



EUROPEAN UNION
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Special meeting on the global food crisis

Statement by

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Check against delivery

Mr. President,

The European Community strongly believes that the objectives of poverty eradication, improvement of food security and sustainable management of natural resource are inter-linked and must be addressed in a coherent and integrated manner. There is no doubt that the current situation of soaring food and fuel prices put at risk the progress made so far towards the attainment of all MDGs.

The most serious analyses indicate that higher food prices are not a temporary phenomenon but are likely to persist in the medium term. The underlying increase in demand and the relative inelasticity of supply are likely to prevent food prices from falling back to pre-crisis levels. At the same time, development economists have for a long time pointed to the steady decline in agricultural commodity prices as a factor holding back the development of developing countries, given their potential comparative advantages in the sector.

A number of adjustments in the market management of the EU Common Agricultural Policy have been recently decided to mitigate the effects of the price increases in the short term:

- Intervention stocks have been sold;
- Export subsidies have been reduced – for example to zero for dairy products;
- The obligation for farmers to set-aside 10% of their arable land has been suspended for 2008. This is expected to increase this year's cereals harvest by at least 10 million tonnes in the EU;
- Milk quotas have been increased by 2%;
- At a more general level, decoupled income support and reform of individual market organisations have already made farmers more responsive to market signals.

If few dispute that the net welfare effect of this new situation on the global poor is negative, particularly in the short term, rising prices in the medium to long term potentially present new income-generating opportunities for farmers and could enhance the contribution of agriculture to economic growth. Renewed support to the agricultural sector of developing countries – a sector that had often been neglected in the last decades – now represents a clear priority for the international community.

Considering that three out of every four poor people in developing countries live in rural areas and mostly depend on agriculture for their livelihoods, the European Community believe that rising commodity and food prices could benefit the majority of poor, provided of course that the right development and trade/market tools are available.

Mr. President,

Given that no country is self sufficient in food production, the right trade policies can make an important contribution to the overall efforts to improve the operation of global agricultural markets in a manner consistent with individual countries' legitimate expectations to be able to ensure adequate food security.

The European Union will continue to promote an open trade policy and encourage the elimination of export restrictions, including those recently introduced by a number of developing country producers. Indeed, the world will not meet food shortages or achieve the full development potential of agriculture by creating more scarcity or insulating producers from market signals.

High food prices should also clearly reinforce the commitment of developed countries to reform their trade-distorting farm subsidies through an early conclusion of the WTO Doha Round of trade talks, which will reduce distortions in world agriculture in an ambitious and balanced way.

Much can also be gained by the integration of regional food and agricultural markets, which the European Union can support through its regional assistance programmes. Better integrated and diversified regional markets can help boost agricultural production and improve access to both food products and agricultural inputs, particularly in Africa.

Insofar as rising prices are attributable to underlying structural causes, such as expanding demand resulting from the successful development of emerging economies, or more general developments such as the present high prices of energy affecting input (for instance fertilizers) and transport costs, agricultural trade policy measures are unlikely to represent a sufficient or appropriate response.

Mr. President,

The global EU response strategy under preparation contains a mix of measures, ranging from humanitarian operations, supporting appropriate fiscal measures by partner governments, and long term safety-net interventions, to investments in agriculture and rural development. It will aim to significantly reduce the negative effects of food price rises on the poorest consumers in developing

countries, while at the same time encouraging a positive supply response from farmers in these countries. The EU support will be provided in the framework of partner countries' own policies and strategies established through inclusive and participatory processes, and will use national systems of delivery.

This EU response coordinated between the European Commission and the Member States will be shortly discussed at the Council of Ministers' level on 27 May and also at the High level FAO Conference at the beginning of June.

The coordination of all stakeholders will represent a key element of success for the international response to soaring food prices. In order to maximize the impact of the international response, the principles of the Paris Declaration should be respected by the main donors.

Thank you for your attention.