



Food Price Volatility 2011

Food Price Volatility and Vulnerability

May 2011

Context

- ◆ High food and fuel prices reduce purchasing power of both the hungry poor and those who try to assist them
- ◆ Unlike 2008 the price shocks of 2011 are not unexpected
- ◆ Shocks not affecting all countries in the same way
- ◆ Sustained increases in fuel prices may be more damaging than only food commodity prices.
- ◆ Challenge is to identify regions and countries likely to be most affected both in terms of incidence and depth of food insecurity.

Global Vulnerability Analysis

143 countries

- ◆ Low income (40)
- ◆ Lower medium income (55)
- ◆ High medium income(58)
- ◆ All upper high income countries excluded
- ◆ All oil exporting countries excluded

Two global vulnerability indices developed

- ◆ Price Shock and Hunger Index
 - Food and fuel import levels and dependence, domestic inflation, current account balances, foreign ex reserves, foreign exchange fluctuation
- ◆ Global Food Security Index
 - Food availability, access, utilization, stability

Several countries are vulnerable to high food and fuel prices

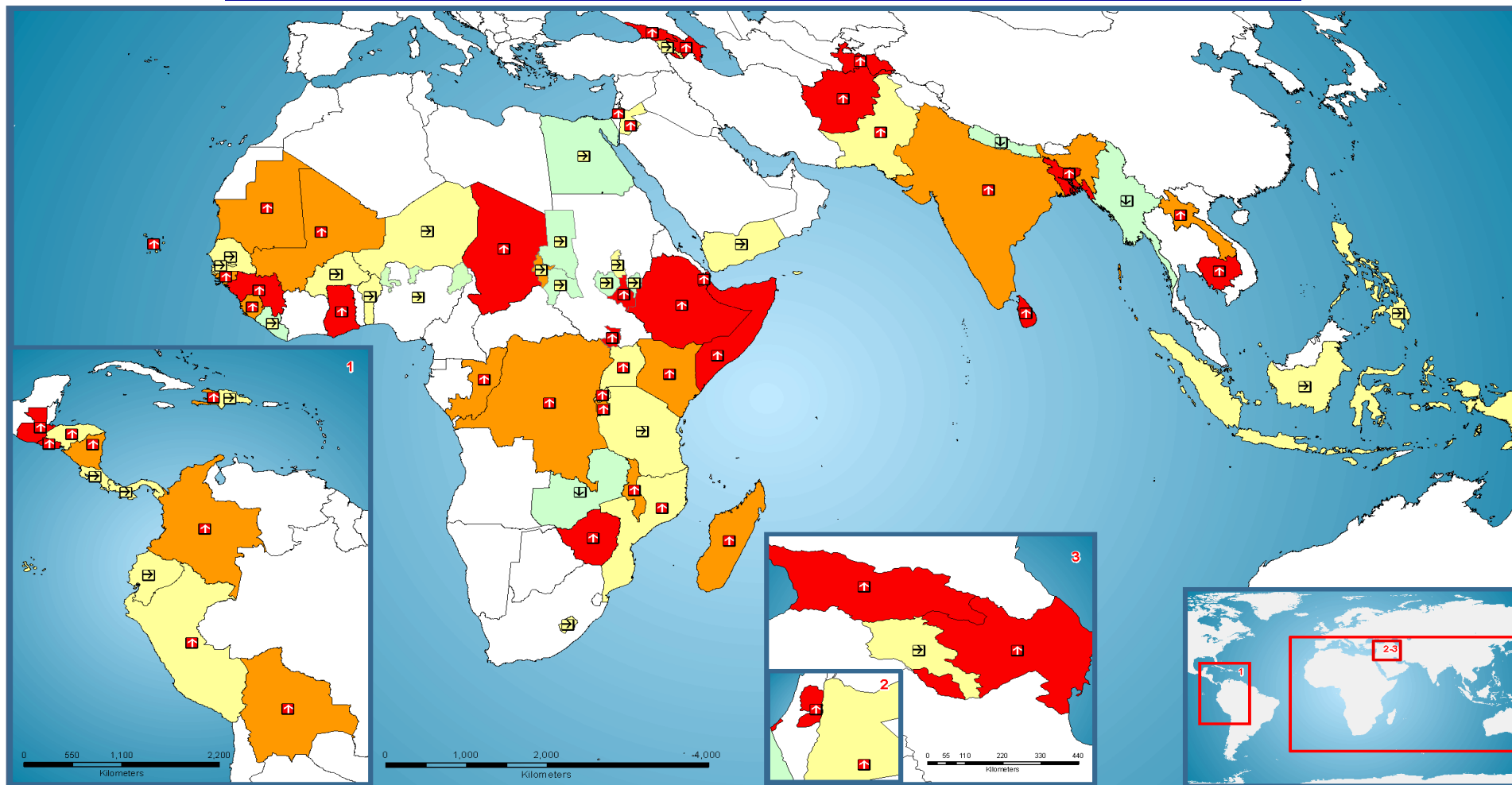


Vulnerability to high food and fuel prices changes over time: Update as of March 2011



