

Food Price Watch



THE WORLD BANK



POVERTY REDUCTION AND EQUITY GROUP
POVERTY REDUCTION AND ECONOMIC MANAGEMENT (PREM) NETWORK
THE WORLD BANK

FEBRUARY 2010

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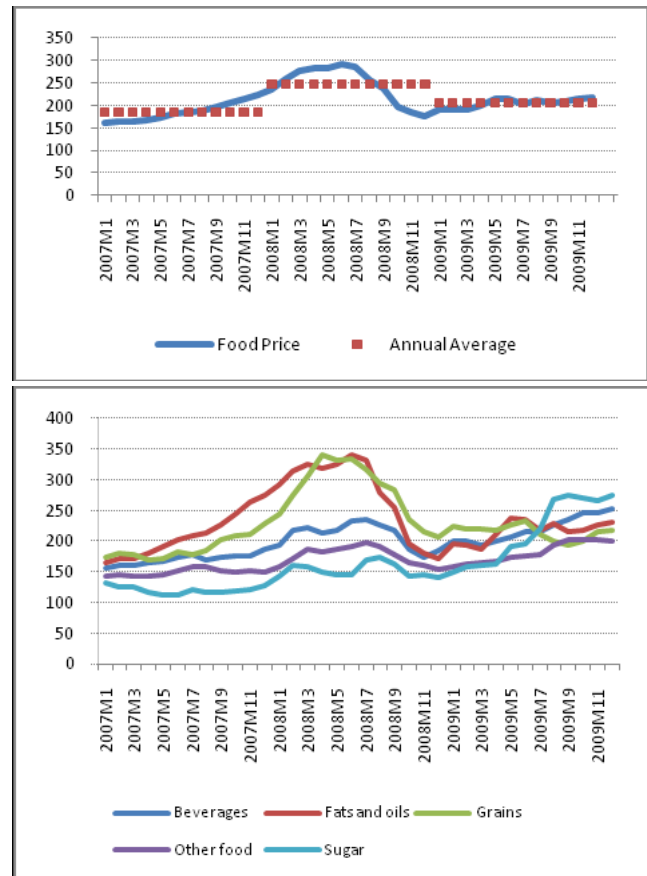
Summary: While the global focus on food prices has waned, domestic staple food prices in several countries have experienced double digit increases in 2009, particularly in Sub-Saharan Africa. We highlight countries where such increases are most significant and estimate that the impact on undernourishment, or hunger, has been as much as 8% in 2009.

Global food prices rose again in 2009. The World Bank food benchmark index increased 23% between January and December 2009. Sugar prices rose 80% during this period and rice prices rose 9% in December 2009 alone. While the food price index for 2009 was on average 17% lower than the 2008 average, prices remained higher than 2007 (see figure 1).

The recent increase could aggravate the adverse effect of the food price spike of 2008 which continues to be felt in many countries in Asia and Africa. This is primarily for two reasons. First, despite the general easing of food prices in international markets after the mid 2008 food price spike, prices had been coming down very slowly in domestic markets in some of these countries. The recent upward trend in the international markets could reverse this gradual decline. Second, the global economic crisis of 2009 may have further strained the poor's already stretched coping mechanisms, though this impact varies considerably by region.

Domestic staple grain price increases appear to have been greater than global grain price increases in recent months. Domestic food prices data from the FAO's Global Information and Early Warning System for 58 low and middle income countries shows that the price increase of staples in several countries was significantly higher than the change in average food prices globally. 17 out of the 37 countries in the dataset witnessed higher average prices of their main staple in 2009 than in 2008.

Figure 1: Trends in Global Food Prices



Note: 1) 2000 = 100; 2) Annual averages refers to the average of the food price index for the calendar year.
Source: World Bank, DEC-PG

Table 1: Countries with the largest increase in domestic price of main staples (out of 58 countries)

Price Increase, January 2009- October 2009				Average price increase, 2008-2009			
Country	Food Item	Caloric Contribution	Price Increase	Country	Food Item	Caloric Contribution	Price Increase
Nigeria	Sorghum	13%	50%	Mozambique	Cassava	33%	61%
Uganda	Maize	10%	35%	Dem. Rep. Congo	Cassava	55%	60%
Bhutan	Rice	..	26%	Sudan	Sorghum	26%	38%
Sudan	Sorghum	26%	24%	Kenya	Maize	36%	21%
Tanzania	Maize	34%	23%	Chad	Sorghum	18%	18%
Kenya	Maize	36%	16%	Burkina Faso	Sorghum	27%	15%
China	Rice	27%	15%	Tanzania	Maize	27%	14%

