Global Food Security Update (March 2011)

OCHA

KEY MESSAGES

- Global food prices are now at levels equivalent to those during the 2008 food crisis. Prices of other commodities, including oil, are also rising rapidly. Price rises at the regional and local level are extremely variable. Countries will be more vulnerable if they import large quantity of food, and have high inflation and limited foreign currency reserves or sustain supply side shocks (crop failures or exportation restrictions). Rising fuel prices will impact on procurement costs (seeds and fertilizers) as well as logistics
- In 60 countries assessed by WFP, household prices have risen on average by 15-17 percent since April 2010. According to World Bank estimates, since June 2010 there has been a net increase in extreme poverty of about 44 million people in low- and middle-income countries as a result of food price rises.
- The growth in the price of food and commodities is simultaneously putting pressure on the budgets of poor households and increasing the cost of humanitarian operations.
- Although at this stage, the humanitarian impacts of rising prices in particular countries are difficult to predict, particular attention should be given to the needs of countries already facing humanitarian crisis and in protracted emergencies, as well as those that experienced significant increases in humanitarian needs during the 2008 food crisis.

GLOBAL MARKET ANALYSIS

1. The FAO Food Price Index rose for the seventh consecutive month in January 2011 to average 231 points, up 3.4% from December 2010. It is now at the highest level (in both real and nominal terms) since the index started in 1990. The World Bank's Food Price Index increased by 15% between October 2010 and January 2011 and is now only 3% below its 2008 peak.
2. Recent food price increases are primarily a result of supply-side shocks, mainly related to adverse weather in key producing regions. However, to some extent they are also part of a general commodity boom driven by a continued improvement in the global economic prospects, especially in emerging markets. Since mid-November 2010, crude oil prices have risen 12% - the price at the end of February was $103.54 per barrel, which is up from $79.54 at the end of October 2010 and from $34.57 at the end of January 2009 - and is contributing to higher food prices because they increase the costs of food production and transport in particular for small holder farmers. Moreover, the ongoing unrest in Libya is contributing to further rises, including 2% in the first few days of March.

REGIONAL AND COUNTRY IMPACTS

3. Not all regions are currently affected by rising food prices. In much of **sub-Saharan Africa**, prices of the main staples generally remain relatively low as a result of good harvests in 2010. In **Asia**, domestic prices of rice have continued to increase in several countries despite the recent decline in international prices. In wheat importing countries of Asia, Latin America and Africa, prices of wheat products have stabilised at high levels. In maize importing countries of Central America, prices of maize have started to rise.
4. The effects of rising international prices on local prices are extremely variable. There are often time lags in the transmission of price changes to the local level and the magnitude of local price changes will depend on each country's reliance on imports, the proportion of each commodity in its overall diet, and the status of local production.
5. High international food prices represent higher risks for poor countries that need to import a lot of food to feed their populations. Countries will also be vulnerable if they already have high

inflation, have limited foreign currency reserves and if their local currency is depreciating against the US dollar. Table 1 shows local increases in prices between May and November 2010, based on local commodity price data weighted according to the importance of each commodity in the country's diet.

TABLE 1: Local Food Price Index changes in selected countries, May to November 2010

2-10 percent increase	10-25 percent increase	>25 percent increase
Tanzania, 2.2%	Congo, Dem. Rep , 10%	India, 25.2%
Malawi , 2.3%	Thailand, 11%	Nicaragua, 25.6%
Panama, 2.7%	Kenya , 11.1%	Argentina, 30%
Somalia , 3.2%	Armenia, 11.4%	Afghanistan, 32.2%
Uruguay, 3.7%	Burundi , 12.1%	Honduras, 33.8%
Ecuador , 3.9%	Madagascar, 13.1%	Tajikistan, 34.9%
Mexico , 3.9%	Azerbaijan, 13.4%	Mozambique, 35%
Cameroon , 4.1%	Rwanda, 13.8%	Belarus, 40.9%
Costa Rica , 4.3%	Pakistan, 14.2%	
Djibouti , 4.4%	Kyrgyz Republic, 14.9%	
Brazil , 6.2%	Sri Lanka, 15.1%	
China , 8.6%	Bolivia , 15.7%	
Russian Federation, 8.7%	South Africa, 18.5%	
	Bangladesh, 24.4%	

Source: UNICEF. 2011 (February). Escalating Food Prices. Based on FAO data.

