

NOTE

FAO is Worried

B J writes :

The Food and Agricultural Organization (FAO) is one of the independent agencies established by the United Nations. In its *State of Agricultural Commodity Markets 2004* report published in 2005, FAO had said "The continuing long-term decline in agricultural commodity prices threatens the food security of millions of people in some of the world's poorest developing countries where the sale of commodities is often the only source of cash." Bangladesh, for example, is dependent on exports of jute and Cuba on exports of sugar. Reduction in prices of these commodities pushes them into a crisis. They have less income from exports and are not able to pay for essential imports such as that of oil.

Nowadays FAO has changed its tune. In the *Crop Prospects and Food Situation* report published in April 2008, FAO has said, "The world's poorest countries are set to face a 56 percent rise in the price of cereal imports owing to strong demand and depleted world reserves... Low-income countries in Africa, which rely on imported cereals for their food needs, face an even higher price rise of 74 percent... Higher food prices have already sparked riots in a number of developing countries, including Egypt, Cameroon, Ivory Coast, Senegal, Indonesia, the Philippines and Haiti. In all, a total of 37 countries are currently facing food crises." The focus now is on the food-importing developing countries who have to pay more for their imports.

FAO had said in 2005 that declining agricultural prices were a problem for the poor countries. The presently rising prices should then be beneficial for the developing countries. But the FAO now says that rising prices too are bad for them! The World Development Indicators published by the World Bank tell that the share of agricultural goods in exports of all low and middle income countries was 12 percent, oil and minerals 23 percent and manufactured goods 65 percent. The share of these commodities in imports was 10, 15 and 75 percent respectively. An increase in price of primary commodities-agricultural, oil and minerals- will be beneficial for the developing countries because they constitute 35 percent of their exports and only 25 percent of their imports. The situation of low-income countries considered alone is no different. The share of these commodities in their exports was 46 percent against imports of 36 percent.

The increase in price of agricultural goods is beneficial for the developing countries as shown by these figures and also stated by FAO in 2005. Question is : Why has the FAO changed its tune and now saying that this same increase is harmful? Why is the FAO now talking about the 37 developing countries who are net importers of food even though all developing countries taken together are net exporters? These 37 developing countries were benefiting from the decline in prices earlier but this was not said by the FAO. Why does the FAO talk about these 37 countries when the prices are rising?

The reason seems to be that the economic condition of the developed countries was reasonably strong in 2005. They were benefiting from the declining prices of

agricultural commodities which constitute only 13 percent of their exports but 20 percent of their imports.

The circumstances have changed. Economies of developed countries are in trouble today. The increase in price of agricultural goods and oil is very harmful for them now. Thus FAO should talk about the benefits of the present situation for all developing countries taken together. But this will hit at the developed countries, hence FAO now mainly speaks about the 37 developing countries who are net importers of these commodities. FAO nowadays hides the fact that price rise is beneficial for all developing countries taken together because this will justify the increase in prices and hit at the interests of the developed countries. □