

CENMUN 2023



FOOD AND AGRICULTURE ORGANISATION

AGENDA: DISCUSSING THE GLOBAL FOOD INFLATION
AND ITS IMPLICATIONS

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Message from the Executive Board

Greetings Delegates, It is a pleasure to welcome you to the United Nations Food and Agriculture Organization. I hope this letter finds you in the best of health and spirits. On behalf of the Executive Board of the Food and Agricultural Organization (FAO), it is my privilege to extend a warm welcome to all delegates participating in the CEN Model United Nations Conference. We are excited to bring together passionate and dedicated individuals to engage in productive discussions and creative problem-solving within the realm of global food security, agriculture, and sustainable development

The FAO committee holds a pivotal role in addressing some of the most pressing challenges our world faces today. With the increasing demands of a growing population, the necessity for sustainable agricultural practices, equitable food distribution, and the mitigation of climate change impacts have become more critical than ever. As participants of this committee, you are tasked with the responsibility of formulating innovative solutions to these multifaceted issues, while considering the intricate interplay between social, economic, and environmental factors.

Engaging in diplomatic negotiations, effective communication, and cooperative problem-solving will be the key to achieving meaningful resolutions during the committee sessions and we hereby remain confident that your dedication, enthusiasm, and innovative ideas will contribute significantly to the success of this committee and the conference as a whole.

We welcome you to CENMUN '23, as well as our committee. This agenda has been specifically picked to allow those who have little experience with MUN to weigh in on the topic and its many facets, without descending into too many technicalities. To dream, to compete, to achieve. We hope to see you all in September in what is assumed to be one of the great committees of our time.

Regards

Chairperson: Mr. Tarun Srivastava

Vice Chairperson: Ms. Pratishtha Arora



ABOUT THE COMMITTEE

The Food and Agriculture Organization (FAO) is a specialized agency of the United Nations that focuses on international efforts to eliminate hunger, improve nutrition, promote sustainable agriculture, and enhance food security worldwide. Established in 1945, the FAO operates under the principle that access to safe and nutritious food is a fundamental human right.

The FAO works in collaboration with governments, international organizations, civil society, and the private sector to address various challenges related to food and agriculture. Its main objectives include:

1. **Eradicating Hunger:** The FAO aims to eliminate hunger and malnutrition by promoting policies and initiatives that improve food availability, accessibility, and utilization.
2. **Promoting Sustainable Agriculture:** The organization advocates for agricultural practices that are environmentally sustainable, economically viable, and socially responsible. This includes promoting methods that preserve soil health, conserve water, protect biodiversity, and reduce the use of harmful chemicals.
3. **Enhancing Food Security:** The FAO works to ensure that all people have consistent access to enough food to lead active, healthy lives. This involves addressing issues such as food distribution, storage, and availability, particularly in regions prone to food shortages.
4. **Supporting Rural Development:** The FAO focuses on improving the livelihoods of rural populations, including smallholder farmers and rural communities, by providing technical assistance, training, and access to resources and markets.
5. **Managing Natural Resources:** The organization is dedicated to the responsible management of natural resources such as land, water, and forests, to ensure their long-term sustainability for future generations.

6.Fostering International Cooperation: The FAO serves as a platform for countries to collaborate on addressing global food and agriculture challenges. It facilitates the sharing of knowledge, expertise, and best practices among its member countries.

The FAO conducts research, collects and analyzes data, develops technical guidelines, and provides capacity-building assistance to countries around the world. It also assists in responding to food crises and emergencies, such as natural disasters and conflicts, by coordinating humanitarian efforts to ensure affected populations have access to food and other essential resources.

The FAO's work contributes to the United Nations' Sustainable Development Goals (SDGs), particularly Goal 2 ("Zero Hunger") and Goal 12 ("Responsible Consumption and Production"). Through its efforts, the FAO plays a crucial role in addressing some of the most pressing global challenges related to food security, agriculture, and sustainable development.

AGENDA FOR THE COMMITTEE

Agenda : Discussing the Global food inflation and its implications.

BACKGROUND

In recent years, the world has been grappling with a trifecta of unfortunate issues Global food inflation, Climate Change and Agriculture, Hunger and Food Insecurity, problems with Global Trade and Subsidies, lack of Funding and Resources, Inaccurate Data Collection and Analysis, Rural-Urban Migration.

These problems have far-reaching consequences, affecting communities, families, and individuals alike. Let us delve into the grassroots of each problem thus understanding the origins in depth.

