

# The best way to ward off high food prices is to boost income

**MARKET** participants in the agrifood industry expect global agricultural outputs to shrink next year and exacerbate the accessibility issue.

Everyone agrees on the way forward, which is to use public resources to promote sustainable productivity growth in agriculture, that is, research and development, farmer extension systems, education, sustainable use of available natural resources, and business environment necessary to raise food production and upgrade farmers to participate in local and global value chains.

Where we differ is in the short term, especially during a period when the foundation that took decades to shape food security is being tested.

So what should be done in the short run? First, distinguish between emergency supplies and buffer stocks. The former are meant to cover an immediate shortfall until sufficiency reaches a satisfactory level.

Due to the natural delay in agricultural production, imports always pro-

vide a breather. Buffer stocks that aim to stabilise prices are necessarily large. Only a few staple food items should be prioritised.

Second, determine the size of emergency supplies. There is a need to source emergency supplies while monitoring market development.

In this regard, larger quantities are desired at the initial phase. Ensuing production growth that responds to the market signal should meet a decline in the need for emergency supplies over time.

Third, unfixed emergency supplies need to be combined with safety nets. Some of the options include conditional cash transfers, temporary food aid and school meal programmes.

So another question is: what should not be done? For one, advising governments to undertake large-scale procurement for emergency supplies over a long period is costly to the nation and citizens.

Price caps of food items over a long period will disrupt the agri-business



*Price caps on food items over a long period will lead to disruptions in the agri-business ecosystems. FILE PIC*

ecosystems. They lead to greater volatility than pre-adulteration in prices per unit (for example, per gramme of graded eggs) while reinvestments are foregone in productive areas.

Inefficient and conservative market participants are likely to surrender to market consolidation, which is

induced by policy intervention. Abusive market power and governance are not easy to deal with.

Another question emerges: what needs to be done?

Disruptions cause shortages, and shortages lead to price hikes. Here, strategies for addressing high food

prices must differ from the approaches to address price volatility.

There is a lack of evidence from other countries that long-term price controls have generated greater productivity growth or food security than those that do not.

The best defence against shortages is to encourage production growth and allow markets, including international trade, to function.

The best guard against high food prices is income growth. So a focus on public policy and private investments that can best achieve this seems the preferred option.

It is true that stabilising food prices could be good economics.

But the move to stabilise now at the risk of a seemingly unrelated future is neither good economics nor good politics.

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