CIHEAM
Centre International de Hautes Études Agronomiques Méditerranéennes

The CIHEAM Watch Letter

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CIHEAM
General Secretariat
11 rue Newton
75116 Paris
France
+33(0)153239100
www.ciheam.org

The CIHEAM Watch Letter

Editorial Director
Bertrand Hervieu
Secretary General
CIHEAM

Editor in chief
Sébastien Abis
CIHEAM

Scientific Committee
Elena Kagkou
CIHEAM
Martine Padilla
MAIM
Nicola Lamaddalena
MAIB
Antonio Lopez-Francos
MAIZ
Georges Baourakis
MAICH
Hassane Tlili
CIHEAM

Analyses

Agricultural prices: a new imponderable for the Mediterranean Region

The world economy is threatened by a new phenomenon, which specialists have dubbed "agflation": inflation related to the rise in agricultural prices. For decades the agricultural sector supplied foodstuffs, notably cereals, at low cost; so much so that in the richest countries the agricultural sector was long considered second-to-none in terms of its anti-inflationary effects and was the theatre of intense and exclusive international price competition. But in the past year or so the trend has changed dramatically: producer prices of basic products have soared, causing imbalances in the food products market, strained relations between operators in the chain, and a fall in consumer purchasing power and confidence.

The rise in agricultural prices

There are many reasons, both cyclical and structural, for the increase in the price of the main agricultural goods on the international markets. Broadly speaking, there are four factors that warrant particular attention:

- a bad crop-year worldwide, caused by unfavourable atmospheric conditions in Australia, low yields in Canada, etc.;
- population growth and above all rising incomes in some emerging Asiatic economies, which have produced a rapid change in dietary habits;
- use of agricultural products (maize, oilseed, etc.) to produce biofuels, demand for which rose by 2% in 2007 alone;
- a rise in the price of oil (with consequences for the cost of transport, fuel for agricultural machinery, fertilisers, etc.).

The upshot is not only an increase in demand for agricultural products but also a fall in supply, with the inevitable consequence of rising prices. Moreover, to make an accurate assessment of the situation it is necessary to take account of the devaluation of the dollar, given that the price of agricultural commodities is normally given in US currency.

Contents of this edition:

International market prices of the main agricultural products rose steeply in 2007. For the most part the increase in the price of wheat and soya beans occurred from June onwards, whereas the rise in the price of maize was more restrained and occurred later, largely because its price had already risen significantly in 2006, unlike that of the other two commodities. The price of wheat almost doubled between January and December 2007, rising from US$ 208 to US$ 381 a tonne. Similarly, the price of soya beans rose from US$ 306 a tonne in January 2007 to US$ 541 in January 2008, with the main oilseed crops following much the same trend. Maize on the other hand followed a different trend, with the price falling in the first half of the year and rising subsequently (it was lowest in July at US$ 146 per tonne and highest in January 2008 at US$ 204). The price of powdered full-cream milk rose sharply from the beginning of 2007 and tended to stabilise towards the end (US$ 2,850 a tonne in January 2007 and US$ 4,975 in November). Butter and cheese prices followed the same trend. The increase in the price of milk from the first months of 2007 onwards was due to an increase in the price of animal feed.

CIHEAM

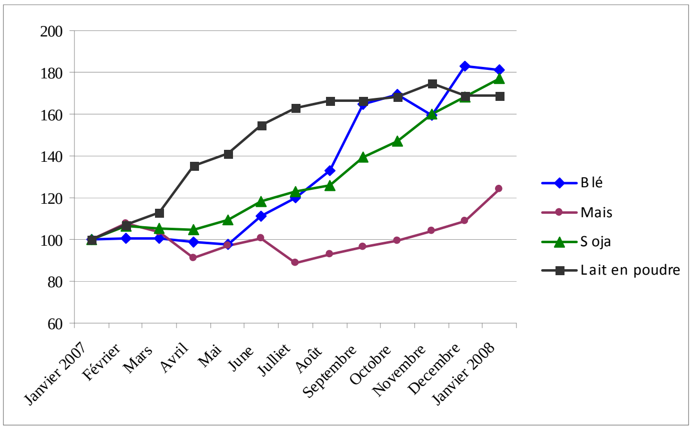
Founded in 1962, CIHEAM is an intergovernmental organisation comprising thirteen member countries from the Mediterranean Basin.

CIHEAM is made up of a General Secretariat (Paris) and four Mediterranean Agronomic Institutes (Bari, Chania, Montpellier and Zaragoza).

In pursuing its three central missions (education, research and cooperation) CIHEAM has established itself as an authority in its fields of activity: Mediterranean agriculture, food and rural development.

At present, Mr Abdelaziz Mougou is President of CIHEAM and Mr Bertrand Hervieu is Secretary General.

Figure 1
International price index for the main agricultural products
(Index for January 2007=100)



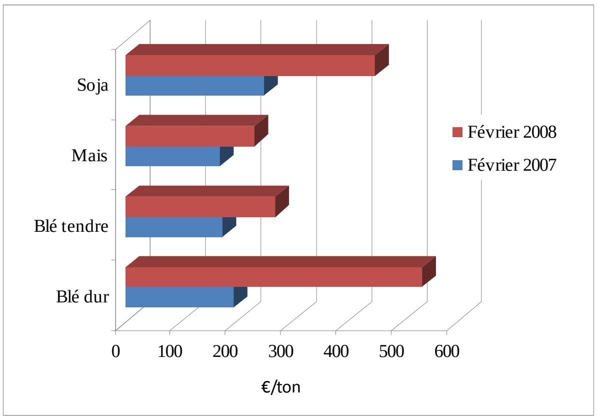
Database:
Wheat: No.2 Hard Red Winter (Ordinary Protein) fob. Gulf, US$ per ton. Maize No.2 Yellow, Gulf, US$ per ton. Soya: Rotterdam CIF, US$ per ton. Powdered milk: Oceania Export Prices fob., US$ per ton.

