

Towards a new (ab)normal on food security?

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Vision 2030: A World Leader in Sustainable Food Systems

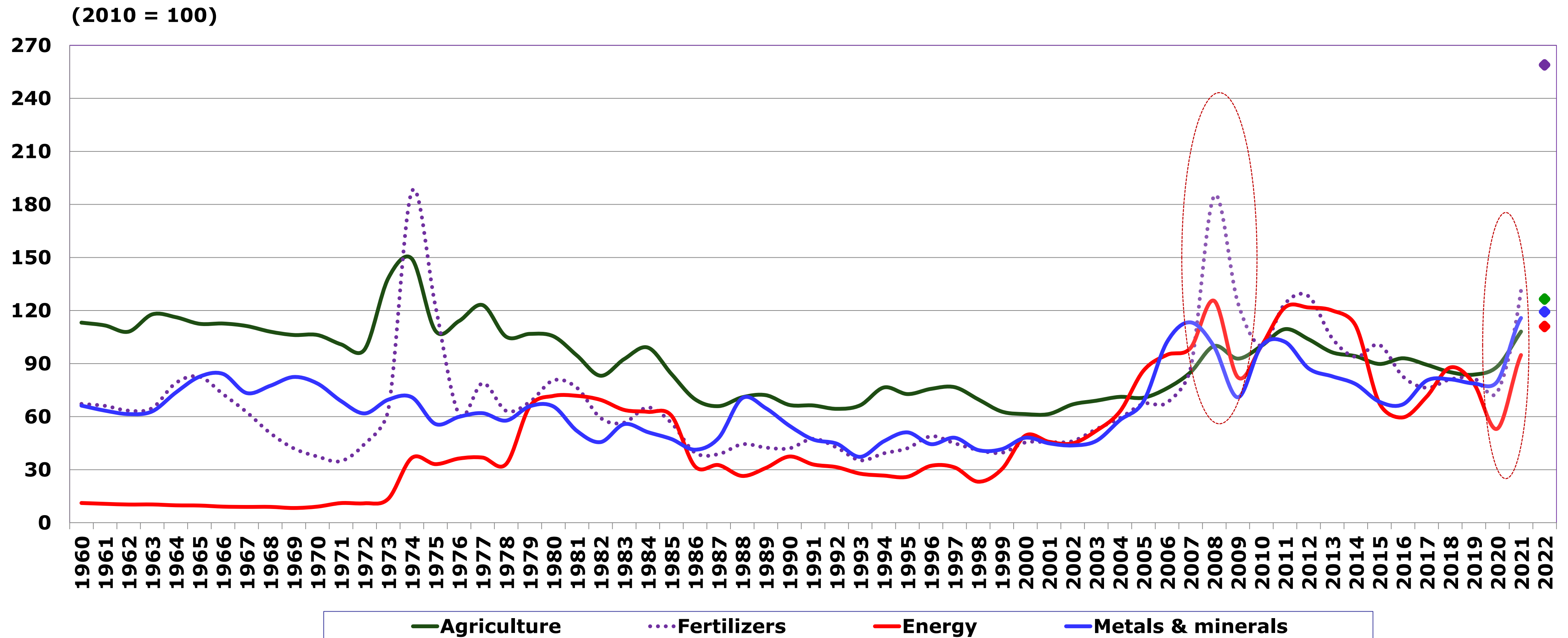
13 October 2022

The Printworks, Dublin Castle

What's really new in terms of uncertainties?

- **The outlook for agricultural and food markets**
- **The outlook for energy markets and their transition**
- **The outlook of (shifts in) trade flows**

Commodity price cycles (annual real price indices)



Source: World Bank.

Note: Dotted green line is best-fit agricultural price trend. Dots for 2022 compares first 9 months of 2022 and 2021.

Back to the future: “déjà vu” or a new (ab)normal?