Quarterly Prices Changes and Impact on Cost of Food Basket

vam
food security analysis



Impact Codes

- No data
- Low price impact on the cost of the food basket (<0%)
- Moderate price impact on the cost of the food basket (0-5%)
- High price impact on the cost of the food basket (5-10%)
- Very high price impact on the cost of the food basket (>10%)

Price Trend Codes

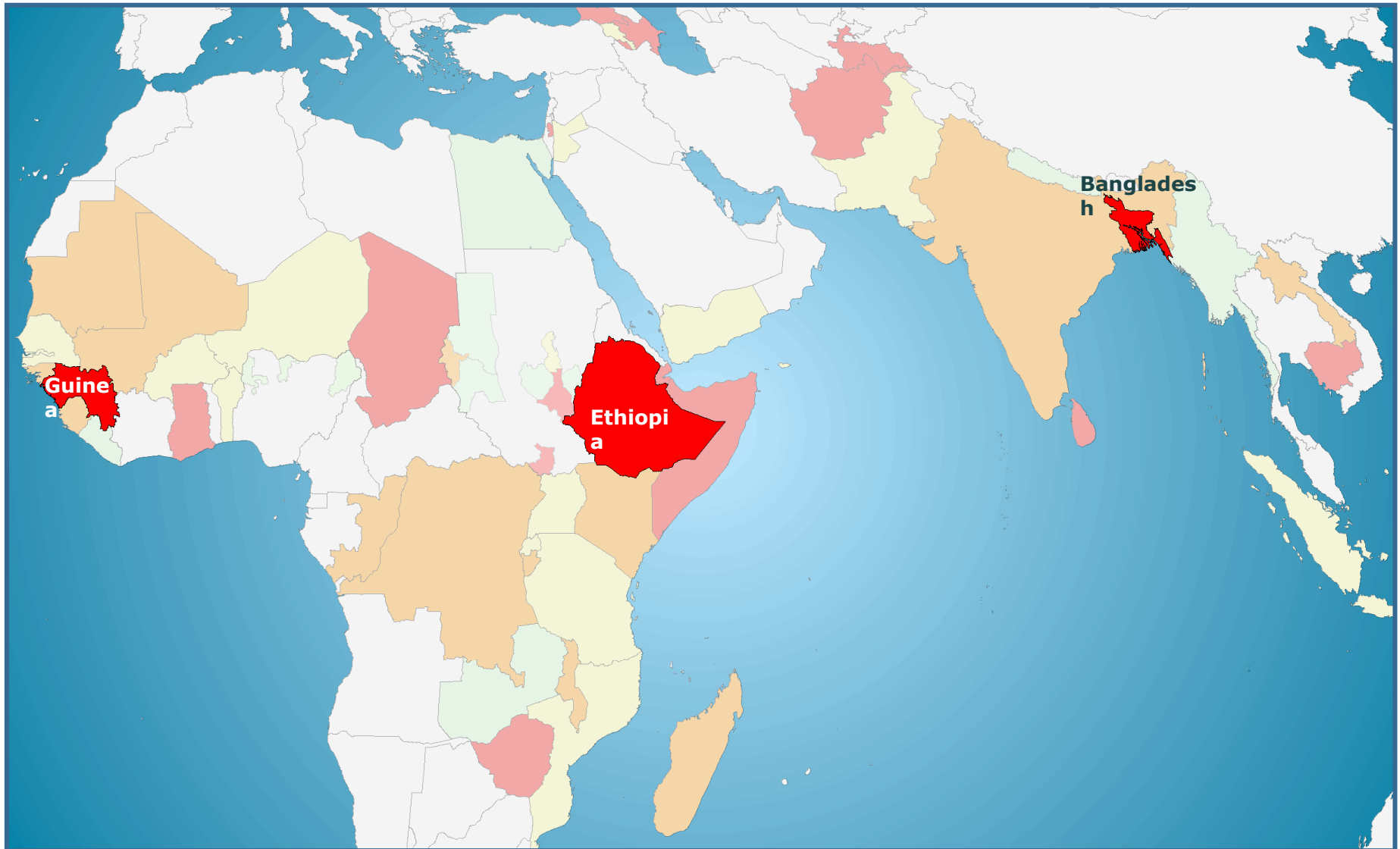
- ↗
 % Change from previous quarter (Column E) > -10% and < +10%
- ↗
 % Change from previous quarter (Column E) > +10%
- ↘
 % Change from previous quarter (Column E) < -10%

