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Background document

Agenda Item 2: Unstable Food Prices and the Linkage to Food and  
Nutrition Security

## **SUMMARY**

Globally, there are downward trends of food prices compared to highs reached mid-2008, but many developing countries are still experiencing higher prices than two years ago and much higher than in 2002 when prices started to rise. Unstable or high food prices have clearly accentuated the vulnerabilities of the poor, both urban and rural, with their purchasing power seriously eroded, leading to deterioration in the quantity and quality of food consumed and to other negative coping actions. The systemic issues unearthed, especially the relative lack of attention to sustained agricultural production and widespread malnutrition, need to be addressed given the potential aggregate impact caused by the current financial crisis, as well as to ensure that MDG1 is reached. There are also risks to the achievement of other MDGs, given that acute and chronic malnutrition is an underlying cause of poor school attendance and performance and of child, maternal and elderly mortality. Gender inequality and non-compliance with treatment by people living with HIV/AIDS are also exacerbated. In this context, the Comprehensive Framework for Action elaborated by the Secretary General's High Level Task Force on the Global Food Security Crisis, where agency heads are members, remains extremely relevant. The agencies are working closely together, within the UNCTs and also at regional level, in supporting National Governments' short and long-term response to high food prices, as a direct application of the Framework at country level.

## **BACKGROUND**

A number of causes are considered to be at the root of high food prices. These include increased demand due to the use of food crops in bio-fuel production and due to the economic rise of developing countries with large populations, as well as high energy costs, prolonged drought in key producing countries, declining stocks, and speculation in international commodity markets. What became clear was that the under-investment in agricultural production and in rural infrastructure had caused declining crop yield growth, leading to an exacerbation of what was already a silent crisis of food insecurity in many developing countries. This under-investment is complicated by land tenure regimes that often play against enhancing the means of production especially among the poor, and against women - who are often denied land ownership.

The critical factor to consider is the impact of high food prices on the purchasing power of the poor. Even before food prices rose, 854 million people were estimated to be under-nourished, or unable to purchase or acquire their minimum food requirements. This figure has climbed close to 1 billion as a result of higher food prices, and 78 countries have reported an increase in their fiscal costs in 2008 due to the array of measures implemented in response to higher food and fuel prices. The year-end sharp drop in fuel prices will have lightened some of these measures.

Food prices globally have begun to decline, but are still 28% above the October 2006 level and 76% above the 2002 level, according to the FAO Food Price Index. The situation in many developing countries is still precarious. Wheat prices in some districts of Afghanistan are reported to be as much as 150% above the five year average, for example.

While food prices may be falling, the slowdown of developing country economies due to the global financial crisis could lead to job and income losses for the poor and to fiscal and current account deficits that will make it even harder for Governments to cope with those who are hungry. Remittances are also starting to decline in a number of countries and may be around 25% less in 2008 than in 2007, compared to significant increases in previous years.

There is evidence that the aggregate impact of higher food prices and the financial crisis is resulting in declining in Government revenues and decreasing remittances. The extent of this aggregate impact will depend on a number of factors the extent of which will vary by country. Increased vulnerability through lower purchasing power will invariably hit the poor exacerbating their food and nutrition security.

## **VULNERABILITY**

With high food prices, there have been both winners and losers. Winners include commercial farmers and rural farmers who are net food producers and able to sell their produce at higher prices, and commodity speculators. Net food sellers though are a minority in many rural areas, especially in Africa. Losers are the urban poor who rely on purchasing their food, small-holder farmers who are net food buyers, many of whom are women, and who have also had difficult access to higher-priced seeds and fertilizers, and front-line workers, such as health workers and teachers, whose salaries may not have been adjusted to keep up with higher prices.

Countries with higher fertility rates and lower agricultural productivity tend to be poor, food insecure and tend to have a significant part of their population chronically under-nourished. As practically all future population growth is expected to be in urban areas, mostly in developing countries, the number of urban poor who are particularly vulnerable to food insecurity could increase if appropriate policies to deal with urban growth are not implemented. Unemployment and under-employment are central to the low purchasing power of the urban poor.

Conflict and post-conflict countries face impacts that may be more acute than other countries. They typically have low levels of production, negligible stockpiles and limited ability to purchase in the global market. In eastern Chad, the sorghum price is 60% above that of mid-2007. Households have often lost most of their assets and Governments are overstretched with massive reconstruction or rehabilitation needs.

