Foundation for World Agriculture and Rurality

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THE G20 AGRICULTURAL AGENDA:

AN OPPORTUNITY FOR WORLD AGRICULTURE?

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Introduction

France has decided to give priority to the regulation of agricultural commodities in the programme of the G20 that it is chairing in 2011. The meeting of agriculture ministers from the countries of the G20 due to take place in France in June marks a turning-point in the organization of the work of this body. This prospect is raising great hopes among all those who were affected by the 2008 food crisis and who are involved in the defense of food security and the development of agriculture in the world.

However, focusing the work of the G20 on the fight against price volatility has also raised worries because the difficulties faced by most farmers on the planet do not simply boil down to the instability of world prices, far from it. Nor are these the only determining factors in national and regional agricultural policies. The Foundation for World Agriculture and Rurality (FARM) has been pondering these questions since its creation. It felt it would be useful to review the challenges to agriculture and food production in the light of its experience. Because it would be a shame if such a promising initiative as the agricultural G20 failed to tackle adequately a subject which concerns everybody on Earth, both consumers and producers.

I have written this paper at the request of the bodies involved in FARM. It is based on the studies and analyses that the foundation has carried out since it was launched in 2005. It is also the result of meetings and discussions which have been opportunities for debating these questions. But this paper is my personal view. Certain assessments, judgments and options are solely my responsibility. I felt it was more useful to express them clearly to take part in the debate.

1. The G20 is an increasingly influential decision-maker.

Placing agriculture on its agenda is a first victory. The first question to raise is whether the G20 is the right forum. For a better understanding of what is at stake, it is worth looking at some definitions. The G20 is a group of countries representing both the planet's economic wealth and its diversity. Three concepts complete this definition. The G20 was not a result of the 2008 financial crisis. The G20 represents the richest, not the poorest nations. The G20 is not a body for world governance. Let us develop these points and try to see how the G20 has changed and why we can expect decisive results from it.

Historically, the G20 first consisted of the finance ministers from 19 nations and the European Union, hence the name G20, representing the 20 leading world economies. It was founded in 1999, on the instigation of Canada, by the countries of the G7 at the Washington Summit, in order to create a forum for discussion between the developed nations and the emerging nations. Until 2008, the heads of state and government continued as the G7, later the G8 with the entry of Russia. Although, from 2000 onwards, the practice of accompanying the G8 with wider meetings with other states demonstrated a certain embarrassment among the historically rich nations at keeping themselves to themselves.

It was the financial crisis which tipped the balance and made it inevitable that heads of state and government would meet in a G20 format, which included the larger emerging countries. After a preliminary meeting in Washington in the midst of the 2008 crisis, the G20 has met twice a year, in London and Pittsburgh in 2009, then in Toronto and Seoul in 2010. Now, the presidencies of the G8 and the G20 are held by the same country for a year. France takes the chair in 2011 and the meeting of heads of state and government of the G20 will be held in Cannes on 3 and 4 November. The G20 members are the members of the G8 (the United States, Canada, Germany, France, Italy, the United Kingdom, Japan, Russia and the European Union which is the ninth member) and China, India, South Korea, Indonesia, Brazil, Argentina, Mexico, Australia, South Africa, Saudi Arabia and Turkey. Spain is not a member but has been invited to the last three meetings. The president of the World Bank and the director of the International Monetary Fund (IMF) are invited.

The G20 comprises 85% of the world's gross product but only 65% of the population of the globe. The principal victims of the food crisis are not represented in it. South Africa is the only African member of the G20. The absence of most countries whose economy remains essentially agricultural introduces a bias in the focus of interest of the G20. Inviting observers such as Ethiopia or the African Union is not enough to redress the balance. This is because the status of observer or guest does not allow them to participate in any of the preparatory meetings which actually determine the final result.

This is compounded by another ambiguity. Emerging nations are still developing countries in international nomenclature, in particular according to the definition of the World Trade Organization (WTO). The countries which finance development aid are the members of the G8. The emerging economies, although they have enviable rates of growth and possess considerable sovereign wealth funds, do not feel that they need to be involved in financial commitments to public development aid. Which explains why many of them do not want to deal with the question of food security at the G20. In addition, it seems that the relationship between the G20 and the G8, which looked destined to merge together, has not stabilised.

The G20 is not a statutory body for world governance. It is a forum for discussion which proceeds by consensus. The results of the G20 are formalised by declarations that take note of members' agreement so that certain provisions can be implemented in their national policies or by specialist international institutions. The commitments of the G20 are followed by technical meetings that depend on data being provided by the member states. The G20 has no independent means of checking, far less enforcing, compliance.

Nevertheless, the age we live in is marked by the gradual movement of world leadership from the G8 to the G20, even though the G20 is itself dominated by the duopoly of the United States and China. Having no means of enforcement, the G20 is assuming ever greater powers of influence. From this point of view, the 2008 crisis marked a major turning-point in world balance, with the rise in power of the largest emerging countries on the strength of their economic and population growth.

In fact, the G20 acts as a protected space within which ideas can be promoted on the international scale. The G20 expresses itself in declarations which give no real idea of the enormous work accomplished beforehand by the experts. Behind this façade, a proactive behaviour may occur which progressively turns the attention of decision-makers to certain subjects. The G20 is, in fact, a machine whose gears are specialist groups of experts, appointed by each member state and by international institutions involved in the subject. Meetings of ministers may intervene between the sherpas and the heads of state and government. This has been true of finance ministers since the G20 was created. It will apply to ministers of agriculture in 2011.

The G20 is driven by very diverse approaches, cultures, sensitivities and also personalities. There are always fears of a minimal consensus. But the G20 also has a certain plasticity and a capacity for innovation because it is not a permanent institution. The experts remain members of their national governments. They are not international civil servants who sometimes appear to live on a world apart. Taking part in a G20 initiative can be an exhilarating experience. Suddenly, time accelerates, distances shrink, and governments miraculously raise their blockades. Among the experts arise understandings, alliances and new friendships. This is not intended to idealise the G20 but simply to recognise the true worth of the work done there.

From this point of view, the setting up of the "Global Agriculture and Food Security Programme" is illustrative. The declaration of the G20 Summit in Pittsburgh on 24 and 25 September 2009 states, in article 23: "To start, we call on the World Bank to develop a new trust fund to support the new Food Security Initiative for low-income countries announced last summer". This last reference is to the Aquila initiative for food security announced on 10 July at the G8 chaired by Italy, known under the acronym AFSI, "The Aquila Food Security Initiative". The initiative made the commitment to mobilise 20 billion dollars over three years. It was supported by the members of the G8 and also by a score of countries invited to the Aquila, several of which were not part of the G20[1].

The recommendations of the Pittsburgh Summit were implemented by the creation of the "Global Agriculture and Food Security Programme" (GAFSP), a world programme for agriculture and food security. This programme, the name of the trust fund managed by the World Bank, is financed by the United States who originated the Pittsburgh recommendation, and Canada, and also by South Korea (member of the G20 but not of the G8), Spain (member of neither the G8 nor the G20) and the Bill & Melinda Gates Foundation, a charity. Its creation was announced on 22 April 2010 by the United States Treasury secretary. It was immediately funded with 900 million dollars, which included 475 million dollars from the U.S. Neither the European Union nor France was among the founders. So the United States took the lead in the fight against food insecurity.

