Price Volatility in Food and Agricultural Markets: Policy Responses, FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank, the WTO, IFPRI, the UN HLTF 2 June 2011.  
<http://www.oecd.org/trade/agriculturaltrade/48152638.pdf>

<sup>32</sup> Ibid.

<sup>33</sup> Tracking Progress on the G20 Development Commitments, International Organizations Research Institute (IORI), 2013,  
<https://www.hse.ru/data/2013/02/26/1307405287/Development%20Report%20130226.pdf>

The basic difference among them is that the first one requires countries to undertake certain actions individually, at member level, with the collective commitment requiring the G20 as an institution to promote certain initiatives, creating and upholding institutions at an international level. Mandates issued by the G20 leaders or ministers require international organizations to provide reports, recommendations, perform research, monitoring and other activities. 'The fulfilment of a mandate is the indicator of effectiveness of the G20 cooperation with other international institutions, which is essential for the achievement of the food security objectives (p. 77)'.

### 3. G20 OUTPUTS ADOPTION PATH ON FOOD SECURITY

#### KEY FINDINGS

- In 2012, optimism about the G20's ability to deliver on this front has begun to fade. There has not been much action since the Cannes summit and, in the run-up to the Los Cabos summit, as mentioned above, the discussion has shifted toward a narrower focus on productivity growth and away from broader economic policy reforms that can contribute to food security.
- The fact is that donors have met their L'Aquila commitments, but disbursements and support for CAADP and country-led plans are seriously off track.
- AMIS covers four grains—wheat, maize, rice, and soybeans—that together make up the bulk of international cereal markets. 2012 did show the value of AMIS. In contrast with earlier price spikes, no government imposed an export ban, which makes a significant difference in not exacerbating volatility.
- In 2011 the G20 members requested a feasibility study and pilot project from the WFP to establish a grain reserve for humanitarian purposes; the WFP had already given a lot of thought to physical reserves in regions that consistently required food aid.
- The multilateral agricultural trade agenda is at an impasse, particularly in the context of the global trade talks in the WTO, whose Doha Round has been bogged down for many years.
- One of the most controversial issues in analyzing the causes of the 2007–08 food price crisis was the role of the commodity exchanges. The CFS High Level Panel of Experts' 2011 report on price volatility argued that, the evidence indicated a serious enough systemic risk that tighter regulation would be worth the possible costs for financial actors in the interest of the billions of people whose livelihoods and food security are affected by volatility in international markets.
- The analysis of the G20 members' (IORI, 2013) compliance with individual commitments revealed a relatively high level of performance. With the exception of China, all G20 members successfully delivered on the objective to strengthen international policy coordination by not introducing new export restrictions while removing previously-imposed ones on food purchased for humanitarian purposes by the WFP.
- The G20 fully complied with collective commitments, with a score of 1. The AMIS has been established and is operational in accordance with its Terms of Reference; the G20 acted on 4 out of 5 mandates, selected for assessment.
- Following up on the decisions taken at the international level, both the US and EU had implemented some measures aimed at improving the regulation and functioning of the markets, in order to protect their integrity and solidity.
- In the EU, one of the most relevant is the proposal for a regulation on OTC-traded derivatives, called Regulation 'EMIR' (European Market Infrastructure Regulation). In the US, the Reform of OTC financial derivatives began with the adoption of the Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

When the G20 put food security on its agenda for the 2011 Cannes summit, many analysts were initially optimistic. As the world's leading economies, the G20 has the potential to make important economic policy changes that could help improve access to food for the world's poorest people. [In 2012, optimism about the G20's ability to deliver on this front has begun to fade.](#) There has not been much action since the Cannes summit and, in the run-up to the Los Cabos summit, as above mentioned, [the discussion has shifted toward a narrower focus on productivity growth and away from broader economic policy reforms that can contribute to food security.](#) Both are important and should remain on the agenda. International economic policy coordination is widely seen as crucial to address high and volatile food prices, an on-going problem since 2008. Financial regulation could stem speculation on agricultural commodity markets. Improved trade policies could reduce restrictions on exports that are associated with price spikes, as well as reduce subsidies in the rich, industrialized countries that have discouraged small farmers in developing countries from producing more. Reforms to market-distorting biofuel policies could help to reduce upward pressure on food prices. We need to start saying that, using the statistical measures linking [G20 members](#) to the problem of hunger, the case for a G20 role seems obvious. Despite their wealth, these countries [are home to roughly half of all those living in chronic hunger.](#) But is the weight of these numbers reason enough for a G20 food security agenda? Surely this forum cannot be expected to tackle every major world problem. There are several limiting factors. First, food security is above all a matter for domestic policy, as the G20 itself noted in 2011. Secondly, like many issues on the G20 agenda, much of the multilateral food security agenda is dealt with in other venues. Importantly, and as the G20 has formally acknowledged, the CFS has the mandate to co-ordinate food security initiatives from within the UN system. This mandate cannot succeed if the G20 tries to subvert or bypass the CFS for its own purposes.

The fact is that donors have met their L'Aquila commitments, [but disbursements and support for CAADP and country-led plans are seriously off track.](#) Collectively, donors have legally committed the whole of their \$22 billion pledge for the AFSI. However, only half of pledged AFSI financial commitments have been disbursed. Since 2008, donors have made some progress towards their pledge of a more country-led approach in their food security and agriculture-related programmes. However, the share of donor agriculture assistance allocated to countries with country-led, costed agriculture plans has been low, including with those plans developed through the CAADP process, and more robust donor support is needed. Today, there is a shortfall of up to 50% in funding for country-owned and led agriculture plans. Donors must act with urgency to do their share in filling the financing gap in national agricultural investment plans, including by fully funding the GAFSP, the CAADP Multi-Donor Trust Fund, and working with the CAADP secretariat and national stakeholder platforms to identify and fill funding gaps in national agriculture plans<sup>34</sup>.

### 3.1. AMIS

[AMIS covers four grains](#)—wheat, maize, rice, and soybeans—that together make up the bulk of international cereal markets. Three of those—rice, wheat, and maize—account for the majority of total calories consumed by humans on the planet. The project was launched with minimal attention even if, officially, this 'tool' represented the 'big hope' to tackle the speculation on financial commodity markets. Many wondered whether the system would be of any use. In fact, the private sector manages an important share of available stocks, and considers this information as a proprietary secret. Certain governments with significant stocks, e.g. China, are also quite secretive about their holdings. [A primary and essential pillar of any system of crisis management market is information.](#) The lack of reliable

---

<sup>34</sup> ONE report, 2013.

data on production, demand, stocks and volumes available for export has fuelled uncertainty and anxiety at times when prices are rising. This is one of the basic principles of the functioning of markets: their efficiency increases with the spread and completeness of information. With the phenomena we are witnessing, the absence of detailed information on key market variables has contributed to reducing their efficiency, accentuating price movements. In the future, the availability of accurate and up-to-date information represents one of the most important tools in tackling this volatility.

The reasons that have so far prevented the creation of adequate information systems are manifold. The first is that the data, such as that relating to national stocks, may prove very sensitive. In addition, with regard to stocks for example, changes in agricultural policies, particularly those in more developed countries, are leading to reductions in publicly held stocks, a process which is proceeding at a range of different speeds and intensities that are difficult to follow precisely. As far as private stocks are concerned, the collection of information is hampered by the highly fragmented nature of the production system, while data collection on other market variables is equally complex. AMIS serves a practical function for the member states, giving them insight into each other's methodologies for managing and calculating stocks. In a perplexing arrangement, AMIS was also made the multilateral home for the new Rapid Response Forum (RRF), mandated to 'promote early discussion among decision-level officials about critical market conditions to encourage the coordination of policies and the development of common strategies'—in other words, a crisis committee for commodity market volatility. It is not clear why a mechanism for urgent intergovernmental consultations should come under the aegis of a technical information clearinghouse. On the contrary, the remit of the RRF is somewhat wider than AMIS and seems to warrant closer links to the G20's high-level consultation processes. In any case, as the extent of the 2012 US drought became clear, there was a lot of pressure for the RRF to meet (particularly, but not only, from France). The United States and some other G20 members resisted, however, out of concern that the signal to markets by convening the RRF might cause the very volatility and speculation it was designed to prevent. 'While there were valid points on both sides of the argument, the failure of the RRF to meet is troubling. Markets were volatile and prices were high throughout June, July, and August 2012, affecting net-food importing countries. The speculation in the media over whether the RRF would meet or not, and the decision finally taken not to, leave(s) traders uncertain as to just how big a crisis is needed before the G20 will agree to meet'. There remains no clarity on how the RRF will prevent itself being paralyzed and waiting until too late. A clear set of criteria for meetings and establishing the precedent that a meeting need not signal any particular outcome (so as to diffuse speculators' desire to exacerbate panic) would work better to calm markets, rather than only meeting when all hell is about to break loose (or has already broken loose) on international markets.

