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**For Immediate Release
May 13, 2008**

High food prices require sound policies to protect the vulnerable and to facilitate a long-term supply response

“Sharp increases in prices cause particular hardship to the world’s poor, which must be alleviated,” IPC Chairman Piet Bukman said at the IPC meetings held in Bogor, Indonesia, May 10-12. “But it is misleading to say that high food prices are only a cause for alarm, as they provide important incentives and opportunities for developing country producers,” added IPC member Raul Montemayor, National Manager of the Philippines’ Federation of Free Farmers Cooperatives.

“High prices send an important wake-up call to policymakers in developed and developing countries alike,” said IPC member Robert L. Thompson, Gardner Endowed Chair in Agricultural Policy at the University of Illinois, Urbana-Champaign. Agricultural subsidies in developed countries and a neglect of the agricultural sector in developing countries have depressed investment and incentives in farming in the last decades. Smart short-term measures must be coupled with sound policies to ensure that the growing demand is met by increased supply. This requires greater attention to the agricultural sector around the world. Liberalized trade of agricultural and food products and farm inputs will result in greater production efficiencies and is an essential ingredient in meeting the increase in global demand. “Markets are being blamed by some as the cause of the rise in prices,” stated IPC member Michel Petit, Professor at the Institut Agronomique Mediterranéen. “However, what we need is not less but rather more market forces.” Greater investments in infrastructure, innovation, and technology are also crucial ingredients for an adequate supply response.

There is a real risk that short-term responses to high food prices recently implemented by a number of countries, such as price controls and export restrictions, will backfire. “Measures to address food insecurity should ideally entail targeted assistance to the poor to help them cope with the high prices,” stated IPC Vice Chairman Marcelo Regunaga. Although measures such as price controls and export restrictions appear to offer quick relief to a country’s domestic population, these are not effective long-term measures as they hamper the required supply response. Export restrictions in the name of self-sufficiency undermine confidence in world markets and encourage protectionism. Price controls change the behavior of consumers and producers so that demand and supply forces cannot adjust.

IPC members held a plenary meeting in Bogor, Indonesia on May 10-11. On May 12, IPC jointly organized with the Center for International Forestry Research the seminar, “Food, Fuel and Forests.” The dialogue on climate change, agriculture, and trade brought together policymakers, business leaders, and civil society representatives from Indonesia and around the world. Papers and presentations are available at <http://www.agritrade.org/events/InternationalFoodAgriculturalTradePolicyCouncilEvents.html>.

About IPC The International Food & Agricultural Trade Policy Council (IPC) promotes a more open and equitable global food system by pursuing pragmatic trade and development policies in food and agriculture to meet the world’s growing needs. IPC convenes influential policymakers, agribusiness executives, farm leaders, and academics from developed and developing countries to clarify complex issues, build consensus, and advocate policies to decision-makers. More information on the organization and its membership can be found on our website: www.agritrade.org.