



FOUR-FOLD: INCREASE
IN THE PRICE OF RICE SINCE 2003

THREE-FOLD:
INCREASE IN THE PRICE OF CORN
SINCE 2003

Rising Food Prices

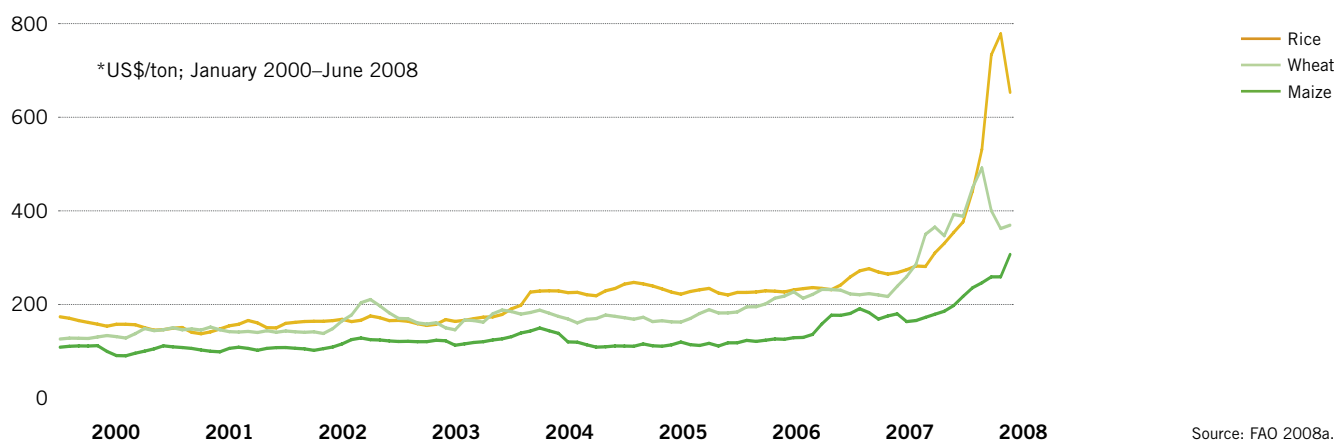
Intensify the Hunger Crisis

Until recently, efforts to reduce hunger and malnutrition took place in an environment of gradually falling food prices. Between 1974 and 2005, real food prices declined by about 75 percent, according to the International Monetary Fund (IMF). Since 2005, however, real food prices have been on the rise. The Food and Agriculture Organization of the United Nations (FAO) food price index rose by 9 percent in 2006, 23 percent in 2007, and more than 50 percent between May 2007 and May 2008. Virtually every food commodity has been affected by rising prices. Prices of wheat and poultry have doubled since 2003, and prices of maize and butter have tripled, and the price of rice has more than quadrupled.

By now, the causes of the price increases are familiar to many people: Economic growth and rising incomes in some developing countries have changed people's diets, pushed up demand for food, and depleted grain stocks in some coun-

tries. Biofuel mandates and generous subsidies in Europe and the United States have raised demand for maize and soybeans and distorted the comparative advantage of other countries on world markets. Rising oil prices have increased the cost of cultivating, fertilizing, and transporting crops. Severe weather in major grain-producing countries like Australia and Ukraine has cut into harvests. Insufficient increases in agricultural production have also been due to under investment in agricultural innovation and to land and water constraints. Some countries, including Argentina, Bolivia, China, Egypt, Ethiopia, India, and Pakistan, have implemented export restrictions that have constricted supplies on world markets and exacerbated the upward pressure on prices. And speculation on stock markets has played a role in rising food prices, although the extent of that role is not clear. There has been an enormous influx of speculative capital into food commodity markets that may not reflect actual supply and

DEVELOPMENT OF WORLD GRAIN PRICES*



demand but may instead be contributing to a cycle of speculative expectations and consequent price increases.

At the moment, food prices do not appear likely to fall to their 2000–03 levels, and price fluctuations may become even greater. Future price changes will depend, however, on decisions about biofuels, responses to climate change, and agricultural investment decisions. For instance, IFPRI research has shown that increased demand for biofuels between 2000 and 2007 accounted for 39 percent of the increase in the price of maize and 30 percent of the rise in the price of grains.

Higher food prices have uneven effects across countries, depending on a range of factors. One such factor is whether countries are net importers or exporters of cereals, an indicator that reveals their vulnerability to rising cereal prices. Net exporters, like Argentina and Kazakhstan, tend to benefit

from improved terms of trade, whereas net importers, like Angola, Chad, Burundi, and Ethiopia, struggle to meet domestic food demand. The table below shows that net cereal importers in the sample are substantially more than exporters (97 net importers and 15 net exporters), implying that many more countries still combating hunger are likely to suffer from higher prices than benefit from them. In fact, higher food prices will probably hit countries with the highest rates of hunger hardest, given that none of the countries with extremely alarming GHI – Burundi, Democratic Republic of the Congo, Ethiopia, Liberia, Niger, and Sierra Leone – are net cereal exporters.

The rise in food prices also undermines political security, which has a strong two-way link with food security. The table on page 25 shows the relationship between the severity of the 2008 GHI and violent and nonviolent food protests.