GLOBAL FOOD INFLATION

Global food inflation refers to the sustained increase in the prices of food items on a global scale. It is measured by tracking the changes in the Consumer Price Index (CPI) or Food Price Index (FPI) over time. Food inflation can have significant economic, social, and political implications as it directly impacts the cost of living for people around the world, particularly those in lower-income countries who spend a larger portion of their income on food.

Several factors can contribute to global food inflation:

- **Supply and Demand Imbalances:** When the supply of food is insufficient to meet the demand, prices tend to rise. This can be due to factors such as adverse weather conditions (droughts, floods), pests and diseases affecting crops or livestock, disruptions in transportation and distribution networks, and changes in dietary preferences.
- **Rising Production Costs:** Increases in the cost of inputs like fuel, fertilizers, and labour can lead to higher production costs for farmers. These increased costs can be passed on to consumers in the form of higher food prices.
- **Trade Policies and Export Bans:** Export restrictions imposed by some countries to ensure domestic food security can reduce the global supply of certain food products, driving up prices on international markets.
- **Currency Fluctuations:** If the value of a country's currency decreases relative to other currencies, it can lead to higher import costs for food commodities, contributing to food price inflation.
- **Speculation and Financialization:** In some cases, speculation in commodity markets by investors seeking profit can lead to increased volatility and higher food prices.
- **Energy Prices:** Fluctuations in energy prices can impact the cost of food production, transportation, and distribution. For example, higher oil prices can increase the cost of fuel for tractors, trucks, and ships used in the food supply chain.
- **Climate Change:** Changing climate patterns can lead to crop failures, reduced yields, and disruptions in agricultural production, ultimately affecting the availability and prices of food.

- **Political and Geopolitical Factors:** Political instability, conflicts, and trade tensions between countries can disrupt food supply chains and lead to localized shortages, thereby influencing food prices.
- **Globalization:** The interconnectedness of the global economy means that events in one part of the world can have ripple effects on food prices in other regions. For instance, disruptions in one major exporting country can impact the global supply of certain commodities.

It's important to note that the causes and effects of food inflation can vary widely across different regions and time periods. Governments, international organizations, and policymakers often closely monitor food price trends and take measures to mitigate the negative impacts of food inflation, such as implementing price controls, providing subsidies, promoting sustainable agricultural practices, and improving food distribution systems.

According to recent reports, Domestic food price inflation remains high around the world. Information from the latest month between February 2023 and May 2023 for which food price inflation data are available shows high inflation in most low- and middle-income countries, with inflation higher than 5% in 63.2% of low-income countries, 79.5% of lower-middle-income countries, and 67% of upper-middle-income countries, with many experiencing double-digit inflation. In addition, 78.9% of high-income countries are experiencing high food price inflation. The most-affected countries are in Africa, North America, Latin America, South Asia, Europe, and Central Asia. In real terms, food price inflation exceeded overall inflation in 80.1% of the 166 countries where data is available.

Since the last Update, two weeks ago, the agricultural, export, and cereal price indices closed 6%, 4%, and 10% higher, respectively. An increase in maize and wheat prices, which closed 12% and 14% higher, respectively, after declining in the first half of July, drove the increase in the cereal price index, whereas rice prices have remained stable. On a year-on-year basis, maize and wheat prices are 15% and 17% lower, while rice prices are 16% higher. Maize, wheat, and rice prices are 8%, 11%, and 3% higher, respectively, than in January 2021. (See “pink sheet” data for agricultural commodity and food commodity prices indices, updated monthly.)

FAO's 2023 State of Food Insecurity and Nutrition in the World report highlights the state of global hunger and food insecurity and the challenges and opportunities that urbanization presents in the context of agrifood systems. Global hunger, measured according to the prevalence of undernourishment, remained relatively unchanged from 2021 to 2022 but is still significantly higher than before the pandemic. Approximately 9.2% of the world's population faced hunger in 2022, compared with 7.9% in 2019.

Moderate or severe food insecurity affected 29.6% of the global population (2.4 billion people) in 2022, with 11.3% being severely food insecure. Food insecurity disproportionately affects women and people in rural areas. More than 3.1 billion people worldwide (42%) were unable to afford a healthy diet in 2021 (134 million more than in 2019).

Impact of Urbanization

Urbanization is driving changes in agri-food systems, presenting challenges and opportunities. Challenges include availability of cheap, energy-dense, unhealthy foods; limited availability of fruits and vegetables; exclusion of small farmers from formal value chains; and loss of land and natural capital due to urban expansion. Urbanization also provides opportunities for income generation, expanded food value chains, and access to nutritious foods for farmers.

The effect of Urbanization on Food and Agriculture is both positive as well as negative.

