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y la
Alimentación

COMMITTEE ON WORLD FOOD SECURITY

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Agenda Item II

ASSESSMENT OF THE WORLD FOOD SECURITY AND NUTRITION SITUATION

Table of Contents

	Paragraphs
I. INTRODUCTION	1 - 6
II. COUNTING THE HUNGRY: LONG-TERM TRENDS	7 - 14
III. HIGH FOOD PRICES: IMPACTS AND POLICY RESPONSES	15 - 41
A. DRIVERS OF HIGH FOOD PRICES	15 - 21
B. GLOBAL AND REGIONAL IMPACTS	22 - 25
C. HUNGER HOTSPOTS	26 - 30
D. HOUSEHOLD IMPACT	31 - 36
E. HOUSEHOLD COPING STRATEGIES AND NUTRITIONAL IMPACT	37 - 41

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IV. POLICY RESPONSES AND THE WAY FORWARD	42 - 63
A. WHAT IS BEING DONE	42 - 44
B. THE WAY FORWARD: A TWIN-TRACK APPROACH TO FOOD SECURITY AND POVERTY REDUCTION	45 - 56
<i>Promoting Smallholder Agriculture for Poverty Reduction</i>	47 - 52
<i>Ensuring Access to Food by the Poor and Vulnerable</i>	53 - 56
C. INTERNATIONAL ACTION AND RESPONSIBILITIES FOR COMBATING HUNGER AND FOOD INSECURITY	57 - 63

I. INTRODUCTION

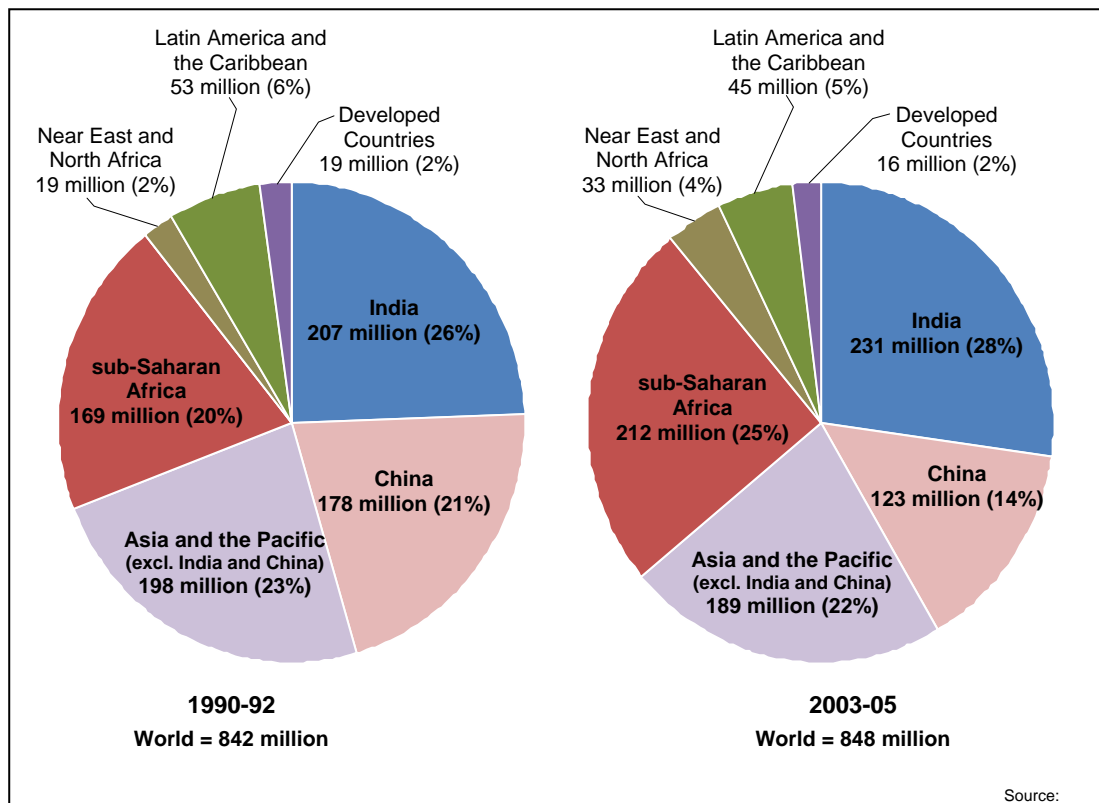
1. This year's assessment document, prepared for the 34th session of the CFS, brings to the attention of the Committee that the number of hungry people is increasing¹. Long-term trends in global hunger show that in 2003-05, even before the effects of high food prices caused further setbacks, there were six million more chronically hungry people in the world than during 1990-92 (848 million in 2003-05 versus 842 million in 1990-92), the baseline period for the World Food Summit (WFS) and Millennium Development Goals (MDGs).
2. High food prices, especially after 2006, aggravated food insecurity. Provisional FAO estimates show that the number of undernourished people in the world in 2007 increased by 75 million people over the 2003-05 period, mainly due to food price increases. As a result, the global number of undernourished people in 2007 is estimated at 923 million.
3. Worldwide concern over the impact of soaring food and fuel prices on the poor and hungry has shattered the complacency created by years of low basic food commodity prices. From 3 to 5 June of this year, Heads of State and Government, ministers and representatives of 180 countries plus the European Union (EU) gathered in Rome to reaffirm their commitment to reducing hunger. At the G8 Summit held in Japan in July, Heads of State of leading industrialized nations, joined by several other world leaders, expressed their determination to take all possible measures to reverse the disturbing trend in global hunger in a coordinated manner. They committed their governments to increase aid and investment in the agricultural sector, and to increase significantly their support to developing country initiatives.
4. This document emphasizes that although the world is facing a worrying state of food insecurity, renewed commitment to hunger reduction can reverse the situation. Prior to the sharp rise in food and fuel prices, some subregions and a number of countries had made significant progress in reducing hunger. This demonstrates that good policies can provide the environment needed to tackle the persistent challenges of hunger.
5. Consensus is emerging among stakeholders around a common strategic framework based on a twin-track strategy for poverty and hunger reduction. This includes carefully targeted safety nets and social protection programmes to protect the most vulnerable population groups from immediate threats, with measures aimed at enabling small-scale farmers to boost production in a sustainable way. This will require well targeted investments and policy measures that increase small farmers' asset endowments, facilitate their access to inputs and markets and improve their capacity to manage risks.
6. This report is structured around four sections. Section Two reports on long-term progress in reducing hunger, specifically in reaching the WFS and MDG targets. The drivers of rising food prices and their impacts at global, country, household and individual levels are analysed in Section Three. Section Four presents an overview of policy responses put in place so far and proposes further action to reduce hunger.

¹ This document was prepared primarily based on a draft version of *The State of Food Insecurity in the World (SOFI) 2008*, which will be released in December 2008. Members should be aware that key parameters used in the FAO methodology for estimating undernourishment have recently changed. In particular, hunger estimates use new (2006) population statistics from the United Nations Population Division and new human energy requirements established by FAO, the United Nations University (UNU) and the World Health Organization (WHO) in 2004. FAO utilizes both parameters for deriving minimum dietary energy requirements (MDERs) on a per capita basis, which are unique for each year and country in the world. The revised parameters were applied to the 1990-92 benchmark period and to all subsequent years for which FAO has produced estimates of undernourishment. As a result, undernourishment statistics and the associated progress and setbacks in terms of World Food Summit (WFS) and Millennium Development Goal (MDG) hunger reduction targets have changed over the entire reporting period.