[1] "The Joint Statement on Global Food Security ("The Aquila Food Security Initiative") is endorsed by the G8 and by Algeria, Angola, Australia, Brazil, Denmark, Egypt, Ethiopia, India, Indonesia, Libya (Presidency of the African Union), Mexico, The Netherlands, Nigeria, People's Republic of China, Republic of Korea, Senegal, Spain, South Africa, Turkey, Commission of the African Union, FAO, IEA, IFAD, ILO, IMF, OECD, The Secretary General's UN High Level Task Force on the Global Food Security Crisis, WFP, The World Bank, WTO who attended the food security session at the G8 Summit in The Aquila on 10 July 2009 and by the Alliance for a Green Revolution in Africa (AGRA), Biodiversity/Consultative Group on International Agricultural Research (CGIAR), Global Donor Platform for Rural Development , Global Forum on Agricultural Research (GFAR)."

The G20 is an opinion leader. It gives visibility to the subjects that it tackles and legitimacy to the recommendations it makes. This is why placing agricultural questions on the G20 agenda is a first positive step. This is not in itself enough to guarantee results but it can raise agriculture from the status of a technical subject, perceived as old-fashioned, to the status of a front-line political question. We should not only be delighted at the French initiative, but we should also do everything possible for this priority to continue to appear at future meetings and for the agricultural G20 to become permanent.

But that's another story. Let us hope that Mexico, which takes over the presidency of the G20 in 2012, will place the world's food security above feeting diplomatic considerations.

2. The volatility of agricultural prices suits the concerns of the G20: it is a worldwide subject of economic and financial interest.

This priority of the French presidency of the G20 is presented in these terms: *"Combating commodity price volatility. At the September 2009 Pittsburgh Summit, the G20 examined the issue of excessive fluctuations in commodity prices for the first time, but few concrete measures have been taken to date. France would like to find collective solutions in order to reduce excessive commodity price volatility, particularly of agricultural commodity prices, which undermines world growth and threatens food security for populations around the globe. Specifically, the G20 agriculture ministers will meet in June in order to propose solutions for strengthening food security and enhancing the agricultural supply"*.[2]

Three ideas appear in this text: the "excessive" level of volatility, food security, and supply, i.e. agricultural production. However, the economic scope of the regulation is not mentioned. We suppose that it refers to world markets. So there would seem to be a magic triangle between fluctuations that are not "excessive", a population's food security and sufficient production. Yet the agenda shows that the subjects to be debated by the agriculture ministers of the member states of the G20 refer only to the reduction of volatility. Is this an adequate lever to move this triangle in the right direction? I shall come back to this question.

It is very clear why France uses the crowbar of volatility. The financial crisis has rehabilitated the merits of regulation. Since 2008, the core of the G20's work has dealt with financial regulation such as the transparency of financial movements, banks' equity, tax havens and the control of hedge funds. In addition, the G20 in London in April 2009 decided to transform the Financial Stability Forum, created in 1999 on the initiative of the G7, into the Financial Stability Board, open to members of the G20 and Spain. This council was charged with preventing financial crises and overseeing financial institutions. Could this inspire similar provision for commodities?

[2] The French presidency's website: http://www.g20-g8.com/g8-g20/g20/english/priorities-for-france/the-priorities-of-the-french-presidency/thepriorities-of-the-french-presidency.75.html

Moreover, the time is ripe for dealing with the regulation of agricultural markets. The events of the last three years have marked a break with the past. After twenty years of stability, agricultural prices on the international market are now experiencing violent leaps. Firstly they soared in a matter of months, in late 2007 and early 2008; then in 2009 they suffered a relative fall, though price levels still remained higher than what they were before the crisis. But more importantly, they took off again at the end of 2010 and in early 2011. This episode seems to confirm the opinion of experts who say that we are in for a bumpy ride.

French farmers, historically protected by the Common Agricultural Policy (CAP), are more directly exposed to the movements of international prices because of the weakening of the EU market management system and because of the decoupling of subsidies. This eruption of fluctuations is difficult to manage. Drops in prices provoke social suffering and political reactions. But higher prices are not without their negative consequences. They jeopardise the unity of the agricultural world because livestock farmers are penalised by the increased cost of cereals. But the analysis should not stop at sale prices. Farmers also need to manage the rise in production costs which are increasingly tied to oil prices. In periods of rapid fluctuations, they can be caught in a pincer movement between increased overheads and the fall in agricultural prices, as was the case in 2009.

So it would be in Europe's interest, in the post-2013 CAP, to retain instruments for managing markets. The European authorities are aware that the regulation of agricultural prices cannot be defended solely within the EU, when trade is globalised. In other words, there is a window of opportunity to talk about regulating agricultural markets and it is well-understood that Europeans have an interest in carrying this question onto the world stage.

Certainly, but the aim of stabilising the income of European farmers is not necessarily every country's priority. The challenge to the planet is primarily food security. Is the regulation of agricultural markets the right lever for improving food security worldwide?

Clearly there are links between agricultural prices and food security. And we should not confuse rising prices and volatility. Increases in prices, especially if they are rapid, penalise consumers in the first instance. The hunger riots in 2008 mobilised poor urban communities. Because rocketing prices had affected basic foodstuffs, wheat in North Africa, the Near East and East Africa, rice in Sub-Sahara Africa, Madagascar and South-east Asia, maize in Latin America, and Mexico in particular. And this includes milk, whose price directly affects families. Many countries at the moment have a structural food deficit. The rise in food prices is the main reason for the growth in the number of people suffering from hunger in the world, which suddenly rose above the one billion-person level in 2009. And we should not minimise the costs for the budgets of nations that are often themselves very poor, obliged to take emergency measures such as taking tax off imports or providing food aid to their population.

Food security depends in particular on local provision. Some regions, such as the Southern shore of the Mediterranean, are limited by physical constraints, but others could take better advantage of their agricultural potential if they could afford it. And prices also have an impact on production. In fact, there are two, quite distinct, sorts of volatility. The first is volatility on world markets. This is spectacular but only affects a small part of world food production. The second is volatility on local markets. This concerns most basic foodstuffs and affects the income of peasant farmers and household budgets. It is determined in very different ways from world markets, and there is little transmission of prices for food products. This point is crucial: it is dealt with in chapter 5.

In the developing countries, unpredictability is one of the main causes of producers failing to take risks. And this is particularly true since most developing countries have no safety net, subsidy, insurance or compensation if crops fail. Outside the developed countries this is the situation that almost all the world's farmers find themselves in.

And when we talk of risk-taking, this begins with the simple act of buying improved seed or fertiliser. And that continues - if the farmer has managed to cope with the first steps of intensification -, with small equipment, improved watering, the early processing and first and foremost the storage of the harvest. In other words, the absence of predictability prevents investment in agriculture. This is, in fact, what, from the economic point of view, distinguishes industrial or export businesses like cotton or natural latex, from food businesses for local consumption in developing countries. There is no world plot against subsistence food agriculture, as some NGOs seem to believe. There is an economic reality. A reality that development aid policies have not tackled.

And this deficiency is compounded by another negative effect which drives the vicious circle of under-investment. Volatility penalises agrifood industries. It multiplies the uncertainties of supply and the risks of financial imbalance. Food processors cannot pass all the price fluctuations onto consumers. This is probably one of the reasons for the weakness of processing industries in developing countries.

At this stage, my considerations led me to the following conclusions: yes, excessive volatility is a curse. Yes, agricultural markets suffer price fluctuations that cause specific damage by their size and their unpredictability. Yes, this volatility hits consumers and from this point of view compromises food security, but it also hits farmers and food processors, thus hampering investment in agriculture.