Despite the confusion over the RRF's role, 2012 did show the value of AMIS. In contrast with earlier price spikes, no government imposed an export ban, which made a significant difference in not exacerbating volatility. It appeared no G20 member wanted to provoke a meeting of the RRF through its actions—the forum thus serving as a stick against domestic decisions harmful to the collective. Indeed, this is arguably precisely how the G20 is supposed to work. More work needs to be done to clarify the role of the RRF (and possibly to move it out from under the aegis of AMIS), but AMIS has already proved its worth and has the potential to make a solid contribution to calming markets. However, it is worth recalling that the mechanism of financial markets actually seems to be fairly efficient at ensuring that the prices created on commodities markets are consistent with market equilibria. The trend in futures quotations is theoretically tied to expectations on demand–supply relations and thus tends to converge on the real market value of the traded commodity as the contract expiry date approaches. Therefore the role of speculators (and

hedgers) in the derivatives markets should be re-analyzed, looking beyond the emotions that inevitably prevail when one speaks of food prices. It seems totally clear that when there are expectations of rising prices (and this is the outlook), for structural reasons and otherwise, which we have examined in the introduction section, such expectations are metabolised by the operators, leading to an increase in the volumes traded.

### 3.2. Emergency Reserves for Food Aid

In 2011 the G20 members requested a feasibility study from the WFP for a pilot project to establish a [grain reserve for humanitarian purposes](#). The WFP responded delivering a five-year pilot project to G20 development ministers at their September 2011 meeting. Based on their experience and assessments of which regions were likely to need help in any given year, the WFP had already given a lot of thought to physical reserves in regions that consistently require food aid and had experimented with what it calls prepositioning supplies. 'The emergency reserve was a further, logical step in the commitment to anticipate where demand for help was likely to arise and take steps to be ready for the demand when it came. The WFP recognised there are patterns of need and saw the value of [reducing costs and increasing efficiency](#) by having food in place before an emergency strikes. The WFP pilot proposed to provide physical reserves that would complement existing social safety nets in the recipient countries, not displace them. The food would be targeted at the most vulnerable populations through existing social protection programmes. The system would either sell or lend food using a set of 'clear, transparent and pre-determined' criteria'<sup>35</sup>. Despite a quick start and a thorough feasibility study, the politics of implementing the humanitarian assistance reserve have proved complicated. [The region that offered to host the pilot project was West Africa](#), which is prone to production shortfalls as well as persistent high levels of food insecurity and a high incidence of poverty. The region is vulnerable to both endogenous (home-grown) and exogenous (imported) shocks. Prior to the pilot proposal, ECOWAS had already been in discussion as a region about coordinating national stocks to create a decentralized emergency reserve available to any country in the group, a project known by its French acronym as [RESOGEST](#). In the event, the politics of supporting an outside project (i.e., the WFP pilot, which came to be known as [PREPARE](#)) were too difficult, and the idea was shelved. At this time, the region has donor support to put a reserve in place, building on the discussions that began as RESOGEST instead. Although PREPARE is not being implemented, the PREPARE feasibility study has probably played a positive role in the debate within the region. Funders were initially sceptical of creating a reserve, but now [the EU and the United States, among others, have committed themselves to support the project](#), though some details of how the project will work are still being hammered out. It is possible to speculate that impetus from PREPARE helped move the idea of an emergency regional reserve which first arose from a regional desire to seize back the initiative from an outside agency (the WFP) and secondly by building donor enthusiasm and confidence. Once again, the issue is an instructive case of the interplay between the G20, more traditional elements of the UN system, and countries outside the G20 that are affected. [There are other regions where emergency food aid plays a significant and on-going role](#), and an emergency humanitarian reserve would probably make a lot of sense. As the major food aid donors, the G20 should consider where else to push this agenda of anticipating and preparing for emergencies.

---

<sup>35</sup> Feasibility Study, Cost-Benefit Analysis and Proposal for a Pilot Programme, September 14, 2011, prepared under World Food Programme auspices in a multistakeholder process for the G20, [http://www.foodsecurityportal.org/sites/default/files/prepare\\_feasibility\\_proposal.pdf](http://www.foodsecurityportal.org/sites/default/files/prepare_feasibility_proposal.pdf)

### 3.3. Public grain reserve

The experts' 2011 report on price volatility debated the idea of policies and rules to coordinate international grain reserves. Initially France supported the idea and continues to express interest, while other G20 members, such as Brazil and the United States, are resistant. Brazil fears a repeat of the 1980s, when the United States sold off its considerable public grain reserves and depressed international grain prices in the process. **Most government food stocks around the world have been eliminated**, particularly in exporting countries, on the grounds that they interfere with markets and crowd out private stocks. For its part, the private sector has no reason to keep large stocks for any period because of expense, spoilage, and the tendency of known stocks to depress prices (and to curb volatility, which, within limits, can be highly profitable to traders).

**This leaves a quandary for coordinated reserves as a potential policy tool.** Governments are conscious of the expenses involved in maintaining stocks but are also wary, from bitter experience, of the danger of getting the level of stockholding wrong. Yet governments have basic obligations as a matter of human rights, not to mention a powerful political impetus, to ensure adequate food in the market to avoid shortages and protect citizens from hunger, especially in rural area. A collective action dilemma arises because a country might want there to be stocks—because they can be crucial to help blunt the impact of severe volatility and to protect people's access to food—but hope another country will undertake the risk and expense.

Given the role of G20 countries as the major suppliers to international commodity markets and home to the four trading firms controlling an estimated 75–90 percent of the grain trade, they have commercial reasons to consider public stock-holding, whether as coordinated national reserves or strategically located reserves dedicated to the export market, as a possible policy measure. Maintaining a known minimum stocks-to-use ratio in the major supplier countries has, in the past, proven to be an effective curb on price spikes. A minimum stock level serves as a powerful confidence-building measure for nervous food importers and can encourage them to use international trade rather than to look at more expensive alternatives, such as investment in land purchases, to grow food abroad or attempt to be wholly self-sufficient with domestic production.

### 3.4. Trade

The multilateral agricultural trade agenda **is at an impasse**, particularly in the context of the global trade talks in the WTO, whose Doha Round has been bogged down for many years. For their part, G20 leaders at Cannes in 2011 notably broke with their pattern of vague calls for completion of Doha and gave an unusually frank acknowledgment of the talks' dim prospects. Earlier that year, G20 agriculture ministers' statement on Doha focused on the problem.

During the **Doha negotiations, in 2008**, WTO members appeared close to an agreement on limits on government support for agriculture in industrialized countries. Were the industrialized G20 members to follow the recommendations made by many experts over the years to put stronger disciplines on how and how much they support domestic agriculture (and especially the resulting exports), **this would have represented a message** that the G20 is committed to markets in which countries that depend heavily on agriculture are protected from subsidized production and dumped prices. While the United States and the EU have changed the kinds of support they provide to producers (and through them to farm input companies, grain traders, and food processors), the continuing pattern is public support that eliminates risk for producers and encourages high levels of production, even on marginal land. This continues to be true with the various insurance programs proposed in draft

versions of the much-delayed renewal of the US Farm Bill. G20 willingness to review such programs for the sake of less-distorted international markets would be another significant case of tariffs and restrictions that cause difficulty for humanitarian food aid:

'We recognize that the first responsibility of each member state is to ensure the food security of its own population. We also recognize that food export barriers restricting humanitarian aid penalize the most needy. We agree to remove food export restrictions or extraordinary taxes for food purchased for non-commercial humanitarian purposes by WFP and agree not to impose them in the future. We will seek support within the United Nations agencies and will also recommend consideration of the adoption of a specific resolution by the WTO for the Ministerial Conference in December 2011'<sup>36</sup>.

G20 governments were unable, however, to get the WTO to adopt the exemption of humanitarian food purchases from export restrictions and taxes. [The EU introduced a proposal along these lines with the support of some other G20 governments](#)<sup>37</sup>. Yet [the proposal was blocked by non-G20 members at the WTO](#)—less because of the issue itself than concern about the precedent of the G20 starting to function as a powerful bloc within the WTO, bringing proposals simply for other countries to ratify. Thus in the highly polarized context of the WTO, the G20's contested legitimacy undermined the realization of a small but important policy objective. It is important to recognize this limitation on the G20's scope for action. But it does not preclude the G20 members from seeking an accord among themselves to establish disciplines in this area. As the major food aid donors are all G20 members, the de facto result would be highly effective.