II. COUNTING THE HUNGRY: LONG-TERM TRENDS

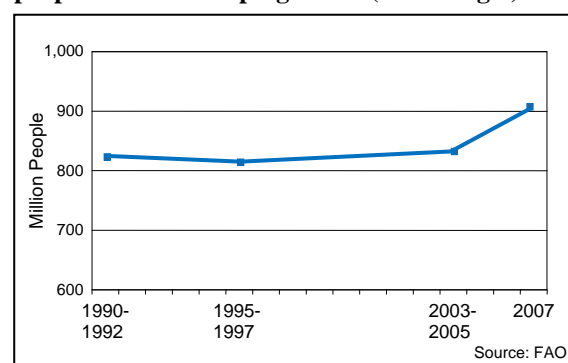
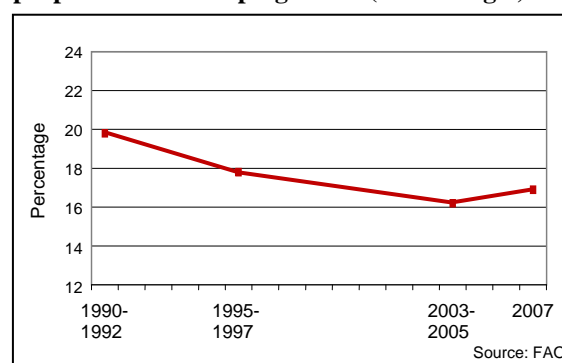
7. FAO's latest estimates show that even before the recent surge in food prices, worrisome long-term trends of increasing hunger were already apparent. FAO estimates that 848 million people suffered from chronic hunger worldwide in 2003-05, representing an increase of six million from the nearly 842 million in 1990-92, the World Food Summit baseline period, against which progress is measured (Figure 1). With the number of chronically hungry people in the world now higher than during the baseline period, the World Food Summit target of reducing that number by half by the year 2015 has become more difficult to reach (Figure 2).

FIGURE 1: Trends in global undernourishment, 2003-05 compared with 1990-92



8. Most of the increase in undernourishment since the WFS benchmark period (1990-92) took place in sub-Saharan Africa where the *absolute number* (WFS indicator) of hungry people increased by 43 million, from 169 million to 212 million. However, nearly three-quarters of this increase took place in the Democratic Republic of the Congo, where the number of hungry people rose from 11 million in 1990-92 to 43 million people in 2003-05, fuelled by widespread and persistent conflict.

9. Mixed progress was achieved in reducing the *prevalence* of hunger (MDG indicator) (Figure 3). From 1990-92 to 2003-05, the proportion of undernourished in sub-Saharan Africa dropped from 34 to 30 percent, representing an overall 12 percent decrease in prevalence compared to 19 percent globally. Notable reductions in the prevalence of hunger were achieved in Congo, Ethiopia, Ghana (which has already achieved both the WFS and MDG targets), Mozambique and Nigeria. The downward trend in the prevalence of hunger was reversed due mainly to the effect of high food prices (see next section).

FIGURE 2: Number of undernourished people in the developing world (WFS target)**FIGURE 3: Proportion of undernourished people in the developing world (MDG target)**

10. Asia and the Pacific region recorded modest progress in reducing the prevalence of hunger from 20 percent to 16 percent, as well as a moderate reduction in the number of hungry people from 582 million to 542 million. The region is home to over half of the world's population and to nearly two-thirds of the world's hungry people. While South-Eastern Asia has maintained progress in reducing both the prevalence and numbers of undernourished people, these gains have been more than offset by setbacks elsewhere, primarily in India.

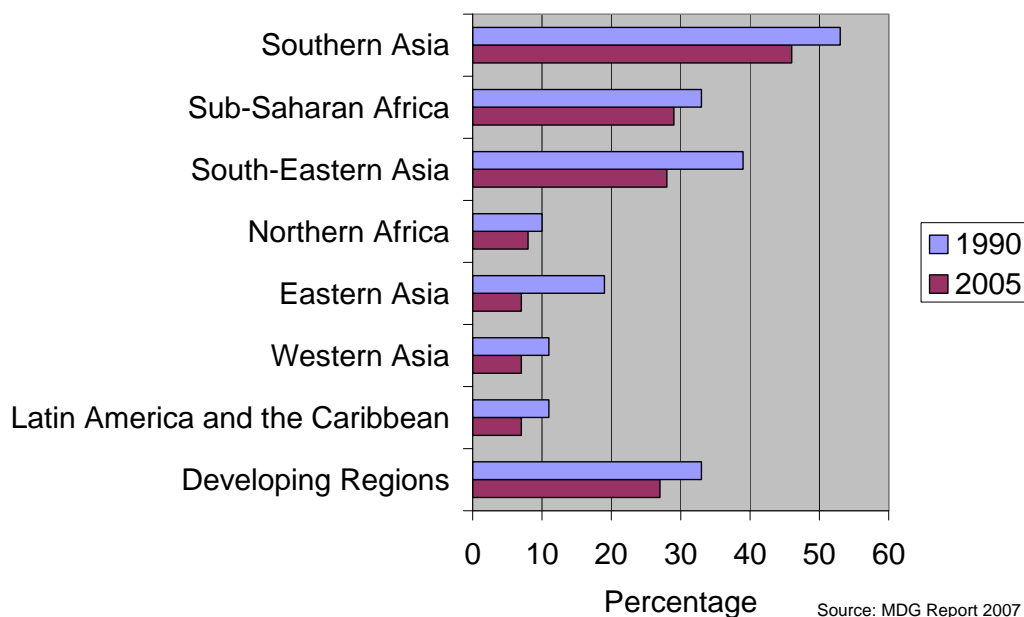
11. By virtue of their size, China and India alone account for 42 percent of the chronically hungry people in the developing world. In India, despite rapid economic growth, the number of hungry people increased by over 20 million compared to the baseline period. This can be partially explained by the fact that life expectancy in India has increased from 59 to 63 years since 1990-92, which has had an impact on the overall population structure with the result that in 2003-05 the growth in minimum energy requirements had outpaced that of dietary energy supply. China has continued registering a steady reduction in undernourishment, with a 31 percent drop in the number of undernourished from 178 million in 1990-92 to 123 million in 2003-05.

12. Countries in the Near East and North Africa region have some of the lowest levels of undernourishment in the developing world, nevertheless the number of undernourished people in the region has been increasing since 1990-92. In the Near East, the total number of undernourished people nearly doubled from 15 million in 1990-92 to 28 million people in 2003-05, due largely to war and conflict in Afghanistan and Iraq, where the numbers of undernourished people increased by 4.9 and 4.1 million respectively. The numbers also increased in Yemen, where one in three, or 6.5 million people, suffer from chronic hunger. In North Africa, FAO estimates that the prevalence of undernourishment has remained more or less constant at about 3 percent, even though numbers have been increasing slightly. Despite the relatively low prevalence of undernourishment in the Near East and North Africa region, the negative trend towards increased hunger has to be reversed. Achieving the WFS target involves reducing the number of hungry people by 23 million people.

13. Within the Latin America and Caribbean region, South America has been most successful in reducing hunger, with 10 out of 12 countries well on their way towards achieving the MDG-1 target. Backed by relatively high levels of national income, strong economic growth, and strong agricultural productivity growth, Argentina, Chile, Guyana, Peru and Uruguay have already reached the WFS and MDG targets, as have Costa Rica, Cuba, Jamaica and Mexico. By contrast, El Salvador, Guatemala, Haiti and Panama continue to experience difficulties in reducing the number of undernourished. Despite a small reduction since 1990-92, Haiti faces one of the highest levels of undernourishment in the world, with 58 percent of the population suffering from chronic hunger.

14. Another hunger-related MDG indicator is the prevalence of children under five years of age who are underweight². In developing regions as a whole, during the period 1990-05, the proportion of underweight children declined from 33 to 27 percent. Eastern Asia showed the greatest improvement. Significant progress was also achieved in Western Asia and Latin America and the Caribbean, where this indicator dropped by more than one third. The greatest proportion of underweight children remains in Southern Asia, sub-Saharan Africa and South-Eastern Asia (Figure 4). Despite overall declining prevalence of underweight children in all regions, meeting the hunger reduction target would require accelerated progress in improving child nutrition.