Agricultural trade is indispensable in meeting the needs of low-income food deficit countries. Part of this trade operates on the world scale. So we may legitimately consider that there is an international issue - agricultural markets, a lack of world regulation - excessive volatility -, and a social responsibility - food security. All of which makes these questions a subject for the G20.[3]

But a large part of the agricultural markets are local, national or regional. And the price of foodstuffs on these markets does not necessarily depend on world transactions. This point is crucial. We will come back to this because it determines the legitimacy of the measures which will be decided for an immense proportion of the world's population.

[3] As stated in the press release issued on 24 January 2011 when France took over the presidency of the G20 and the G8, in 2008, the countries of the G20 comprised 54% of world agricultural land, 65% of world arable land and 77% of the world production of cereals.

3. The G20 proposes lines of action, but they are not a response to the issue of food security.

Let us stay with on the central question of the regulation of world markets. The questions relating to agriculture and food security are handled, it seems, by several working parties. Food security comes under the development G20, which brings together experts from ministries responsible for foreign affairs or cooperation and development aid agencies. The agriculture G20 only deals with volatility of agricultural prices, while that the finance G20 will also be tackling the question of the regulation of derivatives markets.

The aim of this paper is not to go into the details of negotiations in progress. It will try to outline the major issues and how these issues might be handled. The meeting of agriculture ministers will tackle four main chapters, transparency, cooperation between states, support for poorer countries and the regulation of futures markets. Many studies, particularly a report from international organizations, have fed into the work of the G20.

Regulating agricultural markets aims firstly at reducing price volatility, knowing that this regulation may be combined with measures to attenuate the effects of fluctuations. Although, in this chapter, we are dealing only with the reduction of price movements, the question arises of what causes them. Which lever do we have to move to obtain the result that we are looking for? For all the many economic analyses published since the crisis of 2008, debate still rages and there is no consensus between the experts and still less between experts and politicians.

Firstly – the very definition of volatility. Let us use the one adopted by the Centre d'analyse stratégique: "Volatility means sudden high-amplitude variations, excluding weak variations around an average price"[4].

By default, this definition excludes, and rightly so, the legitimate existence of price movements inherent in the normal operation of markets. According to this definition, the formula "excessive volatility" is a tautology. In fact the main difficulty is not simply the definition of volatility. It relates to the concept of world prices. There is a world market in wheat, even though relatively fragmented depending on the variety, but there is no world market in rice. The reference data are composite indicators which take account of several observatories. They do not record the amounts of the various transactions which may occur at very variable values. And they do not reflect a weighted average. In fact this is one of the points that should be tackled as a priority by the G 20.

Transparency, statistical data, information: these words cover two major lines of action, firstly harvest forecasts, and then the monitoring of prices. The first line is crucial, because when we find that prices are rocketing on the markets, it's too late to do anything about it. But it is technically possible to forecast harvests, as is shown by the major trading companies or the international agreements on agricultural

[4] Centre d'analyse stratégique, Note no 206, "Volatilité des prix des matières premières", January 2011.

commodities. In addition, the capabilities of global observation satellites have provided very powerful tools. Undertaking a major world programme of monitoring crops would have several positive effects: turning observations to concrete use, standardising data, developing models of analysis and prediction, gradually correcting sources of error and approximation and also monitoring long-term changes in land use. Such a programme should produce a seasonal report but it could gradually be combined with meteorological data and include the identification and the consequences of extreme events. The agricultural world would gain from having access to this information for its own activities, but also for its discussions with those responsible for area planning.

The FAO has the ability to collect and analyse data. However, we must not under-estimate the time it takes to transmit national data, nor indeed the weakening of statistical services in countries that are also victims of structural adjustment to reform their economies. These measures have a cost but this expenditure is a form of preventive medicine. They should help reduce the money spent on emergency aid. Nor should we under-estimate the political obstacles which might persuade countries to refuse access to national data. Both agricultural production and the food situation are matters of national sovereignty. This data has strong political resonance. We need to follow the recommendations of the G20 on this point because an action plan on this subject is bound to take time to work out.

The second chapter deals with cooperation between states. What this means in fact is preventing unilateral decisions forbidding exports and managing the consequences of export bans when they cannot be avoided. This essential point is all the more delicate because it touches on political issues which again call national sovereignty into question.

To be effective, this type of coordination requires an emergency procedure, fast powers of reaction and decision-making ability at the highest level. The G20 may be split between the need to announce a discussion framework and the refusal to create a new body. But experience shows that groups of this kind end up by reneging on their good intentions and finally decide to set up a new body, at first lightweight, which rapidly becomes institutionalised and cumbersome.

Rather than create a new body, it would be better to insist on the need to improve the information which leaders rely on when making their decisions. When crisis occurs and the media climb aboard, it is often too late to take cool-headed decisions. This is why investment in the information systems would ultimately be a more effective measure.

The third subject is support for poor countries. The aim is to relieve low-income food deficit countries if there is a food crisis: creating what are known as pre-positioned stocks, maintaining deliveries to poor importing countries if there are embargoes on exports, an insurance mechanism to cover the additional costs of imports for public budgets.

These measures are all laudable but they only deal with crises and offer no structural solution to improve local production capacities.

The question of stocks is linked to these last two themes. It is a controversial subject. In fact, we should distinguish two objectives: food security and managing volatility. The first tries to guarantee the existence of sufficient quantities to rapidly make up for shortages, in poor countries in particular. From this point of view, stocks should be as close as possible to potential users. They should be managed by national or decentralised authorities and procedures.

The strategy of food security in Mali is an interesting example. It is based on a system of local public stocks depending on three key elements. The first is the national security stock with a capacity of 35,000 tonnes of dry cereals (principally millet and sorghum). It is intended for areas “at risk” in times of crisis. The second is the state intervention stock, with a capacity of 35,000 tonnes of cereals (millet, sorghum and rice). This was created with a view to managing short-term food security, in the lean season and at times of rapidly-rising prices. Finally, the third level is that of cereal banks. These are decentralised public stocks, managed by local authorities. This provision affects all local authorities in Mali as well as certain socio-professional associations, mostly women’s groups. In total 759 cereal banks have been set up. Local management committees decide on buying and selling. These are genuine buffer stocks decentralised to local authorities to manage and prevent food crises.

The state intervention stock and the cereal banks also help to reduce seasonal price fluctuations. They buy immediately after harvest, when prices are low, to support producers and sell to consumers during the lean season, when prices are higher. This measure is run by the Food Security Commission (CSA) created in May 2004 and directly attached to the President’s office. It involves all the players needing to take part in the consultation and coordination bodies at national, regional, local and village levels. This takes political will, a specialised institution and a budget. The strategy is based essentially on local production and stimulating it is at the heart of the agricultural policy. Imports are resorted to only if there is a recognised shortage of the local product[5].

The second aim of this stockpiling would be to counter excessive price rises on world markets. This idea is based logically on an observed reality. Massive price rises occur when falling stocks reach a level which worries the markets. If we build up stocks there will be no more market accidents. Except that the level of world stocks is the outcome of a range of climatic phenomena and decisions by public politicians and private individuals, while the point of this measure would be to ask public international authorities to define the desirable levels of prices and stocks, whether these are held by public bodies or private businesses[6].

Such a proposition raises a plethora of difficulties such as the governance and financing of the system, but also the constitution, holding and renewal of the stock

[5] “The role of local stocks in the management of the volatility of agricultural product prices in West Africa: the example of Mali”, note by FARM and the Mali Food Security Commission, 28 January 2011.