The G20 might take a similar approach to the broader issue of disciplining the use of export restrictions and extraordinary taxes. Developing countries at the WTO are loath to give up their right to use this policy tool, but the [G20 member countries are so dominant as suppliers of international markets that an initiative limited to the G20 could itself be sufficient to stabilize international markets](#).

### 3.5. Commodity market regulation

One of the most controversial issues in analyzing the causes of the 2007–08 food price crisis was the role of the commodity exchanges. Many economists insisted [futures markets could not change market fundamentals](#) and that any distortions, such as amplifying day-to-day volatility in futures trading, would not translate into price shifts in real markets. Others disagreed. The futures market features two large categories of participants: those who wish to cover themselves from the risk of price collapse, generally farmers, known as [hedgers](#), and [speculators](#). The former protect themselves from possible falls in prices by fixing them in advance or purchasing contracts whose quotations follow the presumably opposite trend to those of the good actually possessed. Especially in periods of marked volatility, derivatives are a fundamental risk management instrument for farmers.

By contrast, speculators bet on possible rises. In reality, on expiry of the contract, delivery of the goods rarely occurs, being replaced by monetary compensation for the difference between the market price of the commodity on expiry of the contract (spot price) and that established by the parties at the time of stipulation. Even if in practice it often becomes very complex to make a clear distinction between hedgers and speculators, the activities set up by

---

<sup>36</sup> 'Action Plan on Food Price Volatility and Agriculture,' Ministerial Declaration at meeting of G20 agriculture ministers, June 22–23, 2011, Paris, accessed March 19, 2013, [http://agriculture.gouv.fr/IMG/pdf/2011-06-23\\_-\\_Action\\_Plan\\_-\\_VFinale.pdf](http://agriculture.gouv.fr/IMG/pdf/2011-06-23_-_Action_Plan_-_VFinale.pdf)

<sup>37</sup> 'WTO Members Drop Food Security Proposals for Ministerial,' December 7, 2011, International Centre for Trade and Sustainable Development, <http://ictsd.org/i/trade-and-sustainable-development-agenda/121033>



the former are generally termed commercial, while those of the latter non-commercial. **Both are indispensable to make the derivatives market work**: without the contribution of speculators, there would not be sufficient liquidity.

This mechanism caught the public eye when it was revealed that, **in concomitance with price rises, the volumes of derivatives traded on agricultural commodities markets had grown exponentially**. Both in the two-year period 2007–2008 and in 2010–2011 there was sharp growth in non-commercial positions on the futures market, led by the activity of investment funds aiming to diversify their portfolios and gain profit from trends in agricultural prices. **The key question is whether or not** this correlation between prices and investments is 'piloted' by speculative activity.

**Many assessments conclude that it is difficult to get a full picture and know the truth**; beyond the disagreements over appropriate methodology and variables, it is also almost impossible to obtain all the needed information.

It would be clear that futures contracts are an integral part of the agricultural system and thus vital to pricing (and in a sense distributing) commodities. They are particularly prominent in the United States and, by extension, in the global markets in which the United States is a dominant supplier although much less in Europe. Recent regulatory and policy changes such as the **Commodity Futures Modernization Act of 2000** in the United States altered the way futures markets function, creating anomalies and new behaviours viewed with alarm by some traders and economists. Gaps between spot prices and futures prices for contracts due on the same day emerged, suggesting a failure of futures contracts' basic function of approximating where actual prices are headed. The costs of transactions rose significantly too, pushing many smaller hedgers (individual farmers and smaller firms) out of the market and, of course, less hedging means higher risk, or finding alternative mechanisms to manage risk.

Assessing the evidence in 2011 for the G20 agriculture ministers, **the interagency working group report minimized the problem** (though the United Nations Conference on Trade and Development has produced analysis that calls for greater market regulation to be reimposed). The CFS High Level Panel of Experts' 2011 report on price volatility argued that even without the debate being resolved, the evidence indicated serious enough systemic risk **that tighter regulation would be worth** the possible costs for financial actors in the interest of the billions of people whose livelihoods and food security are affected by volatility in international markets.

**The G20 appears divided on whether commodity markets need stronger regulation**. France, while it was host government, pushed for it while other countries (including the United States) argued it was best not to interfere. To be honest, talking about speculation in financial markets as the cause of all evil in the world was more a slogan than a truth, if what we introduced above is true. Meanwhile, both the United States and EU also enacted legislation recently.

### 3.6. G20 commitments summary: progress of implementation

The analysis of the G20 members' (IORI 2013) compliance with individual commitments revealed a **relatively high level of performance**. The report quantifies deliverables against the G20 commitments (compliance is understood as actions deriving from or being relevant to a commitment) for issue-specific areas and for each member of the group. The methodology is based on a scale from -1 to +1, where +1 indicates full compliance with commitment, -1 is evidence of a compliance failure or a counterproductive action, and 0 indicates partial compliance or work in progress. In this way, compliance progress of the members and in specific issue areas can be compared. Also, different analyses can be made

combining issue-specific and member-specific scores. On average, around 300 commitments can be drawn from the official G20 Declaration and the official documents. On that basis, 16 issue areas can be identified including macroeconomics (exchange rates, fiscal consolidation, financial market resilience), finance (Basel III and OTC derivatives regulation, regulation of Systemically Important Financial Institutions SIFIs), development, trade, reform of international financial institutions, employment and growth, international cooperation, institutional development, food and agricultural issues (export restrictions and price volatility) etc. Most commitments belong to the area of macroeconomics (market-determined exchange rate systems and credible medium-term fiscal consolidation), finance (bank capital, risks, sound regulation, important financial institutions) and development (assistance to the poorest countries and mobilization of domestic resources). Fewer promises have been made regarding the summit institutionalization, international cooperation and environment (apart from clean energy). Recalling IORI (2013), concerning the food security commitment implementation, the G20 average score is equal to 0.67. Australia, Canada, France and Germany managed to achieve full compliance with all the commitments in each area even if Japan, Korea, South Africa, the United States and the European Union also received high average compliance scores ranging from 0.7 to 0.9. On the other hand, China and Turkey received a quite low compliance scores of 0.1 and 0.3 respectively (Table 3.1).

Table 3.1: G20 members' compliance with individual food security commitments

Objective	Agricultural productivity			Market information and transparency	International policy coordination	Risk mitigation and management	Agricultural commodities' derivatives market	Average
	Boost agricultural growth	Sustainable agricultural practices	Total					
				Commitments				
Argentina	1	0	0.5	1	1	-1	1	0.5
Australia	1	1	1	1	1	1	1	1
Brazil	1	0	0.5	0	1	1	1	0.7
Canada	1	1	1	1	1	1	1	1
China	1	0	0.5	0	0	-1	1	0.1
France	1	1	1	1	1	1	1	1
Germany	1	1	1	1	1	1	1	1
India	0	0	0	1	1	0	1	0.6
Indonesia	0	0	0	1	1	-1	1	0.4
Italy	1	1	1	1	1	0	-1	0.4
Japan	1	0	0.5	1	1	1	1	0.9
Korea	1	1	1	1	1	0	1	0.8
Mexico	1	0	0.5	1	1	-1	1	0.5
Russia	1	1	1	1	1	0	0	0.6
Saudi Arabia	1	1	1	1	1	-1	1	0.6
South Africa	1	0	0.5	1	1	0	1	0.7
Turkey	1	0	0.5	1	1	-1	0	0.3
United Kingdom	1	1	1	1	1	-1	1	0.6
United States	1	1	1	1	1	0	1	0.8
European Union	1	1	1	1	1	0	1	0.8
G20 average	0.9	0.55	0.73	0.9	0.95	-0.05	0.8	0.67

Source: IORI 2013

The analysis carried out from the report, indicates that the G20 members were most successful **in delivering on the third principle**, outlined in the Action Plan on Food Price Volatility and Agriculture, achieving almost fully achieving the individual member commitment (average score of 0.95, with only China not managing to comply with that objective). The G20 members were also successful in **increasing market information and transparency** in order to better anchor expectations from governments and economic operators (the second objective). **Very high scores** were registered to improve the functioning of agricultural commodities' derivatives markets; in fact, 17 members have fully complied and the average compliance score for the G20 is 0.8. The first objective, which was split into two commitments was also successfully complied with, with an average score of 0.7. The characteristic examples of the members' actions on the first objective to improve agricultural production and productivity should include: Australian international development programs in Africa and Asia-Pacific Region aimed at funding, technical assistance, experience sharing to help developing countries improve their agricultural production; Canada's contribution to the UN World Food Program (WFP) totalling USD 350 million over five years and Germany's contribution of USD 827,000 to the project work conducted by the Global Crop Diversity Trust (GCDT) to ensure the conservation and availability of crop diversity.

