

Volatility Theme Day: Discussion

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My first thought:

Need for Precision in Communication

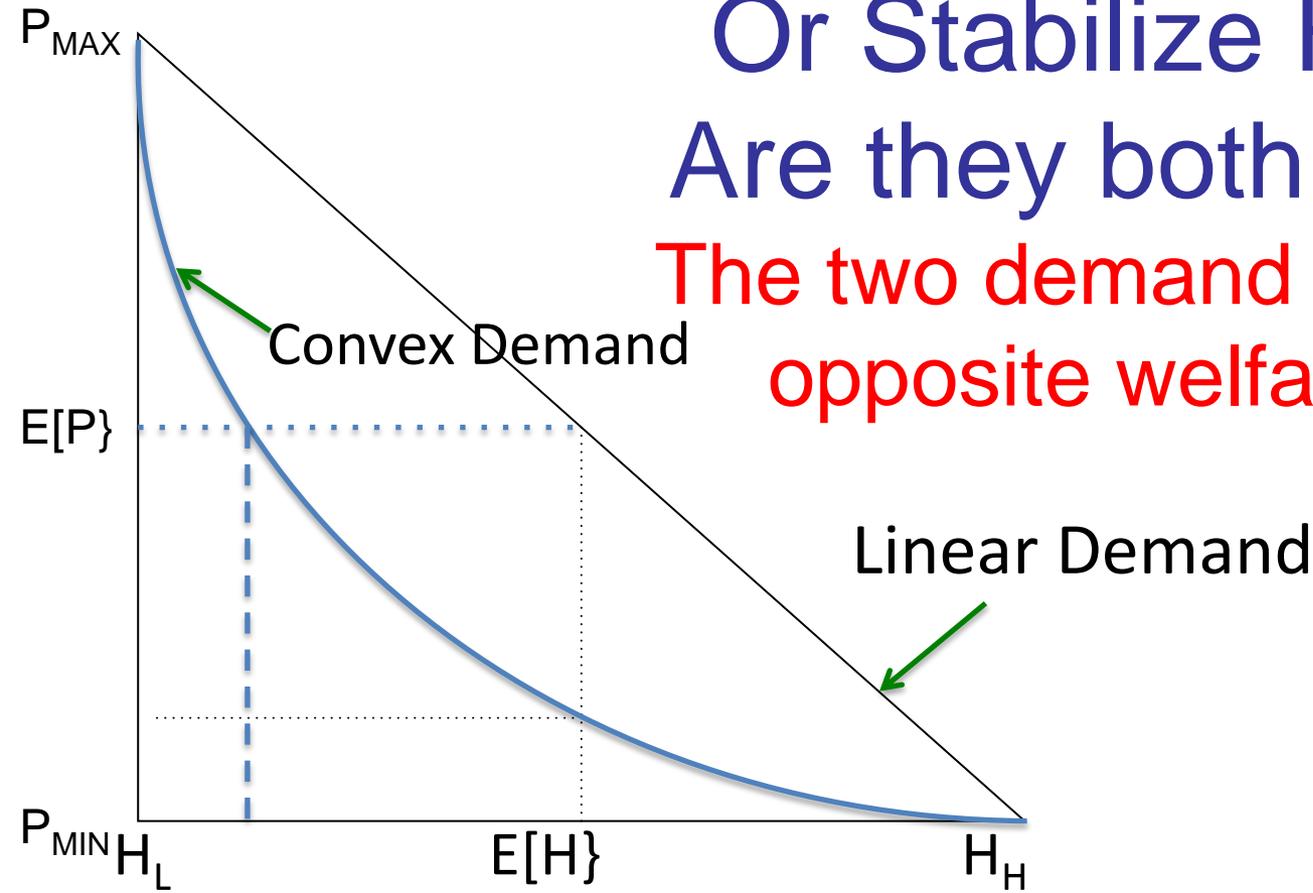
- It's Good to know what you're talking about
- Unfortunately the above statement is ambiguous, as revealed by two uses:
 - A. "Do we know what he is talking about?"
 - B. "Does he know what he is talking about?"

For the presenters, B is clearly true. But in discussing this topic, A can be a problem.

