



STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA BY MINISTER ABDERRAHMAN HAMIDAOU, PERMANENT MISSION OF ALGERIA TO THE UNITED NATIONS, AT THE HIGH-LEVEL THEMATIC DEBATE OF THE UN GENERAL ASSEMBLY ON "ADDRESSING EXCESSIVE PRICE VOLATILITY IN FOOD AND RELATED FINANCIAL AND COMMODITY MARKETS" (New York, 11 April 2012)

Mr. President,

I have the honor to deliver this statement on behalf of the Group of 77 and China.

At the outset, the Group of 77 and China wishes to express its great appreciation to H. E. Dr Leonel Fernandez, President of the Dominican Republic, for initiating the debate by the United Nations on this issue of prime importance.

The Group of 77 and China considers the convening of this high-level thematic debate on addressing the excessive price volatility in food and other related financial and commodity markets as timely and opportune in that it provides us with an adequate forum to discuss ways and policies to mitigate and manage a challenging phenomenon that has a strong impact on food security.

Excessive price volatility has a strong adverse impact on domestic and international markets and on the capacity of developing countries, both producers and consumers, to cope with an increasingly unpredictable market environment. This phenomenon has also, in many cases, hampered efforts of developing countries to consolidate their economic growth and poverty reduction.

The challenge that we must address collectively as international community is to design multilaterally agreed strategies and policies to reduce the frequency of these shocks, reduce their magnitude and strengthen the capacities of developing countries, particularly the most vulnerable, to cope with the adverse effects of these phenomena.

Mr. President,

What adds to the complexity of the issue of excessive volatility in food prices and related financial and commodity markets is the multitude of the driving factors that act to expand the magnitude of the fluctuations. This imposes upon us a multifaceted approach to tackle this challenge in the future. Growing population and urbanization as well as the rise of incomes in developing countries will add significantly to the global demand for food in the coming decades.

However, another fundamental determinant of global food demand is the unsustainable patterns of production and consumption in the developed world. Wastage of food in developed countries, and post-harvest losses in developing countries for lack of infrastructure deserve urgent attention.

This, combined with the widespread practice of food production subsidies in developed countries, has added momentum to the food crisis and food insecurity.

Excessive volatility in food prices and other agricultural commodities is the result of a conjunction of numerous factors and calls for a holistic policy approach on the part of the international community and a globally coordinated and coherent action by governments, multilateral agencies, donor

countries and all other stakeholders.

Mr. President,

The G-77 and China holds the view that the increasing involvement of non-commercial actors in the market of food and food-related commodities, or the so-called financialization of the sector, has played a major role in the emergence of the problem of the excessive food price volatility. To our sense, this situation proceeds from the overall phenomenon of the rampant worldwide financialization of the real economy, in the context of what the Secretary-General of UNCTAD has qualified as the "finance-driven Globalization".

Since the early 2000, institutional investors have increasingly operated in the market of commodities with a sizable share for food and agricultural commodities. The total value of financial instruments related to commodities has increased from 15 billion US dollars in 2003 to more than 200 billion US dollars in 2008. That is a 13 times increase in only five years. Moreover, the increase in trading in commodity derivatives over the past decade far outstripped the growth in commodity production.

This large inflow of speculative capital to commodities, particularly food and other agricultural commodities, contributed to a large extent to the worsening of food insecurity. These recent developments on the world economic and financial spheres, unprecedented in scale, constitute a major new challenge to developing countries, most of which rely on the production and export of commodities.

Moreover, there is an emerging trend, or epiphenomenon, consequent to the developments we just mentioned, that of the massive acquisition by large investors from developed countries of farm land in developing countries for the speculative purpose of future production of food and other agricultural commodities. This could add to the many challenges developing countries already face in insuring food security for their populations.

The G-77 and China has the conviction that the international community should consider these developments as issues of common concern that are the direct product of the systemic problems facing the global economy that have to be resolved, including through the full accomplishment of the reform of the global financial system and architecture.

There is an urgent need to improve the regulation, functioning and transparency of financial and commodity market in order to address excessive commodity price volatility. As a matter of urgency and priority, member States should entrust the United Nations with the task of exploring appropriate measures and policies that need to be in place in this regard especially with relation to the future exchanges and markets of food commodities.

More efforts should be exerted to enhance the capacity of least developed countries and net food importing developing countries to achieve their food security in accordance with the provisions of the Marrakesh Ministerial Decision on Measures concerning the possible negative effect of the reform programme on LDCs and NFIDCs.

I thank you Mr. President.