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Global Food Reserve Needed to Stabilize Prices, Researchers Say

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By Rudy Ruitenberg

March 29 (Bloomberg) -- A global crop reserve system is needed to reduce price volatility, curb speculation and prevent a food crisis, said researchers from Germany and France.

Centralized global stocks could bring “peace and quiet” to world food markets, said Joachim von Braun, director of Germany’s Center for Development Research, at a conference on agriculture research in Montpellier, France, yesterday.

World food prices started rising in 2007 and climbed to a record in June 2008. Surging prices of wheat, rice and corn sparked riots from Haiti to Ivory Coast. Von Braun said IFPRI research has shown fund investment in agricultural commodity futures added to price volatility.

“The world is no more food secure today than three years ago, when the world food-price crisis hit,” said von Braun, a University of Bonn professor and former head of the Washington- based International Food Policy Research Institute. We need “an efficient, global, coordinated reserve policy which brings peace and quiet to the world food market,” von Braun said.

A global reserve would make it “difficult to manipulate the market,” said Marion Guillou, the head of France’s Institut National de la Recherche Agronomique, at the conference.

Von Braun said a food-stabilization system should consist of three parts, including a physical stock managed by the World Food Programme that would allow the agency to respond to a humanitarian crisis more speedily, as well as a reserve based on countries setting aside some of their stocks.

“In a price spike situation, this group could decide, like the International Energy Agency, to release from stock,” von Braun said. “Not a general stabilization fund, but a price- spike stabilization mechanism.”

The third instrument would be a virtual financial fund that could counter speculators by taking positions in the agricultural futures market, he said.

“We have good analysis that speculation played in role in 2007 and 2008,” von Braun said. “Speculation did matter and it did amplify, that debate can be put to rest. These spikes are not a nuisance, they kill. They’ve killed thousands of people.”

--Editor: Will Kennedy, Doug Lytle.

To contact the reporter on this story: Rudy Ruitenberg in Paris at rruitenberg@bloomberg.net

To contact the editor responsible for this story: Stuart Wallace in London at swallace6@bloomberg.net.

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