My second thought:

- After Chris Barrett's talk I'll never again give a talk with volatility in the title

Stabilize Price?
Or Stabilize Harvest?
Are they both feasible?
The two demand curves have
opposite welfare effects



Q_A

Interpretation of Ethiopian result:

- Will anyone pay 32% of income to stabilize it?
- Maybe, if income is *market* income
- Otherwise, 35% does not seem like a second order effect....

Are recent real maize prices highest since early 1970s?

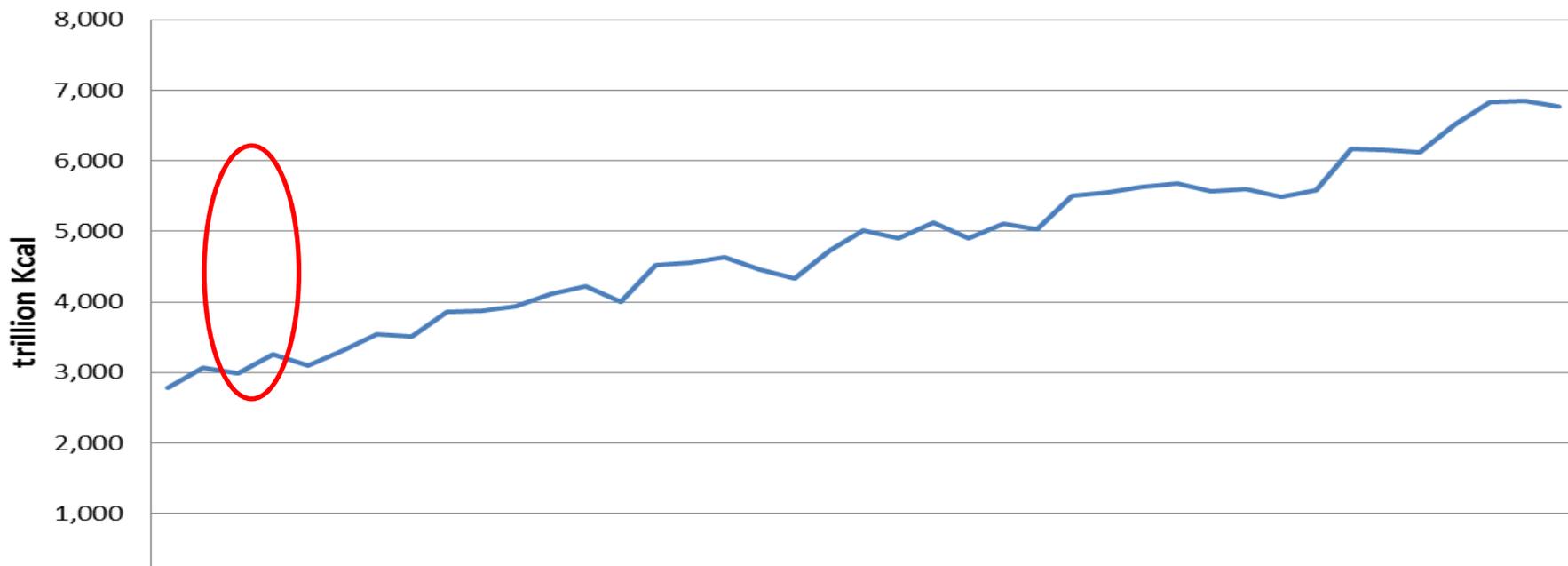


Source: USDA.

Note. Deflated using U.S. CPI, 1982-1984=1.

Was largest major grains production shortfall in early 1970s?