[6] “What can the international community do to help developing countries manage the instability of food prices?”, Franck Galtier, CIRAD, April 2011.kets more “ethical” so that they can play their full role as tools for discovering prices and managing price risks, without being too disturbed by strictly financially speculative behaviour.

since these are perishable goods. Experience of international commodity agreements such as coffee, cocoa or natural rubber has shown that regulating prices by building up international stocks was doomed to failure more or less immediately. It is probable that even if the G20 expressed a favourable recommendation on the creation of world stocks, it would not be long before operational difficulties proved its opponents right.

Finally the regulation of futures markets covers a range of provisions that aim to ensure greater transparency of transactions, to limit the abuse of a dominant position and control the influence of speculators. Basically it is a question of making the futures mar

The adoption of a few operational decisions in these areas would have a major educational effect. It would show an awareness among national leaders of the consequences of their decisions for consumers and farmers, through the reactions of the world market. However, it is not realistic to think that these decisions alone would avoid food crises or solve the food security of the planet. They even risk disappointing those who expect more, the European farmers.

I do hope that placing the regulation of agricultural markets on the agenda of the G20 is only a first step to show the complexity of the subject and to teach world leaders how to reason out, discuss and solve agricultural questions as a whole. Regulating the world market may be a good way to push at a half-open door. But it alone is not the solution to the question of world food security.

4. The principal cause of food insecurity is not volatility, it is insufficient production. The priority is to relaunch investment in agriculture.

The essential fact is that food production worldwide has levelled out and that it is badly distributed. Volatility of prices, because of the downturns, masks a general upwards trend over the long term. It attracts particular attention because it destabilises markets in the developed nations, which are still in surplus. The two phenomena, instability and rising prices, are too often confused.

Since 2008, studies by the Organisation for Economic Co-operation and Development (OECD) and by the Food and Agriculture Organization of the United Nations (FAO) have projected that agricultural prices will tend to increase over the next ten years. It is difficult – and risky – to predict the amount of this increase: 15, 20 or 25% depending on the commodity. What matters is the trend.

And this trend reflects a persistent tension between supply and demand. Demand continues and will continue to grow, driven firstly by population growth, but also by economic growth in emerging countries which creates new needs such as high demand for animal proteins, the production of which means bringing more land into cultivation. We must prepare to feed 9 billion people in 2050. We must respond as quickly as possible to the needs of the billion people who are still suffering from hunger. And we must satisfy the demands on agriculture as a source of renewable energy, for the production of biofuels from crops, from crop residues and from plant biomass in general.

On the other hand, supply has peaked. In any event, production is struggling to meet demand. Over the last ten years, we have seen a net slowdown in the growth of yield, from 2% to about 1% per year. Because of repeated droughts or foods in recent years, climate change has been the first accused. Which kills two birds with one stone by providing one more argument in favour of climate negotiations, but solves nothing in the short term. In truth, the major cause of this levelling off in production is the lowering, drastic on the world scale, of the public financing of agriculture. By public financing, I mean national budgets and international public aid for agriculture. This statement does not refer to the European Union, nor the United States where agricultural budgets have been maintained. But it describes the situation in countries which have had to adopt economic reforms to get out of debt. These have meant the dismantling or the privatisation of agricultural services and the drying up of budgets for agronomic research. This is what was revealed by the World Development Report from the World Bank devoted to agriculture in 2008. The position of agriculture in public development aid fell from 20% in the 1980s to 4% in the early 2000s. And in 2005 it represented no more than 4% of the budgets of countries in Sub-Saharan Africa.

In developed countries, though financing has not fallen, it has been redirected. Public policies have sought to absorb excess production by reducing the area exploited by leaving land in fallow or using land set-aside. They have achieved their aim. The excess has been absorbed and stocks have considerably diminished. In addition, the CAP has placed the accent on environmental protection and food quality, by the conditions imposed on the payment of aid to farmers and by the reorientation of research and innovation targets. This policy is upheld by European public opinion which accepts these priorities and would like to impose them on the whole world.

We should bear in mind this tension between supply and demand when considering the other causes of price variations observed in recent years. The crisis of 2007-2008 was triggered when the low level of world stocks provoked anxiety among international traders. This fall had been masked during the two or three previous years by the large stocks of cereals in China and also by their relatively slow consumption. Some think that the Chinese economy will be the major determining factor for agricultural markets in the coming years.

The exhaustion of production weighs more heavily than all the other causes. So the responsibilities of speculation seem not to be at the same level. What is the real situation? The stock-market crisis without doubt encouraged financial resources to be invested into commodities and amplified price fluctuations. Economic studies have not isolated a decisive effect from the operations of hedge funds or investment funds. The number of transactions and the amounts of finance concerned have increased on some markets, such as the Chicago Board of Trade, but the amounts in question are not in proportion to the quantities sold. Speculation is not the cause of the tension on the markets.

Government measures to restrict exports have a far greater impact on prices. In one simple government decision they impact on large volumes and, by definition, they directly affect the quantities exported, i.e. the goods which low-income food deficit countries need the most. In 2008, bans by the main rice-exporting countries –

Thailand, Vietnam and India – were the principal cause of rice prices tripling in three months on the international market. At this stage speculation is not the issue. It is the organization of the scarcity of supply. Embargos by Russia and the Ukraine on wheat exports, after the droughts and fires which these countries experienced in 2010, also had dramatic consequences for the importing countries. These unilateral decisions by national leaders, clearly identified, are far more serious than financial speculation.

To accuse biofuels is to attack the wrong target. Certain U.S. economists are particularly sensitive to this because the manufacturing of bioethanol from corn has, in effect, some repercussions on the price of corn. But this is not the case with Brazilian sugar cane, nor European oilseeds or sugar beets. The boom in the biofuel industry has followed a straight-line graph during this very period when prices have been making sudden leaps. Over the long term, biofuels have helped to increase demand but they are part of the general category of materials of agricultural origin, like textiles, rubber and certain cosmetics.

The last family of causes of variations in prices that we should look at closely is that of the deregulation of public policies. Europe is very sensitive to this – and within Europe, particularly the French opinion, dominated by a persistent anti-free-trade approach. The successive reforms of the CAP have dismantled the price-support mechanisms and decoupled subsidies from production. European farmers are now more directly exposed to world prices. However, they still have the firm buffer of direct payments and can turn to the governments if prices collapse. This is not the case for very many African countries whose markets are open to imports and who have long been deprived of mechanisms for stabilising the prices of exported products. The exposure of developing countries to the international market varies: some, like India, China or Nigeria have maintained protective provisions. But by and large, the agricultural markets of countries in the South are open. Imagining that deregulation is a recent phenomenon which has caused the erratic behaviour of recent years is typically a European bias.

Agricultural production is poorly distributed across the planet. Food deficit countries are poor countries. The FAO estimates that production will need to be increased by 70% between now and 2050 and that 90% of this increase will have to take place in developing countries. It is often said that hunger is a question of poverty rather than an agricultural issue. It is the poverty of consumers which prevents them from buying the food they need. This is true. But it is also the poverty of farmers which prevents them from buying the resources necessary for increasing their production. Especially since the urbanisation of developing countries has created enormous markets. The challenge is no longer food selfsufficiency in the strict sense, which would be limited to satisfying the needs of the family or village, but the creation of regional markets, supplied in the first instance by national or regional food chains, with a view to feeding the urban centres.

