



**Submission from the Institute for Agriculture and Trade Policy in response to the  
Call for inputs from the Special Rapporteur on the right to food on  
impacts of the COVID-19 pandemic on the right to food**

The Institute for Agriculture and Trade Policy (IATP) is grateful for the opportunity to submit written comments on the impacts of the COVID-19 pandemic on the right to food. IATP is a non-profit, non-governmental organization headquartered in Minneapolis, Minnesota, with offices in Washington DC and in Berlin, Germany, working locally and globally at the intersection of policy and practice to ensure fair and sustainable food, farm and trade systems. We envision agriculture, trade, and food systems that are good for people, farmers and food system workers, eco-systems and for social justice globally.

### **General comment**

The Institute of Agriculture and Trade policy was able to join the regional consultations organized by the office of the Special Rapporteur on the Right to Food on the 29 April 2022. We appreciate that the regional consultation emphasised learning from participants' own experiences as well, in addition to responding to the questionnaire. In our intervention IATP drew attention to some of the structural challenges in the food systems that has implications nationally and also for global food security. Through this submission we want to provide some brief, additional inputs.<sup>1</sup>

### **Background**

As the Special Rapporteur on the Right to Food has already pointed out, “international consensus is that the pandemic revealed already existing fragilities within food systems and immediate effects of climate change. It amplified injustice, discrimination and inequalities, with women and other persons in vulnerable situations bearing the brunt of the impact and economic shock.” On top of Covid-19 pandemic and climate related weather impacts, now we have a war in Ukraine that is further worsening the already fragile food security of hundreds of millions of people.

As noted by IATP, wheat futures prices reached near historic highs in the globally price influential Chicago futures market recently. Futures prices are a critical component of the

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<sup>1</sup> Some of these comments are based on Steve Suppan. “[Wheat Futures prices and the War on Regulation](#)” Institute for Agriculture and Trade Policy. March 2022.

Freight on Board (FoB) prices for importing commodities. Though wheat and other agricultural futures prices have come down since then, FoB prices continue to be at record highs, imperiling food security, particularly in wheat importing low income developing countries and those dependent on humanitarian food assistance or living in protracted crisis. The wheat futures market fluctuations are not just a function of supply shortage due to the Ukraine war. The most recent fluctuations are climate related – with many wheat producing regions facing hot and dry conditions that have decimated harvests. Smaller volumes will be imported at higher prices by countries fortunate enough to have enough dollars in their COVID ravaged treasuries to pay for these imports. Resolving the fragilities in our food systems will require taking a step back and developing an eagle-eyed, and also long-term, perspective. Please consider the following comments in the context of the ongoing pandemic, as well as in anticipation of any future food security crisis. These points are related to the vertical integration /consolidation of agri-food sector-

#### 1. Lessons from Covid-19 pandemic related food crisis.

Indeed, the COVID-19 pandemic revealed the fragilities of the food systems. But they also shined a light on what worked best in communities helping them be resilient. Resilience flourishes in communities that were not exclusively dependent on food-value-chain operations for their food security. In several countries, faced with lock-down and loss of livelihoods (or among those with the ability to work from home), many moved back to their natal villages or to home communities, often sharing homes with extended families.

And yet, the public investments to address food insecurity did not seek to identify what worked in the peak of the crisis to strengthen those communities further to build resilience. These resilience solutions included localized markets, public food reserves and associated public food distribution systems, sharing of produce, flourishing of barter economy and agroecology. Instead government support in developed countries such as the United States went into preserving climate-destroying supply chains built around industrial meat production, which together with transnational dairy processors, emits more GHGs than the transportation sector. Across the world there is a need to move finance away from industrial agricultural operations and towards agroecology.

#### 2. Supply Chain Interruptions

The highly streamlined “just in time” (JIT) delivery of commodities does cut down on inventory costs for food-processing value chains; economies of scale too benefit the consumer who can afford food. But when global crises cause supply chain interruptions, JIT operations show limited scope for adaptability. The early months of Covid-19 pandemic revealed the vulnerabilities of long distance and concentrated value chain operations. These vulnerabilities were further complicated by the fact that in agri-food production sector, the lead time to produce and distribute food products is not easy to estimate and difficult to plan. Even in the most efficiently organized system, such as in the United States, such interruptions

impacted both the food retail operations and eaters. On the other hand, it also impacted the food producers, many of whom had to destroy their perishable produce in the absence of adequate processing capacity. Supply management and building reserves can help prevent overproduction, balance supply and demand and stabilize prices and can help with some of the key problems due to our exclusive reliance on transnational value chains for food supply operations.

3. The role of commodity futures exchanges in food security is hidden from public view and poorly understood yet critically important.

Here we discuss the commodity futures exchanges in the United States. The U.S. Commodity Futures Trading Commission (CFTC) is the primary regulator of the U.S. futures and options markets, including that of Chicago Board of Trade, the Chicago Mercantile Exchange, the New York Mercantile Exchange, and the Intercontinental Exchange, headquartered in Atlanta. The commodity futures prices in these exchanges help determine the prices of many commodities globally with implications for food security of communities far away from New York and Chicago. Citing the example of the wheat futures contract prices hike of March 8 (when the Chicago wheat futures contract hit an all-time price high of \$13.635/bushel), IATP's Steve Suppan argues how, while the headlines reporting price fluctuations presented price levels and volatility as a matter of supply and demand, the reporting missed the effects of the failure of the globally influential CFTC to successfully regulate commodity futures exchanges. The CFTC's failure has global impacts because of the market power of U.S. futures trading exchanges, the size of U.S. production and exports, and the role of the U.S. dollar as a principal currency of global trade. The failure to regulate has left farmers and commercial users of wheat unable to make use of futures contracts to manage price volatility risks on the one hand, with serious food security implications for food import dependent communities on the other hand.

The exchanges and the companies behind them helped to defeat CFTC attempts at regulation during the Obama and Trump administrations, insisting instead that they be left to regulate themselves. The continued defiance of commodity exchanges to effective regulation has created a system that amplifies rather than absorbs the price shocks of the Russian invasion. The CFTC has yet to announce if it will investigate the current extreme commodity price increases and volatility. They need to act, and not just in wheat but in energy futures prices, too. Energy prices are tightly linked to food commodity prices in the cash and futures markets. Moreover, energy, like food, is a basic human need and any prolonged disruption to affordable food and energy supplies imperils the right to food.

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