



The Continuing Hunger Crisis

After decades of progress, global hunger is once again on the increase. The setback is due to record high food prices confronting poor people all over the world. In the past two years, food prices in all staple commodity groups have risen dramatically, with some of the sharpest increases (more than 60 percent) coming in the first six months of 2008. Grain prices have increased by 144 percent in the last two years and oilseeds by 157 percent; between January and May of this year, rice prices tripled.

A Complex Set of Causes

There are a number of long-term trends that have put pressure on food supply, including strong economic growth in some developing countries, especially China and India, which has increased demand for dairy foods and meat as people's incomes rise above the poverty level. At the same time, governments and international donors have reduced their investment in the agricultural sector of developing countries. Assistance for agriculture fell from 17 percent of total development assistance in 1980 to less than 4 percent in 2002.

These longterm trends, however, do not explain the sudden increases in food prices in the last two years. Since 2004, a number of seemingly unrelated factors have come together to put further pressure on food prices.

Biofuels policy in the United States and Europe has diverted crops and land away from food and animal feed. Since 2002, subsidies in the U.S. farm bill and renewable fuel standards mandates in energy legislation have provided incentives to substantially increase corn production for ethanol use. The World Bank estimates that up to 60 percent of the increase in global corn production in recent years has gone to the U.S. biofuels sector.

High oil prices have led to increased costs for fertilizer as well as packaging and transportation. They have also boosted the demand for biofuels. The declining dollar has increased the demand for U.S. agricultural products—despite higher commodity prices here—and shifted investor preferences to commodities, including speculation.

Droughts in Australia and other weather-related disasters in key food-producing countries have reduced commodity production.

In response to rising food prices, many developing countries have imposed export restrictions and bans to ensure adequate food availability. This had the effect of reducing global supply even further, resulting in a sudden spike in prices, particularly the price of rice.

Humanitarian Impact of Food Price Increase

Even before the sudden rise in food prices, 862 million people around the world suffered from hunger and 1.4 billion people lived in extreme poverty, on less than \$1.25 a day. The UN Food and Agriculture Organization (FAO) estimates that the number of people suffering from hunger could be up by 75 million as a result of rising food prices. The World Bank estimates that in the last two years, an additional 100 million people have fallen into poverty.

The impact of rising food prices has varied for different countries and even within countries; nonetheless, recent surveys suggest that many countries are seeing a substantial increase in poverty. Although the majority of poor people live in rural areas and are involved in the agricultural sector, either as smallholder farmers or landless laborers, most still need more food than they can produce. Liberia experienced an increase in food prices of 25 percent in January 2008, which led to an increase in poverty of 6 percent—from 64 percent of the population to 70 percent. Extreme poverty has increased by 14 percent in Djibouti. Poverty has declined slightly in Peru and Vietnam, where a significant number of poor households are rice producers. Poor people in many urban areas have also been hard hit.

Poor people spend up to 80 percent of their income on food and tend to buy commodities that are largely in their raw form—unprocessed. When the price of food spikes dramatically as in recent years, it can have a dramatic impact on a family's nutritional status. Poor families that could previously afford two to three meals a day are now cutting back to one; they are also switching to cheaper foods with lower nutritional value. Women tend to suffer the most, as they often give up meals or eat less so that their children can eat. Rising hunger, no matter how short-term, can have intergenerational consequences. The absence of adequate nutrition during pregnancy and in the first two years of life can have lifelong health and cognitive consequences. This

can undermine community and economic development across entire countries and regions.

Developing Country Governments Respond

Over the last two years, developing country governments have intervened to try to shelter their people from rising food prices. They have imposed export restrictions and bans to try to maintain adequate food supplies. They have subsidized commodities and provided food and cash assistance. But most countries in sub-Saharan Africa, South Asia, and North Africa are also net fuel importers. In light of unprecedented oil prices, they are running low on reserves and facing balance of payments problems. Many do not have the capacity to maintain their safety net programs. More than 30 countries have experienced social unrest as a result of rising food prices, particularly in urban areas, and the prime minister of Haiti was forced to resign. Governments are struggling to cope with growing food security needs while continuing to make progress on their long-term development agendas. The potential for increasing debt burdens is rising.

The Global Response

The enormity of this crisis became clearer early in the spring of 2008. Since March, the World Food Program has raised nearly \$1 billion to meet its growing costs and food needs; the World Bank and IMF have created rapid financing facilities to help governments cope, including a grants component for the poorest countries; and the United Nations Secretary General has created a high-level task force of UN agencies and other organizations, including FAO, the UN Development Program, the World Bank, and the International Monetary Fund.

Despite these efforts, so far the response has not been commensurate with the scale of the challenge. Hunger and poverty are on the rise, putting at risk the Millennium Development Goals, at a time when governments are running out of resources and options. While food prices may abate somewhat, FAO believes that for the foreseeable future, they will remain higher than before this crisis. Since demand continues to grow, fuel prices are also unlikely to go back to their levels of only a year ago. The global economic downturn will only make matters worse, depressing the exports of developing countries.

A comprehensive response must include both short-term and long-term approaches. Food and cash assistance are needed immediately, including help in meeting the nutritional needs of pregnant women, new mothers, and children under the age of two. Governments of low-income countries will need financing on highly concessional terms so that they do not incur further debt. Providing seeds, fertilizer, and credit to smallholder farmers for the next planting seasons is also critical.

The longterm approach must include a substantial increase in resources for agriculture and rural development in developing countries and for long-term programs that improve the livelihoods of poor people; provide basic health care, sanitation, and education; and improve access to local, regional, and global markets.

This global crisis requires a global approach and a global commitment—we have seen how unilateral policy decisions have helped create and exacerbate the surges in food prices. Yet so far the policy responses have been piecemeal. The United States has committed about \$1.8 billion, mostly for additional food aid but also for agricultural development. Other countries have also added resources for food aid. This crisis, however, calls for more substantial increases in resources—and for structural changes. The United States should elevate development as a foreign policy priority and refocus its assistance on reducing hunger and poverty, including increasing investment in developing country agriculture. Aid programs need to be more flexible, coordinated, and integrated. Food aid must be reformed so that it provides nutritious foods to vulnerable people in the most timely and efficient way.

Beyond aid, the United States and Europe must also rethink their biofuels policies. The existing technology puts food in competition with fuel and is not much more climate-friendly than oil. Subsidies in the farm bill and mandates in energy legislation have created incentives to scale up this existing technology, so the food versus fuel competition is built into current policy. The United States should eliminate ethanol credits to oil companies and slow down the schedule for increasing the country's reliance on ethanol. The United States should also accelerate research into the next generation of biofuels, which could meet energy needs in ways that do not compromise food supply and also do a better job of reducing greenhouse gas emissions.

Trade policy is important too. We need a more market-oriented, responsive global agriculture policy to meet the need for increased food production. Reducing agricultural protectionism would be especially good for poor farmers in developing countries. U.S. farmers would also benefit from expanded trade opportunities, and the farm subsidies that now go mainly to affluent landowners could be shifted to programs that would provide more help to struggling farm and rural families in this country.



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