FIGURE 4: Prevalence of children under five years of age who are underweight



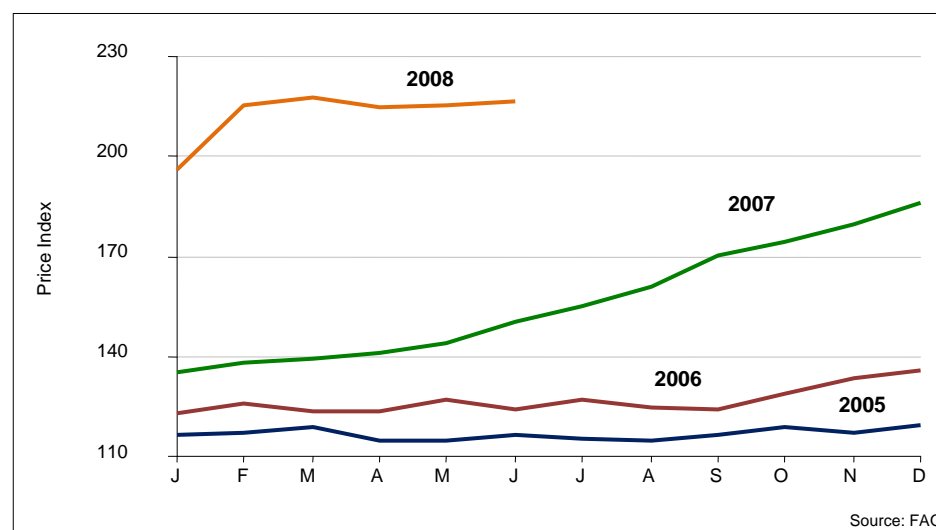
III. HIGH FOOD PRICES: IMPACTS AND POLICY RESPONSES

A. DRIVERS OF HIGH FOOD PRICES

15. Food commodity prices rose sharply towards the end of 2006 and in 2007, with steeper rises in early 2008 (Figure 5). OECD-FAO medium-term projections indicate that while food prices should stabilise during 2008-09 and subsequently fall, they will remain above their pre-2004 trend level for the foreseeable future³.

² Data are from the 2007 Millennium Development Goals Report 2007. Please note that the regional groups used in the MDG report differ, to some extent, from those used throughout this report. Developing regions do not include countries in transition.

³ OECD-FAO Agricultural Outlook (2008-2017), 2008.

FIGURE 5: FAO Food Price Index, nominal prices (1998-2000 =100)

16. Driving forces behind soaring food prices are many and complex where both supply-side and demand-side factors play a part. Long-term structural trends and underlying growth in demand for food have coincided with short-term cyclical or temporary factors affecting food supply, resulting in growth in demand for food commodities continuing to outstrip growth in supply.

17. On the supply side, world cereal stocks are at their lowest level in three decades. Low stock levels contribute to higher price volatility in world markets because of uncertainties about the adequacy of supplies in times of production shortfalls. As a result of unfavourable weather, world cereal production fell by 3.6 percent in 2005 and 6.9 percent in 2006 before recovering slightly in 2007. Additionally, petroleum and food prices are highly correlated. The rapid rise in petroleum prices exerted an upward pressure on food prices as fertilizer prices nearly tripled and transport costs doubled during 2006-08.

18. On the demand side, the emerging biofuels industry is a new and significant user of agricultural commodities such as sugar, maize, cassava, oilseeds and palm oil. The increase in demand for these commodities has been one of the leading factors behind the increase in their prices in world markets, which in turn has led to higher food prices. It is estimated that about 100 million tonnes of cereals (some 4.7 percent of global cereal production) are being used for biofuels production in 2007-08.

19. Other factors that have exacerbated high food prices include some of the very policies intended to minimize their impact on vulnerable population groups within countries. For example, the adoption of export restrictions and bans by some countries has restricted global supply, aggravated shortages and eroded trust between trading partners. In some countries, such actions have also reduced farmers' incentives to respond to higher international prices. Speculative re-stocking or pre-stocking by large importers with relatively strong cash positions has put further pressure on food prices.

20. The recent turmoil in traditional asset markets has also had some impact on food prices. New types of investors have become more involved in derivatives markets based on agricultural commodities. Global trading in futures and options combined has more than doubled in the last five years, suggesting that increased speculation may be a factor in soaring food prices. However, it is unclear how significant a factor this has been. There is need for further research on this subject.

21. While cereal production has recently recovered, and food prices may fall relative to current high levels as some of the short-term factors underlying the high prices subside, real prices of food commodities in the foreseeable future are likely to remain above the levels of the previous 10 years. Three main factors underlie this expectation. First, economic growth in the developing world, particularly in large emerging economies, is expected to continue at about 6 percent per year. This will continue to raise the purchasing power and change the dietary preferences of hundreds of millions of consumers. Second, demand for first-generation biofuels is likely to continue its rapid growth, partly driven by high oil prices and government policies and partly by slow development of second generation biofuels and technologies. Third, increasing costs of production, including higher fertilizer prices and transportation costs resulting from high petroleum prices, in addition to land and water constraints as well as increasingly unpredictable weather patterns, are likely to adversely affect food production, compounding the challenge of meeting global food demand⁴.

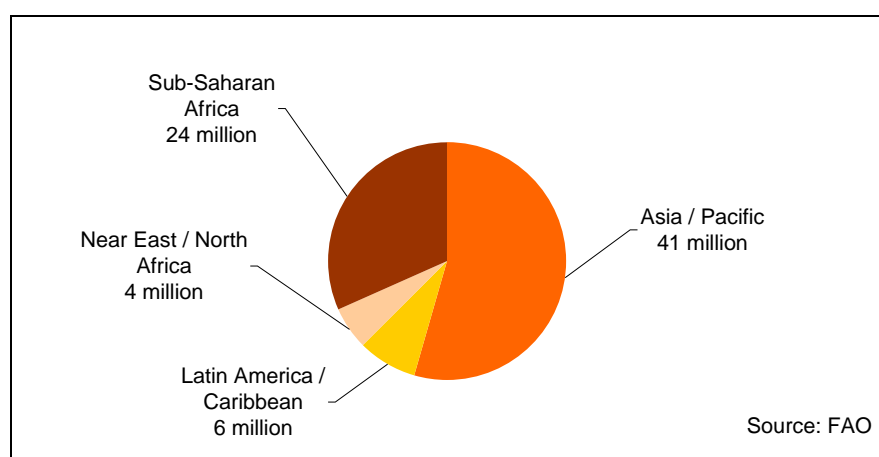
B. GLOBAL AND REGIONAL IMPACTS

22. Provisional FAO estimates show that the *number* of undernourished people in 2007 increased by 75 million, over and above FAO's estimate of 848 million undernourished in 2003-05, with much of this increase attributed to high food prices. This brings the number of undernourished people worldwide to 923 million in 2007 (Figure 2). Given the continued and drastic increase in prices of staple cereals and oil crops well into the first quarter of 2008, the number of people suffering from chronic hunger is likely to have increased further.