In addition, the EU promoted several initiatives (full description in IORI, 2013) and fully complied with the commitment for the first objective.

If we consider the second objective, to increase market information and transparency, the member's performance was relatively uniform, with all countries' participation in the work of AMIS. **Only Brazil, China and Indonesia did not manage to achieve full compliance**, lacking transparent national systems of agricultural information. **With the exception of China**, all G20 members successfully delivered on the objective to strengthen international policy coordination by not introducing new and removing previously imposed export restrictions on food purchased for humanitarian purposes by the WFP. The Chinese government failed to remove the restrictions, introduced before the 2010 Seoul Summit, on exports of wheat maize, rice, corn and soybean, vegetable oils and maize flour. The fourth objective of the Action Plan, to strengthen supply chains against price and supply shocks, improve international food assistance procurement and develop risk management tools proved to be the most challenging for the G20 members. The performance was weak with the average score of -0.05. Only 6 countries managed to fulfil it (Australia, Brazil, Canada, France, Germany and Japan). France, for example, did so by actively involving NGOs, international organizations, such as Red Cross and the UN institutions. The collective efforts were aimed at increasing the effectiveness of French humanitarian aid allocation to the Horn of Africa, which was tripled by the French President on 1 August 2011. **The G20 performed successfully on the objective to improve the functioning of agricultural commodities' derivatives markets**. Successful actions in this field included the issuing of new regulation standards, which directly affected the functioning of agricultural commodities derivatives' markets, which was the case in Japan, South Africa, the United States and the European Union. It would appear in this context that, individually and collectively G20 should consolidate efforts to strengthen capacity to provide effective and targeted international assistance to the countries in need of humanitarian food aid, including through the mechanisms of multilateral cooperation. Progress on improving the functioning of agricultural commodities' derivatives markets should be sustained. G20 should focus on the enforcement of regulations. G20 and IOSCO should continue engagement on surveillance of the functioning of agricultural commodities derivatives markets. The analysis of the G20 compliance with collective commitments indicates full compliance, with a score of 1 (Table 3.2).

The G20 fully complied with **collective commitments**, with a score of 1. The AMIS has been established and is operational in accordance with its Terms of Reference. The Global

Agricultural Geo-Monitoring Initiative and Rapid Response Forum still represent work in progress, but are due to begin full operation in compliance with the previously agreed plans (however, no specific deadlines have been announced for these two institutions' creation). The **PREPARE system** (targeted emergency humanitarian reserves system) **is due to be launched in 2014**. The **launch of AMIS** is indicative of the G20 and relevant partner institutions' efforts to finalize the initiatives and bring the institutions into full operation. The future efforts of the G20 should continue to focus on completing the launch and ensuring effective functioning of the Global Agricultural Geo-Monitoring Initiative, Rapid Response Forum and PREPARE system'.

Table 3.2: G20 compliance scores on collective food security commitments

Principle	Agricultural productivity	Market information and transparency		International policy coordination	Risk mitigation and management	Agricultural commodities' derivatives market	Average
Commitments	International Research Initiative for Wheat Improvement (IRIWI)	AMIS	Global Agricultural Geo-Monitoring Initiative (GAGMI)	Rapid Response Forum (RRF)	PREPARE	Market information and transparency	
G20	1	1	1	1	1	1	1

Source: IORI, 2013.

If we examine the G20 and international organizations' joint work on the food security agenda, there would appear to be a high level of performance in this field, with an average score of 0.8. **The G20 acted on 4 out of 5 mandates, selected for assessment**. 'However, in the case of the G20 request to FAO, World Bank, OECD, and the AFSI to monitor progress and report back at the Summit in France, the G20 did not draw on the international organizations' work to take further actions. The G20 should continue to engage constructively with international organizations on monitoring progress to identify attainments and gaps. The outcomes of progress monitoring will help in harnessing the full potential of the G20 and international organizations to increase agricultural productivity, food availability and mitigate risks of food price volatility' (Table 3.3).

Table 3.3: G20 compliance scores on food security mandates

Mandates	Examine and recommend potential innovative results-based mechanism	Monitor progress on food security commitments and report back	Identify bottlenecks and opportunities to increase policy coherence for food security	Mitigate and manage the risks associated with the price volatility	Develop options for promoting responsible investment in agriculture	Average
G20	1	0	1	1	1	0.8

Source: IORI, 2013.

'Based on the average scores for individual and collective commitments and the institution's cooperation with relevant international organizations the overall performance of the G20 against the main objectives of its food security agenda is assessed as 0.82. The score

indicates an average level of the institution performance during the monitoring period, with plenty of room for improvement in each area: individual, collective and inter-institutional'.

### 3.7. Reform of the financial regulatory framework in the EU and US: at a glance

With respect to derivatives, the limited transparency of overall counterparty credit risk exposures caused a loss of confidence and negatively affected market liquidity at a time of stress<sup>38</sup>. For a long period, derivatives were deemed to be instruments for professional use, which justified their light regulation. Following the negative experience with the collapse of Lehman Brothers and the meltdown of AIG, derivatives regulation came to the forefront of efforts aimed at regulatory reform in the financial sector. At the Pittsburgh Summit in September 2009, the G20 required that all standardized OTC derivative contracts<sup>39</sup> be traded on exchanges or electronic trading platforms and cleared through central counterparties (CCPs) by the end of 2012. In addition, OTC derivative contracts will have to be reported to trade repositories and non-centrally cleared contracts should comply with higher capital requirements. Significant work within the FSB is underway to standardize reporting requirements to trade repositories and for trade repositories reporting to regulators<sup>40</sup>. Along with this work, the Committee on Payment and Settlement Systems (CPSS) and the IOSCO are currently preparing international regulatory risk management standards for trade repositories, systemically important payment systems, central securities depositories and CCPs (collectively called 'financial market infrastructures')<sup>41</sup>. The stakes are significant and systemically important: the OTC derivative market is the largest derivative market in terms of volume (almost 90% of derivatives are traded OTC, their value growing from US\$91 trillion in 1998 to US\$615 trillion in end-2009) and has been free of any disclosure requirements with regard to prices, trading parties, time, or underlying assets. However, it went unnoticed that derivatives allow leverage and the interconnectedness of market participants to increase. The aim of regulating derivatives has been two-fold: to increase pricing transparency and to reduce bilateral or counterparty credit risk.

As often mentioned above throughout the text, the crisis that occurred in the financial markets in recent years has suggested that international leaders gathered in the G20, first in Pittsburgh and then in Toronto, concentrate their efforts and their commitment to the strengthening of the global financial system. Following up on the decisions taken at the international level, both the US and EU had implemented some measures aimed at improving the regulation and functioning of the markets, in order to protect its integrity and solidity. To achieve these goals a number of measures and proposals were activated to modify the relevant legislation at Community level, which substantially transform the existing framework.

#### 3.7.1. Reform of the financial regulatory framework in the EU

Within this framework, the EU includes the provision of certain financial measures that will have an impact on the system of regulation of the derivatives market, and thus directly affect businesses that use this type of contract to protect themselves from risk and banks that offer this type of product.

<sup>38</sup> Cf. FSB, 'Implementing OTC Derivatives Market Reforms', 25 October 2010, p. 9.

<sup>39</sup> OTC derivatives are derivatives which are traded and negotiated bilaterally, i.e. without going through an exchange or other intermediary.

<sup>40</sup> Task Force on OTC Derivatives Regulation and CPSS, 'Report on OTC derivatives data reporting and aggregation requirements – Final Report', January 2012.

<sup>41</sup> CPSS and IOSCO, 'Principles for financial market infrastructures – consultative report', March 2011.