Source: FAO and USDA

Consequences of this upward trend

This situation has had serious consequences, particularly for net importers of cereals and oilseed crops like Italy and countries on the southern shore of the Mediterranean. Many countries have had to pay more to import these products, with serious consequences for their trade balances: the cost of Italy's wheat imports, for example, increased by 16% in 2007, although the amount imported was down by around 13% compared with the previous year. In the Italian peninsular we have consequently seen a fall in domestic availability of basic agricultural products, a trend that has moreover been noted in all European and Mediterranean countries, with serious consequences for the price of derivatives (meat, bread, pasta, milk, etc.) and hence for food consumption. Furthermore the shortage of basic products worldwide has made it difficult for the states concerned to organise and manage supply and to guarantee availability of the product, especially as their own strategic stocks have been decreasing appreciably. We can thus see that total world reserves of wheat, forage cereals and soya beans fell between 2006/07 and 2007/08.

Figure 2
Prices of cereals and soya beans in Italy

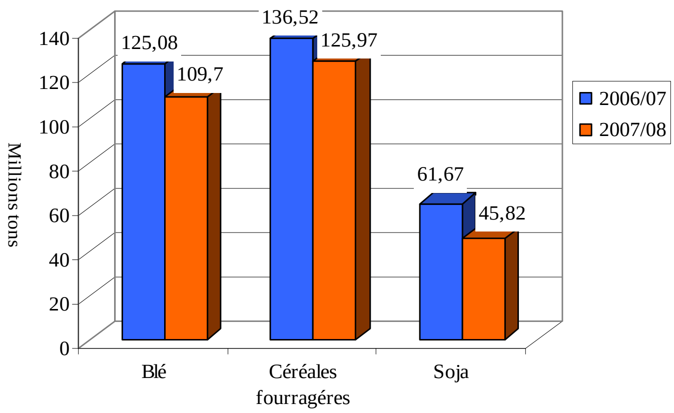


Source: FAO and USDA

The increase in the price of agricultural products is passed on to food retail prices, with immediate consequences for household budgets and grave repercussions for disadvantaged families. It must be borne in mind that the products in question are essential foodstuffs, for which there is very little elasticity of demand. Indeed we are faced with a simultaneous increase in the prices of all the most basic agricultural and food products, and there are no obvious alternatives to them.

A quick analysis of certain countries on the southern and northern shores of the Mediterranean shows that in the past year the price index for food products has risen more than the general price index, which points to an inflationary bulge caused in all probability by the increase in the price of basic products. It should be pointed out that households in countries to the South of the Mediterranean spend a much larger share of their income on food products than those in the North, which means that the rise in food prices is particularly serious for them. Moreover, analysis of the percentage share of expenditure on individual products shows that cereals and fats account for a large share of their household expenditure (notably in Turkey, Egypt and Morocco).

Figure 3
World stocks



Source: FAO and USDA

Which policies should be applied ?

The response to the price rise at European and Mediterranean level was not slow in coming. Indeed, many policy decisions made in the past few months can be directly attributed to it.

By the end of 2007, the European Union was to end export refunds on milk and other dairy products. In December, import tariffs on the most important cereals were suspended until June 2008. Moreover, there was a marked increase in calls for a speedy end to milk quotas, in anticipation of a steady increase in quota levels in different countries from 2009 onwards, leading up to their complete elimination in 2015. Lastly it was decided that land intended for set-aside (pursuant to the 1992 community regulation requiring farmers to set aside at least 10% of land currently under crop) should now be cultivated, although such a step would not entail renunciation of EU premiums.

In August, Turkish industrial associations lobbied their government to reduce import tariffs on sunflower seed and oil and set up a bonus scheme for domestic output. A month later the government decided to lower import tariffs on sunflower seeds and most other oilseeds. At the same time import quotas were introduced for food products, with total exoneration from the "agricultural fund" import duty (the exoneration covered *inter alia* processed cereal-based foods, different kinds of bread and biscuits, and breakfast cereals). In October, the Turkish Minister of Agriculture revised its standards for cereal-based feed, thereby making it easier to import. Lastly, in November the government decided to introduce further cuts in import duties - drastic in the case of cereals, more moderate for soya beans.

In June 2007 the Moroccan government reduced import tariffs on wheat (common and durum) to the lowest level on record. In September, to counter speculation during Ramadan, it decided to suspend tariffs on certain bulk products (tomatoes, potatoes and onions). In January 2007, the Tunisian government lowered import tariffs on cereals intended for livestock. In August, being no longer able to control the prices of essential foodstuffs with subsidies, it announced an increase in the price of bread, semolina, pasta, couscous and milk. The Ministry of Agriculture is now studying technical ways of intensifying production in order to make the country self-sufficient in cereals. In September the Egyptian government intervened to increase subsidies on bread (+52% of expenditure) and in January 2008 it ordered a halt on rice exports for an indefinite period to counter the rise in retail prices (probably aggravated by trader speculation).

It is possible to deduce from the above that the increase in the international price of cereals, oilseeds and dairy products has apparently had similar consequences in countries in the South and the North of the Mediterranean zone. This point clearly emerges from a comparison of the economic and agricultural policies of the EU, Morocco, Egypt, Tunisia and Turkey. The most common government response was to reduce import duties on cereals (and oils and oilseeds in the case of Turkey). Egypt and Tunisia, which still apply consumer support policies, have encountered other difficulties. Moreover it must be emphasised that the most serious problems, and therefore the most significant interventions, have been in countries like Morocco and Turkey, which have not only had to cope with rises in prices of products worldwide but have also experienced significant falls in domestic output owing to severe drought.

Euro-Mediterranean scenarios

The decision by the EU to increase the area of land planted with cereals this year (with a corresponding 4.7% increase in the yield compared with the previous year), together with the increased output forecast for the United States, Canada and Australia, could slow the rush to raise prices and stabilise a market that is currently distorted by, among other things, speculative activity. Mariann Fischer-Boel, the European commissioner for agriculture, observed that it should not be automatically assumed that the increase in retail prices is closely tied to the increase in basic product prices and that a whole range of other factors need to be taken into consideration.

