



The Food Crisis and Rural Territories¹

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Executive Summary

Beginning in 2004 and more clearly since 2006, nominal food prices have increased significantly, ending a four-decade period of declining food prices. This trend has affected the world economy and particularly countries that are net food importers. It has been especially significant for the prices of basic foods such as vegetable oils, rice, wheat and dairy products. However, measured in constant dollars, 2008 food prices are similar to those of the 1990s and significantly lower than those of the 1970s. The main problem is not the level of prices but rather the speed of the increase, in nominal terms, which has made it difficult to make the necessary economic adjustments.

The increase in the price of food products is related to structural and long-term causes as well as events and short-term behaviors. In regard to the former, it is important to note the greater consumption of developing nations, particularly in Asia; the use of agricultural products for the production of biofuels; the lower increase in outputs per hectare at the global level over the past 15 years; and the rising price of petroleum. The latter include the drop in global stocks, the negative impact of climatic factors, and greater investments in the Chicago market.

The decrease in prices experienced over the past month would confirm the hypothesis that the cooling of the world economy is leading to a stabilization of food prices at a considerably higher floor than the historical one, in nominal terms, which would then rise in response to an expansion of global demand that is most likely greater than the supply. This new international context presents challenges and opportunities for Latin America, particularly because most of the countries in the region are net food exporters. The main challenges and opportunities are as follows: a) to establish agricultural and rural activity as dynamic elements of

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development; b) to diversify and industrialize food and livestock production; c) to strengthen the competitiveness of family farming and define rules and standards that ensure the existence of transparent and competitive markets; d) to revalue commercial and productive policy for the rural sector; and e) to create a new food and livestock and rural institutionalism in order to confront the challenges being posed by the new international context.

Cooperation among Ibero-American nations can be an important instrument in these efforts for sharing experiences and knowledge and developing proposals for action.