6. Any significant disruption to food supplies in coming months (for example, weather-related crop failures and/or export restrictions, taxes and levies) could result in severe food security implications during 2011-2012. Particular regions and/or events that require careful monitoring include:

- The current circumstances in Central Asia suggest an uncertain outlook for staple food price trends. Average or below average summer wheat harvests in the region would be unlikely to offset recent price rises. This would mean that, in particular, poor, market dependent households in Afghanistan and Tajikistan may have difficulty in meeting their food requirements.
- Food import dependent countries in the Middle East and North Africa have experienced some of the highest increases in food prices in recent months. The poorest countries in the region and those most reliant on food imports are likely to be the most vulnerable to continued food price inflation. On this basis, the most vulnerable countries appear to be: Algeria, Djibouti, Egypt, Iran, Mauritania, Sudan and Yemen.
- The ongoing drought across much of northern China may affect the mid-year wheat harvest if dry conditions continue through the crucial spring growing season. China accounts for approximately 15-20% of global wheat production and currently has large stockpiles. However, if the drought results in a significant production shortfall and wheat stocks are drawn down, China may need to increase imports of wheat or other grains, which will drive up international grain prices.
- In the Horn of Africa, households in pastoral and marginal cropping areas currently face high levels of food insecurity due to an ongoing drought, deteriorating purchasing power, and, in some areas, limits on the delivery of humanitarian assistance. Poor performance of March-May rainfall would result in further deterioration in food security in the region.

HUMANITARIAN IMPLICATIONS

7. According to WFP VAM assessments for 60 countries, household prices have risen on average by 15-17 percent since April 2010. For households that already spend as much as 60-80% of their (less than US$2 per day) incomes on food, adapting to higher prices can involve significant reductions in quantity and quality of nutrition. According to World Bank estimates, since June 2010 there has been a net increase in extreme poverty of about 44 million people in low- and middle-income countries as a result of food price rises.
8. The growth in the price of food and commodities is simultaneously putting pressure on the budgets of poor households and increasing the cost of humanitarian operations. Since November 2010, WFP estimates that the cost of providing food assistance to its existing caseload of around 90 million people has risen by 12%, or US$260 million. This is combined with cuts in many donor government budgets due to the economic situation and reduced purchasing power due to the weak dollar.
9. Although at this stage, the humanitarian impact of rising prices in particular countries is difficult to predict, particular attention should be given to the needs of countries already facing humanitarian crisis, in protracted emergencies, as well as those that experienced significant increases in need during the 2008 food crisis.
10. WFP and FAO recommends the following immediate and longer term actions: 1) Build up strategic local reserves; 2) Urgently ensure that humanitarian food is exempted from export bans and taxes; 3) Seek and advocate for adequate funding; 4) Share a list of most vulnerable countries and related plans of actions; 5) Strengthen and accelerate contingency plans efforts for a worsening of food security situation; 6) Ensure availability of demand/supply information and market transparency; 7) Encourage governments to promote enabling environment for private investments in agriculture; 8) Increased action in favour of small farmers which could include support in agricultural inputs.

OCHA'S INVOLVEMENT

1. OCHA will continue to monitor the situation closely and contribute to system-wide efforts through the HLTF.
2. OCHA through the HLTF intends to develop a list of priority actions and countries.
3. OCHA Field and Regional Offices are encouraged to monitor and provide information to Andy Thow (thow@un.org - PDSB/PPAS) and Alfred Nabeta (nabeta@un.org - CRD) on food, oil and other key commodity prices, reserves, and harvest expectations in countries of interest. They are also encouraged to strengthen contingency planning, in close collaboration with HLTF agencies on the ground (including WB, IMF, Regional developments banks, etc.)
4. USG Amos and the Administrator of UNDP will send a joint letter to Resident and Humanitarian Coordinators to encourage coherent, timely and effective action in support of countries affected by food price increases. OCHA is also looking closely at lessons from the food crisis of 2008 to ensure it is prepared should the situation escalate.

FURTHER INFORMATION

FAO. Global Food Price Monitor (February 2011) http://www.fao.org/giews/english/gfpm/GFPM_02_2011.pdf
World Bank. Food Price Watch (February 2011)
http://siteresources.worldbank.org/INTPREMNET/Resources/Food_Price_Watch_Feb_2011_Final_Version.pdf
UNICEF. Escalating Food Prices (February 2011)
http://www.unicef.org/socialpolicy/files/Escalating_Food_Prices.pdf
HLTF on the Global Food Security Crisis. Updated Comprehensive Framework for Action (September 2010)
http://www.reliefweb.int/rw/lib.nsf/db900sid/OCHA-8C5N8B/$file/UCFA_Final%20Sep%2010.pdf

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