In the case of bread, for example, given that the price of wheat accounts for just 4% of the price of the final product and that a kilo of flour makes 1.4 kg of bread, the increase in the price of bread – 10 to 40% on average depending on the country or region – is not always justified. Many other factors have a role in determining the final price, as is easily ascertained from a simple comparison of the price of bread in the North and South of Italy. The same is true of the increase in the price of dairy products, which is due to a combination of factors related to inefficiencies in the economic organisation of the sector and the distribution processes.

There can be no doubt that the increase in agricultural prices in the EU has been a cause of instability and tension in relations between operators and consumers. The value-producing processes do not always stem from strategic intuitions related to the production process, but from an unequal distribution of added value originating in the increased concentration of negotiating power in the hands of certain operators in the chain, whose repercussions erode consumer confidence and drive down household expenditure levels.

One need only note that the gap between production prices and retail prices has risen by between 300% and 500%, mainly to the benefit of downstream players in the food production process. In many European countries, one of the initiatives designed to curb the trend is the attempt by major retailers/distributors, sectoral players and public bodies to freeze prices of the main foodstuffs by entering into agreements on particular categories of commodity and thereby obviate the effects of speculation. But the results have not always readily apparent !

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On the other hand, the approach adopted in the most recent reform of the Common Agricultural Policy in 2003 hardly seems best suited to the new dynamics of the agricultural markets. The consequence of this reform, based on decoupling of subsidies, has been a drastic reduction in crops in numerous sectors. The effects are particularly evident in the case of Italian hard wheat, for which the amount of land allocated fell by a third during the first two years of the reform. In any event, the current situation gives serious cause for concern and there is clearly a need for a far-reaching EU-level review of agricultural policy, focusing in particular on ensuring supplies in sufficient quantity and of sufficient quality. The question of supply is of paramount importance, not only in satisfying demands of consumers but also in giving greater assurance to agricultural producers. Hence the advisability of an appropriate plan, which among other things provides for an additional supply of vegetable protein for feed. It is important to recognise that prices are not expected to go on rising in the long term, although they will not fall to the levels of previous years. High prices will certainly induce producers to increase the supply of goods, and the increased supply will in turn drive prices down. Over the next few years we will have to see how far world supply remains in step with demand, which is rising steeply, not only in India and China, but throughout the whole world.

At the current time we should perhaps consider a moratorium on EU support for the production of energy crops. Production of biofuel is undermining the foundations of the world market in commodities that are essential to the human food supply chain, notably cereals and vegetable oils. Given the growing demand for biofuel and the substantial subsidies offered by many governments (notably in North America and Europe), many farmers have opted to use their land to grow crops for ethanol or biodiesel, thereby abandoning the food market in favour of the energy market. This means that they are no longer producing food crops at a time when demand for them is rising steeply. In the United States, the amount of maize allocated to biofuel production was 30 million tonnes more in 2007 than in 2006. And yet there is growing demand for proteins and calories in a large part of the developing world, an unmistakeable sign of economic expansion and higher standards of living. In China, for example, annual per capita consumption of meat rose from 20 kg of meat in 1995 to more than 50 kg in 2007.

The combined effect of this twofold demand has had an immediate effect on prices, not least because production of one kilo of beef requires seven kilos of cereal. Let us not get into the uncertainties over the energy balance for biofuels, ie the net energy obtained after the energy consumed to produce them has been deducted, or the impact of biofuel production on natural resources, bearing in mind that production of one litre of bioethanol requires 4,000 litres of water. It is perfectly clear that high prices are a problem for countries that are net importers of foodstuffs, as they are for lower income groups in urban areas. Furthermore, while producers of biofuel crops may benefit from the increase in the price of basic commodities caused by their activity, farmers who need these products to feed livestock face additional costs and falling incomes.

If the price rise persists and is not reined in, it could result in the impoverishment of the middles class, political instability, and a desperate search for national self-sufficiency in food, leading to unrestrained exploitation of natural resources, with serious repercussions for socio-economic and environmental equilibrium. To avoid the effects of speculation and above all to restore some equilibrium to economic and market forces, we should intervene across the whole sector. We will then be able to define and organise the productive and commercial processes in a way that makes them more efficient and equitable and thus encourage greater price transparency.

Given the international dimension of the problem, purely national instruments will not be enough to resolve it. What we need are comprehensive initiatives and operations involving all countries in partnership. Such an approach is also needed in the Mediterranean Region, where it is necessary to develop cooperation between the countries in the South and East and those in the North. Cooperative ventures, designed to widen the productive base and enhance regional cohesion on a political and institutional as well as commercial basis, could make for more effective planning and resource management, create conditions for improved food security, guarantee a more equitable distribution of wealth and speed up the much-heralded process of market liberalisation.

Giulio Malorgio

Economist, Professor at the University of Bologna (Italy)

New CIHEAM website

In order to meet the requirements of a more modern and effective communications policy, CIHEAM will be launching its new website in June 2008. It has been entirely refurbished and is more dynamic than ever.

The site will give essential information on the educational, research and cooperation work carried out by CIHEAM and its Institutes and will also provide access to publications, by the Centre and its Observatory, which contain a wealth of analyses and data on agriculture throughout the Mediterranean world.

The CIHEAM website is entirely bilingual (French and English).

www.ciheam.org

When the cost of food dependency becomes exorbitant in the Mediterranean…

One thing most countries to the South and East of the Mediterranean have in common is chronic food dependency. Some of their fruit and vegetables, even olive oil and other processed agrifood products, may be exported but their basic, so-called strategic foodstuffs, like cereals, sugar, vegetable oils, meat, or dairy products nearly always have to be imported.

This state of affairs is the product of a decades-long development process marked by choices and policies that have failed to bring agricultural production into line with the new consumption models that are steadily gaining ground among populations. There is a consequent discrepancy between national supply and demand in foodstuffs and increasing recourse to the international market, either to absorb surpluses or, more often, to remedy shortages. In any event shortages are the main cause for concern today, when soaring world food prices are making external supply increasingly uncertain and populations face the prospect of being unable to obtain the most basic, essential foodstuffs.