World trade will remain indispensable and the high-potential continents like Europe, North America or South America should continue to supply the markets. But investment in the agriculture of the poorest countries should be a worldwide concern. The priority continent is Africa, which has not yet benefited from the green revolution. Its cereal yield has stagnated at 13 quintals per hectare. And yet Africa remains massively agricultural, with a high peasant population; it has an enormous reservoir of cultivable land. Its potential is comparable with that of Brazil. Africa is suffering from the absence of investment capacity and from policies imposed from abroad which have turned their backs on agriculture for the last twenty years. The key question is the absence of capitalisation of African agriculture. This is what needs correcting by incentives from public policies and finance.

Among these needs are public infrastructures and also irrigation schemes to control access to water. West Africa could be selfsufficient in rice if it could use its water resources. In particular there is a potential for local reservoirs even larger than the irrigated land. And not only do these schemes enable production to grow rapidly, but they would also constitute an excellent adaptation to the consequences of climate change.

The need of these poor agricultures is firstly capital. The first way to face up to the fluctuation in prices is to have equity. Public powers and financing bear the responsibility for breaking out of the vicious circle of under-capitalisation The real gulf between farmers in developed countries and those in developing countries, is the financial and capitalistic one. For the poor, there are no public financing, no access to agricultural credit, no equity, no structured agricultural organizations. Remember that 5% at most of the farmers in these countries have a bank account and if they borrow, it is for exported commodities such as cotton.

Conclusion: Managing markets to reduce volatility means treating the symptom without attacking the root of the problem. The deep causes come from the inadequacy of public finance devoted to food agriculture in the countries which need it most, and a misconception of agricultural policies. I shall come back to this point later.

5. In developing countries, volatility depends on endogenous factors. The G20 should favour a just and equitable international response aimed at these countries.

The G20 deals with the volatility of agricultural prices on the world market. However, price volatility within developing countries arises much more from local causes than from the impact of foreign markets. The problems of prices encountered by most farmers in the world have national or regional origins.

Studies carried out by the Foundation for Agriculture and Rurality in the World since 2008 have shown that the transmission of world prices to African farmers has been small. In fact, this transmission only occurred for products where imports represent an important share of consumption. This is the case, for example, for rice in Senegal. And even in this example, though the rise rapidly affects consumer prices, it is only passed on to producers slowly and to a lesser extent. In spring 2008, the price of rice tripled on the international market. Whereas Dakar which imports 90% of its consumption of rice was the scene of protest marches, Senegalese peasants in the Senegal river valley saw no increase in their sale price above 30%. In general, studies show that locally produced cereals like corn, sorghum and millet, or tubers which have no world market, did not benefit from any increase that could be related to the price of imports.

However, local volatility is important but it arises from two types of endogenous factors. The first sources of fluctuations are unforeseen natural and climatic events, the second result from malfunctions in the markets. But what lies behind these generic categories? Unforeseen climatic events in fact conceal the dependency of poor farmers in tropical regions on natural conditions, in particular rainfall. When we trace the problem to its source, we find again a shortage of capitalisation. What is lacking is control over the conditions of production: inputs, chemical or organic fertilisers, improved seeds, water and mechanisation which will make healthier soils and plants. Producers also lack the information which enables them to anticipate the climatic events.

The poor functioning of markets brings us to the lack of national or regional internal markets, capable of bringing supply closer to demand. Consumers are in the towns; farmers are in the countryside. In the absence of effective trading circuits, crops remain in the fields or in the crates. There is little offsetting between the areas with surpluses and areas with deficits and where it exists it functions badly. In 2008, prices rocketed in the spring. This was already long after the previous autumn’s harvests. The farmers held no more stocks. Traders could not turn back to local production. Africa is not alone in facing these difficulties. In 2010, India was confronted with the paradoxical situation of stocks rotting in the countryside while the cities were suffering shortages.

It is therefore dishonest to associate farmers in developing countries with a coalition against the ills of volatility, when we know that the G20 will only propose measures to regulate markets on the global scale.

From this viewpoint, the question arises of food prices acceptable both to consumers and to farmers. My point of view is that this equation can be solved if we look at reducing the costs of production per quantity produced. In most tropical countries, in Africa in particular, yield remains low. Development activists call for “remunerative prices” without dealing with the question of costs of production and economies of scale. With yield remaining constant, fixing remunerative prices for the producers would lead to increased retail prices which the political authorities do not and will not accept. It is therefore a medium-term strategy of investments and subsidies which would make it possible to intensify production and gradually emerge from this impasse. Policies to subsidise fertiliser that several African states set up in 2008, despite reservations from aid providers, were a first step in this direction.

The primary aim of regulation in the developing countries is to ensure the profitability of investments. What can the G20 do to help? Here I would like to put forward two proposals to redirect the actions of international organizations.

The G20 can encourage the setting up of negotiations in the Doha round at the WTO, in a way favourable to food agriculture in developing countries. This will depend on the developed countries agreeing to revise the rules for protecting staple crops. The negotiations of the Doha round launched in 2002 are deadlocked, and agriculture is one of the main causes of the blockage. The present operation of world trade is unfair. Poor countries do not have the resources to support their own agriculture. They have to open their markets up to imports, while still suffering from restrictions in accessing the markets of the rich countries. Developing countries must be able to protect themselves against imports of low-priced foodstuffs, which are ruining local businesses. The current rules of trade allow them, via a “special and differential treatment”, to take temporary protective measures. But the countries which would find this useful, in particular African countries, are dissuaded by indirect mechanisms which have a perverse effect. Without going into technical explanations, the question is one of the cost for the national budgets, which is an anathema for the International Monetary Fund, and how import taxes are accounted for. In addition, certain members of the WTO are too intransigent. It was on the permitted level of special safeguard measures that the negotiations of the WTO foundered, in July 2008, because of a disagreement between the United States and India. Political goodwill could get us out of this hypocrisy. The cost for the developed economies would be zero, while the social and economic impact for the developing countries would create a new momentum.

Likewise, the European Union should look again at the bases of the trade negotiations which link it to the countries of Africa, the Caribbean and the Pacific (ACP). These negotiations are at a standstill while acceptance by the European Union of regional customs tariffs could offer a new chance to regional agricultural markets. We should add that for the peasants of these countries, one way to mitigate the effect of price instability is to guarantee a minimum level of income from growing and selling crops for export to the developed countries, such as cotton, coffee, cocoa or soya, fruit and vegetables. These exports are essential both to family incomes and to national revenues. The European Union has opened up markets without taxes or quotas to imports from less advanced countries. This is the “Everything But Arms” provision. But it would be a good thing if it did not shelter behind this measure to restrict access to its own market by countries with moderate incomes by imposing various standards, justified by opportunistic environmental, social or health requirements.

In addition, the G20 can encourage international organizations like the World Bank and the IMF to support national and regional provisions which cushion the consequences of price volatility. After all, it was the G20 Pittsburgh Summit which recommended the creation of a new fund for food security. These organizations have so combated the negative effects of mechanisms to stabilise prices that it has become a conditioned reflex for them to reject any provision for domestic price regulation. The reality is less cut and dried than the ideologies. The objective is not to close off borders nor to ensure fixed prices. The idea is to place agricultural businesses and farm organizations at the heart of mechanisms combining the private sector and public policy. But the IMF and the World Bank have a store of skills which could usefully be mobilised to invent innovative mechanisms for regulating domestic markets. Subsidies from international donors are essential in creating startup equity, bearing in mind that states have to work out the legal incentives. One of the reasons acting in favour of the involvement of the G20 in agriculture, and not only of development specialists, relates among other things to this need to mobilise the agricultural professions which perform economic functions.

