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UPDATE

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Special Issue: Causes and Consequences of the Food Price Crisis

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Introduction to the Issue

The price of food and farm commodities rose steadily throughout 2007, then jumped to record highs in the winter/spring of 2008. Farm commodity prices, like oil prices, have begun to fall recently but several commodities remain priced at more than twice what they were two years ago. Among the likely causes of sharply higher food prices are spikes in oil prices, increasing demand for biofuels (supported by government policies), government efforts to manipulate imports and exports, increasing demand generated by rising incomes in developing countries, slow growth in agricultural productivity levels, and the weak U.S. dollar.

In addition, during the years between the end of World War II and 1990s, agricultural productivity was high—in spite of a rapid rate of population growth, the supply of food per capita increased, reflecting a high return-to-investment for agricultural research. Since then, such investment has stagnated and adoption of the results, especially in the area of agricultural biotechnology, has been limited. These factors have contributed to declines in agricultural productivity. Meeting growing demand for food and for biofuels will require greater productivity, which will depend on investments in agricultural research.

In this issue, we present research under way at the Departments of Agricultural and Resource Economics at UC Berkeley and UC Davis that has already shed light on the current crisis in food prices. A summary of this research was presented at a symposium convened by the Giannini Foundation and the UC Agricultural Issues Center on October 10, 2008.

Three papers—by Carter, Rausser, and Smith; by Sumner; and by Wright—use statistical analyses of historical data, policy simulations, and models of food demand behavior to delineate the current situation and predict the outlook for the future. The paper by Alston, Beddow, and Pardey shows a close relationship between the slowing pace of agricultural R&D and recent imbalances between productivity and growing demand.

Higher food prices benefit farmers and landowners but harm consumers. Farm incomes and land prices in California and the United States set new records in 2007 and rose still higher in 2008 (the recession may paint a different picture in 2009). In developed countries, even drastic increases in prices for agricultural commodities have only a mild effect on the price of food. But in developing countries, where vulnerable populations spend most of their earnings for food, sudden spikes in prices cause severe hardship and hunger, with long-lasting consequences that include physical and mental stunting from malnutrition and reduced schooling for children. Papers by Ligon, and by de Janvry and Sadoulet, examine the effects of skyrocketing food prices in these developing countries.