Positive Impacts of Urbanization on Food and Agriculture:

1. **Increased Demand for Food:** Urbanization typically leads to a larger and more concentrated population, resulting in increased demand for food. This can incentivize farmers to produce more to meet urban food requirements, potentially boosting agricultural productivity and income.
2. **Market Access:** Urban areas offer better market access, allowing farmers to sell their products more easily. This can lead to increased incomes for farmers, which in turn can stimulate economic growth in rural areas.
3. **Technological Advancements:** Urbanization often fosters technological advancements, including innovations in agriculture. These innovations, such as precision farming and urban agriculture, can improve food production efficiency and reduce waste.
4. **Diversification of Diets:** Urbanization often exposes people to a wider variety of foods. This can lead to diversified diets, which can be beneficial for nutrition and health.

Negative Impacts of Urbanization on Food and Agriculture:

1. **Land Conversion:** As cities expand, they encroach upon agricultural land, reducing the available space for farming. This can result in decreased agricultural production and increased pressure on the remaining arable land.
2. **Food Price Volatility:** Urbanization can lead to fluctuations in food prices. Increased urban demand can drive up food prices, potentially contributing to inflationary pressures.

Now, let's consider the relationship between urbanization, food, agriculture, and global inflation:

Impact on Global Inflation:

1. **Positive Impact:** Increased agricultural productivity due to urbanization can potentially lead to a stable or even decreased supply-side inflation in the global food market. If urbanization encourages technological advancements in agriculture, it can lead to more efficient production methods, which could help stabilize or lower food prices.
2. **Negative Impact:** On the other hand, if urbanization results in land conversion and environmental degradation, it can reduce agricultural productivity. This reduced supply can drive up food prices globally, contributing to inflation, especially in regions that rely heavily on imported food.
3. **Mixed Impact:** The impact of urbanization on global inflation can vary depending on local and global economic conditions, government policies, and international trade dynamics. It's important to consider the broader economic context when assessing its influence on inflation.

In conclusion, urbanization has both positive and negative impacts on food and agriculture, which can, in turn, affect global inflation. The overall effect depends on various factors, including the pace of urbanization, agricultural practices, and government policies. Monitoring these trends and their economic consequences is essential for understanding their impact on inflation at regional and global levels.

Historical Crisis

1. 2012 United States Droughts (Direct)

The severe drought that occurred in the United States in 2012 had notable effects on global food inflation levels. Here's a breakdown of how this drought impacted global food prices:

1. **Reduced Grain Production:** The 2012 drought primarily affected key grain-producing regions in the United States, particularly the Midwest. Corn and soybeans, in particular, were significantly impacted. Reduced yields and lower crop quality resulted in a sharp decline in U.S. corn and soybean production.
2. **Global Corn and Soybean Prices Soared:** The United States is a major producer and exporter of corn and soybeans. The substantial reduction in U.S. grain production caused global corn and soybean prices to skyrocket. These two commodities are essential components of many food products and animal feeds, so higher prices directly impacted food costs worldwide.
3. **Ripple Effects on Livestock:** The increase in corn and soybean prices had a cascading effect on the livestock industry. Livestock producers depend on these grains for animal feed. As feed costs rose, many livestock farmers faced higher operating expenses. This, in turn, led to reduced meat and dairy production in some areas, contributing to higher prices for animal-based products globally.

4.Spillover Effects on Other Grains: The surge in corn and soybean prices also affected other grains indirectly. Farmers often make planting decisions based on price signals, so some switched from growing wheat or rice to more profitable crops like corn. This shift in planting choices led to reduced wheat and rice supplies, further impacting global food prices.

5.Impact on Developing Countries: Developing countries, which rely heavily on food imports, were particularly vulnerable to the global food price increases caused by the U.S. drought. These countries often face challenges in stabilizing domestic food prices when global prices spike, which can result in food insecurity and social unrest.

2. COVID-19 Crisis

The COVID-19 pandemic had significant effects on global food inflation. These effects were multifaceted and influenced by a range of factors. Here's an overview of how COVID-19 impacted global food inflation:

1.Supply Chain Disruptions: Lockdowns, travel restrictions, and labour shortages disrupted global supply chains. This affected the production, transportation, and distribution of food. Reduced availability of labour for planting, harvesting, and processing agricultural products led to delays and production shortfalls, contributing to supply constraints and rising food prices.

2.Panic Buying and Stockpiling: In the early days of the pandemic, consumers engaged in panic buying and stockpiling of essential goods, including food. This sudden surge in demand for certain products, like pasta, canned goods, and frozen foods, outpaced supply, leading to short-term price spikes.