Conclusion: The G20 proposals need to be fair and equitable. The causes of volatility in developing countries are endogenous. The G20 needs to take into account the regulation of domestic markets and redirect the strategy of the multilateral bodies to help developing countries to combat volatility.

6. It is expansion more than coordination which dominates the institutional world landscape of food security and agriculture.

To appreciate the chances of G20 recommendations succeeding, it is necessary to have a vision of the institutional landscape involved. It would be nice to avoid this description, which may put off certain readers. But if we do not have this knowledge, we run the risk of misjudging the difficulties to be solved.

The first group is those institutions that arose after the food crisis of 2008. And that is also the first fact to note. The international community has moved. But despite declarations in favour of coordination and eliminating duplication, the initiatives reflect first and foremost the competition between players.

The first body is a United Nations team set up by the secretary general Ban Ki-moon in April 2008. Its official title says it all: Coordination Team of the UN System High Level Task Force on the Global Food Security Crisis. This body defined an inciting framework (Comprehensive Framework for Action, CFA) which is supposed to direct the initiatives of multilateral and national players. The text, written in United Nations style, is aimed at specialists in this kind of diplomacy. It is not easy to see how it might affect the players. The coordination team now has an organization diagram with about twenty experts scattered between New York, Geneva and Rome. France is one of its financial backers. The budget only covers the costs of administration and meetings. It cannot finance any actions.

The second major claimant to international coordination is the FAO. Its director general, Jacques Diouf, fought hard not to be stripped of his responsibilities by Ban Ki-moon. In this context, the FAO strengthened the Committee on World Food Security (CFS), created after the 1974 World Food Conference to monitor the world food situation. The reform, supported by France, opened the CFS to different players in the world food system. The CFS became an immense forum bringing together players from civil society, NGOs and the private sector. However the representatives of these groups on the CFS are appointed according to the FAO pyramidal process, beginning with countries and then passing down through the major regions of the world. Even though pleasant surprises are always possible, this system of selection produces more bureaucracy than creativity or originality. The reform of the CFS has been approved by NGOs because it offers them an echo chamber. But the machine does not switch into action. France has also encouraged the creation, on 3 September 2010, of the High Level Panel of Experts on Food Security and Nutrition (HLPE). The CFS is chaired by Noel De Luna. Dr S. Swaminathan, father of India’s green revolution, was elected chairman of HLPE.

This group of experts is the operational expression of the idea of a “IPCC for food security”, in other words, an international scientific expertise on the model of the Intergovernmental Panel on Climate Change, the IPCC. The reference to the IPCC was later dropped but the idea of collective expertise has survived and the FAO has been able to organise it. The HLPE should eventually produce analyses and research to serve as references.

The third player is the World Bank, which created the GAFSP – the Global Agriculture & Food Security Programme, in application of the declaration of the G20 Pittsburgh Summit. The capacity for action lies at the heart of Washington, in this triangle where the White House, the World Bank, the IMF and the U.S. administration can be found. The special fund is not a coordinating body: it is much better than that, because it has both a limited governance and a financial power.

The fourth element in the landscape is the Aquila Food Security Initiative, the AFSI. The AFSI is not an institution. It is an initiative launched by the G8 and supported by a specific group of countries. The implementation of the AFSI is supposed to be monitored by experts mandated by the countries concerned. This monitoring will record the declarations of the donors and in particular their bilateral programmes. Donation from the GAFSP, managed by the World Bank, is just an additional option.

France promoted the idea of the world partnership on food security following the intervention of Nicolas Sarkozy, on 6 June 2008, at the Summit called by the FAO, in Rome, because of the food crisis. Within this context, France supported the reform of the CFS and the creation of the HLPE.

In the description of these recent initiatives, we see the competition between the World Bank and the FAO. In broad terms, the United States tend to turn to the World Bank while most Europeans and in particular the French prefer to support the FAO.

The second significant group in the landscape is the financial backers. And here we see a major player which is the European Commission. It would be nice to say the European Union, if the Europeans, Member states and the Commission, united their efforts and sang the same song. Unfortunately this is not the case. Yet the Commission managed to mobilise a special credit of 1 billion euros late in 2008. This is the "Food Facility" the use of which will run out at the end of 2011. One billion euros of subsidy is more than the donation to the world programme for agriculture and food security. And yet the European Union has been notably absent from the debate in the last two years. The way these credits were mobilised has deprived them of much of their operational and political impact. The time it took to put in place the new European External Action Service provided for in the treaty of Lisbon is no doubt partly responsible.

We must hope that the reform bringing together the Directorate General for Development and the European Agency for Cooperation (AIDCO) will give the European Commission back its strategic and operational capacities.

Two comments must be added. The first one concerns the relaunch of public aid to agriculture. This relaunch is slow, inadequate, disorganised and difficult to assess. Too often it still means conformist projects. Yet it cannot be denied that some recovery is under way and institutions like the IFAD (International Fund for Agricultural Development) or the African Development Bank will benefit from new loans. Similarly, several countries like the United States with the "Feed the Future" programme, and Spain, have boosted their actions for food security.

The second comment comes back to the GAFSP, the global programme run by the World Bank, which is the most important institutional innovation. It has two advantages: its funds are subsidies, whereas previously the Bank could only offer loans. It supports national agricultural policies, in particular the national programmes arising from the CAADP (the Comprehensive Africa Agriculture Development Programme). The fund will attract public money from many countries which do not have their own capacity to manage the aid.

At the same time the GAFSP will enjoy the strategic capacity of the World Bank, its position of leader among the financial backers, and substantial funds. It will therefore play a major role of orientation. For the time being, the principles of implementation seem to consist more of procedures than any strategic orientation of agricultural policies. It would be a pity if this centre of power were not also a centre of innovation.

Does this multiplicity of institutions merely reflect the competition between institutions or individuals, or does it also correspond to differences in approach? The main distinction relates to the link between food security and agricultural activity. On the one hand, an essentially social or even humanitarian concept of food security limits the input of international aid to those actions aimed at relieving populations suffering from hunger. This concept derives from the Millennium Objectives for Development which are above all social objectives. This approach sees agriculture as part of the market economy and private investment. One extreme position consists in restricting public intervention to food aid and emergency situations. This is the role of the World Food Programme (WFP). In 2008, the only credits which were decided quickly were essentially those benefiting the WFP. For a long time this was one of the United States' forms of intervention by which they disposed of their surplus production and made food aid a political instrument.

The European Commission prefers to support vulnerable populations by helping rural families suffering from hunger to satisfy their needs with their own production. This is a restricted view of food self-sufficiency, curiously approved of by many French NGOs. It mobilises part of the programmes and credits of the FAO. But this institution does not finance only this type of project. On the other hand, IFAD has to limit its intervention to rural poverty.

The other concept considers that solving food security in the long term can only come from the economic development of the local agricultural industry. By helping family farms and agricultural organizations to become economic players, the situation of dependency will be reversed. Food crops need to become commercial products on national and regional markets. The spirit of enterprise needs to be developed. But food-producing businesses suffer from such a dearth of finance and capital that international public aid and national budgets are needed to support agricultural investment.

This concept corresponds more closely to the approach of the World Bank. It was stated two years ago by the United States in their new strategy for food security and agriculture, entitled "Feed the Future". It largely corresponds to the strategy of the Bill & Melinda Gates Foundation and the Alliance for the Green Revolution in Africa. Understandably, it is also the position of FARM.