For the time being let us simply establish that the current surge in world food prices is making access to food more expensive, which brings us straight to the issue of food security, as defined by the FAO itself. National food bills are rocketing and countries are having difficulty in coping with their impact on food trade balances. Even where exports do increase, they are by no means sufficient to prevent deficits from reaching hitherto unheard-of levels. But another less well-known aspect of the matter, involving public funding and buying power (and hence access to food), warrants particularly close attention since it raises highly complex issues, which are very difficult to resolve.

A vulnerable financial mechanism

It should be noted that for some decades now the most important basic foodstuffs have benefited from proactive price support measures, amply supported by public finances. Even in the seventies, when world agricultural prices had already risen sharply in the wake of the first oil price shock of 1973, domestic prices were being increased on a regular basis, in accordance with the prevailing philosophy that “remunerative” prices were the best incentive to farmers to modernise and improve productivity. The problem lay in the fact that the higher upstream prices translated into higher downstream prices, which exceeded the purchasing power of consumers (chiefly in cities). The risk posed was not only social but also economic. Since Ricardo at least (wage goods theory), we have been aware that a rise in food prices will force up wage levels, and hence labour costs. And for countries that have placed all their hope in export promotion strategies, such measures cannot fail to seriously hamper competitiveness, which depends largely on labour costs.

So how in the circumstances would it be possible to reconcile such conflicting interests and objectives? How might it be possible to maintain high prices at the top end of the value chain without passing the cost on to consumers? This is where the state was to intervene with its “consumer price” subsidies, designed to cover the indispensable price differential and save the day. A price stabilisation system was accordingly introduced, with the state assuming the cost of maintaining a level of social equilibrium compatible with the constraints of opening up the economy and competing on the international market.

With the advent of structural adjustment policies in the eighties and the consequent disengagement of the state, this model was to be partly called into question: homage was paid to market forces and “true prices” in public debate but in reality it was generally recognised that national agricultural sectors were chronically incapable of satisfying the food needs of their populations (hence the increasing food dependency). Furthermore, it was observed that the system of subsidies for basic commodities had given rise to undesirable side effects – albeit in different forms depending on the country – including *rentier* situations benefiting a minority of intermediaries, who were now forming lobbies powerful enough to ensure that their interests were upheld. The situation was already complicated enough, but it was to become more so when sporadic attempts to raise the price of the products concerned led inevitably to serious social unrest and the all-too-memorable “hunger riots”. This whole issue has become highly sensitive and continues to this day to provoke fear, mistrust and extreme prudence among the governing bodies that have to deal with it.

In the end the compromises hammered out consisted in containing the subsidies system within limits that could be borne by state budgets without either totally eliminating it or completely reforming it (the partial disengagement was to take different forms depending on circumstances and countries: liberalisation of products considered "less essential" than others, capping of subsidies, restrictions on amounts subsidised, etc.). It has to be said that the subsequent fall in world prices, which was to persist until the middle of the current decade, would facilitate matters by enabling governments and their "advisers" in the international financial institutions to behave with a remarkable lack of foresight and responsibility, the consequences of which we are now in a position to assess as they begin to kick in.

Effects of a now obsolete system on the current situation

The first has to do with the financial illusion created by the low level of world prices. While compliance with commitments under the Marrakech agreement of 1994 (GATT/WTO) had the notable effect of liberalising imports through the elimination of all non-tariff barriers, adequate tariff protection was nevertheless afforded through the institution on a large scale of tariff equivalents. But at a time when world prices where significantly lower than domestic prices and food imports were increasing, these tariff equivalents had become substantial sources of revenue for the states and were of particular help in alleviating the cost of state subsidies on the goods concerned (often lowering it to less than 1% of GDP). By making the financial scale of the subsidy system seem less alarming, this "income contingent on food dependency" was to suppress any vague inclination to reform: why take risks in such a sensitive area when maintaining the existing situation no longer cost the state very much at all". At times cynics have even been pleased with bad harvests, as they meant more imports and therefore more tariff equivalents.

Half-way between this financial cynicism and the most reckless free-trade dogmatism was another school of thought, responsible for the most short-sighted attitudes towards food security. Renowned international experts explained that food sovereignty was an outmoded concept and that, on the contrary, food security could be had at any moment on the world market. All that was needed was an adequate "foreign exchange cushion"! Everyone was a winner: the major world exporters were well provided with "comparative advantages", consumers in our own countries were fed at a low cost, and our governments gained customs revenue, all the more precious in that it enabled them to maintain a subsidy system that had become very inexpensive. In short it offered well-being all round, a win-win situation of planetary dimensions.

Today, with the situation completely reversed, we have a better understanding of the consequences of these choices. At a time when dependence on food imports is greater than ever and systems of basic commodity subsidies have been retained with all their imperfections, world prices are skyrocketing and our own economic fortunes are plummeting. Governments are seeing their customs receipts melt away like snow before the sun, while "compensation" costs reach new heights, auguring ill for budgetary balances. Consumers are finding that the remaining subsidies on a small number of products (important though they are) have completely failed to prevent the dizzying rise in the price of most foodstuffs: their cost of living has suddenly risen and purchasing power has fallen to dangerous levels. One again the atmosphere in society is tense, protest movements proliferate, and in many localities – like the little town of Sefrou in northern Morocco – we already seeing new outbreaks of "hunger riots".

Thoughts on future action

What is to be done? While the world now concurs in recognising that the subsidy system for basic foodstuffs has been generally diverted from its original purpose, being of less benefit to those who really need it than to those who can well do without it, nobody has yet been bold enough to propose a more effective and more equitable alternative. In the meantime the budgetary cost of maintaining the status quo, at a time when world prices are still rising, seems exorbitant. How long can it continue to be borne?

The present deadlock has economic and social as well as financial implications. So let us begin by acknowledging that for most countries to the South and East of the Mediterranean the question of "low-wage competitiveness" is still of critical importance for at least two reasons. The first is related to the nature and structure of their exports, which are dominated by labour intensive products; the second has to do with the logic of international competition imposed by countries practising wage dumping (mainly Asian).