3.Export Restrictions: Some countries imposed export restrictions on food commodities to safeguard domestic food security during the pandemic. These export bans or quotas disrupted global food trade and led to higher prices for food products in importing countries.

4.Labour Disruptions: The pandemic led to labour disruptions in the agriculture and food processing sectors. Workers fell ill or were unable to work due to lockdowns and health concerns. This impacted the harvesting and processing of crops and led to reduced supply and higher production costs.

5.Restaurant and Food service Sector Impact: The closure of restaurants, hotels, and food service establishments reduced demand for certain food products, especially high-value perishables like seafood and speciality vegetables. This led to shifts in supply chains and pricing dynamics.

6.Currency Fluctuations: The economic impact of COVID-19, including monetary policies and exchange rate fluctuations, had an effect on global food prices. Changes in exchange rates can influence the cost of imported and exported food commodities, affecting global prices.

7. Transportation Costs: Fluctuations in oil prices and disruptions in the transportation sector impacted the cost of shipping food products. Higher transportation costs can be passed on to consumers in the form of higher food prices.

8. Increased Food Aid Demand: The economic hardships caused by the pandemic led to an increased demand for food aid in many regions. Humanitarian agencies and governments had to allocate additional resources to provide food assistance to vulnerable populations, potentially driving up food prices.

9. Long-Term Impact on Food Security: The economic repercussions of the pandemic, such as job losses and income reduction, had long-term impacts on food security. Households with reduced incomes may have faced challenges affording nutritious food, potentially leading to malnutrition and long-lasting health consequences.

3. Russia-Ukraine Crisis

The Russia-Ukraine war has had a significant impact on global food inflation. Both countries are major exporters of wheat, corn, and sunflower oil, and the war has disrupted their exports. This has led to a sharp rise in food prices, especially in developing countries that rely on these imports.

According to the Food and Agriculture Organization of the United Nations (FAO), the FAO Food Price Index, which tracks the monthly changes in international prices of a basket of food commodities, averaged 159.3 points in March 2022, up 12.6% from February and reaching its highest level since July 2011.

The war has also affected fertilizer prices, which have risen sharply due to the high cost of energy and other inputs. This is likely to further increase the cost of food production, which could lead to even higher food prices in the future.

The World Bank has warned that the war could push up to 100 million people into poverty in 2022-23 and that the number of people facing acute food insecurity could increase by 40 million.

The following are some of the specific impacts of the Russia-Ukraine war on global food inflation:

The war has disrupted the supply of wheat, corn, and sunflower oil from Russia and Ukraine. These commodities are major staples for many countries, and their prices have risen sharply as a result. The war has also led to higher fertilizer prices. Fertilizer is used to grow crops, and its high cost is likely to push up the cost of food production.

The war has created uncertainty in the global food market, which has made it more difficult for traders and producers to plan ahead. This uncertainty is likely to keep food prices elevated in the near future.

EXTERNAL LINKS FOR RESEARCH

<https://thedocs.worldbank.org/en/doc/40ebbf38f5a6b68bfc11e5273e1405d4-0090012022/related/Food-Security-Update-XC-July-27-2023.pdf> (Latest brief on rising food insecurity and World Bank responses) <https://www.worldbank.org/en/topic/agriculture/brief/food-security-update> <https://www.fao.org/3/cc3017en/online/state-food-security-and-nutrition-2023/urbanization-affects-agrifood-systems.html> (Impact of Urbanization on agricultural systems)

<https://www.fao.org/><https://www.worldbank.org/en/topic/poverty/publication/food-price-watch-home>

<https://tradingeconomics.com/country-list/food-inflation>

<https://globalmarkets.statestreet.com/research/portal/insights/pricestats>

<https://www.economist.com/topics/food-security> <https://www.adb.org/publications/global-food-price-inflation-and-developing-asia>

<https://www2.deloitte.com/xe/en/insights/economy/global-food-prices-inflation.html>

<https://www.ifpri.org/topic/food-prices> <https://www.imf.org/en/Blogs/Articles/2022/09/09/cotw-how-food-and-energy-are-driving-the-global-inflation-surge>

<https://www.goldmansachs.com/intelligence/pages/the-war-in-ukraine-stokes-global-food-inflation.html>

<https://www.reuters.com/world/europe/imf-says-russia-exit-ukraine-grain-deal-risks-adding-global-food-inflation-2023-07-19/> <https://www.reuters.com/world/india/imf-indias-rice-restrictions-could-fuel-food-price-inflation-2023-07-25/>

<https://www.reuters.com/business/retail-consumer/world-food-prices-rise-first-time-year-fao-2023-05-05/>