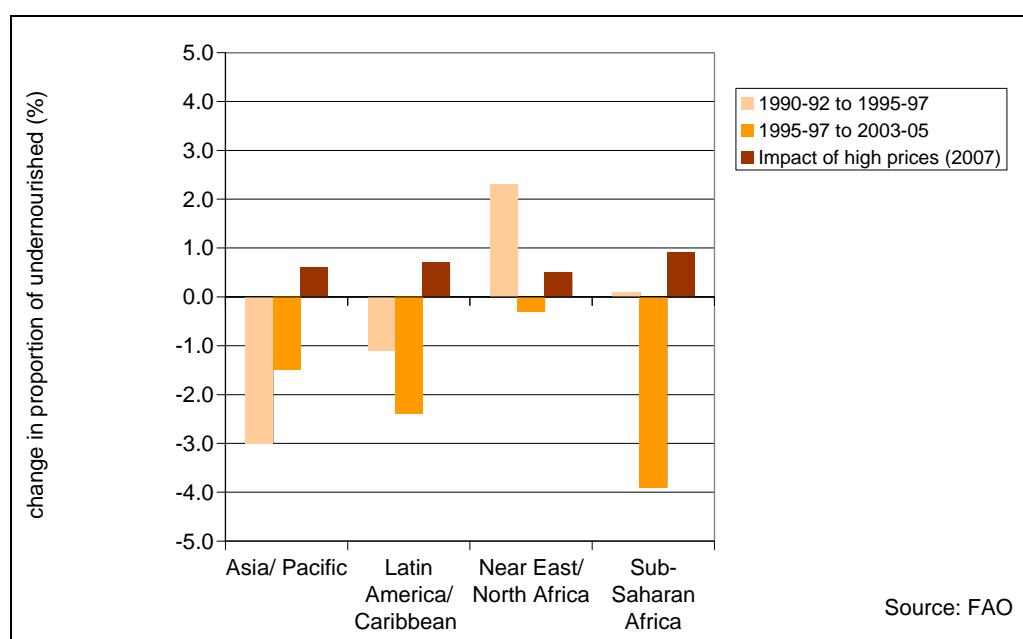
23. The impact of rising food prices on the *prevalence* of hunger is even more striking. Progress toward the MDG hunger target in the developing world had been steady from almost 20 percent in 1990-92 to less than 18 percent in 1995-97 and just above 16 percent in 2003-05. However, FAO's estimates through the end of 2007 show that progress has since been reversed, with the proportion of hungry people in the developing world sliding back towards 17 percent, about the same level as a decade ago (Figure 3). Meeting the internationally agreed hunger-reduction goals in the few years remaining to 2015 is becoming an enormous challenge.

24. At the regional level, the largest increases in the number of undernourished people as a result of rising food prices have taken place in Asia and in sub-Saharan Africa. The two regions combined already accounted for 750 million, or 89 percent, of the hungry people in the world in 2003-05. FAO estimates that rising prices have driven an additional 41 million people in Asia and 24 million in sub-Saharan Africa below the hunger threshold (Figure 6). Although the numbers are smaller, other regions have also seen increases in hunger as a result of rising food prices. In the case of Latin America, this represents a sharp reversal after more than a decade of steady progress towards the WFS goal.

⁴ OECD-FAO Agricultural Outlook (2008-2017), 2008.

FIGURE 6: Impact of high food prices on numbers of undernourished by region: 2003-05 to 2007

25. Before the upsurge in food prices, FAO estimates for 2003-05 show that all four developing regions were making progress in reducing the *prevalence* of hunger. However, progress has been reversed in all the regions, resulting in increased hunger prevalence for the entire developing world for the first time since the World Food Summit (Figure 7).

FIGURE 7: Changes in the proportion of undernourished by region (selected periods)

C. HUNGER HOTSPOTS

26. *Hunger hotspots* are areas where a significant proportion of people are severely affected by persistent or recurring hunger and malnutrition. In many cases, this includes countries that have experienced food crises over several consecutive years, typically the result of severe adverse weather conditions, natural disasters, economic shocks, conflicts, or a combination of these factors. According to FAO's Global Information and Early Warning System (GIEWS), which continuously monitors the situation on all continents and maintains a list of countries that are in

crisis, there were 36 countries in crisis requiring external assistance as of June 2008⁵. High food prices have added to the list of those vulnerable countries requiring external assistance.

27. The number of countries facing food crises has risen over the past two decades, with the underlying causes becoming more complex. This is particularly the case when human-induced disasters interact with natural disasters and lead to complex and long-lasting crises. Natural disasters were the primary cause of food insecurity up to the early 1990s, with man-made crises becoming more prominent over the past decade.

28. “Slow-onset” natural disasters (such as drought) remain more prominent in causing food emergencies than “sudden-onset” disasters (such as floods, cyclones, hurricanes, earthquakes, volcanic eruptions). Man-made disasters are typically either conflict-related or caused by socio-economic shocks. The absolute number of countries with food crises caused by war and conflicts has increased since the 1980s as has the relative share of food crises caused by socio-economic factors from about 2 percent to 27 percent by 2007. The recent sharp increase in the price of imported food commodities is an example of a socio-economic shock that can exacerbate or cause food crises in many countries.

29. Given the uncertainty regarding the impact of soaring food prices on countries, households and individuals around the world, the distinction between countries already “in crisis” and those highly vulnerable to these price shocks, or “at risk”, has become much less clear. Key risk factors that determine country vulnerability to high food prices take into account underlying structural causes of vulnerability, such as existing levels of poverty, hunger, income inequality and disease prevalence. Current vulnerability factors are also considered, such as changes in food inflation at country level and the factors that measure a country’s dependency on food and fuel imports. Additional factors, with relatively lower weights, include historical susceptibility to natural disasters and relative effectiveness of policy measures.

30. High food prices have added new dimensions to vulnerability. While they have affected all countries in one way or another, their impact has been most severe in nations where incomes are low and where most households spend a high proportion of their limited budgets on food. Many of these countries already have high rates of undernourishment.

D. HOUSEHOLD IMPACT

31. Not everyone is affected equally by high food prices. In the short-term, the net effect of soaring food prices is determined by the relative importance of food staples in income versus the relative importance of those same staples in total consumption. It is expected that households that are net food buyers would lose with rising food prices, while net food selling households stand to gain. A household is defined as a net food buyer when the value of food staples produced by the household is less than the value of food staples consumed. Poor households tend to be net buyers of food even in rural areas where agriculture and staple food production are the principal livelihoods. According to FAO data from nine developing countries⁶, on average, roughly three-quarters of rural households and 97 percent of urban households are net food buyers (Table 1).

⁵ For latest information, please refer to the FAO/GIEWS website: www.fao.org/giews/english/hotspots/index_m.htm.

⁶ The Rural Income Generating Activities (RIGA) database is constructed from a pool of Living Standards Measurement Survey (LSMS) data and other multipurpose household surveys made available by the World Bank and other national and international institutions. More information at: www.fao.org/es/ESA/riga/

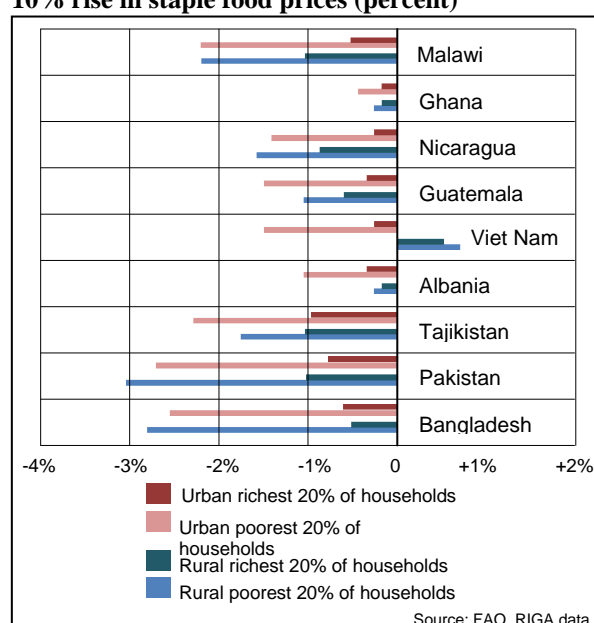
TABLE 1: Proportions of households that are net buyers of staple foods (percent)

	All Households			Poor Households		
	Urban	Rural	All	Urban	Rural	All
Bangladesh, 2000	95.9	72.0	76.8	95.5	83.4	84.2
Pakistan, 2001	97.9	78.5	84.1	96.4	83.1	85.4
Viet Nam, 1998	91.1	32.1	46.3	100.0	40.6	41.2
Guatemala, 2000	97.5	86.4	91.2	98.3	82.2	83.1
Ghana, 1998	92.0	72.0	79.3	*	69.1	*
Malawi, 2004	96.6	92.8	93.3	99.0	94.8	95.0
Nicaragua, 2001	97.9	78.5	90.4	93.8	73.0	79.0
Tajikistan, 2003	99.4	87.0	91.2	97.1	76.6	81.4
Albania, 2005	99.1	67.6	82.9	*	*	*
<i>Unweighted Average</i>	96.4	74.1	81.7	97.2	87.9	78.5

NOTE: A household is defined as a net food buyer when the value of food staples consumed is greater than the value of food staples produced.