MAI Bari

In partnership with other institutions, MAI Bari is organising the 5th international conference on land degradation from 18 to 22 September 2008.

The purpose of this meeting is to examine the resources that need to be mobilised if we are to progress from merely conducting diagnostic studies to devising practical approaches to the management of agricultural land resources.

Information:

http://www.iamb.it/5ICLD/

From this standpoint consumption subsidies on wage goods continue to play a significant role. By lowering the cost of access to these basic commodities the subsidies undoubtedly help to prevent upward pressure on labour costs. In any case it is difficult to see how they might be cut without a re-evaluation of current wage levels. So the following dilemma arises: should these countries continue to commit to liberalisation of trade in the hope that integration in the dynamic of globalisation will benefit them, even though they run the risk of undermining what is still their main comparative advantage? Is it possible to dispense with a form of regulation financed by the state if they are not in a position to replace it with another, sustained by the market?

The social dimension is still obviously very important in countries where inequalities are still very marked and poverty is widespread. While the system of retail subsidies for certain basic foodstuffs invites criticism from many angles, it is not easy at the present time to imagine an alternative that would be fairer, more rational, and compatible with the resources of the country concerned. The system of targeted aid, once presented as a possible option by some, has yet to prove its effectiveness or even, in some cases, its feasibility. As to the system of direct income support – practically the only one still authorised under WTO rules – its main disadvantage is that it is too costly, and certainly beyond the means of certain countries. As long as these alternatives remain theoretical, we are faced with a serious dilemma: how can we fight against poverty and promote human development, and at the same time do away with the one system that has provided the poor with basic foodstuffs at a price that more or less matches their buying power?

We know that the current rise in world prices is not a temporary glitch and that long-term remedies have to be devised. We need at the very least to adopt a two-pronged approach. First of all it is necessary to revive the concept of food sovereignty and develop it by adding a regional and collective dimension. Secondly, we must reassess all systems of redistribution and, by promoting active solidarity, guarantee a decent standard of living for everyone.

Najib Akesbi

Economist, Professor at the Hassan II Agronomic and Veterinary Institute, Rabat (Morocco)

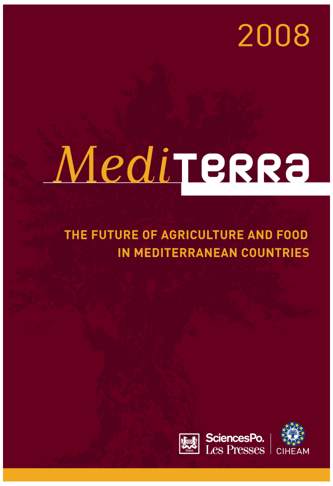
Publication of Mediterra *2008*

Mediterra 2008 focuses on the outlook for the Mediterranean agriculture and food sectors. The new-look CIHEAM annual report provides a prospective study of the state of Mediterranean agriculture, food and rural affairs by 2020. This issue is being published in a context marked by the return of agriculture to the international centre stage and the relaunch of the political debate on the Mediterranean.

Mediterra 2008 highlights the strategic role and multisectoral dimension of Mediterranean agriculture by analysing the dynamics at work and identifying priority fields of action. Armed with these multi-disciplinary analyses, the report puts forward four general scenarios for 2020.

Intended for policy makers and professionals in the Euro-Mediterranean world, Mediterra 2008 provides a basis for discussion and an aid to decision making. In the final analysis it is a plea for solidarity between Europe and the Mediterranean countries in agricul-tural, agrifood and environmental affairs.

Mediterra 2008 has just been published in English and French. It will soon be available in Spanish, Italian, and Arabic.



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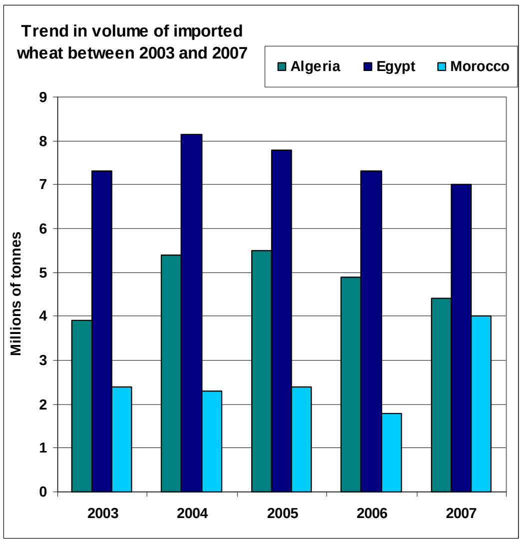
117 boulevard Saint-Germain - 75006 Paris - France
www.pressesdesciencespo.fr - presses@sciences-po.fr

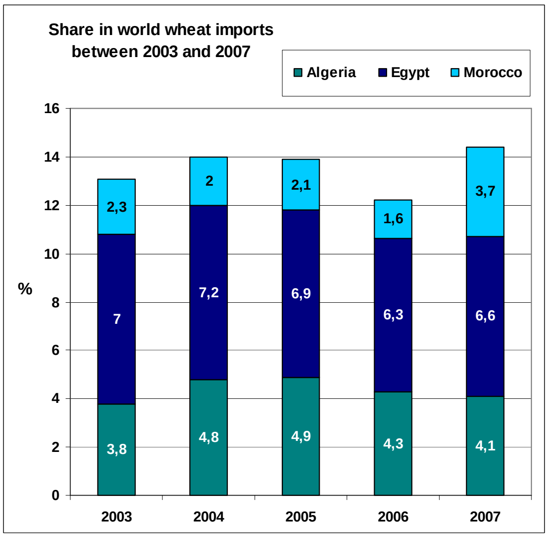
Statistics for wheat

Wheat is a strategic commodity for a large number of Mediterranean countries. However, available world stocks, in relation to the amounts consumed, are at their lowest level since the nineteen-sixties. A range of factors, outlined in the preceding analyses, explain the growing tensions in the cereals market. In 2007, the price of exported wheat rose by 30% compared with the previous year, thus increasing the food bills of net importers of basic foodstuffs. It must be emphasised that Algeria, Egypt and Morocco are among the world's 10 biggest wheat importers (the three of them alone accounting for 15% of the total). Except in the case of Morocco, the volume of their imports has not significantly increased over the past five years. The price, however, has increased, rising from $150/t in 2003 to $380/t in 2007. And in 2008, prices continue to rise ever more rapidly. In the past few months the price increase has met with protest demonstrations prompted by of a sense of food deprivation, as access to bread becomes more and more difficult.

