

# Food price spikes, volatility not the same issue

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(PhysOrg.com) -- When global food prices rose sharply starting in late 2010 and hit an all-time high in February, many leaders, including the presidents of the World Bank and of France, spoke about the increases and conflated them with issues of food price volatility. In a paper published online July 13 in the journal *Foreign Affairs*, Cornell economist Chris Barrett argues that international leaders should treat the spike in prices and food price volatility as separate problems.

Barrett, the Stephen B. and Janice G. Ashley Professor of Applied Economics and Management in the Dyson School, and his co-author, Duke University economist Marc Bellemare, Ph.D. '06, argue that "the difference matters for the design of appropriate [policy interventions](#)."

High [food prices](#) contribute to [food insecurity](#) and poverty, especially in developing countries, and are "strongly associated with increased political instability," the researchers say. Price volatility or variability, on the other hand, negatively affects large farmers and producers rather than consumers.

The monthly food price index reported by the U.N. Food and Agriculture Organization (FAO) noted the all-time high in February. As in a previous food price spike in 2007-08, Barrett and Bellemare say that factors contributing to the spike included "increased consumer demand due to rapid economic growth," diverting crops "for biofuels production in the United States and elsewhere, poor harvests due to [bad weather](#) in key surplus zones [in] Australia, Russia and South America, and

agricultural commodity market speculation by investors fleeing a weak dollar."

The researchers quantified incidences of political instability -- such as riots, strikes, violence and demonstrations -- reported in news stories from 1990 to the present that mentioned food staples and commodities. They also looked at food price volatility over six-month periods.

"What you find is there is a very strong positive and causal link between high food prices and political unrest," Barrett said in an interview. "People take to the streets when food prices are high."

The 2008 price spike "helped bring down governments in Haiti and Madagascar," the researchers state. "Recent political unrest in North Africa and the Middle East coincides strikingly with this most recent period of rising food prices. In Tunisia, protesters in the initial demonstrations in December 2010 brandished loaves of bread as they launched political unrest that toppled a dictatorial regime that had been in place for almost 25 years," their report states.

International leaders and others speaking about price volatility in relation to high food prices "are not thinking about this carefully," Barrett said. "This really matters because getting the diagnosis wrong leads to a lot of wrong prescriptions. We're seeing mounting political support for price stabilization schemes that have a poor record of success. Instead, we've got to solve the imbalance between rapidly growing demand and a slowly growing supply of food globally, which causes both high prices and increased price volatility. But addressing those fundamentals is increasingly taking a backseat to misguided pursuit of quick fixes for volatile prices."

Barrett and Bellemare also collaborated, with Dyson School Associate Professor David Just, on a recent paper on food price risk, showing that

"[food](#) price stabilization doesn't help the poor in places like Ethiopia, but rather the relatively better off," Barrett said.

Provided by Cornell University

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