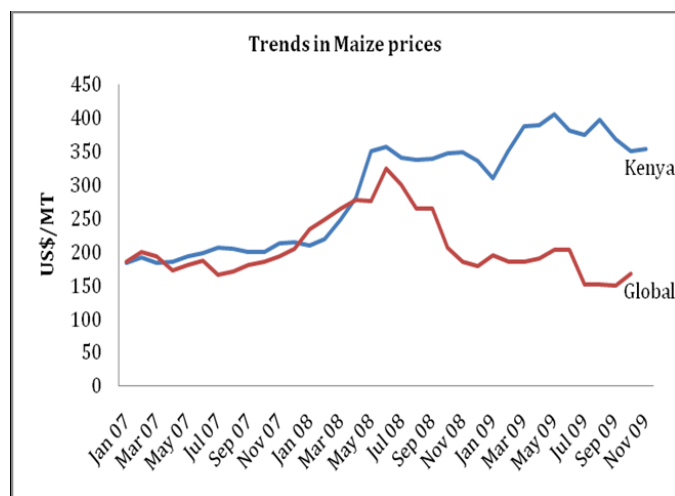
Source: FAO, GIEWS for domestic price data

Note: Of the 58 countries monitored by the GIEWS, this table only considers countries for which price data was available at least up to October 2009. All price increases reported correspond to current LCU prices except for Kenya, Tanzania and Uganda for whom USD prices had to be used as LCU prices were not available. All price data used for this table was accessed on January 18, 2009. For each of the countries in the database, the monthly \$ denominated price of the staple grain was downloaded. Countries were sorted by the \$ price increases and for the twenty countries that ranked the highest – i.e., witnessed the highest increase in the price of their staples in \$ terms, monthly LCU denominated price data was retrieved. Countries were then ranked by the increases witnessed in the price of the staples in LCU terms.

Several countries experienced double digit increases in their main staple price in 2008-09.

For example, cassava prices rose by 60% in the Democratic Republic of Congo (where its consumption constitutes 55% of calorie intake). Sorghum prices in Nigeria rose by 50% from January 2009 to October 2009. During the same period, domestic price for maize grew by 35% in Burkina Faso. It appears from our sample of 55 countries covered by FAO's domestic food price survey that predominantly countries in sub-Saharan Africa have experienced the largest price increases in staples in their local markets (see Table 1). Maize prices in Kenya, driven by election-related disruptions and a drought, rose even during the latter half of 2008 when global prices fell (see Figure 2).

Figure 2: Kenya's maize prices increased while global prices declined



Source: Kenya Economic Update December 2009

Table 2: Impact of price increase on undernourishment, some estimates

	% Increase Domestic Price of Main Staple in 2009	Change in Undernourishment Incidence	% Change (over 2008 estimate)	Projected per capita growth (2009)
Mozambique	61%	763,291	8%	2.2%
Kenya	21%	453,897	5%	0.3%
Burkina Faso	15%	149,592	3%	1.3%
Tanzania	14%	444,599	4%	0.0%

Note: Projected per capita GDP growth for every country based on data from the September 2009 Global Development Finance. See footnote 1 on the undernourishment estimates.

This continuing increase in the price of staples in domestic markets remains a significant threat to food security and nutrition in the developing world.

If these price increases in domestic markets represent a general increase of similar magnitude across the cross section of caloric sources available, then the impact on food security and overall nutritional quality may be significant. We produce some estimates of the effect of the staple food price increases on undernourishment, or hunger, defined by the number of people who consume too few calories to meet their minimum dietary requirements (see Table 2).

The estimated impact on undernourishment appears to be significant.

The results for the countries in which domestic prices of staples increased the most and we had data for income distribution are summarized in Table 2. If there was an across the board average increase in the price of calories by 61% in Mozambique that would increase undernourishment incidence by approximately 763 thousand people - an 8% increase over 2008 levels. Similarly, if calorie prices rose by 21% and 15% in Kenya and Burkina Faso, undernourishment incidence would increase by 5% and 3% respectively. These are significant numbers, particularly since malnutrition remains a key development challenge in these countries.

Food prices are only one factor affecting undernourishment.

There are a host of important determinants of undernourishment, and more broadly malnutrition, including access to clean water and sanitation, healthcare services, and the rate of economic growth. One estimate shows that the slowdown in global growth in 2009 may have led to an additional 41 million undernourished people compared to what would have happened if the economic crisis had not occurred.¹

¹ Estimates of the impact of higher food prices and slower growth on undernourishment are derived from Tiwari and Zaman (2010), "Impact of Economic Crises on Global Undernourishment", World Bank Policy Research Working Paper 5215, which builds on a model developed by Senauer and Sur (2001) "Ending Global Hunger in the 21st Century: Projections for the Number of Food Insecure People", Review of Agricultural Economics, 23 (1): 68-81