Trend in wheat imports (in millions of tonnes)

	2003	2004	2005	2006	2007	Annual average (2003-2007)
Algeria	3.9	5.4	5.5	4.9	4.4	4.8
Egypt	7.3	8.15	7.8	7.3	7	7.5
Morocco	2.4	2.3	2.4	1.8	4	2.6
Total	***13.6***	***15.85***	***15.7***	***14***	***15.4***	*14.9*
World	103.5	112.7	113.3	115	106.8	110.3





Trend in domestic wheat consumption (in millions of tonnes)

	2003	2004	2005	2006	2007	Variation over the period 2003-2007
Algeria	6.8	7.3	7.5	7.65	7.75	**14.0%**
Egypt	13.3	14.2	14.8	15.45	15.9	**19.6%**
Morocco	6.4	6.6	6.8	7.15	7.15	**11.7%**
Total	***26.5***	***28.1***	***29.1***	***30.25***	***30.8***	***16.2%***
World	588.4	608.6	624.4	617.2	617.6	**5.0%**

Statistical dossier prepared by Sébastien Abis (CIHEAM)

Sources:
Our calculations, based on figures provided in "*Grain: world markets and trade*", USDA, December 2007

Statistics for maize

In 2007 alone, the price of maize increased by 55%. World stocks are at their lowest level for a quarter of a century. The United States is the world's biggest producer (followed by China, Brazil and the European Union), supplying two-thirds of world maize exports.

But even though the United States increased its maize production by 25% in 2007, a quarter of its entire output was still used to make ethanol. This use of this food or feed crop to produce energy is partly responsible for driving up the price of maize, at a time when world demand continues to rise.

In the Mediterranean, region two countries are among the world's biggest maize importers: Egypt and Algeria. In 2007 they accounted for 7% of world maize imports (compared with 10% in 2004).

Sources:

USDA, 2007

Interview

Loek Boonekamp, Trade and Markets Division, OECD Directorate for Agriculture

Q- Which are the most significant contributory factors to the recent surge in agricultural raw materials?

Generally speaking I think it is necessary to distinguish between short-term and long-term factors. As to the short term, the past three years have certainly seen poor harvests, both in some OECD countries and elsewhere, which have contributed to the rise in cereals prices. They have compounded a situation in which stocks of wheat and secondary cereals were already very low and the resulting shortage in the cereals market would have forced prices up in any event. As a result of this price increase, some of the land normally reserved for oil crops has been diverted to cereal production. Production of oil crops has consequently been cut short, causing the price of them to be revised upwards. As to long-term factors, we might cite increased demand and economic growth in emerging countries and in some developing countries, which has led to a rise in their cereal imports. In these countries we find that dietary trends are shifting more and more towards meat consumption, which is further increasing demand for cereal feed. Another no less important factor in the rise in agricultural prices is the significant increase in production of bioethanol from cereals, oilseed and sugar. Taking all these factors into account, we estimate that prices over the next ten years could rise by 20 to 40% compared with those of the past ten years.

Q- Generally speaking, who is benefiting from the rise in agricultural prices in the North and South?

Those who produce cereals, oilseed, sugar, dairy products, or anything else for that matter, will want to receive high prices for their produce. And so cereal and oilseed producers are the first to benefit from these very high prices. But those who use these raw materials in the agricultural sector, meat or dairy producers for example, will find themselves having to pay more for them, as will individual consumers, who will face higher retail prices. It is necessary to make a clear distinction between consumers in different countries. In very rich countries food accounts for a relatively small proportion of income and therefore of expenditure. But in poor countries the proportion is much larger. In rich countries it represents around 25% of household expenditure, and no more than 10% in some countries in the North.

The situation is clearly different in countries in the South. The poorer the country, the larger the proportion of expenditure that goes on food and in the South it ranges from 50% to 70 % of income. Consumers in these countries are therefore more severely hit than those in the OECD countries, where most people (though not all) are obviously richer. But in the developing countries, particularly the poorest of them, the impacts are greater. In short, those who are most affected by the rise in agricultural commodities are poor consumers, and above all poor consumers in poor countries that are net food importers. As to those who might benefit, I have referred specifically to the cereal and oilseed producers in the North. I should point out here that those growing the same crops in the poor countries may also benefit from rising prices on the international markets, assuming that they have access to them, which could have significant repercussions for rural incomes generally. So in the end the picture is neither black nor white.

Q- How do you think the current trend, particularly in the price of cereals, meat and dairy products, is likely to develop in the short and medium term?

I think the current price surge is largely due to factors whose impact is mainly felt in the short term. This is true, for example, of the lack of rainfall in recent years in countries where weather conditions can be expected to change for the better. So we should see a renewal of production in countries currently affected by drought, which would normally have a stronger presence than others on the international agricultural commodities market.

MAI Chania

MAI Chania, in collaboration with the European Forest Institute (EFI), is organising a summer school from 23 to 29 June 2008, on the subject of the ecological and physiological role of water in Mediterranean forests.

Information:

www.maich.gr

We must bear in mind that agricultural prices have always been variable and always will be, so we cannot rule out the possibility of a fall in prices in the short term. Moreover if we see consider how agricultural prices have changed in the very long-term – over the past fifty or sixty years – we find that they are actually falling in real terms. To sum up, prices may fall but will remain very variable; the average level will be higher than in the past, mainly because there will be strong demand from consumers in emerging countries and certain countries in the South and because the craze for biofuels will impose a further strain on supply.