World total production of major grains in terms of calories



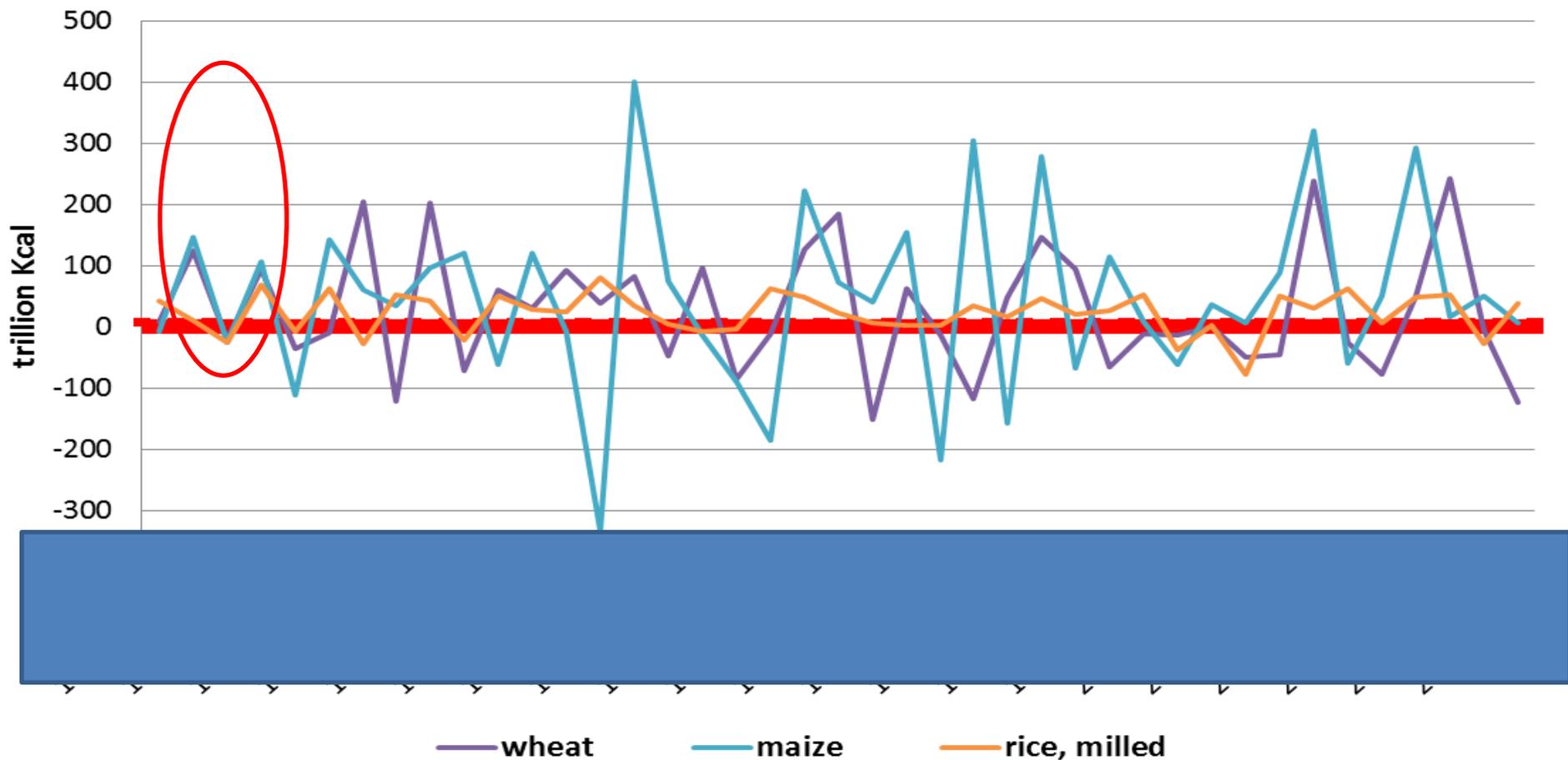
Source: Calculated using Data from PSD Online, USDA.

Note. World grains = wheat + maize + milled rice. All quantities converted into Calories assuming, for wheat 3338Kcal per Kg, for maize 3650 Kcal per Kg, and for milled rice 3656 Kcal per Kg).

2010/2011 is projection.

