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Policy Options to Promote Agricultural Growth and Reform in an Era of Rising Commodity Prices

Training Program ~ 8 – 12 September 2008
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Pre-Program Reading Materials

In order to ensure that all the participants have the requisite background knowledge and relevant pre-course information, the following is a list with links to the documents that participants should read before arriving in Melbourne.

Background

The focus of this course is on appropriate policy responses to rising food/non-fuel commodity prices that have prompted acute concerns about the insecurity of food supply and rising levels of poverty.

Although the focus of our discussions will be on non-fuel – especially agricultural – commodities, the rise in prices for fuel and non-fuel commodities are linked by policy actions.

Many governments have already taken steps (good, not-so-good and damaging) in response to the rapid up-tick in prices and concerns about supply:

1. **Fiscal policies:** Measures introduced include reductions in fuel and food taxes and tariffs, increases in universal subsidies, expansions in transfer programs, and public-sector wage increases. Roughly half of the countries surveyed by the IMF for the World Economic Outlook, 2008, reported a net increase in fiscal cost stemming from these measures, with a median annualized increase in 2007-08 of 0.6 percent of GDP. For about one-fifth of the countries, the fiscal costs exceed 1 percent of GDP. The largest increases were driven by expansions in universal fuel price subsidies.
2. **Monetary and exchange rate policies:** Many countries have allowed the pass-through of the first-round effects of food and fuel price increases. The sharp increase in food and fuel prices so far in 2008 will raise headline inflation, and spillovers into generalized inflation have become an increasing concern, although many countries have tightened monetary policy. In many cases, the exchange rate has not been a major shock absorber.
3. **Trade and other policies:** Several countries have resorted to export restrictions and export taxes focused on key food commodities (e.g., rice and cereals).

It will help your understanding and ability to contribute to the discussions if you spend a few hours reading some background material that:

- Puts the recent price rises into an historical perspective
- Illustrates the scale of the problem (geographical, and in relation to demand)
- Discusses the options and most appropriate policy responses, taking account of supply security, growth and poverty reduction goals

IMF documents

An excellent recent survey (prepared as part of the IMF's World Economic Outlook Report, 2008) is "Food and Fuel Prices—Recent Developments, Macroeconomic Impact, and Policy Responses" available from: <http://www.imf.org/external/np/pp/eng/2008/063008.pdf>

A summary of this study is contained in the World Economic Outlook update available at: <http://www.imf.org/external/pubs/ft/weo/2008/update/02/index.htm>

World Bank World Development Report 2008

The World Development Report 2008, "Agriculture for Development" is generally relevant to the material we will be discussing during the workshop. The WDR is available here: http://siteresources.worldbank.org/INTWDR2008/Resources/WDR_00_book.pdf

The most relevant sections for our discussions are:

- "Focus B: Biofuels the promise and risks" (p 70ff)
- "Focus C: What are the links between agricultural production and food security?" (p 94ff)
- Chapter 4 "Reforming trade, price and subsidy policies".

FAO document

The FAO Document "Soaring Food Prices: Facts, Perspectives, Impacts and Actions Required" provides more data on recent food price trends than either the IMF or World Bank documents. It can be found here: <ftp://ftp.fao.org/docrep/fao/meeting/013/k2414e.pdf>

IFPRI Briefing Note

The July 2008 Briefing Note from the International Food Policy Research Institute is entitled: "The Development Promise: Can the Doha Development Agenda Deliver for Least Developed Countries?" *It is attached separately.*