Where two price booms (2008/10 and 2021/present) look similar

- *High price level, co-movement and volatility in all commodities reflect similarities between 2008 and 2021*
- *Energy costs a big driver in both 2008/10 and 2021, pulling fertiliser prices at record levels*
- *Similar food security concerns - affordability (high food costs globally) and availability (mostly in Africa)*

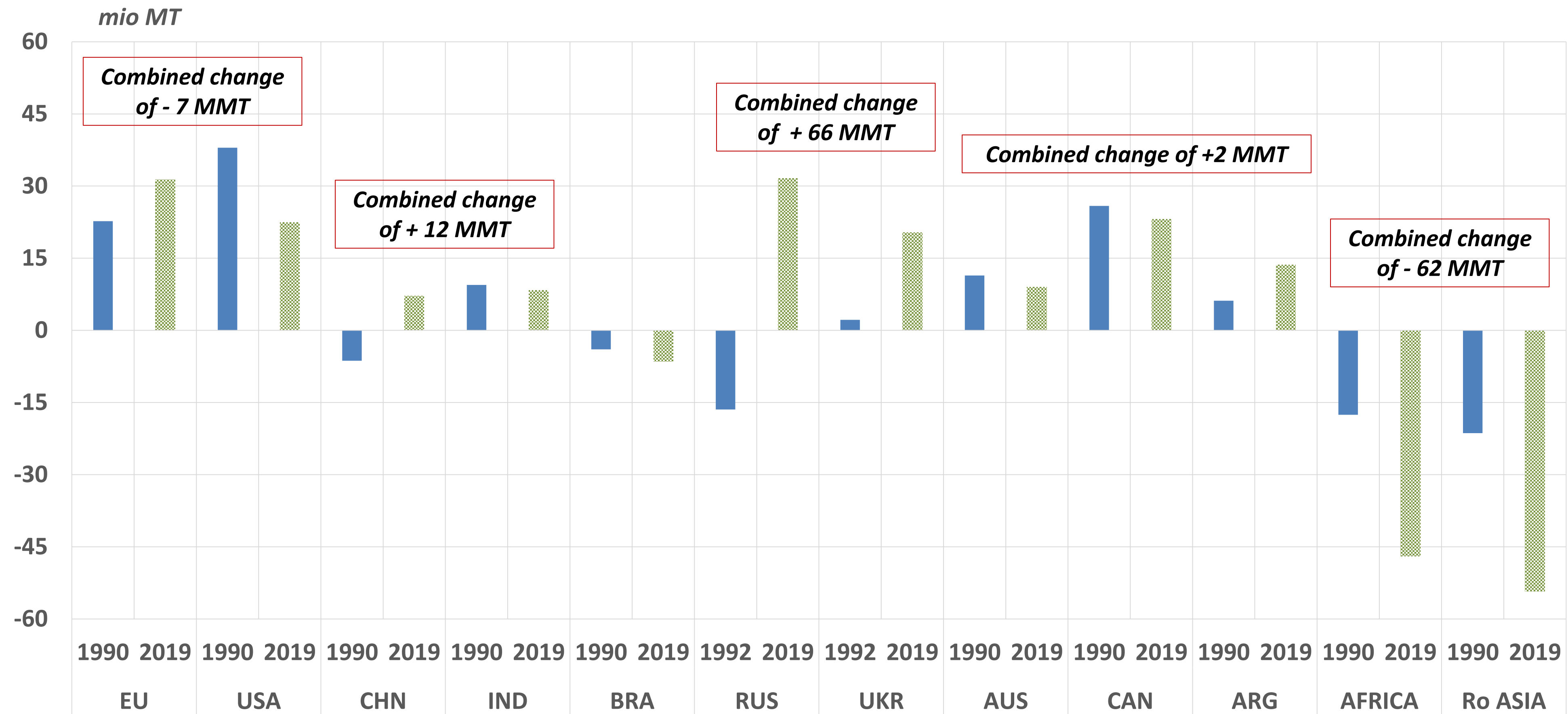
Where two price booms (2008/10 vs 2021/present) differ

- *Macroeconomic factors differ (demand-driven debt crisis vs supply chain bottlenecks/inflation) – **and there is war***
- *Natural gas prices were pulling energy costs lower in 2008; the opposite is true today, and will probably last*
- *Recent grain stocks, unlike 2008, were at comfortable levels – but war and now weather affect wheat availability*

