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# SETTING THE STAGE FOR CFS 37

The State of

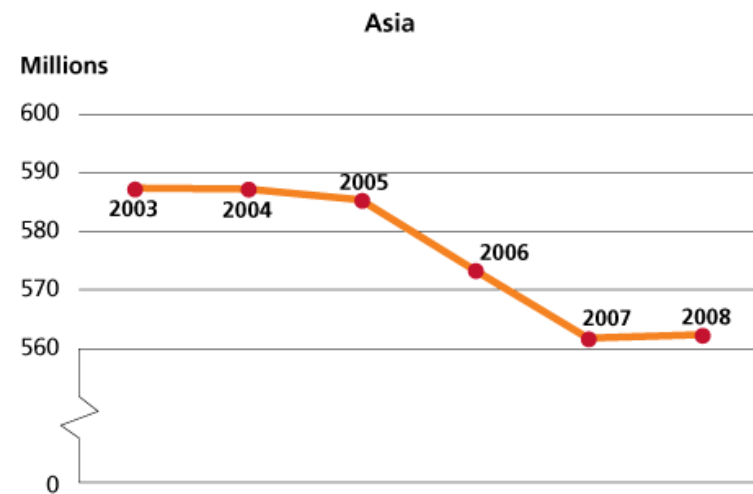
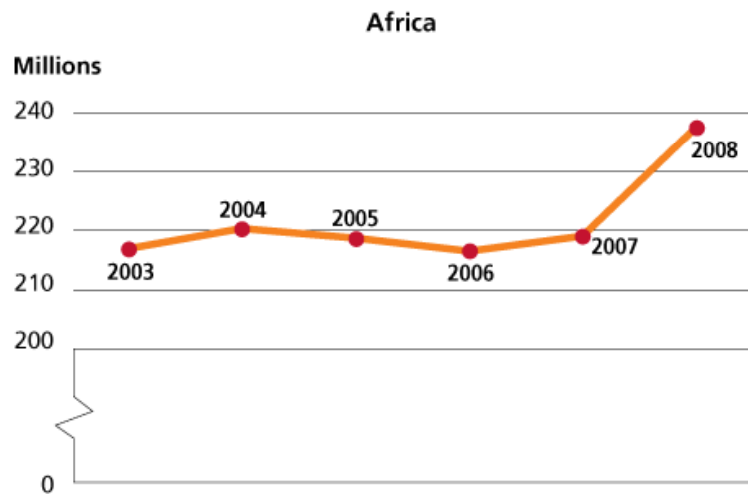
## **Food Insecurity in the World 2011**

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

Hafez Ghanem,  
FAO Economic and Social Development Department

# The impact of the crises was not uniform

Undernourishment in the world: two very different trends after the crises



Source: FAO.



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## The level and volatility of domestic prices rose in most countries

- Domestic prices rose by over 40 percent in real terms
- On average, this represented a 9 percent fall in real income for poor consumers
- The increase in prices affected imported staple foods as well as others (e.g. cassava)



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## High and volatile food prices are likely to continue ...

- Food markets are tighter
- Stronger linkages between agricultural and energy markets
- Increased frequency of weather shocks
- Increased financialization of food and agricultural commodities

## Costs and benefits of high prices

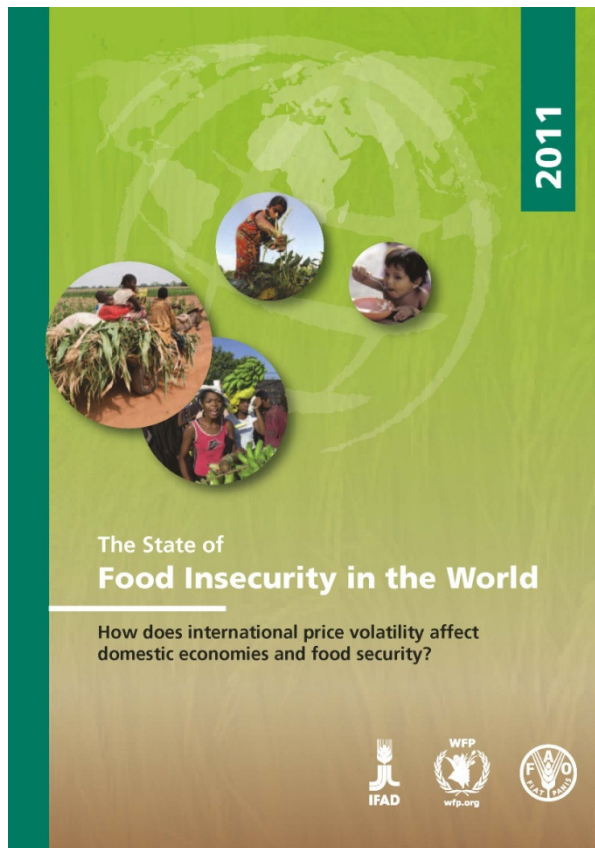
- Food security threat for urban consumers and rural net food buyers
- Benefits to smallholders who are net producers and have access to resources
- High and stable prices are an incentive to increase production and investment in agriculture, including by smallholders

## Costs of food price volatility

- Disincentive to increase production and investment, especially by smallholders, when price changes are unpredictable
- Even short-term price shocks have long-term effects on producers and consumers
- Price volatility has macro-economic implications

## How to deal with price volatility

- Investment in agriculture
- Improved market transparency
- Better policies
- Targeted safety nets and emergency food reserves
- Reduce production risk for smallholders
- Better regulation of futures markets



The State of  
**Food Insecurity in  
the World 2011**

The international reference  
on global hunger issues

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