Source: FAO RIGA data

32. Net food buyers stand to lose from an increase in the price of staples. The extent of the impact depends in part on dietary patterns. Households that spend a large proportion of their income on staple foods that are traded in international markets (such as wheat, rice, maize) would suffer a steeper decline in overall welfare. This includes most urban households. The extent of this decline depends on the ability of the household to shift consumption towards less expensive foods that do not generally enter global markets, such as roots and tubers. In contrast, households with land and those that derive some of their income from the production and sale of food staples that are traded internationally could benefit from higher world prices. Unfortunately, high fuel and fertilizer prices are likely to offset some of these gains.

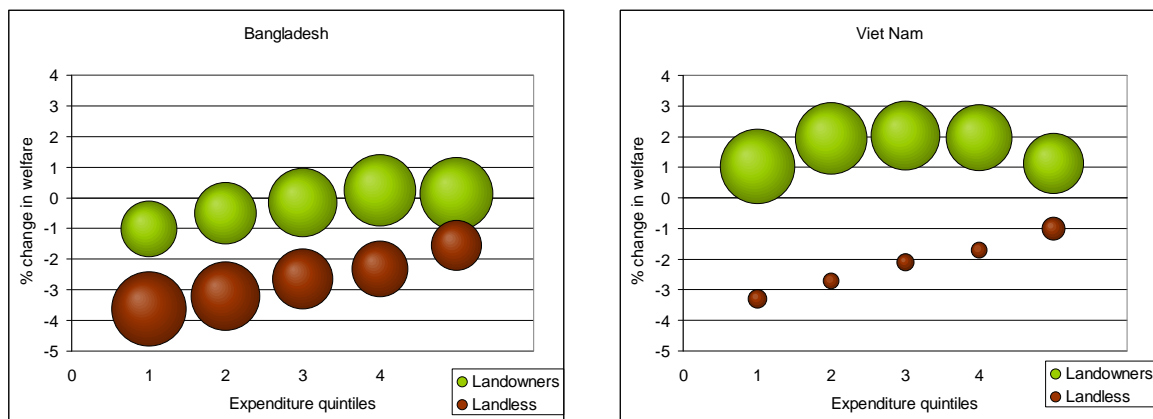
FIGURE 8: Change in household welfare due to a 10% rise in staple food prices (percent)

33. Figure 8 shows the short-term welfare impact (measured as a percentage of household expenditures) of a 10 percent increase in basic staple food prices. In terms of loss in income, the results show that the poorest households are hardest hit by rising food prices in both urban and rural areas. The impact is less for households in countries where diet is largely composed of food staples that are not internationally traded. For example, Ghanaian households are relatively insulated from swings in international food prices because a large share of their diet is based on local staples such as cassava and sorghum. Should the price of these local staples also rise, as demand for them increases, rising food prices would have a much stronger impact.

In the case of Viet Nam, the household welfare of most rural households improves, and in relative terms these gains are larger for the poorest.

34. Access to key productive assets, especially land, is another factor that affects the extent to which households are positively or negatively affected by higher food prices. Across all income groups, landless households are on average worse affected by high food prices (Figure 9). In an overall surplus rice producer such as Viet Nam, where access to land is fairly egalitarian and where there have been impressive gains in smallholder productivity, even the poorer rural households' tend to gain from rising prices. By contrast, in Bangladesh, where land distribution is not as equitable and rural households have more limited access to land, the impact of rising food prices is negative for most households. The size of the spheres in Figure 9 represents the population of each expenditure quintile.

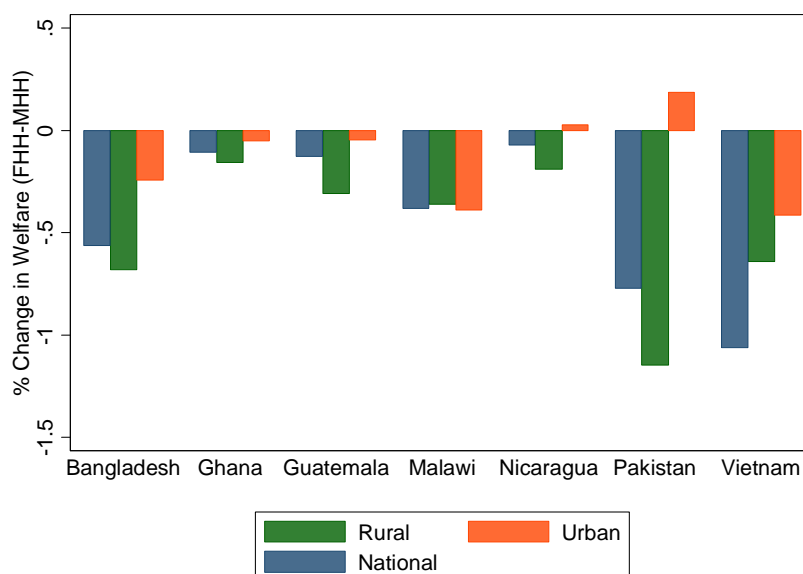
FIGURE 9: Effect of a 10% rise in staple food prices on rural households, according to land ownership (% change in welfare)



35. Household livelihood strategies are another important factor in determining the impact of an increase in food prices on household welfare. Households that specialize in agriculture (those that derive more than 75 percent of their income from farming) stand to gain from the increase in prices, or at least lose less, depending on the extent of staple crop production. In some countries like Bangladesh, Pakistan, and Viet Nam, even the poorer households specializing in agriculture tend to gain from higher food prices.

36. FAO's empirical analysis shows that overall, female-headed households suffer more from rising food prices in terms of declining food consumption, and tend to benefit less from potential gains from staple food crop production. One important exception found in the countries analysed is in urban Pakistan, where female-headed households represent a larger proportion among the wealthier income groups (Figure 10). Among rural households, female-headed households face considerably higher welfare losses in all countries. The explanation for the overall differential impact of price rises on female and male headed households is that at comparable income levels, female-headed households tend to spend a larger proportion of income on food than male-headed households, and thus they are hit harder by the impact of high food prices on consumption. Additionally, female-headed households face a variety of gender-specific obstacles that limit their ability to produce food, and thus to benefit from an increase in food prices. The main constraints they face are differences in access to inputs and services, particularly land and credit.

FIGURE 10: Effect of a 10% rise in staple food prices on female headed households compared to male headed households



Note: The graph shows the differential change in welfare between FHH (female headed households) and MHH (male headed households).

Source: FAO, RIGA data.

E. HOUSEHOLD COPING STRATEGIES AND NUTRITIONAL IMPACT

37. High food prices (of internationally traded commodities) could lead to an increase in various forms of malnutrition, with potentially negative outcomes on child growth, measured by increasing prevalence of stunting, underweight and wasting in children under the age of five as well as an increase in prevalence of low body mass index among adults and an increase in micronutrient deficiencies due to a decreased consumption of micronutrient rich foods. The impact would be expected to be most marked in countries where dietary diversity is already low and where prevalence of food insecurity was high prior to the raise in food prices.