One of the most relevant is the proposal for a regulation on derivatives traded OTC, called Regulation 'EMIR' (European Market Infrastructure Regulation). This proposal is aimed at outlining a regulatory framework for OTC derivative contracts and at those persons who, in various ways and for various reasons, are involved in transactions underlying these instruments. Posted on 4 November 2010 and [approved at first reading by the European Parliament](#), with some amendments, on 5 July, the EMIR Regulation includes a number of disclosure requirements, compensation and conduct, that will achieve a greater level of transparency and achieve a reduction of systemic risk in the OTC derivatives market. Some examples of new dictates, under this Regulation, include the introduction of the clearing of standardized OTC contracts through central counterparties (similar to the way it take place on stock markets through clearing houses) and the establishment of rules to improve risk for contracts not subject to the clearing obligation. With the implementation of these measures, [all standardized OTC derivative contracts should be treated within regulated markets or alternative trading systems or platforms](#). At the same time, financial professionals who intend to continue to enter into OTC contracts on a bilateral basis with the involvement of these types of contracts that do not meet the requirements of standardization and mandatory clearing by a clearing house, will have to meet the more stringent capital requirements.

The system of regulation of derivatives has been further enhanced by the [proposed revision of MiFID](#) (Markets in Financial Instruments Directive), which aims to increase the efficiency, stability and transparency of the markets, with particular reference to the exchange systems relating to OTC derivative instruments. This proposed revision, in particular, suggests a broader definition of derivative financial instruments, to include the commodity forward contracts settled through physical delivery, OTC, and carbon dioxide emission rights, and aims to restrict the defined criteria for so-called special exemptions.

The latter text is a separate proposal for a Regulation, called [MIFIR](#) (Markets in Financial Instruments Regulation). This latest action lays the foundation for the transition of OTC derivatives trading to regulate the market, with it being subject to a system of regulation according to standardized procedures that are sufficiently liquid, the so-called [Market on trading facility](#) (MTF) or organized trading facility (OTF). It will be for the [ESMA](#) (European Securities and Markets Authority) to establish the degree of liquidity 'sufficient' to trigger the obligations. The MIFIR Regulation also seeks to extend the transparency requirements 'pre' and 'post' trading derivatives related to transactions that are executed on regulated markets, multilateral trading facilities or on organized trading systems. Obligations of this kind should allow for the elimination of, or at least the limitation of, the lack of information on the formation of prices and volume of trading on OTC derivative contracts.

### 3.7.2. Reform of the financial regulatory framework in the US

In the US, the Reform of OTC financial derivatives began with the adoption of the [Dodd Frank Wall Street Reform and Consumer Protection Act](#) (Dodd-Frank Act) on 21 July 2010, that, in Section VII, provides, at the federal level, the establishment of a new framework of market regulation of swaps and security-based swaps (security-based swap), which is expected, when fully implemented, to create fundamental changes in the functioning of the market swaps. The law was due to come into force on 16 July 2011, but its implementation was delayed until late 2012, although the previously proposed date of implementation applies to some provisions.

In the Dood-Frank Act, regulation and supervision of the Commission to trade commodity futures (CFTC) was given the authority and responsibility over swaps, swap dealers and major swap participants. [The Securities and Exchange Commission \(SEC\)](#) is [responsible and accountable](#) for the security-based swaps, as well as dealers and

companies that are major participants in the OTC market of derivatives. CFTC and SEC will cooperate and work together in order to solve certain problems related to the definition of the key aspects of competence, issues of market intermediaries, as well as the adoption and approval of regulatory legislation in the field of joint, mixed swaps, regulations, statistics of trade repositories, solutions in the field of book-keeping and records for swap entities from the security point of major swap agreements. They are required to consult with the [Federal Reserve Board](#) (FRB) when it comes to rules that are not common but also with other prudential regulators regarding capital and margin rules.

An essential condition for the effective international application of reforms decided at the domestic level is the [harmonisation of rules across jurisdictions](#). In fact, adoption by a jurisdiction of rules not ensuring an equivalent level of protection to those adopted by other jurisdictions would automatically create opportunities for financial players to arbitrage in favour of the rules of that jurisdiction and to organise their activities so as to benefit from this. As a response, other jurisdictions could be tempted to relax their rules, thereby triggering a negative spiral that would undermine the general level of protection offered by the regulatory environment. The awareness of these regulatory arbitrage risks [pushed the G20 authorities rapidly to set up](#) structures aimed at harmonising principles for the implementation of each of the key elements of OTC derivatives market reform. These key elements include the requirement for central counterparty (CCP) clearing, the requirement to report to a trade repository (TR) as well as the requirement to collateralise contracts that are not centrally cleared.

In order to promote these reforms, in April 2010, the [Financial Stability Board](#) (FSB) created the OTC Derivatives Working Group (ODWG) [which has played a key role in transposing the G20's agreed objectives into domestic regulations](#). Its first report, published in October 2010, established 21 recommendations on practical issues facing supervisory authorities in their implementation of the G20 commitments. The group subsequently extended its work to monitoring the progress made in each jurisdiction through the publication of half-yearly assessment reports.

At the same time, the Bank for International Settlements' CPSS and [IOSCO](#) have conducted a systematic review of the risk management standards applied to market infrastructures. The higher risk concentration in CCPs, as a result of clearing obligations, required the strengthening of the risk management principles applicable to these infrastructures. Lastly, following the G20 Cannes summit in November 2011, the Basel Committee and IOSCO set up a joint working group on harmonisation of margin requirements for non-centrally-cleared derivatives.

At the moment, while uncertainties remain about details and definitions, [the two major concerns of market participants](#) are that the clearing, collateral, transparency and territorial obligations involved in the reform are not only likely to have highly negative market effects, but that there may well be two major, strict, but inconsistent bodies of regulation, each having extraterritorial effects not obviated by the other. As to the first concern, some commentators have argued that, especially for end-users of OTC derivatives, the current configuration of the proposed reforms could impair market liquidity, increasing the cost of instruments, and negatively impact cash flow planning, which will increase the cost of, and act as a constraint on, hedging activities. Moreover, there is growing concern that the requirements to clear OTC derivatives through [Central Counterparties \(CCPs\)](#) could concentrate risks in the system in ways that will create a new sort of systemic risk, while mitigating bilateral risks. This issue is recognised by the public sector, but it is not clear how it will ultimately be resolved. While the narrower effect on day-to-day transactions may be relatively easy to foresee, the wider market impact will take time to evolve. To the extent the substantive concerns remain open after arrangements are finalised, conflicting

extraterritorial effects between systems would only compound them. As it stands, the US regulations would require all swap dealers and security-based swap dealers to register with the CFTC and SEC and open up entire non-US entities to US regulation on margin and other requirements that they are already subject to supervision by their home country regulators, while the EU regulations imply that institutions in non-EU countries may be pressured to comply with EMIR despite trading solely with non-EU entities.

'A recent joint statement by leaders of authorities with responsibility for regulation of OTC derivatives shows a good-will desire to overcome the obstacles to international consistency that the proposed global OTC derivatives regulation has encountered, but is only very tentative about the prospects of solving them, stressing local concerns rather than the need for an integrated, consistent international regime free of extraterritoriality and conflicts, and recognising the need to not unduly interfere with cross-border trades<sup>42</sup>.

Containing extraterritoriality to promote financial stability transactions, it recognises that **conflicting or inconsistent cross-border application of rules may inhibit attainment of G20 goals** or impose undue burdens, and recognises the need to prevent the application of conflicting rules. **It calls for an effort to address conflicts, inconsistencies, and duplicative rules**, including standards to assess whether national regimes achieve particular outcomes in order to facilitate mutual recognition or substituted compliance by the different authorities (see the further discussion below), in order to overcome conflicting or inconsistent requirements. This is positive as far as it goes, but still represents an expectation to remain in explorative mode with consultation continuing for some time to come, with caveats and hesitations about the prospects of overcoming the many obstacles that are identified. More ambition is therefore required.

However, it is worth underlining some encouraging developments. A recent statement by its Chairman before the US House Financial Services Subcommittee on Capital Markets and Government Sponsored Enterprises would suggest that the CFTC is moderating the stance of its original proposals that substituted compliance by any firm would have to be based on a rule-by-rule assessment of the regimes of other jurisdictions applicable to it, and likely moving toward a policy of permitting broader substituted compliance. Following his testimony, the CFTC approved (on 21 December 2012) an exemptive order that provides time-limited relief and phased compliance (until 12 July 2013) for foreign swap dealers with respect to the swaps provisions of the Dodd-Frank Act. It also provides simplifications that, if maintained, would reduce the number of non US entities required to register, and some relief from transaction-level regulation. **Most importantly**, the relief period provides time for the CFTC to work with foreign regulators as they implement comparable requirements and as the CFTC develops a substituted compliance programme. The purpose of the order is to foster an orderly phase in to the new swaps regulatory regime and to provide market participants greater certainty regarding their obligations with respect to cross-border swap activities. **Also encouraging in this connection** are the statements of the ESMA with regards to its commitment to joint action and mutual understanding among the regulators, such as ESMA and the CFTC, that are tasked with implementing legislation mandated by G20 commitments on derivatives. **Successful completion of transatlantic coordination** in this spirit should go a long way toward removing the extraterritoriality concerns that have plagued this important part of the G20 program.