The broader risks to agriculture

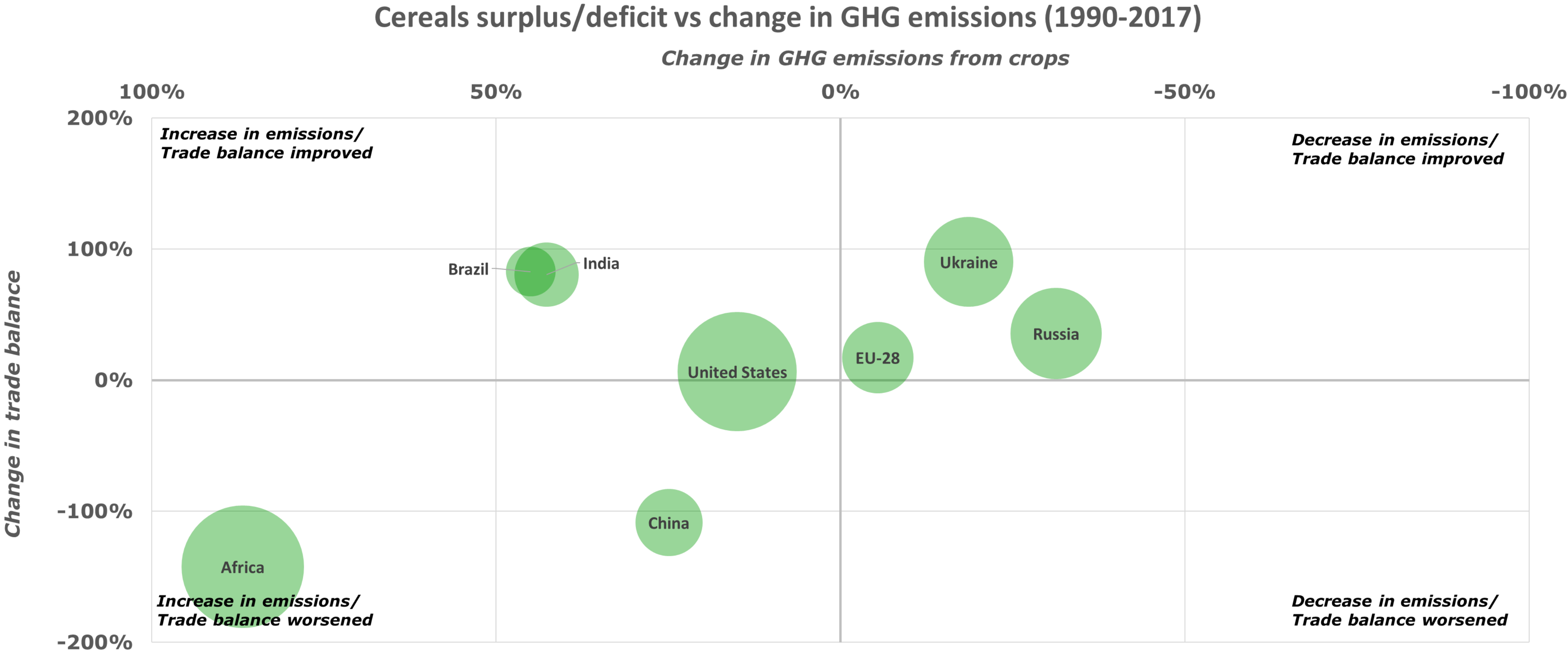
- *Exogenous factors dominate the price surge, limiting options in the farm policy toolkit (in both EU and globally)*
- *Strategic need to differentiate natural gas source could keep EU energy prices high in the immediate future*
- *Green transition affects energy, metals and minerals, raising multiple geostrategic tensions*

