



## Climate Change : Natural Disasters

### Hungry for Change: Why the World Is Worried about Food Again

**Bad weather, biofuels, population growth, and lifestyle changes are making world food supplies increasingly vulnerable. Sylvia Lee, co-author of the World Economic Forum's "Global Risks 2008" report, explains the trends and what can be done in Davos.**



**Sylvia Lee, Global Leadership Fellow in the World Economic Forum's Global Risks Program**

"We will not see food prices come down in the next year or two." (Photo: WEF)

#### **Last year's "Global Risks" report did not feature food security as a pressing issue. What has gone wrong in the last year?**

In the last year or so, food reserves have been hit by a "perfect storm" of factors, including the switch to biofuels, drought in Australia, floods in the UK, a badly affected wheat crop in Canada, many factors have contributed. We will not see food prices come down in the next year or two.

The World Food Program is finding it difficult to stock up on food. Certain countries depend on the WFP, and the WFP depends on donations each year from governments and other institutions. With food prices going up, that obviously means they can't buy as much food. And even countries like China that have strong food policies have been taken by surprise by the price rises.



#### **Rising Food Prices, Unequal Impacts**

WEF graphic comparing how some countries' citizens are burdened by high food prices (Graphic: World Economic Forum)

#### **In what areas of the world should we watch for signs of food shortages in the future?**

The obvious location is sub-Saharan Africa, where the urban poor will get hit hardest. In poor countries, the proportion of income people

spend on food is as much as 60-70 percent, whereas in the UK or U.S., it is 10 percent. This is particularly pertinent this year, as this is the first year when more people in the world are living in cities than in the countryside.

Within the rural community, there is a question over who benefits or suffers from higher food prices. Large-scale farmers will probably benefit; subsistence farmers who produce what they eat might not be significantly impacted.

### **Are these shortages and prices just a blip? What is the long-term trend?**

The trend doesn't look good for the next few years. What we see, especially in India and China, is that the amount of food people are consuming as people get wealthier is becoming more. Then there is the competition with biofuels, which means more land is taken away from farming food to biofuels development.

Certainly, it is much more profitable for some farmers to grow biofuels than food. That trend will continue because of policies enacted in the U.S. and the EU mandating a certain amount of biofuels. This creates a huge market for those who wish to grow biofuels.

### **Do governments consider this fuel-food trade-off a problem?**

These policies are in place in U.S. and the EU. However, some Europeans are starting to realize that you don't try to solve one problem by creating another. Now the European Commission is rethinking some of its biofuels policies. Some people would argue that if you have a good carbon price, none of this would be necessary.

The tricky thing about biofuels is that you also have agricultural subsidies in the U.S. and parts of Europe. Even if you have a stable price for carbon, you have to bear in mind the agricultural subsidies issue, and that I don't see that being resolved any time in the near future. The WFP is very concerned, and this is one of the key things they will talk about at Davos.

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### **What will be top of the agenda at Davos? How much will the current financial turmoil distract from long-term issues like food insecurity?**

Systemic financial risk is going to be a huge topic, but we feel it is very important to keep food security very high on the agenda. It won't be top of the program, but it will run through the program.

From the Forum's perspective, there needs to be a better awareness of different policies and how they impact on food prices and food security. Throughout the report, we felt there was an inherent mismatch between those who bear the risk and those who bear the reward.

There needs to be more collaboration between the public and private sectors. The international institutions in place have been caught up in globalization but who is really in charge? What is the role of the private sector? Ultimately, it is up to the companies.

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