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'The new food equation: do EU policies add up?'

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MEDIA MEMO

What is the background to this policy brief?

After decades of cheap food, agricultural prices increased non-stop in the first months of 2008. This increase has been most notable for cereals, specially corn and wheat. In real terms cereals prices have increased by 66 percent since July 2007. Although the outlook remains uncertain, projections indicate that prices will remain higher than the average in the previous two decades. This represents a major change, especially for consumers in developing countries where food consumption remains a very large proportion – between 30 and 60 percent – of household budgets.

The public debate focused on trying to understand the reasons behind the price increase and the emergence of a new food equation. This policy brief shifts the discussion towards the role of EU policies and how they should be adjusted to the changes in the food equation.

Are the high prices here to stay?

A combination of negative supply shocks – particularly high oil prices – and positive demand shocks – increased demand from emerging economies and biofuels – mean that higher food prices are here to stay.

What policies need rethinking as a consequence?

Innovation in biofuels should be encouraged but **biofuels targets should be abandoned** as they are expensive and distort agricultural and energy markets. **Freer trade** is needed for both efficiency and food security reasons. But more open markets will further increase the price of food for importing countries. An **immediate and sustained aid increase** should therefore be agreed.

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