Women and girls are at particular risk of receiving inadequate nutrition, especially as in times of food scarcity gender inequalities increase. Households headed by single women are also likely to be at greater risk of food insecurity. In crisis and conflict situations, women and children may be unable to obtain food due to the risk of violence. As pregnant and lactating women have special dietary requirements, particularly with regard to micronutrients, poor maternal nutrition results in higher rates of maternal mortality, low birth weight, and chronic malnutrition, leading to lifetime development problems, and lost economic productivity. Young children and people with chronic diseases, such as HIV/AIDS and tuberculosis, also have special nutritional requirements.

For large segments of the population, therefore, nutrition security is key, requiring access to adequate nutritious food (quantity, quality, safety, socio-cultural acceptability), but also access to safe water, hygiene, sanitation and quality health-care services. For the young, elderly and infirm, the time between under-nutrition and serious health impact is the shortest.

## **EFFECTS OF FOOD INSECURITY**

Vulnerable populations have engaged in a number of inter-related coping mechanisms to deal with higher food prices. The common reaction is a change in the quantity and quality of food consumed. In the Kibera slum of Nairobi, more than 50% of the people reported eating less and 39% are buying less expensive foods. In Vietnam, 90% of urban women reported having reduced the quantity and quality of the food products they buy.

The direct and indirect costs of schooling constitute a growing constraint when the family's purchasing power is reduced. Children leave school to either help their families in productive activities, or they become engaged in remunerative labour. Increased migration of boys and girls from hard-hit rural areas in Guatemala to provincial capitals, in search of low paying work, has been observed. There is, as yet, no specific evidence in countries on school drop-out due to high food prices, but ongoing studies are expected to provide data.

Social exclusion, which particularly affects girls and women, specific caste and ethnic groups, people living with disability and children in vulnerable communities, exacerbates food deprivation. This is borne out in data from South Asia, where these groups face an increased risk of hunger, as they are systematically excluded from assets.

In addition to the immediate consequences of food insecurity, there are accumulated effects due to high food prices. Household assets are likely to have already been sold, which, together with school drop-out, and lowering food consumption, have a negative impact on human capital. Reduced water consumption, for those who have to buy water, has implications on sanitation and hygiene, leading to greater risk of disease. Even with declining prices, this 'accumulated vulnerability' remains, and will need to be addressed as part of longer-term sustained interventions.

## **IMPACT ON THE MDGs**

The percentage of under-five children in developing countries who are under-weight has dropped from 33% to 26% between 1990 and 2006. The 2008 UN MDG Report indicated that "undernourishment of children (under five) is broadly representative of the extent of hunger in the population as a whole, progress is insufficient to achieve the MDG target (MDG1).

While the impact on MDG1 is the most direct, achieving other MDGs will be compromised. The abandoning of school, as pressure increases on the household to reduce expenditures, can slow down progress to achieving universal primary education (MDG2). Girls are more likely to drop out of school, and are negatively

impacted along with women in general in terms of access to food; thus gender equality (MDG3) is also threatened.

Under-nutrition is a contributing cause of one third of child deaths. Under-five mortality in developing countries has declined from 103 deaths per 1,000 live births to 80 between 1990 and 2006. Without addressing urgently under-nutrition, and the potential deterioration in nutritional status due to higher food prices, accelerating the reduction in under-five mortality (MDG4) will be seriously challenged. While reducing maternal mortality (MDG5) is associated with access to reproductive health measures and safe birthing techniques, deteriorating maternal nutrition will slow down any reduction in maternal mortality, for which progress has already been negligible, having declined only 6% between 1990 and 2005.

Inadequate nutrition has immediate effects on the non-compliance of anti-retroviral treatment in HIV patients. Universal access to treatment (MDG6) must ensure that HIV patients also have access to sufficient nutritious foods, especially as they are among those most impacted by higher food prices. Higher food prices are resulting in lower water use, which could have serious implications in sustaining access to safe drinking water and basic sanitation (MDG7). Poor urban areas in Madagascar are already reporting a halving of water purchases.

## **UNITED NATIONS COMPREHENSIVE FRAMEWORK FOR ACTION**

The Comprehensive Framework for Action (CFA) established by the Secretary-General's High-Level Task Force on the Global Food Security Crisis and issued in July 2008 already recognized the stabilizing of food prices after recent highs. It recommended, nevertheless, urgent action as prices remained well above their 2004 levels and with threats likely to continue due to supply and demand dynamics, depleting water resources and natural resources degradation, and ultimately climate change. Broad consensus was reached by the General Assembly on the CFA, and achieving its outcomes remains critical to ensure the MDGs are met and future food crises averted. While the CFA does not include robust estimates of the global incremental financial requirements for food and nutrition security, preliminary estimates would indicate available funding is far short of needs.