---

<sup>42</sup> Dallara C.H., Containing extraterritoriality to promote financial stability, Institute of International Finance, Banque de France, 4/2013, p. 53.



## 4. FINAL COMMENTS

In the preceding pages we have sought to clarify the origin and implications of the food rush and the era which we termed that of new scarcity.

Consumption is growing and changing, [while the availability of natural resources is increasingly constrained](#). Focusing on the case of land, we have seen how its scarcity even pushes states to consider the purchase of land beyond their borders with controversial implications, especially for developing countries, which end up transferring up pieces of their most fertile land at bargain prices. The new restrictions on the use of basic resources like water and the need to make farming more environmentally sustainable paint a picture that is not encouraging in terms of food production, the colours of which are rendered even more dismal by the predicted effects of [climate change](#) which is destined to raise many more vulnerabilities in the food supply system.

[The changing scenario](#), the full extent of which is only now being assessed, is putting a strain on the responsiveness of our economic and political systems. In particular [the responses by individual states do not seem to be up to the job, and even the international community has found itself unprepared](#) on several occasions when the lack of coordinated action at a global level has triggered reactions that have merely served to reinforce the volatility and further distort the transmission of signals in the market. We are talking about a market that, we should remember, is in itself rather unusual. Low trading volumes, fragmented supply structure and high uncertainty are all factors that limit farmers' improvements in technical and organisational capacity across most of the world, obviously with varying intensity depending upon the level of development.

[The events of 2007/2008 and those of 2010/2011 are unfortunately more than an alarm bell](#). The most recent spike in food prices alone has shifted almost 45 million people below the poverty line, synonymous with leading an existence on less than 1.25 USD a day, which is already experienced by more than 1.2 billion people around the world. The tensions between supply and demand suggest this is a structural imbalance that will grow in the years to come. The difficulty in meeting the first of the millennium development goals, a reduction in hunger in the world, ought to restore a sense of urgency and determination in order to conceive and design renewed policies at the international level, to build a new overview of global food security. Given the scale of the problem, this need cannot be relegated solely to its traditional place on the agenda on just how to support agricultural development and food self-sufficiency in late-developing areas, but should be tackled with decisions that necessarily involve agriculture worldwide. [It is a problem that affects us all and is not just a question of how to help 'others'](#).

After decades in the wilderness it is no coincidence that the issue of food security is once again part of the lexicon of American and European policy-makers, just at the moment when the USA and EU are preparing to reform their own agricultural policies, the longest established and also the most criticised.

It is also no coincidence that the G8 Summit in L'Aquila in Italy in 2009 and the G20 under the French presidency in 2011 chose to raise the issue of food security as a global problem on the international political agenda which, with varying intensity and urgency, will affect all of us, at least in the medium to long term. The most concrete result of the summit of agricultural ministers in June 2011 was approval of an Action Plan to cope with price volatility and to support agriculture. The document identifies the main areas for intervention and provides information of a general nature, much of which is aimed at financial markets. The plan was by no means universally acclaimed. The French Minister Le Maire called it a success, as did all the leading players. According to Tom Vilsack, US Secretary of State for Agriculture,

the summit was a historic achievement. To balance this enthusiasm, there was the dissatisfaction of many international NGOs calling for more concrete commitments, and the World Bank President, Robert Zoellick, for whom the G20 agricultural summit had had a 'modest' outcome. Most scholars and analysts were also cautious, finding the document too unbalanced on the theme of the 'financialisation' of agricultural markets.

When all is said and done, [we believe that the Action Plan can be considered a first fundamental element onto which to graft a plan for coordinated international commitments](#). A first step that has had the effect of bringing the issue to the attention of world public opinion, helping to raise awareness that the scale of the problem of the stability of food supplies is different from that to which we were accustomed in the past.

[The challenge is being played out on at least two levels and two timescales](#). On the one hand, we have to work on [research and technological/organisational transfer](#) and, on the other, on a [review of national and supranational policies that govern trade and food security](#). A massive dose of innovation is the only way for what has been called the prospect of 'sustainable intensification' – the ability to produce more without consuming new land while polluting less. As far as policies are concerned, they can do much to ensure greater efficiency and stability in the markets, to protect farmers from heightened uncertainty surrounding their activities and to prevent widespread instability falling on the weakest sectors of the population resulting in social tensions that will prove difficult to control. The policies have a role to play in the first area of intervention under consideration in promoting the spread of technical developments, especially in parts of the world where levels of efficiency are lower and the food emergency more acute.

There are also two timeframes within which to design new governance tools regarding the food supply, short and medium–to-long term. In the near future we must find solutions to adequately deal with the problem of market volatility and the situations of food vulnerability associated with it and its impact on the agricultural production fabric. In the long run, we need policies able to provide lasting and generalised food sustainability.

If the documents released by the G20 throughout the several summits can be viewed as a step forward in defining an agenda for global food security, [it should be noted that, to date, there have been no innovations in the international institutional framework that might permit us to state that a possible new price crisis could actually be managed any differently from those in the past](#). In the short term it is legitimate to expect an agreement not to employ any of the prohibitions and restrictions on the food purchased for the World Food Programme. Even humanitarian aid has been and is subject to trade restrictions adopted by exporting countries during times of crisis. All told, it still seems too little is being done.

We need to act urgently, starting from the [reorganisation of trade policies](#), initiating the necessary reform of the rules on international trade practices relating to restrictions on exports. [We have to redesign the framework](#) within which to re-bundle and contain these measures, combining them with other means to contain domestic inflation, such as transfers of food for social purposes only in exceptional cases and as an alternative option. We need to define the cases and the duration of any restrictive measures more clearly, placing them within a system of administration of emergencies that is integrated at an international level.

This, however, is only part of a larger project which covers the [re-launch of the mission of the WTO](#), that is to open markets and make them more accessible and efficient. On this front as well there are no encouraging results to report, indeed, far from it. International trade negotiations have recorded virtually no progress since the beginning of the 1990s. The current round seems destined to represent yet another failure and this paralysis contrasts

with the speed of change taking place, to the extent of calling the credibility of the WTO itself into question. The obstructive techniques employed by the blocks and the commercial interests that divide countries and developing or emerging nations must be overcome in the light of new emergencies.

Talks need to be re-launched on a new basis. [The G20 commitment should be a political stimulus for a new undertaking to negotiate](#). The first objective must be to accelerate the process of the liberalisation of agricultural trade, for it is only by reducing the barriers that currently restrict trade flows that markets will increase in size, avoiding the current situation whereby small changes in the quantities of foodstuffs available correspond to large swings in prices. By precisely embarking on this road one can also obtain an increase in efficiency in the transfer of farm commodities from areas with a surplus to those with a deficit. [The first and most important 'medicine' is, therefore, the integration of agricultural markets](#). But on its own this is not enough and the cure should be complemented with other instruments and especially with the idea of making the institutional framework more flexible and able to respond promptly and effectively to emergencies that occur again in the near future.

When the G20 took up the food security agenda, particularly as first formulated under French leadership, even commentators that did not initially see the merit of the G20 as a global governance institution were willing to consider the usefulness of the move. Many of the structural problems in the distributional mechanisms that circulate food in world markets [could be addressed by G20 national governments](#) through regulatory reforms. If the G20 were willing to put their own agricultural policies in order, collectively, there could be important benefits for international markets (and the many who depend upon those markets).

In practice, [the G20's food security efforts have been weak till now](#). Structural economic issues, have received only light treatment. While some movement has been made with respect to the endorsement of new rules to allow for some regulation to stem financial speculation on agricultural commodity markets, it is still unclear whether new rules in the US and EU will be strong enough to do the job. On trade, the G20 has been unable to endorse anything more than the standard pledge to complete the Doha Round, an agenda that seems to most commentators (and quite a few governments) to be dead in the water. On biofuels, the group was unable to do anything more than to call for 'further study' of the issue. And with respect to international grain reserves, the G20 has been completely silent. [The G20's focus instead has been on smoothing markets](#) within the current global economic structure by providing more information and investment, and on offering tools to help countries cope with volatility by providing more assistance and risk management tools. The G20's refusal to tackle the underlying structural causes of price volatility in international markets has had the effect of creating a chill on the discussion in other food security organizations – such as the CFS.

