1 The undernourishment estimates referred to in this discussion are calculated using the standard FAO methodology, modified when necessary to take account of incomplete data on production and trade. See FAO. 2008. The State of Food Insecurity in the World 2008. High food prices and food security – threats and opportunities. Rome, p. 7.


6 World food markets are much larger than world food commodity markets. Thus, food commodity prices will not have much effect on world energy markets.


13 M. Robles and M. Torero. 2010. Understanding the impact of high food prices in Latin America. Economia, 10(2): 117–164. The difference in findings on impact of higher prices in Peru between Robles and Torero (2010) and Ivanic and Martin (2008) (see note 11) is most likely due to the fact that Robles and Torero used actual price changes, while Ivanic and Martin used a uniform price change across commodities.

14 Dawe et al. (2010) (see note 9).

15 The analysis in this report focuses on staple foods, as does most of the literature on this area. This focus has been driven by the large share of staple foods in the budget of the poor, and by the large price fluctuations for these commodities on world markets. Overall food-price inflation has fewer spikes and smaller increases than staple food prices, but the basket used to calculate food-price inflation is not representative of the budgets of the poor and thus is less relevant from a food-security perspective.


27 For more information on the macroeconomic and political impacts, see: C.P. Timmer and D. Dawe. 2007.


40 OECD-FAO (2011) (see note 4).

41 Robles and Torero (2010) (see note 13).


43 Demekel, Pangrazio and Maetz (2009) (see note 2).


47 Cumulative inflation was about 20 percent in both the United States of America and West African countries using the CFA franc during this period, so adjustment for inflation would not substantially affect the results.

48 Some Thai policies (e.g. domestic support prices) may indirectly affect the level of exports. Nevertheless, Thai domestic prices have tracked world prices nearly perfectly since 1986.


51 The sample includes all African countries for which data were available for either rice or wheat and one traditional staple. All available data from 2005 to 2010 were used in the analysis.


56 H. Höfller and B.W. Owusu-Ochien. 2009. High commodity prices – who gets the money? A case study on the impact...


60 Höfler and Owuor Ochieng (2009) (see note 56).


65 Often trade controls increase domestic prices above world prices – in such cases, these policies add to world supplies.


**Key messages**

- **High food price increases are an important long-term determinant of food insecurity**, which we see today. It is important to note that the increase in food prices during the 2006–08 world food crisis was real and not temporary. These higher food prices hit the urban poor, who are typically net food buyers. The diversity of the urban poor, high food prices also hurt many of the rural poor, who are typically net food sellers. The benefits go primarily to farmers with access to sufficient land and other resources, while the poorest of the poor, who are typically net food buyers, should not receive a share of the benefits. The urban poor, high food prices also hurt many of the rural poor, who are typically net food sellers. The benefits go primarily to farmers with access to sufficient land and other resources, while the poorest of the poor, who are typically net food buyers, should not receive a share of the benefits.

- **High food prices increase the likelihood of future poverty and thus slowing economic development process.** Smallholder farmers are less likely to invest in measures to raise productivity when price changes are unpredictable. Such investment will improve the competitiveness of domestic production, increase farmers’ earnings, and help smallholder farmers and help them to access markets, such as the food aid nets, but trade insulations increased prices and volatility on world markets. Because of this, food prices increased during the 2006–08 world food crisis at both retail and farmgate levels. Despite higher fertilizer prices, this led to a strong supply response in many countries. It is essential to build an infrastructure that is resilient to higher food prices and to improve resilience of smallholder farmers to the unpredictable food price swings. Changes in income due to price volatility may increase due to stronger linkages between agricultural and energy markets, as well as additional factors, such as higher volatility in exchange rates. The reduced access to food and reduced purchasing power of urban households, as well as increased demand for food and other necessities, will not provide. These investments should consider the effects of weather shocks, such as the drought of 2006–08 in Sub-Saharan Africa, which led to a temporary increase in food prices but had long-term effects on the incomes and livelihoods of smallholder farmers.