The CFA recognizes that governments significantly influence the food market in a multitude of ways including trade and price-setting behaviors and these have often impacted negatively on food availability. The role of Government is, nonetheless, central to enhancing food availability. They also have the prime responsibility in organizing social protection systems that provide a safety net for vulnerable populations.

In Mozambique, which is being presented to the Joint Board Session as a case study, the Government requested UN support for its response to higher food prices. UN support is developing along two main tracks. The first, coordinated by FAO, focuses on measures to enhance food production and trade, and is linked to a Joint Programme, supported by WFP, IFAD and FAO, on increasing the amount of cereals and pulses purchased directly from smallholders' organizations. The second, coordinated by UNICEF, is pursuing the scaling-up of existing nutrition rehabilitation and supplementary feeding programmes, enhancing education in life skills and

agricultural production for both children and adults, and expanding cash transfer programmes.

Mozambique is one of the 27 countries identified by the Task Force for an intensified implementation of a coordinated UN response. UNCT actions have already started in over half these countries, including joint assessments in support of national responses and the expansion of nutrition interventions, with the World Bank and Regional Development Banks providing increased resources to agricultural development.

## **INTER-AGENCY ACTIVITIES**

Coordinated activities are taking place at all levels of the agencies, with Resident Coordinators instrumental in devising responses from UNCTs. Regional Directors have been meeting to identify coordinated regional assessment and support.

The kinds of specific activities in which the four agencies have been engaged in support of Government responses, along with other UNCT agencies and non-governmental organizations, include:

- Strengthening vulnerability assessments and situation analysis;
- Expanding the treatment of children with severe acute malnutrition;
- Extending school feeding to children through school holidays and using schools as a platform to provide take home rations to vulnerable families;
- Implementing voucher and cash transfer programmes to enable people to access food and basic social services;
- Increasing assistance to urban areas, including youth employment projects;
- Expanding public works programmes in support of efforts to increase agricultural production, or to build farm-to-market roads and other community infrastructure;
- Supplying small-scale food reserves that communities can draw down to cope with price or other shocks, combining this assistance with seeds, tools and support to build roads and market infrastructure;
- Helping small farmers produce and sell nutritious food for use in government safety net activities.

In addition, WFP and UNICEF, together with FAO and WHO and a number of non-governmental agencies, already collaborate on ending child hunger and under-nutrition (REACH), focusing on country-level operational work in support of scaling up nutrition interventions.

## **OPPORTUNITIES FOR LONG-TERM SOLUTIONS**

Achievement of the MDGs could be undermined by higher food prices. At the same time, the analyses conducted in determining the causes of high food prices and the general consensus on needed interventions point to long-term solutions that can help prevent the impact of future crises. The current financial crisis will likely further exacerbate vulnerabilities and make action even more pressing.

Investing in national capacity to undertake vulnerability analysis can have positive effects over the long-term, as this will identify who the hungry and vulnerable are, their location, the causes of their vulnerability, their coping capacities, their need for assistance and how this assistance can be effectively delivered and sustained.

Scaling-up investment in food production and nutrition interventions, especially in the most affected countries, has to remain a priority. As women are estimated to constitute 60% of small-holder farmers in developing countries, expanded investment in agriculture should have a strong focus on improving their situation. Priority should be placed on good complementary and supplementary foods for children and women. Investment should also address the negative incentives that have been in place for farmers in developing countries, including trade and price policies. For sub-Saharan Africa, opportunities for increasing investment in agriculture and food security are contained in the recommendations of the Secretary-General's MDG Africa Steering Group.

Safety nets play an important role, and can take various forms. School feeding improves retention of children in school and can act to provide take-home supplements for household food fortification. Cash transfers have been effective in improving access to food; there are initial indications that those receiving such transfers in Ethiopia have been less affected by the impact of high food prices. Ultimately, these types of interventions have to be molded into resilient social protection systems that can avert the impact of crises such as that imposed by high food prices. In many countries, social protection systems are in their infancy and, as yet, have not been structured in ways that better address the adverse impact of aggregate crises. They require substantial design improvements and must provide benefits to the most vulnerable.