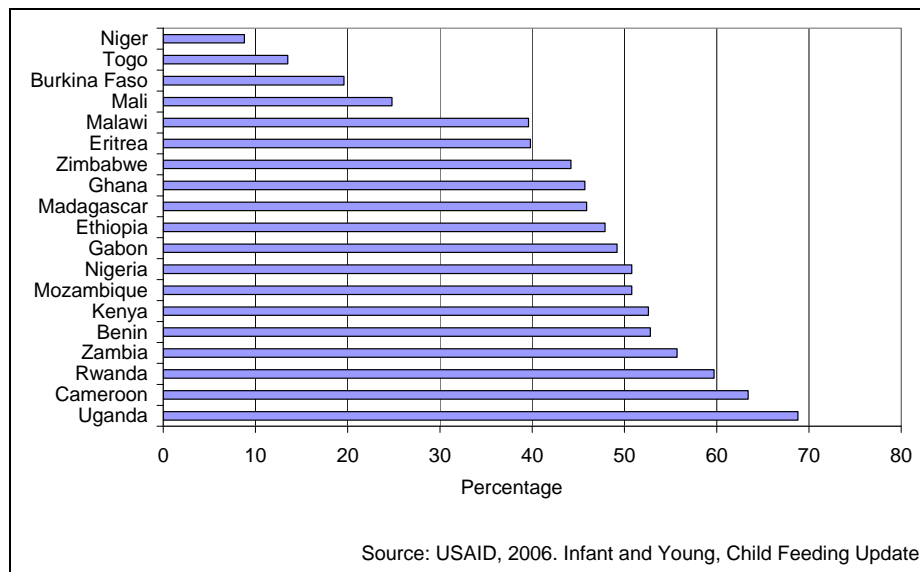
38. The coping strategies that households employ to manage rising food prices have implications for nutritional status. In the *short-term*, households may have few, if any, choices for coping with high food prices other than reducing daily food consumption. In the *medium to longer term*, households may employ different strategies to cope with the drop in purchasing power caused by higher food prices. Depending on the severity, frequency and duration of food price increases, household coping strategies will be either food-based or non-food-based, or both. Importantly, the extent to which households and individuals are affected depends on their consumption behaviour and income status *before* the price shock takes place.

39. Among food-based coping strategies, a sudden loss in purchasing power due to high food prices may result in changes in the quantity, quality and/or diversity of foods consumed. An increase in the price of imported rice in West Africa, for example, might force households to switch to cheaper domestic rice or to other starchy staples such as locally produced sorghum or millet. Low-income households with little or no choice to reduce the diversity of their diets will respond by simply eating smaller portions and fewer meals a day, and by reducing non-food expenditures. In countries where people enjoy a more diversified diet, the nutritional concern associated with a price shock centres on increased risk of critical micronutrient deficiencies, such as iron and vitamin A, as households are forced to consume a less diverse diet. The implication is that even though high food prices may be a temporary shock, they may have long-lasting

consequences on physical and mental growth if the coping strategies adopted by households cause reductions in the quantity and/or quality of diets at critical stages of child growth or during pregnancy.

40. Non-food-based coping strategies may include decreasing non-food expenditure and seeking ways to increase household income. Reduced expenditures on health, already often low, and on education means that health conditions deteriorate and children have less schooling, which negatively affects their future prospects. Engaging in additional income-generating activities, especially by women, may lead to less or lower-quality child care at home, with further negative nutritional consequences for children.

FIGURE 11: Children 6-23 months receiving the minimum number of food groups⁷ in sub-Saharan Africa (percent)



41. Women and children are particularly vulnerable to the nutritional effects of high food prices, as they are more likely to suffer from micronutrient deficiencies when driven to consume less diversified daily diets. Figure 11 shows the percentage of children 6 to 24 months of age in sub-Saharan Africa who have a properly diversified diet. In countries such as Niger and Togo, it is only approximately 10 percent. Following a drought-induced increase in maize prices in Zambia in 2001, the prevalence of stunting increased among rural infants whose mothers were pregnant at the time of the price increases⁸. During the drought and financial crisis of 1997-98 in Indonesia, mothers of poor families responded by reducing their own dietary energy intake in order to better feed their children, resulting in increased maternal undernutrition⁹. Household purchases of more nutritious protein-rich foods were reduced in order to afford the main staple rice, leading to an increased prevalence of anaemia in both mothers and children. The effects were particularly severe for infants conceived and weaned during the crisis. These examples demonstrate the negative long-term effects of rising food prices on growth and development of children.

⁷ The minimum number of food groups as defined in this publication (three for breastfed children and four food groups for non-breastfed children), is in the process of being revised.

⁸ Gitau R, Makasa M, Kasonka L, Sinkala M, Chintu C, Tomkins A, Filtau S. Maternal micronutrient status and decreased growth of Zambian infants born during and after the maize price increases resulting from the southern African drought of 2001-2. *Public Health Nutrition* 2005; 8: 837-843.

⁹ Block SA, Kiess L, Webb P, Kosen S, Moench-Pfanner R, Bloem MW, Timmer CP. Macro shocks and micro outcomes: child nutrition during Indonesia's crisis. *Econ Hum Biol.* 2004 Mar; 2(1):21-44.

IV. POLICY RESPONSES AND THE WAY FORWARD

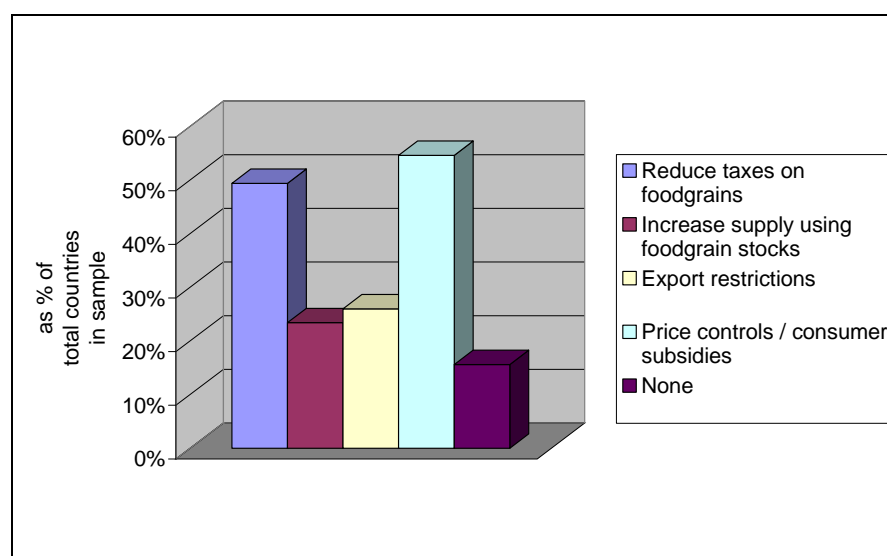
A. WHAT IS BEING DONE

42. The recent rise of global food prices has triggered a variety of policy responses around the globe. Initial action has tried to guarantee an adequate food supply, keep consumer prices low and provide social support for the most food insecure. Policy measures have included easing import taxes and imposing export restrictions to maintain domestic food availability; applying price controls and subsidies to keep food affordable; and drawing down on stocks to stabilize supplies and prices. Less emphasis has been given, at least initially, to fostering an agricultural supply response, although a number of governments in developing countries have taken action to provide farmers with the support needed to boost agricultural production.

43. A survey of policy responses in 77 countries revealed that during 2007 and early 2008, approximately half of the countries reduced cereal import taxes and more than half applied price controls or consumer subsidies in an attempt to keep domestic food prices below world prices. One-quarter of the governments imposed some type of export restriction, and roughly the same proportion took action to increase supply, drawing down on food grain stocks. Only 16 percent of countries surveyed had not employed any policy response to mitigate the impact of soaring food prices (Figure 12).

44. The impact, effectiveness and sustainability of some of the policy measures are not always clear. Some of the policy interventions tend to hurt producers and trade partners, and may actually increase the volatility of world prices. Experience shows that price controls rarely succeed in dampening prices for long, put a heavy fiscal burden on governments and discourage supply responses by farmers.

