

# Food Security and Policy

balancing farmer and consumer interests

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# Price matters

- Price changes always equalize supply and demand.
- Food is sufficient for the world population. **Obesity and waste** in developed countries but, in contrast, **hunger and loss** in developing countries.
- The poor in developing countries **cannot afford to buy food at world prices**. The prices are too high for them. “Food security” is used in this sense in the FAO..

# What does food security consist of?

- Food security consists of food **affordability** and **accessibility**.
- Some nations lack both.
  - (1) Some people in developing countries **cannot afford** to buy food. A food crisis occurs when food prices soar as in 2008..
  - (2) Some people in developing countries **have no access** to food due to the lack of transportation or distribution infrastructure, even when food is delivered at ports.
- **Economic growth and/or building infrastructure** is essential for overcoming a food crisis.

# Accessibility matters for importing countries

- There is, however, the case when Japan **cannot gain access to food even with plentiful monetary resources.**
- This situation can be caused by **physical disruption of imports** such as strikes at the ports of exporting countries or by **closure of sea-lanes** by military offensives. This can happen not only to Japan but to any other importing country.
- We would have no other way to expand our food production in food crisis. This, however, needs **agricultural resources for production.** By what means?

# Two scenarios of high food prices

- **In the long run**, food supply **may be insufficient** for the growing world population. On average, prices might be too high for the poor.
  - **Investment and innovative technologies**
- **In the short run**, the issue is **volatility**. Occasionally, food prices soar as in 2008, while they are low on average.
  - **Stockpile**

# Trade policies make food prices more volatile

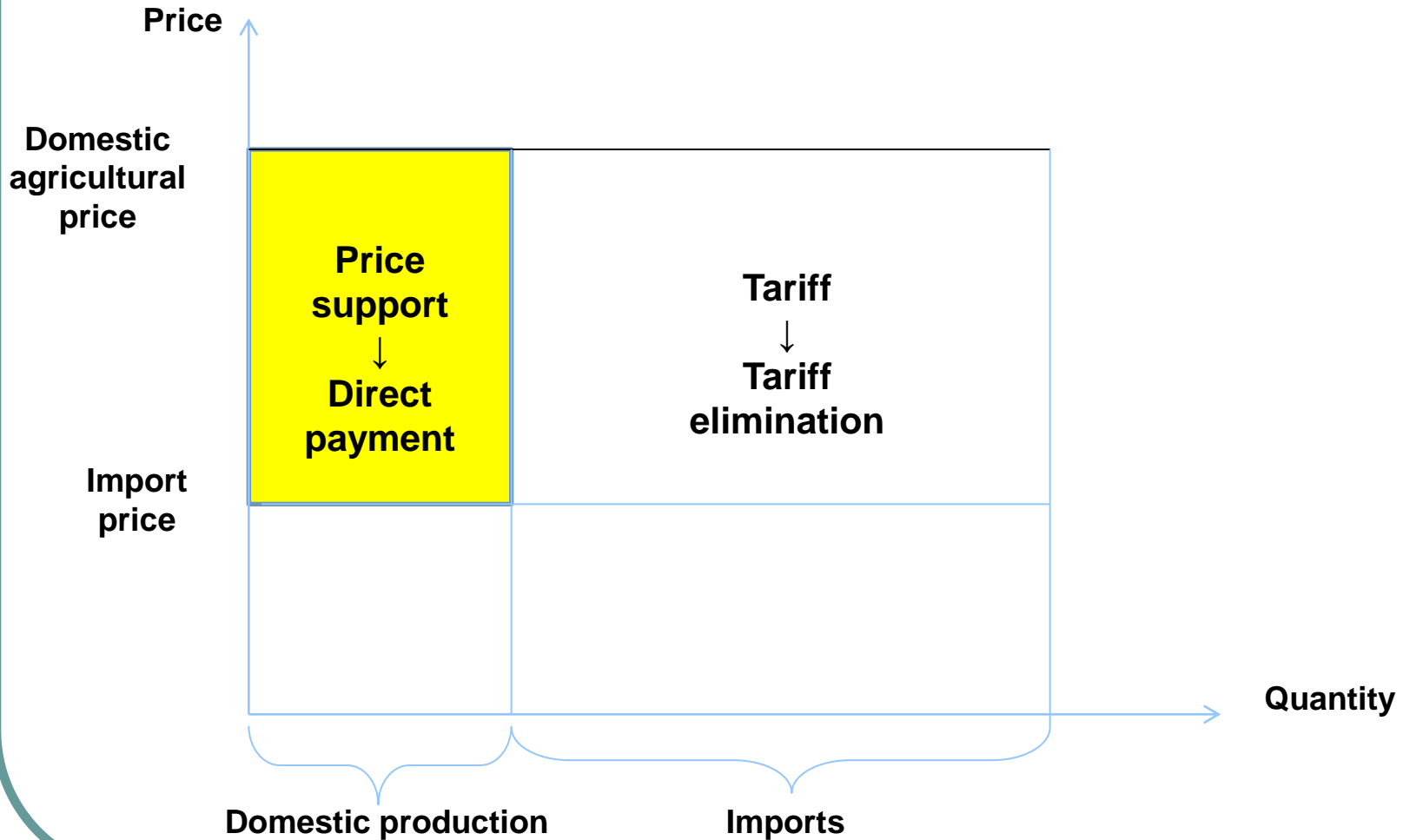
- In the period of **food surplus**, a country tries to stop inexpensive imports and isolate its domestic market from the international market by **tariffs** in order to protect agriculture. This diminishes the demand in the international market with the result that **world prices may further fall**.
- In the period of a **food shortage**, on the other hand, a country tries not to export either by **export tax** or **export restriction**. This decreases supply in the international market with the result that **world prices may further rise**.

# Comparison of agricultural policies

Country	Japan	US	EU
Decoupled direct payments	No	Yes/No	Yes
Environmental direct payments	Partial	Yes	Yes
Direct payments for less favorable regions	Yes	No	Yes
Production restriction program for price maintenance	Yes	No	No
Tariffs* over 1000%	1 (tubers of konnyaku)	None	None
Tariffs of 500-1000%	2 (rice, peanuts)	None	None
Tariffs 300-500%	2 (butter, pork)	None	None
Tariffs of 200-300%	6 (wheat, barley, skim milk powder, starch, beans and raw milk)	None	None

\* Specific tariffs are applied to tariffed products in Japan. Here, these specific tariffs are estimated as their equivalents of ad valorem tariff rates, taking into account international prices.

# Change from Price Support to Direct Payment eliminates Consumer Burden.





# Price Support backed by Tariffs vs. Direct Payments

- Price support higher than an international price decreases demand for its own agricultural industry. Japan's farmland indispensable for food security declined from 6.1 million hectares to 4.5 million hectares from 1960 to 2005.
- **Direct payments to farmers do not distort the market.** They will directly address and target **the real needs, such as the farmer's income and food security.** The reduction of price and cost would make agriculture more competitive in the world market.

# Free Trade is a basis for Food Security

- In normal times, we import wheat and beef and export rice by reducing its cost under free trade. In case of a food crisis where Japan can no longer import due to the disrupted transportation, **Japan will stop exporting rice and rather start consuming it in order to survive.**
- Free trade does not help an importing country during such a crisis, but **exporting some products in normal times under free trade maintains agricultural resources in case of need.**
- **Free trade is indeed a basis of food security.**