GHI BY SEVERITY AND NET CEREAL EXPORTERS-IMPORTERS¹				
< 4.9 (low)	5.0 to 9.9 (moderate)	10.0 to 19.9 (serious)	20.0 to 29.9 (alarming)	≥ 30.0 (extremely alarming)
Net importers	Net importers	Net importers	Net importers	Net importers
Belarus*	Albania	Armenia	Angola	Burundi
Bosnia and Herzegovina	Algeria	Azerbaijan,	Bangladesh	Congo, Dem. Rep.
Brazil	China	Republic of	Cambodia	Ethiopia
Chile	Colombia	Benin	Central African Republic	Liberia
Costa Rica	Cuba	Bolivia	Chad	Niger
Croatia	El Salvador	Botswana	Comoros	Sierra Leone
Ecuador	Fiji Islands	Cameroon	Djibouti	
Egypt	Gabon	Congo, Rep.	Guinea	
Estonia	Guyana	Côte d'Ivoire	Haiti	
Iran, Islamic Rep.*	Jamaica	Dominican Republic	Madagascar	
Jordan	Malaysia	Gambia	Malawi	
Kuwait	Mauritius	Ghana	Mozambique	
Kyrgyzstan	Morocco	Guatemala	Nepal	
Lebanon	Panama	Honduras	Pakistan	
Libya*	Peru	Indonesia	Rwanda	
Macedonia	South Africa	Kenya	Sudan*	
Mexico	Suriname	Mongolia	Tanzania	
Romania	Thailand	Namibia	Yemen	
Saudi Arabia	Trinidad and Tobago	Nicaragua	Zambia	
Syrian Arab Republic	Turkmenistan	Nigeria	Zimbabwe	
Tunisia	Venezuela, RB	North Korea*		
Turkey		Philippines	Net exporters	
Uruguay	Net exporters	Senegal	Burkina Faso	
	Moldova, Republic of	Sri Lanka	India	
Net exporters	Paraguay	Swaziland		
Argentina		Togo		
Bulgaria		Uganda		
Kazakhstan		Viet Nam		
Latvia				
Lithuania		Net exporters		
Russian Federation		Myanmar*		
Serbia and Montenegro		Uzbekistan		
Slovakia				
Ukraine				

Note: For the 2008 GHI, data on the proportion of under-nourished are for 2002–2004, data on child mortality are for 2006, and data on child malnutrition are for the latest year in the period 2001–2006 for which data are available. For countries marked with an asterisk, the underlying data are unreliable.

¹ cereal exports/imports measured as 2003–2005 average



One of the reasons for the rise in food prices is the emergence of bio-fuel production which competes with food production. This trajectory has to be adjusted: Climate protection cannot be achieved at the cost of food production and hunger relief.

A food protest is a strike, protest, or riot over food- or agriculture-related issues. A violent food protest is a food protest involving the use of physical force or resulting in casualties. It is important to remember that the 2008 GHI reflects data from 2001 to 2006 and not the actual hunger situation in 2008. Nonetheless, countries are unlikely to have achieved drastic improvements in their hunger situation between 2006 and 2008. From January 2007 to June 2008, one third of all countries for which 2008 GHI was calculated had a violent or non-violent protest, with multiple occurrences in Bangladesh, Brazil, Côte d'Ivoire, Egypt, Haiti, Indonesia, Mexico, Moroc-

co, Peru, Philippines, Senegal, and South Africa. Food protests have affected countries with both high and low GHI scores. Interestingly, however, none of the countries with an extremely alarming GHI had experienced violent protests.

With increased food price inflation, urban dwellers are usually the group that responds with strikes, protests, or riots. The rural poor, however, usually suffer silently for a while, and a lack of protests may not correctly depict the severity of impact on the poorest of the poor. The political instability reflected in protests over food prices can, however, have a dampening effect on economic growth.

GHI BY SEVERITY AND FOOD PROTESTS, JANUARY 2007–JUNE 2008

< 4.9 (low)	5.0 to 9.9 (moderate)	10.0 to 19.9 (serious)	20.0 to 29.9 (alarming)	≥ 30.0 (extremely alarming)
Non-violent	Non-violent	Non-violent	Non-violent	Non-violent
Argentina	China	Bolivia	Bangladesh	Ethiopia
Brazil	El Salvador	Guatemala	India	Niger
Jordan	Peru	Nicaragua	Madagascar	
Lebanon	South Africa	North Korea*	Nepal	
Mexico	Trinidad and Tobago	Philippines		
		Uzbekistan	Violent	
	Violent		Burkina Faso	
	Egypt, Arab Rep.	Violent	Guinea	
	Malaysia	Cameroon	Haiti	
	Morocco	Côte d'Ivoire	Mozambique	
	Russia	Honduras	Pakistan	
	Thailand	Indonesia	Yemen, Rep.	
	Tunisia	Kenya		
		Mauritania		
		Senegal		

Note: For the 2008 GHI, data on the proportion of under-nourished are for 2002–2004, data on child mortality are for 2006, and data on child malnutrition are for the latest year in the period 2001–2006 for which data are available. For countries marked with an asterisk, the underlying data are unreliable.