FIGURE 12: Policy actions to address high food prices



Source: Based on preliminary information drawn from a partial list of countries collected by World Bank regional staff and amended to reflect additional information collected by FAO country staff (April 2008).

B. THE WAY FORWARD: A TWIN-TRACK APPROACH TO FOOD SECURITY AND POVERTY REDUCTION

45. The dramatic increase in food prices led to initial policy responses aimed at improving local food supplies and alleviating the immediate impact on consumers. However, dealing with

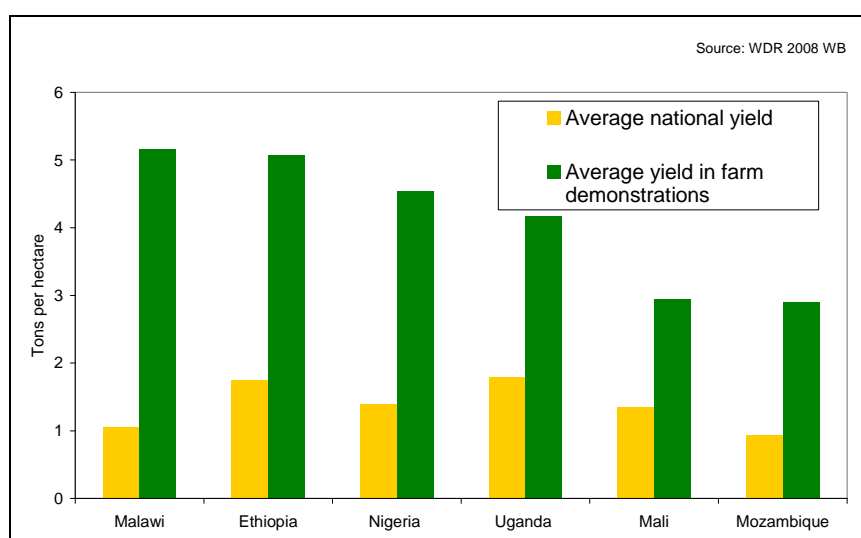
the short and long-term challenges posed by high food prices and taking advantage of the opportunities they present requires coherent policies and actions by both national governments and the international community.

46. FAO, IFAD and WFP have advocated for a twin track approach as an overall strategic framework for fighting hunger. This framework includes equally critical and mutually reinforcing short-term and long-term measures and is highly relevant in the current context of high food prices. One track aims at promoting the supply response of the agricultural sector, particularly amongst smallholders, and the development of rural areas through appropriate incentives and investments in public goods. The objective is to increase food supplies and to enhance the income-generating capacity of agriculture and the rural economy as a means of promoting overall rural development. For policies to significantly reduce poverty, a strong focus on the productive capacity of smallholders is crucial. The other track aims to ensure immediate access to food by the poor and vulnerable in both rural and urban areas by providing safety nets and social protection measures.

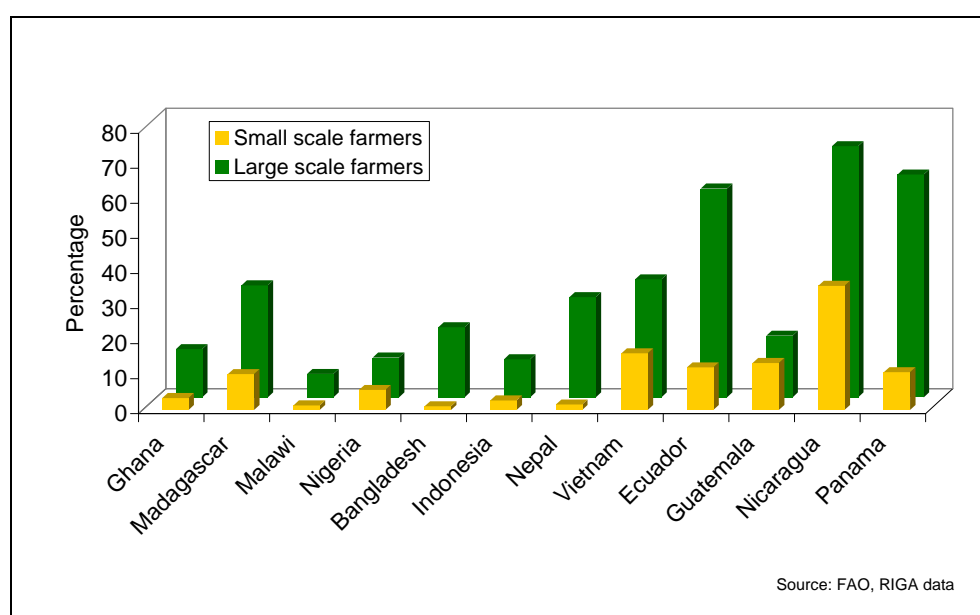
Promoting Smallholder Agriculture for Poverty Reduction

47. High food prices and the incentives they provide can be harnessed to relaunch agricultural growth in the developing world. This is essential not only to face the current crisis, but also to respond to the future demand for food, feed and biofuels and also to avoid similar crises in the future. This will require empowering small-scale farmers, many of whom are themselves food-insecure, to expand agricultural output. Figure 13 shows the huge potential for increasing yields in sub-Saharan Africa. Turning agricultural growth into an engine for poverty reduction requires ensuring that incentive mechanisms are in place, as well as addressing the structural constraints facing agriculture. This calls for expanded public investment in building small farmers' asset endowments, including their access to infrastructure, technology and credit, facilitating their access to markets and enhancing their capacity to manage risks.

48. High food prices would normally be expected to act as a production incentive. However, from January 2007 to April 2008, input prices (fertilizers and crude oil) increased more rapidly than food prices and thereby dampened the positive production incentive created by the food price increases. Small-scale farmers who are net food buyers may be particularly hurt, as the high food prices also reduce the funds they have available to purchase fertilizers. Many poor African countries may see a decline in fertilizer use in the short run that threatens even current levels of production, which are already very low. Fertilizers subsidies may be warranted when there is a clear prospect of significant productivity gains (see Figure 13), when they are a less costly than other forms of income transfer. They should be designed and targeted in a way that does not adversely affect market mechanisms. "Market-smart" subsidies include the use of vouchers redeemable through commercial dealers, demonstration packs to stimulate demand, and credit guarantees to encourage importers to offer credit to their dealers.

FIGURE 13: Opportunities for increasing maize yields in sub-Saharan Africa

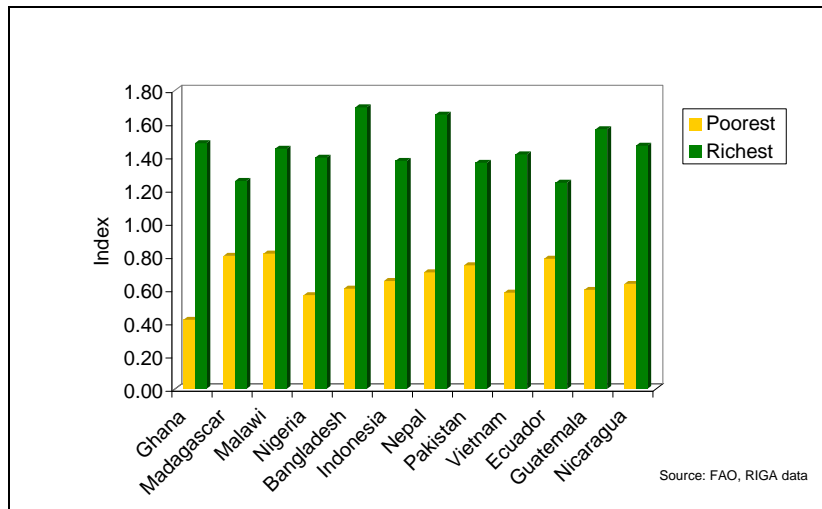
49. Asset endowments are important in shaping livelihood strategies. Access to, and use of infrastructure and physical capital required for production varies considerably both within and among countries. Small landholders consistently employ less capital-intensive practices. This is partly a result of their limited access to assets such as land, credit, technology (Figure 14), inputs, as well as to public goods including roads, social services and transportation. Household assets (natural, financial, physical, social and human capital) are essential for productive activities, risk management and coping with shocks. In the context of high prices, access to assets, particularly amongst smallholders, will largely determine the winners and losers from the price shock among agricultural households.

