

RELEASE IN FULL

From: Mills, Cheryl D <MillsCD@state.gov>
Sent: Thursday, October 14, 2010 7:14 AM
To: H
Subject: FW: Financial Times Editorial on Food Security

See highlighted area of editorial

From: Huang, Cindy Y
Sent: Thursday, October 14, 2010 5:21 AM
To: Mills, Cheryl D
Cc: Klevatorick, Caitlin B
Subject: Fw: Financial Times Editorial on Food Security

So exciting that S was singled out for praise! Thanks to Caitlin who did the background heavy lifting on this (related to the earlier piece on Haiti and food security)!

From: Clark, Jeanne L
To: Huang, Cindy Y; Nagy, Eleanor
Sent: Wed Oct 13 23:34:49 2010
Subject: FW: Financial Times Editorial on Food Security

I wanted to make sure you both saw this Financial Times editorial. This is the most resounding endorsement of Feed the Future I've seen in a major paper.

Regards,

Jeanne

Food security

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The spectre of a global food crisis has reared its head again. Soaring corn prices, which on Monday recorded their biggest one-day rise since 1973, have triggered fears of a return to the turmoil of 2007-2008. Far-reaching measures are needed to prevent a recurrence.

Rising prices over the last decade are in part the result of burgeoning demand from emerging markets such as China and India. The emergence of commodities as a distinct asset class has also put upward pressure on prices. Commodity index-fund investment has soared over the last decade. Non-food commodities, in particular metals, have been equally affected. Copper and tin prices hit record highs last week.

Shocks on the supply side, in particular adverse weather events, have also contributed. Droughts in eastern Europe and heavy rains in North America this summer sent grain and oilseed prices soaring.

In the long run the market is likely to respond to higher prices by boosting production. Increases in productivity and innovations such as genetically modified crops will help supply to catch up with demand, bringing food prices down to

more affordable levels.

But governments need to do a better job of managing shocks when they occur – and in doing so must not suppress the price mechanism. Actions taken to alleviate shortages have often undermined production when it is most needed. Export bans, such as that introduced by Russia in August, discourage productive investment by denying producers the windfall of selling to international markets. Direct food aid does the same by undercutting farmers in developing countries.

A mechanism is needed to keep markets open during volatile periods, however politically difficult this is. Rich countries should also continue to replace food aid with development assistance that boosts agricultural productivity. Initiatives such as Hillary Clinton's Feed the Future programme, which aims to give small-scale farmers access to new technologies, are much needed.

Poor countries are not without remedy. Larger food reserves will help to relieve shortages. Investing in irrigation and other measures to improve land quality will accelerate productivity growth. Rich countries should help to finance such investments.

We are beginning to realise that the era of food surpluses has come to an end. How policymakers respond will determine whether the turbulence of recent months becomes a regular occurrence.