The second distinction concerns the attitude towards systems of production and intensification. Should public loans support the use of means of production such as fertilisers or improved seeds, and existing technologies more broadly? Or should they be limited to stimulating the conversion of systems of production along ecological lines? Friends of the environment tend to project western concerns onto agricultures which have not yet begun to intensify. This would lead to keeping them in an impasse of poverty and food insecurity in the name of preserving the world's natural resources. This is self-contradictory. Players in good faith who know the realities on the ground share a moderate position on this question, but official statements place sustainability before food security and serve as an excuse for aid agencies to restrict their activities to supporting agro-ecological projects.

Conclusion: The international community has been awakened by the food crisis. It has generated a set of initiatives justified by food security. This multiplicity of reactions has not improved coordination. It makes it more costly, dissipates resources and dilutes decision-making. But above all, it has not resolved the ambiguities which persist between the momentary fight against hunger and the structural support to agriculture.

7. Confidence – the key to re-conquering agricultural budgets

The way the international community handles food security comes into conflict today with a problem of credibility. The successive declarations by international bodies since 2008 have lost much of their credibility because the commitments have not been kept. And yet abandoning them would be the worst of all solutions. This is why I would like to come back to a few fundamental ideas.

First idea: international public aid remains indispensable. The level of budget devoted to agriculture must be raised. This can be done. True, the fact that the commitments of the Aquila Initiative for Food Security have not been met is a poor indicator. On the other hand, we should recognize that the bleeding has been stemmed, that international aid has begun to rise slightly. Decisions have been taken by the United States, Spain and the European Union. Third world aid is one of the few budgets that David Cameron's government in Britain has spared from his swingeing cuts. The Member states have raised their contributions to the IFAD and the African Development Bank. Other development banks are redirecting loans towards agriculture.

Let us look at the figures. Public aid to development reached 120 billion dollars in 2009. The final figures for the 2010 financial year are not yet known, but commitments amounted to 145 billion dollars. In 2008, aid to agriculture represented 7 billion dollars or 6% of the total. The Aquila commitment cites the figure of 20 billion in three years. And this is less than the estimate of the FAO which is asking for 40 billion a year. And these figures are not disproportionate. If we supposed that the entire growth from 2009 to 2010 was devoted to agriculture, the figure would rise from 7 to 32 billion and would approach the FAO target.

The inertia can be explained – though not excused – by the financial crisis or the slow process of redeploying budgets. Even if we must conclude regretfully that food security never triggers instant decision-making like banking or economic risks do. But the target is still realistic. The same applies to national budgets. The countries of Sub-Saharan Africa regularly reaffirm their commitment to raise agriculture's share of their national budgets to 10%. It must be recognized that in 2008 several of them decided, as an emergency measure, to subsidize fertiliser, despite the reluctance of their financial backers. Part of the money for these measures comes from budget aid. The International Monetary Fund has relaxed its position which was that budget aid was conditional on economic reform.

One trend has been reversed. The banking crisis is over but the debts owed by developed countries remain a threat. Although we cannot hope for spectacular payouts, at least the Member states of the G20 should remain committed to scrupulously keeping their promises because this is the first step in re-establishing confidence. The G20 can still turn up the pressure and the monitoring mechanisms to take this to a new level.

The second lack of confidence is the proper use of loans. Financial backers and national governments are on opposite sides and pass the buck back and forth for this mistrust. Excessive accounting procedures and controls and poor coordination (whatever they say) on the part of backers, poor governance, absence of priorities and indecision on the part of national governments. And excessive reliance on technocracy on both sides, each in their own way.

My conviction is that it is crucial to re-establish confidence and that to do this means first that politics, in the best sense of the term, should prevail. Flexibility on one side or austerity on the other will not be enough, even if enormous headway has to be made. It is a shared reliance on a credible concept of new agricultural policies, carried through by political leaders, which will rebuild confidence. From this point of view, the G20 suffers from a lack of long-term vision and innovative proposals. This is a pity, because it could offer this political framework which world agriculture needs. Especially since development circles can no longer manage to provide this impulse because they have fallen into the trap of over-reductive social thinking. The G20 could provide this vision in close association with the agricultural professions, by emphasizing the convergence of interest and sharing experience and knowledge.

The re-establishment of confidence means, in fact, a change of attitude towards professionals and businesses in the agricultural sector, whether cooperative or private firms, or trade unions. Certain negotiations are bound to remain the responsibility of political leaders and governments. Horses for courses. But the designing and managing of programmes would gain a great deal from being prepared with those involved. And not in forums where nothing operational is decided and where the representation of civil society is monopolised by a few spokespersons from NGOs.

The third problem is that of the very nature of the forms of agricultural production. A few controversies are splitting the development world: family farms opposed to agribusiness; labour-intensive agriculture against mechanised agriculture; producing more or eating less; producing more or wasting less, and so forth. But these debates are not paralysing the decision-makers. Whereas fear of intensification is acting like a terrible virus in the decision-making synapses. How can we escape? A first response is to acknowledge the diverse range of agricultures in the world. This would mean giving the differences in development a major role in defining aid programmes. The second response would be to determine targets with the agricultural organizations in the countries of the South. These know the most pressing needs of local communities and I have often noticed that they are capable of more realism and pragmatism than the movements of the North. It is true that these farmers are concerned with their everyday lives. But the chances of successful investment also depend on their commitment. This supposes at least that we start from their determination.

In conclusion, the G20 should not relax its efforts to help the development of agriculture. But the change of scale will come by re-establishing confidence between the stakeholders and this means an upsurge of policy on the one hand, and a constructive attitude which gives priority to agricultural organisations on the other hand.

8. For "probusiness" agricultural policies – that is, new public policies favourable to the economic development of agriculture.

The G20 could make a declaration with a general bearing on agricultural policies for the attention of all world leaders whether those are international organizations, regional unions or national governments.

Let us sum up the diagnosis:

- The agriculture and food industry suffers from a lack of economic efficiency. National and regional markets are the key to food security.
- Trade in local food products, in the broadest sense of the term, should be at the heart of the food supply to cities and the source of income for farmers.
- Powerful public policies must be re-established to stimulate the activity of professional agricultural organizations and the private sector[7].

I propose to use the term "probusiness" for these new public policies. As it comes to agriculture, they are inspired by several principles.

- These policies are "probusiness"[8] because they try to encourage economic activity and, as Professor Dani Rodrik says, "focus on raising the profitability

[7] Here we should clarify the definition of agricultural organizations. One narrow definition restricts it to the farmers' unions. This is generally the meaning of the phrase in France. A broader definition, current in the development world, includes all the entities, including those with economic activities and in particular the agricultural cooperatives. Accepting this meaning makes it diffcult to use the term "agricultural business", too similar to agribusiness. I use the expression "professional organizations" or "agricultural organizations" in its wider sense, including cooperatives and companies involved in the business of agriculture.

[8] The expression "probusiness" is an expression taken from Dani Rodrik, professor of international political economy at Harvard University, and from Arvind Subramanian, a member of the IMF Research Department. In a paper entitled "From "Hindu Growth" to Productivity Surge: the Mystery of the Indian Growth Transition" (IMF Staff Papers, Vol. 52, Number 2, 2005), the authors hypothesise that the economic growth of India was triggered by a change of attitude by the government towards private enterprise in the early 1980s. The authors draw a distinction between promarket and probusiness (or pro-enterprise) orientation. "The former focuses on removing impediments to markets and aims to achieve this through economic liberalization. It favors new entrants and consumers. A probusiness orientation, in contrast, focuses on raising the profitability of the established industrial and commercial establishments. It tends to favor incumbents and producers." It should be noted that the translator of Dani Rodrik into French used the expression probusiness, rather than pro-enterprise. We have adopted the same term, which we feel reflects adequately our approach.

of the established industrial and commercial establishments". I would add: "...and the profitability of farms and agricultural organizations, whether or not they have a mutualist status".

