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## Tackling Food Price Volatility: The Challenge Of The Days To Come

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### Abstract

After the price spike of 1974 the real price of food commodities continued to decline approximately at an average rate of 1 percent till 1999. But from the very beginning of twenty first century the world food price began to rise upward with high degrees of volatility both in nominal and real term. World Bank Global Food Price Index increased at an average annual rate of 6.5 percent between 2000 and 2012. Of this period since 2006 volatility has increased dramatically. Although projection based on historical data do not indicate actual shortage of major grains, but extreme global weather events due to climate change, will pose high harvest variation, which leaves fundamental food security risks for consumers and governments. This paper tries to focus on the cause and effects of the food price volatility in the way of summative content analysis of the existing literature and data available from World Bank and United Nation Food and Agricultural Organization. This paper also focus on possible ways to tackle the food price volatility in poor and developing countries as the people of these countries are the most vulnerable to unpredictable price spike.

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*Keywords:* Price spike; volatility; food security.

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### 1. Introduction

Smooth rising of nominal price of food is not a surprise event of the market rather it should be seen as a normal scenario. But fluctuations in the rate of increase or decrease (volatility) and its cumulative effects on the middle to

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lower income people are of great concerns to the governments, food researchers, aid agencies and other stakeholders, as this group of people are the most vulnerable to the price increase as well as the volatility, because of their earnings are not increasing keeping pace with the inflation. The repetition of 2007- 2008 price spike in 2011 (see Figure 1 & **Error! Reference source not found.**) raise the concern that high volatility of food price can occur repeatedly in the near future assuming the fact of global warming and climate change.

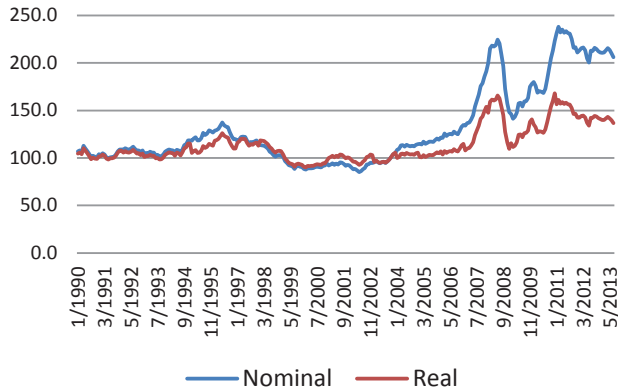


Figure 1: World Food Price Index Jan 1990- June 2013 (2002-2004=100). Data Source: FAO 2013

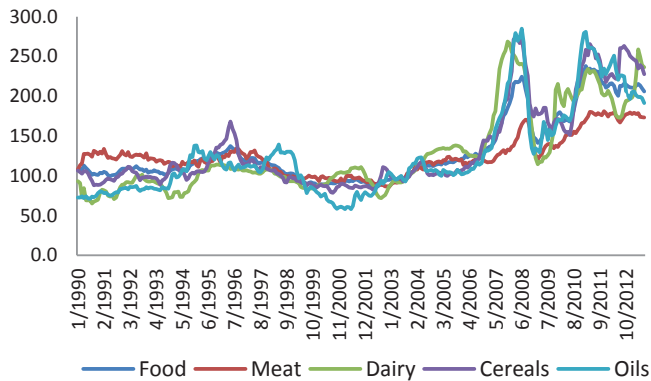


Figure 2: World Meat, Dairy, Cereal, Oil, and Sugar Price Index (2002-2004=100) Data source: FAO 2013

1.1. Short descriptions of key words:

- *Price spike*: Price spike means sudden short-time sharp move of price. Positive price spike means upward move of price and negative price spike means downward move of price. In this paper the word ‘spike’ will denote only the sharp upward move of price.

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