Apart from the content of the G20's food security agenda, one can raise questions about the group's role in food security governance based on its lack of legitimacy. [The G20 does not include the voice of the least developed countries – those who are most dependent on food imports and face high levels of hunger](#). The G20 also lacks its own research and implementation capacity on food security issues. Moreover, it excludes input from civil society organizations while seeming to prioritise the views of business organizations.

Some analysts have argued that despite its weaknesses on process and structure, the G20 could and should still play a constructive role in development issues more broadly, including food security (Birdsall and Kharas, 2011). Until now, it would appear that the weaknesses in the G20 structure and process mean that it is unlikely that the concerns of the most food-

insecure people and governments will be taken seriously into account. The number that we introduced in this briefing note are a time bomb in humanitarian, political and ecological terms, a threat to the stability of the planet itself unless we begin to defuse it immediately. There is a need for 'another' G20.

## REFERENCES

- Abbott, P., Hurt, C. and Tyner, W. (2011), What's Driving Food Prices in 2011? [online]. Available from: [http://www.farmfoundation.org/news/articlefiles/105-FoodPrices\\_web.pdf](http://www.farmfoundation.org/news/articlefiles/105-FoodPrices_web.pdf) [Accessed 22 August 2012].
- Action Plan on Food Price Volatility and Agriculture, 23 June 2011, [http://agriculture.gouv.fr/IMG/pdf/2011-06-23\\_-\\_Action\\_Plan\\_-\\_VFinale.pdf](http://agriculture.gouv.fr/IMG/pdf/2011-06-23_-_Action_Plan_-_VFinale.pdf)
- Bradlow D.D: (2013), A Framework for Assessing Global Economic Governance, Boston College Law Review, vol. 54 Issue 3.
- Bussolo M, De Hoyos R., Medvedev D. (2009), Global income distribution and poverty in absence of agricultural distortions. In Anderson K. (ed.) Distortions to Agricultural Incentives: A Global Perspective, London: Palgrave Macmillan and Washington DC: World Bank.
- Cannes Summit Final Declaration, 4 November 2011, <http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html>.
- CFC (2011), Agricultural Swaps, Commodity Futures Trading Commission, 10 August 2011. [Accessed 4 November 2011], <http://www.cftc.gov/ucm/groups/public/@lrfederalregister/documents/file/2011-20337a.pdf>
- Caracciolo F., Santeramo F.G. (2013), Price Trends and Income Inequalities: Will Sub-Saharan Africa Reduce the Gap?, African Development Review 25: 42-54.
- Chance, C. (2012). Regulation of OTC Derivatives Markets. A Comparison of EU and US Initiatives, ISDA.
- Carin B., Shorry D. (2013), The G20 as a Lever for Progress, Stanley Foundation
- Clapp J., Murphy S. (2013), The G20 and Food Security: a Mismatch in Global Governance?, Global Policy, Volume 4, Issue 2, pages 129–138, May 2013.
- Clapp, J. (2012) 'Food Security and the WTO', in W. R. Wilkinson and J. Scott (eds), Trade, Poverty, Development: Getting beyond the Doha Deadlock. London: Routledge, pp. 57–71.
- Clapp, J. and Cohen, M. J. (eds) (2009) The Global Food Crisis: Governance Challenges and Opportunities. Ontario: WLU Press.
- Clapp, J. and Helleiner, E. (2012) 'Troubled Futures? The Global Food Crisis and the Politics of Agricultural Derivatives Regulation', Review of International Political Economy, 19 (2), pp. 181–207. DOI: 10.1080/09692290.2010.514528.
- Dallara C.H., Containing extraterritoriality to promote financial stability, Institute of International Finance, Banque de France, 4/2013.
- De Castro P., Adinolfi F., Capitanio F., Di Falco S., Di Mambro A. (2012), The Politics of Land and Food Scarcity, Book Edited by Routledge – Earthscan, Taylor & Francis Group Ltd, Oxford (Uk), 2012.
- De Schutter, O. (2012), Reshaping Global Governance: the Case of the Right to Food, Global Policy, 3 (4), pp. 480–483. DOI: 10.1111/j.1758-5899.2012.00203.x.
- European Commission (2011), Agricultural commodity derivative markets: the way ahead. European Commission, [http://ec.europa.eu/economy\\_finance/publications/publication16071\\_en.pdf](http://ec.europa.eu/economy_finance/publications/publication16071_en.pdf)
- European Commission (2012), Legal proposals for the CAP after 2013, Agriculture and Rural Development. [Accessed 14 November 2012], [http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/index\\_en.htm](http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/index_en.htm)

- European Commission (2012), EU Farm subsidies: the Commission intends to increase aid transparency, EU, 15 September 2012. [Accessed 14 November 2012], [http://europa.eu/rapid/press-release\\_IP-12-1006\\_en.htm](http://europa.eu/rapid/press-release_IP-12-1006_en.htm).
- European Parliament (2010), Regulation of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories, 2010.
- European Parliament (2010), Regulation of the European Parliament and of the Council, COM (2010)265.
- European Parliament (2010), Regulation of the European Parliament and of the Council, COM (2010)484.
- FAO (2010b) 'Impacts of the financial crisis on agricultural commodity markets', Committee on Commodity Problems, Sixty-eight Session, Rome 14-16 June 2010.
- FAO (2010c) 'Management of wide international commodity price movements. National and international experiences and policy responses', Committee on Commodity Problems, Sixty-eight Session, Rome 14-16 June 2010.
- FAO (2011) AMIS: Enhancing Market Transparency (supplement to the FAO Food Outlook) [online]. Available from: <http://www.fao.org/docrep/014/al981e/al981e00.pdf> [Accessed 22 August 2012].
- FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank, the WTO, IFPRI and the UN HLTF (2011) Price Volatility in Food and Agricultural Markets: Policy Responses. Paris: OECD.
- FAO (2012), Food export restrictions: review of the 2007-2010 experience and considerations for disciplining restrictive measures, by Ramesh Sharma, FAO Commodity and Trade Policy Research Working Paper No. 32, Food and Agriculture Organization of the UN, May 2011. [Accessed 22 February 2011], [http://www.fao.org/fileadmin/templates/est/PUBLICATIONS/Comm\\_Working\\_Papers/ES\\_T-WP32.pdf](http://www.fao.org/fileadmin/templates/est/PUBLICATIONS/Comm_Working_Papers/ES_T-WP32.pdf).
- FSB. (2011). OTC Derivatives Market Reforms, Progress report on Implementation, April 2011.
- G20 (2011) G20 Leaders Summit (Cannes) Final Communiqué [online]. Available from: <http://www.g20.org/documents/> [Accessed 22 January 2013].
- G20 Agriculture Ministers (2011) Action Plan on Food Price Volatility and Agriculture [online]. Available from: [http://reliefweb.int/sites/reliefweb.int/files/resources/Full\\_Report\\_5.PDF](http://reliefweb.int/sites/reliefweb.int/files/resources/Full_Report_5.PDF) [Accessed 22 August 2012].
- Gilbert, C.L. and C.W. Morgan (2010), Food price volatility, *Philosophical Transactions of the Royal Society*, B 365, 3023-34.
- Ginsburgh V., Keyzer M. (1997). The structure of applied general equilibrium models. Cambridge MA, MIT Press.
- Harvard Law School Forum (2012), Regulation of OTC Derivatives Markets — EU vs US Initiatives, the Harvard Law School Forum on Corporate Governance and Financial Regulation. 23 September 2012. [Accessed 15 November 2012], <https://blogs.law.harvard.edu/corpgov/2012/09/23/regulation-of-otc-derivatives-markets-eu-vs-us-initiatives/>
- Headey, D. and Fan, F. (2008), Anatomy of a Crisis: the Causes and Consequences of Surging Food Prices, *Agricultural Economics*, 30 (s1), pp. 375–391. DOI: 10.1111/j.1574-0862.2008.00345.x.
- Heltberg, R., Hossain, N. and Reva, A. (eds) (2012), *Living Through Crises: How the Food, Fuel and Financial Shocks Affect the Poor*. Washington, DC: World Bank.
- Hertel T., Winters A. (2006), Poverty impacts of a WTO agreement: synthesis and overview. In Hertel T., Winters A. (ed.) *Poverty and the WTO. Impacts of the Doha Development Agenda*. The World Bank and Palgrave Macmillan.