- These policies are devised in the context of market economy. They are "post-liberalization" policies in the sense that they do not resort again to government controls or to the setting, for example, of guaranteed prices.
- These policies are distinguished from "promarket" policies because they can (and should) use measures to protect sensitive local production by implementing, for example, the special safeguard measures allowed by the World Trade Organization. These protective measures do not aim to guarantee incomes, but to consolidate the competitiveness of local businesses.
- These policies attract large public budgets, which prioritize food production.
- These policies are mainly translated as public-private partnerships. This expression may sound like a cliché but it expresses the combination of public legislation and financing on one hand, and private investment and management on the other.

These approaches can be illustrated by a few priority areas. Three subjects are worth paying fresh attention to, in addition to the reinforcement of public infrastructures which are known to be indispensable.

- Access to agricultural credit. A global policy of financial provision should take account of the different categories of farms and agricultural organizations which contribute to the economy, whether cooperative or private. That is because, at the moment, only commercial, export-oriented agriculture attracts conventional loans. Even microfinance is ill-adapted to cereal crops with a cycle of 6 to 9 months. For their part, professional for-profit groups and mediumsized farms are still too under-capitalised to provide the collateral demanded by banks. The banking products available today do not respond to the specific needs of emerging agricultural cooperatives. So we need to devise a complete financing system, including preferential loans, the creation of guarantee funds using public money and the management of loans by local merchant banks. This is an excellent subject for public-private partnership dealing with law, regulations, finance and contracts. Let us campaign for a G20 programme "access to agricultural credit for all".
- Agricultural insurance. Food crops and the peasants who grow them in developing countries are among the activities the most exposed to climatic and economic risk. In the absence of a safety net, farmers minimize their risk, limit their investment and so do not intensify their systems of production. This is one cause of the low yields of food agriculture in poor countries. This situation is well-known and various pilot projects are carried out, often financed by foundations. These offers of insurance present several advantages such as individual responsibility, learning the rules of management, the possibility of linking insurance to innovation, investments or loans. But in all cases, these schemes require subsidies. They cannot be economically self-supporting. The pilot projects remain very limited in size and only reach a very small number

of beneficiaries. So small that it cannot serve as a motive power for developing agricultural businesses. It serves as a reference for those who have launched businesses. The change of scale requires a large input of public funds. This would be the aim of a G20 programme “insurance against risk in agriculture”.

- The strengthening of agricultural organizations that are economically successful. Developing countries cannot set up public instruments to guarantee prices. The best way to help the agricultural and food industry to resist price fluctuations consists of increasing the capital owned by the economic players – cooperative or private – which make up this industry. At the present time, the vast majority of these organizations do not have the minimum of equity capital to enable them to trigger this growth. Also, this gap prevents them, and will continue to prevent them, from benefiting from investment funds like those which the African Development Bank, the French Development Agency and the Bill & Melinda Gates Foundation have recently created. The process of supporting agricultural organizations should involve national legislation, public subsidies, joint-trade associations, support to private management, and marketing systems. A G20 programme “successful agricultural organizations” would pump-prime this movement.

At this stage, the question arises of financial mechanisms to stabilize prices. A fund to smooth cotton prices has been set up in Burkina Faso with the support of the French Development Agency and the participation of the Burkina Faso joint-trade cotton association. This smoothing fund has benefited from a public subsidy. From then on it must be self-financing. Could the cotton smoothing fund inspire similar schemes for food producers?

This idea is one of the avenues that should be explored, but I think it is premature to see it as a credible solution to cushion the impact of volatility for farmers. Such an innovation only has a chance of succeeding if it is based on agricultural structures that already have sufficient economic capacity. This is why the strengthening of successful agricultural organisations seems to me a prerequisite.

So the G20 could state that the design of new agricultural policies is necessary to meet the challenges of food security and agriculture. These agricultural policies should be aimed at economic development. The policies must set up new public instruments to support professional players, public or private. The international community undertakes to contribute to these public instruments by supporting public-private action programmes in three priority areas: access to agricultural credit for all, assurance against risk in agriculture, and successful agricultural organizations.

Conclusion

Being on the G20 agenda could be a boon to agriculture, which could thus gain or regain a pride of place for policy makers. The introduction of agriculture through the fight against the excessive volatility of commodity prices may be an opportunity, given the historic centres of interest of the G20 and the situation of the markets. But this line of attack is too narrow to deal with food security and the future of agriculture in the world. Not only do prices fluctuate, but they move upwards. This is due to the tension between evergrowing demand, and supply which is levelling out. This loss of steam in the increase of production is due to a fall in the financing of agriculture, whether in developing countries' national budgets or in international public aid. Furthermore, production is badly distributed and, more seriously, access to finance is also badly distributed. Farmers in poor countries, which are mostly rural and very dependent on food imports, are deprived of finance. They too have to face erratic markets, but the causes of the fluctuations on those markets are endogenous and not closely linked to the factors causing instability on the international markets.

The G20 can act by dealing with agriculture as a whole and by ensuring that the interest for agriculture is long-term. It can immediately recommend a relaunch of investment in agriculture and the formulation of new "probusiness" agricultural policies, favourable to the economic development of agriculture. It can also make sure that Member states meet their commitments. In addition, the G20 can ask international organizations to redirect their strategy to support national and regional agricultural policies that move in this direction.

The last chapter indicates three measures that illustrate the possibilities of partnership between the public sector, agricultural organizations and the private sector. These three measures could lead to three global programmes named "access to agricultural credit for all", "insurance against risks in agriculture" and "successful agricultural organizations".

But the most-pressing issue is to re-establish confidence. Confidence in agriculture and in farmers, confidence between them and the rest of society. The G20, which accounts for 85% of the world economy but represents only 65% of the world population, has the responsibility of giving the peasants of the world confidence in their own future.

Foundation for Agriculture and Rurality in the World

FARM is a non-profit-making foundation, recognized officially as an organization of common public interest, created in 2006 by five French companies: Crédit Agricole SA, GDF SUEZ, the Casino group, Limagrain Vilmorin and Air France, with the support from the French Development Agency (AFD) and the French Government.

The mission of FARM is to promote worldwide agricultures and agri-food industries that are efficient and respectful to producers. FARM promotes an economic approach to agricultural businesses and the diffusion of entrepreneurial spirit. FARM acts through research, projects, conferences, the development of pilot projects and the training of agricultural leaders.

The foundation's resources come from the founder members, business sponsorship, individuals and public bodies.

France has made the fight against the volatility of agricultural commodity prices a priority for the G20, which it chairs in 2011. Is it an opportunity for agriculture or a wrong target? Above all, the challenge for the world is improving food security and, in the same time, the income of farmers in poor countries. The insuficiency in food production comes firstly from a lack of financing of agriculture. Can the G20 relaunch investment and propose a fair and equitable regulation of commodity markets? How can "probusiness" agricultural policies be promoted that are favourable to the economic development of food agriculture?

Bernard Bachelier has been the director of FARM (the Foundation for Agriculture and Rurality in the World) since it was created in 2006. An agronomist, he has devoted his career to agriculture in developing countries. He was director general of the Centre for International Cooperation in Agronomic Research for Development (CIRAD) from 1996 to 2002.

FARM
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