Q- Leaving aside the current debate on the ecological implications of biofuels, some people think that this new source of energy represents an opportunity for producers. Others believe that growing crops for biofuel can only increase food insecurity. There also some who think that the new biofuel industry, which is partly responsible for the rise in agricultural prices, will have difficulty keeping up with them, if the spiral continues. What do you think?

First of all I have to say that in countries in the northern hemisphere there will be no biofuel without government support. Biofuel production, even with prices at 100 dollars a barrel, is not economically viable. The biofuel sector is undergoing rapid expansion largely because governments are supporting it in a number of different ways. Why is the biofuel industry receiving so much support? We can cite three main reasons.

The first is that biofuel is supposed to be a "green" fuel, and therefore good for the environment. If we replace normal petrol and fuel with biofuel, we will admittedly reduce CO_2 emissions but not by as much as was hoped. For most countries and most applications, the reduction in emissions of this particular greenhouse gas will be very limited. Furthermore, land normally given over to food and feed production may be damaged if it is used to produce biofuel. So we are clearly a long way from meeting the environmental goals originally envisaged. Secondly, it is said that biofuels offer an alternative source of energy. Here again the results obtained should not be viewed too optimistically. Bearing in mind the technologies currently being used, the energy density of cereals is low and we therefore have to use vast areas of land to produce relatively small amounts of green fuel. The third reason is that biofuel production would be good for agricultural incomes.

It would certainly suit some agricultural producers, but the argument would hardly apply to all developing countries. This is why we are now saying – for we are currently studying the question – that the policies on biofuel put in place by some OECD member governments are probably not best suited to meeting energy requirements. If the intention is to reduce CO_2 emissions, we can make more rapid and more substantial progress in other ways, which take greater account of demand. We might for example produce less energy-intensive cars or encourage people to insulate their houses better. Public funding might also be better used to develop next-generation energy sources. These are the ideas we are working on at the moment.

Q- Food security is of particular concern to the countries in the South. How can we, if not solve the problem, at least allay the fears of populations who may be at risk of under-nourishment in these countries?

The potential for using new land to produce food exists. This means that it is quite possible to increase the quantities of foodstuffs in the world. But if we think a long way ahead, we find that progress will be rather less rapid than in the past. In any event, on the basis of our projections for the next decade, we believe that there will enough available resources to produce sufficient food, although the situation might be more difficult for poor populations, notably in the South. So in the medium term, we cannot reasonably subscribe to the idea that there will be a genuine and prolonged shortage of basic foodstuffs. But if we look further into the future, it is difficult to fine-tune our projections for a number of reasons: the complexity of the subject itself and the possible impact of crucial factors such as climate change and lack of water for the agricultural sector.

Interview by Hassane Tlili

Journalist specialising in agricultural and environmental issues.

MAI Montpellier

On the occasion of the fifteenth anniversary of the foundation of the Faculty of Economics and Public Administration of the University of Akdeniz, the University of Akdeniz and CIHEAM-MAIM organized an International Seminar on "Local Agriculture, Sustainable Development and the Protection of Geographical Indications in the Mediterranean Countries", from 24 to 26 April 2008 in Antalya, Turkey.

The Seminar brought together over one hundred participants from more than 10 Mediterranean countries in Europe and North Africa as well as international, governmental and non-governmental organizations.

www.iamm.fr

News in brief

Spain and Italy unite to secure recognition of the Mediterranean Diet by UNESCO

On 11 March 2008 at the *"Alimentaria 2008"* fair in Barcelona, the Spanish and Italian Ministers of Agriculture, Ms Elena Espinosa and M. Paolo De Castro, issued a joint statement calling for the inscription of the Mediterranean diet on UNESCO's Intangible World Heritage List. It comprises two main parts: *"Towards a more effective defence of the Mediterranean diet and the quality of its products"* and *"Towards a stronger, more competitive Mediterranean agricultural sector"*. The statement is a follow up to the strong message delivered a month earlier by the Ministers of Agriculture of CIHEAM's 13 member countries in their final declaration. Paolo De Castro emphasised the importance of preserving and protecting the Mediterranean food model, known for its excellent nutritional qualities, which has played its part over the centuries in shaping a common cultural and gastronomic identity in this part of the world. The candidacy of the Mediterranean diet for the UNESCO list has been spearheaded by four regional countries: Spain, Italy, Greece and Morocco. These countries have set up working groups to prepare a strategic dossier, which sets forth cultural, historical, ecological, dietary, social and health considerations in support of their submission to the United Nations cultural organ. Once it has been finalised, the report will be sent to the competent UNESCO authorities, who could issue their final decision before the winter of 2008-2009. In his statement the Italian Minister said that a conference might be organised in Rome before the summer of 2008 to present the main points contained in the candidacy dossier.

Tunisia: researchers honoured for innovations in sustainable development

Several Tunisian researchers have just been honoured for innovative work that meets a threefold objective: to increase agricultural yields, rationalise the use of natural resources, and safeguard the environment. One of them is Chehbani Bellachhabm, a researcher at the *Institut des Régions Arides* (IRA) in Medenine, who has developed new micro-irrigation techniques for storing water in the soil, preventing evaporation and other wastage, maintaining groundwater resources and feeding the roots of plants for periods of up to four years. Honours also went to a team of researchers at the IRA of Medenine, who for the first time in Tunisia have succeeded in breeding a bustard using artificial insemination. The members of the team say that their achievement is particularly important in that it is almost impossible for bustards to reproduce naturally in captivity. Another researcher to be honoured, Ammed Namsi, who works at the *Centre Régional de Recherche en Agriculture Oasienne* in Tozeur, deserves special mention because he is young and has just presented a doctoral thesis demonstrating the efficiency of a technique used for the early detection of broken leaf disease in date palms in Tunisian oases. His thesis is the first to address this question. Lastly we should mention Abdelhafidh Hemissi, an agricultural engineer specialising in cattle rearing, who has developed a new, economical, high-yield fodder mix, which significantly improves milk production.