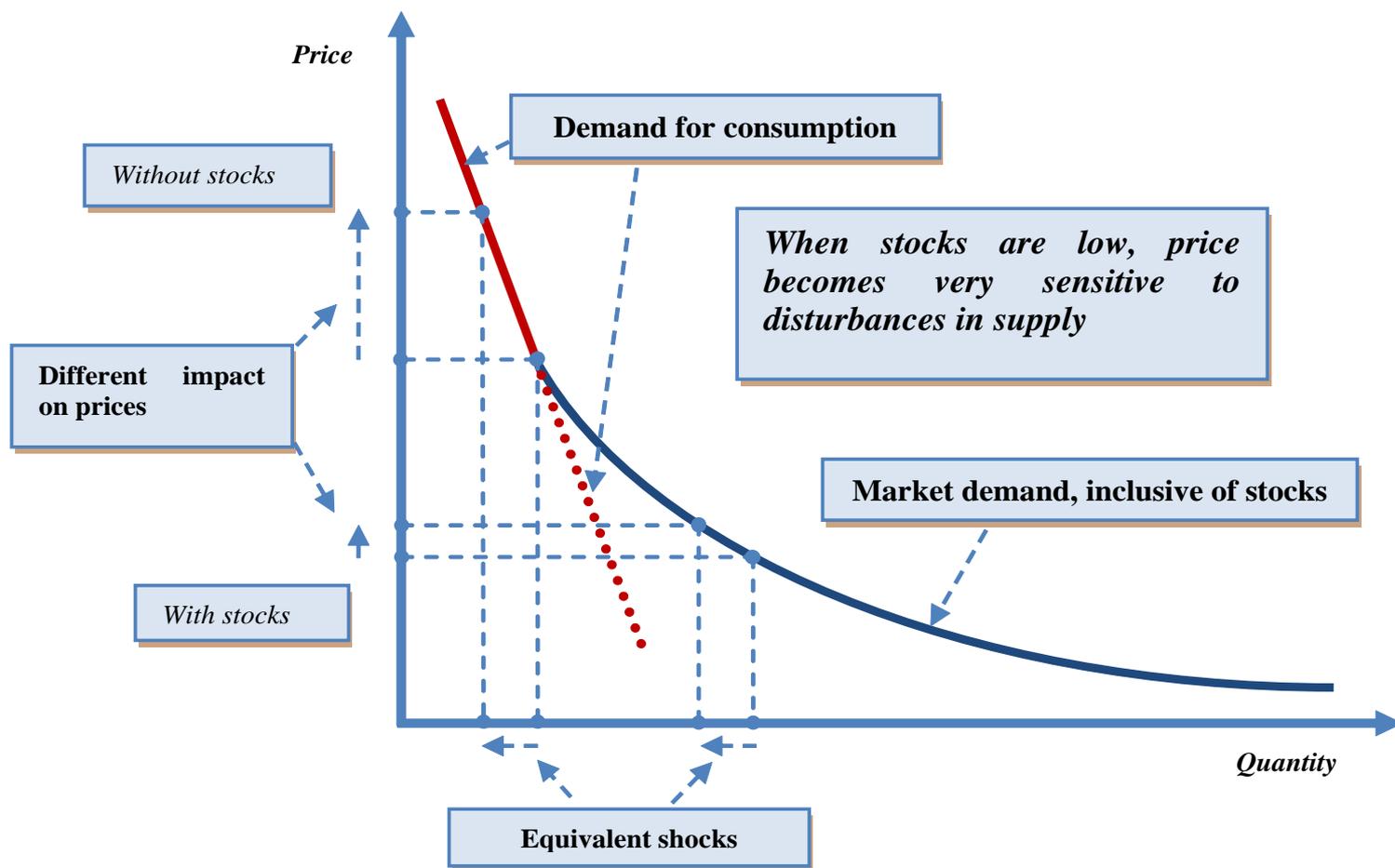
Severe weather events affecting markets?

Changes in production from last period



Source: Calculated using Data from PSD Online, USDA.

Why is price much more sensitive to shocks when stocks are minimal?



Politics Pollutes the Discussion

- Back in 2008: Spikes a financial phenomenon
- “Biofuels increased UC consumer food cost x%” – USDA
- Energy costs are the driver

Your Text Here

Some parties gain from confusion

- Oil market will stabilize food market?
 - “Stabilization” that farmers like!
- “Productivity increases will restore equilibrium”
 - Do US Farmers believe that?
 - Iowa land price?

Dangers

- Biofuels expansion that keeps pace with productivity until E85 can keep prices around current mean for a decade at least
- Biofuels may spread to LDCs, with negative effects on food supply

Dangers

- Trade “reform” can hurt the poor
- China, India get bad rap?
- Chris Delgado: Land title grab is a real danger
 - But actual land grab reports are very misleading