- Heredia, C. (2012), Geopolitical Perspectives on the G20, Heinrich Bo'll Stiftung G20 Update E-Newsletter [online], 12 (June), pp. 4–7. Available from: [http://www.boell.de/downloads/6-4-12\\_G20\\_News\\_letter\\_Update\\_12.pdf](http://www.boell.de/downloads/6-4-12_G20_News_letter_Update_12.pdf) [Accessed 22 January 2013].
- High Level Panel of Experts (HLPE) (2011). Price Volatility and Food Security. A report by the High Level Panel of Experts on Food Security and Nutrition of the Committee on World Food Security [online]. [Authors: Benoit Daviron, Niama Nango Dembele, Sophia Murphy, Shahidur Rashid.] Available from: [http://www.fao.org/fileadmin/user\\_upload/hlpe/hlpe\\_documents/HLPE-price-volatility-and-food-security-report-July-2011.pdf](http://www.fao.org/fileadmin/user_upload/hlpe/hlpe_documents/HLPE-price-volatility-and-food-security-report-July-2011.pdf) [Accessed 22 August 2012].
- High Level Panel of Experts (HLPE) (2013). Biofuels and Food Security, Report by HLPE, [http://www.fao.org/fileadmin/user\\_upload/hlpe/hlpe\\_documents/HLPE\\_Reports/HLPE-Report-5\\_Biofuels\\_and\\_food\\_security.pdf](http://www.fao.org/fileadmin/user_upload/hlpe/hlpe_documents/HLPE_Reports/HLPE-Report-5_Biofuels_and_food_security.pdf)
- International Centre for Trade and Sustainable Development (ICTSD) (2011), WTO Members Drop Food Security Proposals for Ministerial. Bridges Weekly Trade News Digest [online], 15 (42). Available from: <http://ictsd.org/i/news/bridgesweekly/121019/> [Accessed 22 August 2012].
- International Food Policy Research Institute (2012), 2012 Global Food Policy Report. IFPRI (Washington DC, USA).
- International Monetary Fund (IMF) (2008), Food and Fuel Prices – Recent Development, Macroeconomic Impact and Policy Responses [online]. Available from: <http://www.imf.org/external/np/pp/eng/2008/063008.pdf> [Accessed 22 August 2012].
- International Organizations Research Institute (IORI) (2013), Tracking Progress on the G20 Development Commitments. Available from: <https://www.hse.ru/data/2013/02/26/1307405287/Development%20Report%20130226.pdf>
- IOSCO (2012), Survey on the Principles for the Regulation and Supervision of Commodity Derivatives Markets, IOSCO October 2012. [Accessed 28 November 2012], <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD393.pdf>
- IOSCO (2011), Principles for the Regulation and Supervision of Commodity Derivatives Markets, IOSCO September 2011, <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD358.pdf>
- Lang, T., Barling, D. and Caraher, M. (2009), Food Policy: Integrating Health, Environment and Society. Oxford: Oxford University Press.
- McCreary, I. (2011), Protecting the Food Insecure in Volatile International Markets: Food Reserves and Other Policy Options [online]. Canadian Foodgrains Bank Occasional Paper. Available from: <http://www.foodgrainsbank.ca/uploads/Food%20Security%20Price%20Volatility%20and%20Policy%20Responses-%20final%20-%2025%20March%2011.pdf> [Accessed 24 August 2012].
- McKeon, N. (2011), Global Governance for World Food Security: a Scorecard Four Years after the Eruption of the 'Food Crisis' [online]. Available from: <http://www.boell.de/downloads/Global-Governance-for-World-Food-Security.pdf> [Accessed 22 August 2012].
- OECD (2011), Price Volatility in Food and Agricultural Markets: Policy Responses, FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank, the WTO, IFPRI, the UN HLTF, 2 June 2011. <http://www.oecd.org/trade/agriculturaltrade/48152638.pdf>
- OECD-FAO (2011), Agricultural Outlook 2011–2020, <http://www.oecd.org/site/oecd-faoagriculturaloutlook/48202074.pdf>, Rome: FAO, 2011.
- OECD-FAO (2013), Agricultural Outlook 2013-2022 - Highlights, <http://www.oecd.org/site/oecd-faoagriculturaloutlook/highlights-2013-EN.pdf>

- ONE Data Report (2013), A Growing Opportunity: Measuring Investments in African Agriculture.
- Patel R. (2013), The Long Green Revolution, Journal of Peasant Studies. iFirst article. DOI:10.1080/03066150.2012.719224.
- Shange, C. (2010). The Dodd-Frank Act and the Proposed EU Regulation on OTC Derivatives - Impact on Asian Institutions, ISDA, December.
- Sidanius, C., Wetherilt, A. (2012). Thoughts on determining central clearing eligibility of OTC derivatives, Bank of England.
- Smith, H. (2012). EMIR: EU Regulation of OTC Derivatives, Central, counterparties and Trade Repositories, Financial regulation briefing.
- Smith, H. (2012). EMIR Timeline: Key Dates in the EU Regulation of OTC Derivatives, Central Counterparties and Trade Repositories.
- Tangermann S., (2011), Policy Solutions to Agricultural Market Volatility, Ictsd issue paper, n. 33, 2011.
- The G20 Seoul Summit Leaders' Declaration, U. Toronto, G20 Info. Centre 9, 11 (Nov. 11–12, 2010), <http://www.g20.utoronto.ca/2010/g20seoul.html> (describing the Seoul Summit's reforms of the International Monetary Fund ('IMF')); The G20 Toronto Summit Declaration, G20 Toronto ¶¶ 3, 4, 23–34 ( June 26–27, 2010), [http://www.g20.utoronto.ca/2010/g20\\_declaration\\_en.pdf](http://www.g20.utoronto.ca/2010/g20_declaration_en.pdf) (discussing the G20's work with the IMF and multilateral development banks).
- USDA (2012), Camp David Accountability Report. Actions, Approach and Results, US Department of State 19 May 2012. [Accessed 24 May 2012], <http://www.state.gov/documents/organization/189889.pdf>
- United Nations High Level Task Force on the Global Food Security Crisis (UNHLTF) (2008), Elements of a Comprehensive Framework for Action. New York: United Nations.
- United Nations High Level Task Force on the Global Food Security Crisis (UNHLTF) (2010), Updated Comprehensive Framework for Action [online]. Available from: [http://www.fao.org/fileadmin/user\\_upload/ISFP/UCFA\\_Final.pdf](http://www.fao.org/fileadmin/user_upload/ISFP/UCFA_Final.pdf) [Accessed 22 August 2012].
- Vander Stichele, M. (2011), Regulating Commodity and Exchange Derivatives Markets: the Case of the EU. Paper presented at the UNCTAD Public Symposium Geneva, June 2011, pp. 22–24.
- Vestergaard, J. and Wade, R. (2011), The G20 Has Served its Purpose and Should be Replaced', Journal of Globalization and Development [online], 2 (2), article 10. DOI: 10.1515/1948-1837. 1237.
- Wise, T. (2012), The Cost to Mexico of US Corn Ethanol Expansion [online]. Global Development and Environment Institute Working Paper 12-1. Available from: <http://www.ase.tufts.edu/gdae/Pubs/wp/12-01WiseBiofuels.pdf> [Accessed 6 December 2012].
- Wise, T. and Murphy, S. (2012), Resolving the Food Crisis: Assessing Global Policy Reforms Since 2007 [online]. Available from: <http://www.ase.tufts.edu/gdae/Pubs/rp/ResolvingFoodCrisis.pdf> [Accessed 22 August 2012].
- Wouters J., Geraets D. (2012), The G20 and Informal International Lawmaking, Working paper N. 86 March 2012, Leuven University.
- World Bank (2008), Rising Food Prices: Policy Options and World Bank Response [online]. Available from: [http://siteresources.worldbank.org/NEWS/Resources/risingfoodprices\\_backgroundnote\\_apr08.pdf](http://siteresources.worldbank.org/NEWS/Resources/risingfoodprices_backgroundnote_apr08.pdf) [Accessed 22 August 2012].
- World Bank (2008), The World Development Report: Agriculture for Development, Washington DC.







DIRECTORATE-GENERAL FOR INTERNAL POLICIES

## POLICY DEPARTMENT **B** STRUCTURAL AND COHESION POLICIES

### Role

The Policy Departments are research units that provide specialised advice to committees, inter-parliamentary delegations and other parliamentary bodies.

### Policy Areas

- Agriculture and Rural Development
- Culture and Education
- Fisheries
- Regional Development
- Transport and Tourism

### Documents

Visit the European Parliament website:  
<http://www.europarl.europa.eu/studies>

PHOTO CREDIT:  
iStockInternational Inc., Image Source, Photodisk, Phovoir, Shutterstock



ISBN 978-92-823-4791-1

doi: 10.2861/35284