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### Table 1

<table>
<thead>
<tr>
<th>Country</th>
<th>Key messages</th>
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</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>1. World Food Summit goal: halve, between 1990–92 and 2015, the number of undernourished people. 2. The target is to be achieved by year 2015, if current trend continues: the number of undernourished is based on their 1990–92 population and consumption (undernourishment). The results are obtained following a method developed by the Food and Agriculture Organization, which is based on an average of three years. Some countries may have more recent data. 3. In order to be effective at reducing progress insufficient to reach the target if prevailing trends are not reversed. 4. The colour indicator shows the progress that is projected to be achieved by year 2015, if current trend continues: 5. Country has a proportion of undernourishment below 5% of undernourishment. 6. Progress insufficient to reach the target if prevailing trends are not reversed. 7. Target already met or expected to be met by 2015. 8. In addition to the countries listed in the table includes: Democratic Republic of the Congo, Somalia, Cape Verde, Comoros, Djibouti, Guinea, Guinea-Bissau, Ivory Coast, Kenya, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Senegal, Sierra Leone, Somalia, South Africa, Sudan, Tanzania, Togo, Uganda, Upper Volta, Zambia, Zimbabwe. 9. In addition to the countries listed in the table includes: Afghanistan, Bangladesh, Bhutan, Cambodia, Laos, Maldives, Nepal, Sri Lanka, Thailand, Vietnam. 10. In addition to the countries listed in the table includes: Afghanistan, Bangladesh, Bhutan, Cambodia, Laos, Maldives, Nepal, Sri Lanka, Thailand, Vietnam. 11. In addition to the countries listed in the table includes: Afghanistan, Bangladesh, Bhutan, Cambodia, Laos, Maldives, Nepal, Sri Lanka, Thailand, Vietnam. 12. In addition to the countries listed in the table, includes: Antigua and Barbuda, Bahamas, Barbados, Dominica, Grenada, Netherlands Antilles, St. Lucia, St. Vincent and the Grenadines, St. Kitts and Nevis, St. Pierre and Miquelon, Trinidad and Tobago. 13. In addition to the countries listed in the table, includes: Belize, Dominica, Grenada, Guyana, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Lucia, St. Vincent and the Grenadines. 14. Includes: Fiji Islands, French Polynesia, Kiribati, New Caledonia, Papua New Guinea, Samoa, Solomon Islands and Vanuatu.</td>
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The State of Food Insecurity in the World

How does international price volatility affect domestic economies and food security?

The State of Food Insecurity in the World 2011 highlights the differential impacts that the world food price crisis of 2006-08 had on different countries, with the poorest being most affected. While some large countries were able to deal with the worst of the crisis, small and medium-sized countries experienced larger, more immediate, and longer-term negative effects on their future earnings capacity and ability to escape poverty.

This year’s report focuses on the role of food price volatility, as well as its dangers and opportunities, in emerging and high food-price countries. Climate change and an increased frequency of adverse shocks, increased linkages between energy and agricultural markets due to growing demand for biofuels, and increased financialization of food and agricultural commodities all suggest that food price volatility will remain high in the foreseeable future. Therefore, market-based and policy options to reduce volatility in a cost-effective manner and to manage it when it cannot be avoided are all the more important. Improved market information, create gender-sensitive safety nets that are diagnostics driven and can be implemented quickly in crisis, and invest in agriculture for the long term to make it more productive and resilient to shocks.
The State of Food Insecurity in the World 2011 highlights the differential impacts that the world food crisis of 2006-08 had on different countries, with the poorest being most affected. While some large countries were able to deal with the worst of the crisis, people in many small import-dependent countries experienced larger price increases, even when only temporary, and have permanent effects on their future earning capacity and ability to escape poverty.

This year’s report focuses on the risks of food price volatility, as well as the dangers and opportunities presented by high food prices. Climate change and an increased frequency of weather shocks, increased linkages between energy and agricultural markets due to growing demand for biofuels, and increased financialization of food and agricultural commodities all suggest that food price volatility may be here to stay. The report examines the effects of price volatility on food security and presents policy options to reduce volatility in a cost-effective manner and to manage it when it cannot be avoided. It will be important to provide improved market information, create gender-sensitive safety nets that are designed in advance and can be implemented quickly in crises, and invest in agriculture for the long term to make it more productive and resilient to shocks.