Global food surplus/deficit gap - wheat



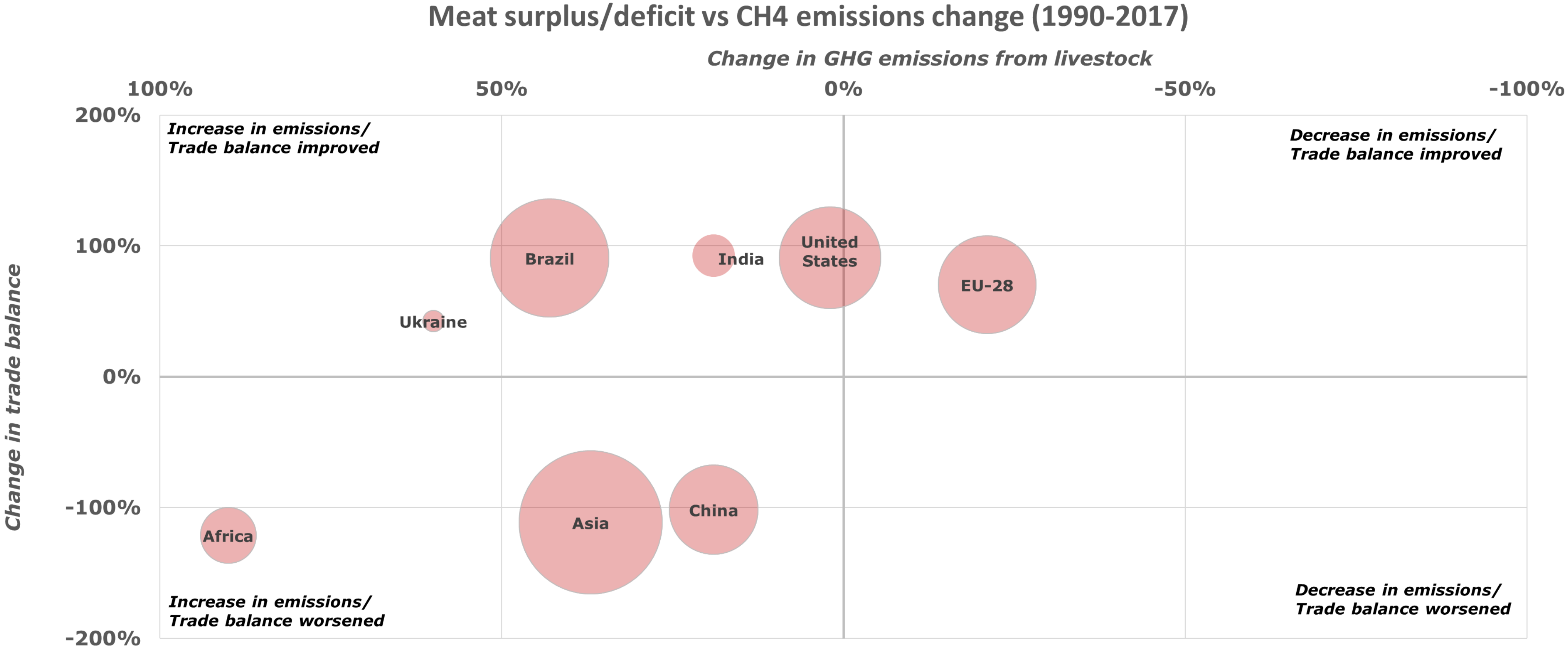
Source: DG AGRI based on FAOSTAT.

Food vs emissions: cereal trade-offs and synergies



Source: DG AGRI (B. Lanos) based on FAOSTAT.

Food vs emissions: meat trade-offs and synergies



Source: DG AGRI (B. Lanos) based on FAOSTAT.

What tensions and what synergies?

False dilemma No 1: food security or climate action?

- ***Food security is a global problem** – “all people, at all times, have physical and economic access...”*
- ***Climate change is a global problem** – the reduction of global emissions is at stake*
- *There are significant **trade-offs** that need to be recognized – **but also** major **synergies** that remain unreported*

False dilemma No 2: private goods vs public vices (or for some the inverse)?

- ***Environmental problems** are a textbook definition of failure of private markets and of public policies*
- ***Food chain bottlenecks** also provide evidence of anti-competitive and non-transparent market behaviour*
- ***Joint delivery** of both private and public goods **or** focus **only** on **public goods** - the core of the farm policy debate*

False dilemma 3: can local solutions solve global problems?

- *Local solutions **contribute to addressing** many inherent negative **side effects of globalization** at local level ...*
- *... **including** in the expected realignment of trade flows and geostrategic relationships **in energy and food** ...*
- *... but, while contributing towards, **by themselves fall short of addressing global asymmetries** in food availability*