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Rising prices of agricultural products and their **impact** in Latin America and the Caribbean

- **IICA's response
to rising food prices**
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Opportunities and threats**
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IICA's Response to rising food prices. Placing Agriculture and Food Security as Top Priority Items on the National Development Agendas.

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Director General of IICA*

The Inter-American Institute for Cooperation on Agriculture (IICA) is looking into the potential impact of the crisis triggered by the sharp rise in food prices on the agricultural sector of the Americas and its implications for consumers, producers and the rural poor.

Our task is to assist our Member States with the technical knowledge and information that can contribute to finding solutions that

will improve food and energy security and promote a sustainable environment for this generation as well as future generations.

The recent pronouncement by the World Bank and others suggests that the observed increase in food prices is not a temporary phenomenon; rather it is a trend that will persist in the medium term.

Four, among other, reasons have been advanced for this situation:



- Increased demand for agricultural products as feedstock for bio-fuel production;
- Droughts in Australia and low crop output in Europe;
- Increased demand for meat protein and cereals, especially in China and India; and
- The increased cost of agricultural inputs such as fertilizers and pesticides as a result of increased oil prices.

We know that a sustained increase in food prices will contribute to higher levels of poverty and poor nutrition in our hemisphere, which is tantamount to limiting the capacity of our countries to achieve the Millennium Development Goal of reducing poverty and hunger by 50% in 2015.

Agriculture and agro-energy

Food prices and food supply are not determined by any single factor and IICA recognizes the enormous potential of renewable fuels for our global energy security, environment and economic well-being, and their likely implications for food security.

However, the debate over bio-fuels production will be less controversial as national governments and their private-sector partners become engaged in developing national agro-energy and bio-fuels policies and regulatory frameworks

that are based on effective economic policies and available scientific knowledge.

In IICA's view, a viable approach to the so called "food versus fuel" predicament has been to diversify the feedstock and the technology from which biofuels are produced, concentrating on products with a longstanding and positive track record, such as sugarcane, in addition to promoting the development of new innovative technologies, such as cellulosic ethanol technology.

In this regard, it has been demonstrated that agro-energy can contribute to the world energy supply without being a threat to food security, if we use non-cereal resources such as sugarcane, oil palm, cellulosic biomass, agricultural waste and Jatropha, among others, for the production of biofuels.

For this, technical studies that promote the use of various feedstocks for biofuels should be encouraged and widely disseminated among decision makers in the national governments and private sector.

Nevertheless, agricultural research and investments in new technologies need to be promoted to make bio-fuels production sustainable, economically viable, environmentally sound and socially equitable.

Moreover, the apparent global imbalance between supply and demand in relation to cereals is now an incentive for producers in developing countries to increase their national cereal production for food in a sustainable manner to take advantage



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most vulnerable in society from the impact of increasing food prices. At the same time, they should stimulate food production to satisfy increased food demand.

Our Institute is of the view that the time has come for the countries of the Americas to review their food security policies and take appropriate steps to avail themselves of the technical recommendations that will help them design appropriate policies to make agricultural production a priority on the national development agendas and invest more in the rural economies. We believe that the welfare of farmers and food security must be priority items on the national development agenda of each country.

of new opportunities in the internal and external markets. This new scenario is particularly positive for Latin American and Caribbean cereal producers who could increase their crop production in a gradual and sustainable manner, thereby creating new opportunities for their rural populations.

Priorities on the national agendas

Government leaders, civic leaders and leaders of the private sector have inherited an enormous responsibility to contribute to alleviating the critical food situation. To do so, they must come up with programs, investment strategies and national, regional, and hemispheric policies for food and energy security.

These policies, programs and strategies should include actions that protect the

Support for agricultural development and investment in agricultural technology and innovation have been on the decline in many of our countries since the eighties. Official development assistance has also declined substantially. For example, in 1980/1990, 30% of annual World Bank lending went to agricultural projects; in 2007, this figure had dropped to 12 percent.

We are pleased to note, however, that in this new panorama for agriculture, the World Bank published its "2008 World Development Report: Agriculture for Development" in which it considers agriculture to be crucial in reducing poverty. IICA therefore hopes that development institutions and national governments will invest more in agriculture.

IICA's Response

Since 2006, in implementing our Medium-Term Plan for 2006-2010, we have been assisting our Member States in strategic areas such as trade and agribusiness, agro-energy, agricultural health and food safety, biotechnology, agricultural insurance, agro-tourism, rural agroindustry, and organic agriculture, which have great relevance for the promotion of food security in the Hemisphere.

Implementation of the Plan will also assist our countries with the:

- a.** Design of appropriate policies and strategies aimed at improving the welfare of the most vulnerable groups of the rural economy;
- b.** Offer of education and training aimed at improving knowledge, skills and abilities so that vulnerable groups (women, youth and indigenous peoples) may participate effectively in agricultural and rural markets;
- c.** Strengthening of civil society organizations and the promotion of greater interaction among actors in the food chains in order to produce common agendas and improve their ability to negotiate and defend their interests;
- d.** Promotion of the modernization and expansion of agricultural services to improve productivity and competitiveness;

- e.** Strengthening of agricultural and rural organizations in trade capacity and other relevant themes; and
- f.** Promotion of investment in agricultural research, technology and innovation.

It is our firm belief that the Institute's work in these areas, together with the implementation of sound national policies, will help our countries modernize their agricultural sectors and confront the challenges associated with rising food prices and their possible effect on adequate food supply in our Member States.

IICA has embarked upon an intensive process of analysis of the food situation in the hemisphere and its relation to rural life in the Americas through an international workshop on agriculture and food security as an instrument for integral development, held in July of 2008 at IICA Headquarters in San Jose, Costa Rica.

At this time when we face the enormous challenge of food security and an opportunity for agricultural production in this hemisphere, our Institute is prepared to support our countries by providing technical knowledge and information. Through our Representatives in our 34 Member States the Institute will continue to work with national governments, international financial agencies and the private sector in preparing plans and projects to meet the challenges of our time and build a more secure world for all in the area of food sufficiency.