Launch of Global Forest Resources Assessment 2010

Eager to provide new input to the debate on climate change, the United Nations Food and Agriculture Organization (FAO) has just launched an ambitious research programme designed to assess global forest resources in 2010. It has compiled all data made available since the middle of the twentieth century, including information on the extent, composition, management and development of forests worldwide. When the programme was announced, the FAO informed us that global forest cover currently amounted to 4 billion hectares, about 30% of the world's land surface. On the other hand, despite progress in recent years, the world continues to lose some 200 km² every day. As has been pointed out by Mr Jan Heino, Assistant Director-General of the FAO Forestry Department, the 2010 assessment is also intended to *"assess the impact of deforestation on climate change and the role of forests in mitigating it"*. A large number of inquiries will therefore be carried out by more than 200 international experts, supported by the national authorities of the 172 countries concerned. Advanced techniques will be used to gather information, including remote sensing. The 2010 assessment is expected to provide us with more accurate knowledge of the biodiversity of forests.

Medroplan

As part of the Medroplan-MEDA Water project, MAI Zaragoza is organising an international conference from 12 to 14 June 2008 to present new scientific and technical instruments for use in drought management.

Visitors will take time out from the conference to go on a guided visit of the International Expo: "Water and Sustainable Development", which will be held in Zaragoza. throughout the summer of 2008.

Information:

www.iamz.ciheam.org/medroplan/zaragoza2008

Mediterra 2009

The Steering Committee and the experts mobilised to prepare the next CIHEAM annual report are meeting at MAI Bari from 8 to 10 May 2008.

Mediterra 2009 will focus on sustainable development indicators in rural areas of the Mediterranean countries.

CIHEAM and Blue Plan are collaborating on the 2009 edition of Mediterra and preparation of the report is now underway.

One of the main objectives of the report is to assess progress towards implementing the goals of the Mediterranean Strategy for Sustainable Development, (MSSD).

Publications

OECD-FAO, "Agricultural outlook *2007-2016"*, 13th edition, joint OECD-FAO report, Paris (France), January 2008.

ISMEA-MAI Bari, "*Il biologico nel Bacino del Mediterraneo : politiche, normative, mercati per un'agricoltura di qualità*", Report by ISMEA-MAI Bari, Italy, March 2008.

Jean-Paul Charvet, "*L'agriculture mondialisée*", La Documentation française, dossier No 8059, Paris (France), October 2007.

INEA, "*National Atlas of areas at risk of desertification",* INEA, Rome (Italy), 2008.

Eurostat, "*Euro-Mediterranean Statistics*", 2007 Edition, Office for Official Publications of the European Communities, Luxembourg (Luxembourg), February 2008.

World Bank, "*World Development Indicators 2008*", Annual Report, World Bank, Washington (USA), April 2008.

Joachim Von Braun, "*World Food situation: new driving forces and required actions*", IFPRI Food Policy Report, Washington (USA), December 2007.

United Nations World Food Programme, "*Hunger and Health in 2007*", UNWFP Report, Earthscan edition, London (United Kingdom), December 2007.

Alex Evans, "*Rising food prices: drivers and implications for development*", Chatham House briefing paper 08/01, London (United Kingdom), April 2008.

Events

12-16 May 2008 – Bonn (Germany)
Planet Diversity 2008, World Congress on the Future of Food and Agriculture, organised by the International Federation of Organic Agriculture Movements (IFOAM) and others (*information*).

14-17 May 2008 - Hammamet (Tunisia)
International Conference on Livestock and Climate Change, organised by the Tunisian authorities in association with various regional organisations *(information).*

22-23 May 2008 - Paris (France)
International Symposium on International Worlds in Politics, organised by the Association Française de Science Politique, in partnership with CEVIPOF, INRA and CIHEAM (*information*).

30 May - 6 June 2008 – Warsaw (Poland)
38th World Congress of the International Federation of Agricultural Producers (IFAP), on the theme "Working together for Profitability, Sustainability and Development" (*information*)

3-5 June 2008 – Rome (Italy)
High-Level Conference on World Food Security and the Challenges of Climate Change and Bioenergy, organised by the FAO (*information*)

9 June 2008 - Rome (Italy)
First of the Mediterranean Study Days on Food Safety, organised by the Mediterranean Institute for Certification (IMC) and the RIFOSAL Consortium, in partnership with CIHEAM.

14 June - 14 September 2008 - Zaragoza (Spain)
International Expo: "Water and Sustainable Development", Zaragoza 2008 (*information*)

1-4 September 2008 - Montpellier (France)
13th IWRA Water Congress, on Global Changes and Water Resources, Confronting the Expanding and Diversifying Pressures" *(information)*

CIHEAM Mediterranean Observatory

Recent publications

CIHEAM Analytical Notes

- *The current state of international water law*, Anna Poydenot, No 29, February 2008.
- *Towards the development of organic agriculture in the Mediterranean*, Lina Al-Bitar, No 30, March 2008.
- *Analyses of the dairy sectors in Italy and Tunisia*, Hicham Essadkaoui *et al*., No 31, April 2008.
- *Aquaculture in Egypt*, Ahmed Nassr-Alla, No 32, April 2008.

CIHEAM Briefing Notes

- *The Aquastress project,* Mladen Todorovic, No 43, February 2008.
- *The reform of the Common Agricultural Policy*, Jean-François Drevet, No 44, March 2008.
- *Characteristics of the Mediterranean diet*, Martine Padilla, No 45, April 2008.

NewMedit

- Summary of 01/2008 edition of the review, March 2008.

CIHEAM Watch Letter

- Watch Letter No 04, "*Aquaculture in the Mediterranean*", Winter 2008.

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CIHEAM Observatory

An instrument for analysis and discussion
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www.ciheam.org/observatoire/

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www.ciheam.org/uk/observatoire/

Contact us
observatoire@ciheam.org

The CIHEAM Watch Letter

Every quarter CIHEAM issues its Watch Letter in English and French.

The next issue will be published in September 2008.

To receive the Watch Letter, contact:
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