FIGURE 14: Percentage of agricultural households using mechanisation, by small and large farmers

50. Access to functioning markets for both staples and other commodities is a critical prerequisite for agricultural development and improved productivity. Participation of smallholders

in many developing countries is often constrained by their lack of access to market information, inadequate and poorly enforced grades and standards, poor farmer organizations for bulk marketing, as well as infrastructure (Figure 15) and transport problems. The index in Figure 15 combines variables from survey data that indicate access to transport, markets, roads, education and health. Higher values of the index indicate higher levels of access to these services. In all the countries, richer farmers have far better access to these services.

FIGURE 15: Access to transportation and social service infrastructure by poorest and richest households



51. Trade barriers represent an additional impediment to access to international markets. Policies that improve market access and reduce transaction costs may well encourage small holders to produce more for the market.

52. Agricultural production is inherently a high-risk activity, but recent years have seen an increase in both the level and variability of food prices on world markets. In addition to price volatility, smallholders—and indeed most farmers—lack access to crop or livestock insurance and other risk-reducing instruments that can help them deal with production variability. Lack of insurance leads farmers to adopt more risk-averse production strategies, or to diversify economic activities away from agriculture. This constraint limits intensification of agricultural production, or adoption of more modern agricultural technologies.

Ensuring Access to Food by the Poor and Vulnerable

53. Those most vulnerable to food price shocks would need immediate protection from the loss of purchasing power caused by high food prices. Such protection not only saves lives, it can also strengthen livelihoods and promote longer-term development. Safety nets and social protection measures can prevent and reduce malnutrition that has lifelong consequences. More secure livelihoods prevent distress sales of livelihood assets, allow investments in education and health and help households avoid poverty traps.

54. “Safety-net” is an umbrella term that covers various types of programmes aimed at assisting vulnerable population groups, such as food distribution programmes, cash transfer schemes, various feeding programmes and employment schemes. Safety-net schemes need to be tailored to the particular context, and focus on the needs of poor consumers.

55. Many countries have one or more safety-net programmes with varying degree of coverage. However, in the context of the current high food prices, one of the problems noted was that because of budgetary costs and administrative complexity not all countries have adequate safety-net programmes in place...

56. Cash and food transfers can play a critical role in maintaining households' food consumption above a minimum critical threshold, whilst avoiding that these households engage in detrimental coping strategies (e.g. reducing meals; selling productive assets; withdrawal from schools) to meet immediate food needs at the expense of undermining the sustainability of their livelihoods in the longer term. Given the importance of agricultural livelihoods for the rural poor, particularly in the context of high food prices, safety nets to improve productivity can also play an important role. In countries such as Malawi and Ethiopia, traditional agricultural policy instruments, including agricultural input subsidies and innovative approaches to crop insurance, have become part of social protection. In the short run, the smallholder supply response to higher price incentives may be limited by lack of access to essential inputs such as seeds and fertilizers. In these cases, social protection measures, including the distribution of seeds and fertilizers, directly or through a system of vouchers and "smart subsidies", may be an appropriate response. If implemented effectively such programmes can increase the income of small-scale producers and reduce price increases in local markets, thereby also contributing to improvements in the nutritional status of net food-buying families.

C. INTERNATIONAL ACTION AND RESPONSIBILITIES FOR COMBATING HUNGER AND FOOD INSECURITY

57. Soaring food prices have triggered worldwide concern about threats to global food security, especially for the millions of the world's most vulnerable. It was recognized that a crisis of this nature and magnitude requires an urgent, comprehensive, coherent, and coordinated global response in order to produce significant results in the shortest period of time.

58. In December 2007, FAO responded to the emerging food crisis by launching the *Initiative on Soaring Food Prices* (ISFP)¹⁰, with the immediate aim of rapidly increasing food production during the 2008 and 2009 agricultural seasons by supporting direct access to inputs by smallholders. The ISFP aims to assist governments formulate country-specific action plans for food security interventions to be implemented along a twin-track approach: boosting food production, while also guaranteeing access to food for the most vulnerable population groups affected by higher and more volatile food prices. The ISFP has built a strong partnership with the World Bank, IFAD, WFP and other development partners, based on complementarities and synergies, to respond efficiently and effectively to both the impacts of high food prices on food security at country level and the corresponding needs for longer-term investments.

59. In April 2008, the United Nations Secretary-General established a High-Level Task Force (HLTF) on the Global Food Security Crisis under his chairmanship. The Task Force brings together relevant parts of the UN Secretariat, UN agencies, funds and programmes and Bretton Woods institutions. The Task Force produced a Comprehensive Framework for Action (CFA) to guide global and local actors, institutions and governments, and aims to catalyze urgent and immediate action. The CFA identifies priority actions for improving global food security and furthering poverty reduction in the context of the present food price crisis. In accordance with the twin-track approach, one set of actions aims to *meet the immediate needs of food insecure populations*, while the second set aims to *build resilience and contribute to longer-term global food and nutrition security*. Both require urgent attention.

60. From 3 to 5 June 2008, representatives of 180 countries plus the EU, including many Heads of State and Government, met in Rome at a High-Level Conference (HLC) on World Food Security, to express their conviction "*that the international community needs to take urgent and coordinated action to combat the negative impacts of soaring food prices on the world's most vulnerable countries and populations*". They reconfirmed that the current high and rising numbers of undernourished people in the world was unacceptable.

¹⁰ For further information on FAO's ISFP, visit: <http://www.fao.org/worldfoodsituation/isfp/en>.

61. The HLC reconfirmed the need for a twin-track approach, as proposed in the CFA. Specifically this includes immediate, short, medium and long-term measures as follows:

Immediate and short-term

- Respond urgently to requests for assistance to address hunger and malnutrition emergencies through expanded relief and safety net programmes.
- Provide budget and/or balance of payments support; review debt servicing and simplify the eligibility procedures of existing financial mechanisms to support agriculture and the environment.
- Increase smallholder access to appropriate seeds, fertilizers, animal feed, technical assistance and other inputs.
- Improve market infrastructure.
- Ensure that food, agricultural and related trade policies are conducive to fostering food security for all, through the successful and urgent completion of the Doha round of trade negotiations and minimized use of restrictive measures that could increase volatility of international prices.

Medium and long-term

- Maintain biodiversity and increase the resilience of food production systems to the challenges posed by climate change.
- Step-up investment in science and technology for food and agriculture and cooperation on researching, developing, applying, transferring and disseminating improved technologies and policy approaches.
- Establish governance and policy environments that will facilitate investment in improved agricultural technologies.
- Continue efforts to liberalize international trade in agriculture by reducing trade barriers and market distorting policies.
- Address the challenges and opportunities posed by biofuels, in view of the world's food security, energy and sustainable development needs.

62. In July 2008, at the G8 Summit in Japan, the leaders of the world's largest industrialized nations voiced their deep concern "*that the steep rise in global food prices, coupled with availability problems in a number of developing countries, is threatening global food security*". Concerns surrounding high food and fuel prices topped their agenda.

63. As described above, the resolve of world leaders to address global food security concerns as top priority demonstrates a growing political will to reverse the disturbing trends in global hunger. Moreover, substantial commitments have been made for increased financial support to developing countries to address the food security impacts and threats caused by high food prices. However, unless this political will and donor pledges are turned into real and immediate action to address both short and longer-term development needs, millions more may fall into deeper poverty and chronic hunger.