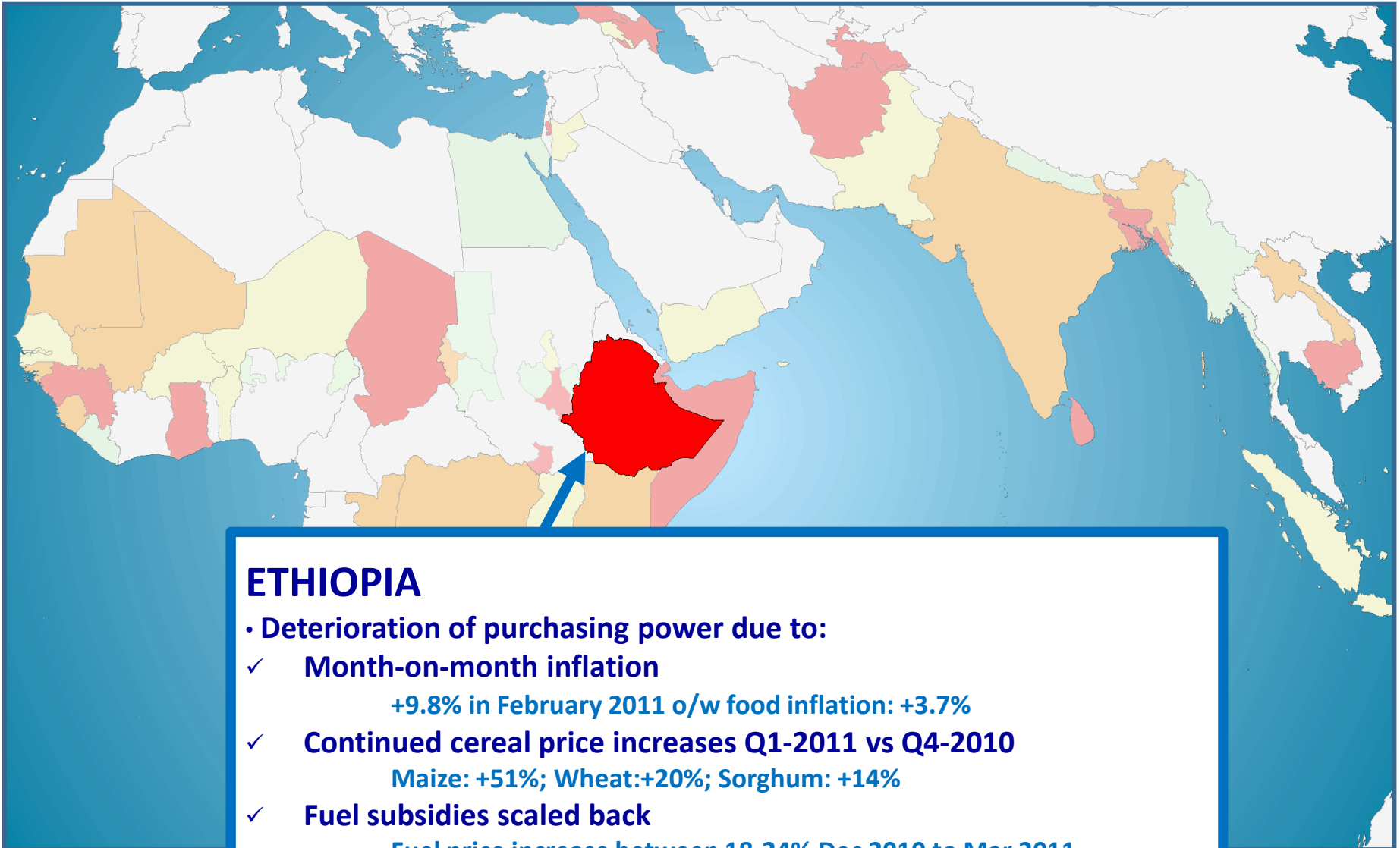
Note: Map based on Table 4

Map produced by: VAM - Food Security Analysis (ODXF)
Data sources: WFP, Gaul.



A Selection of Three Countries Impacted Differently

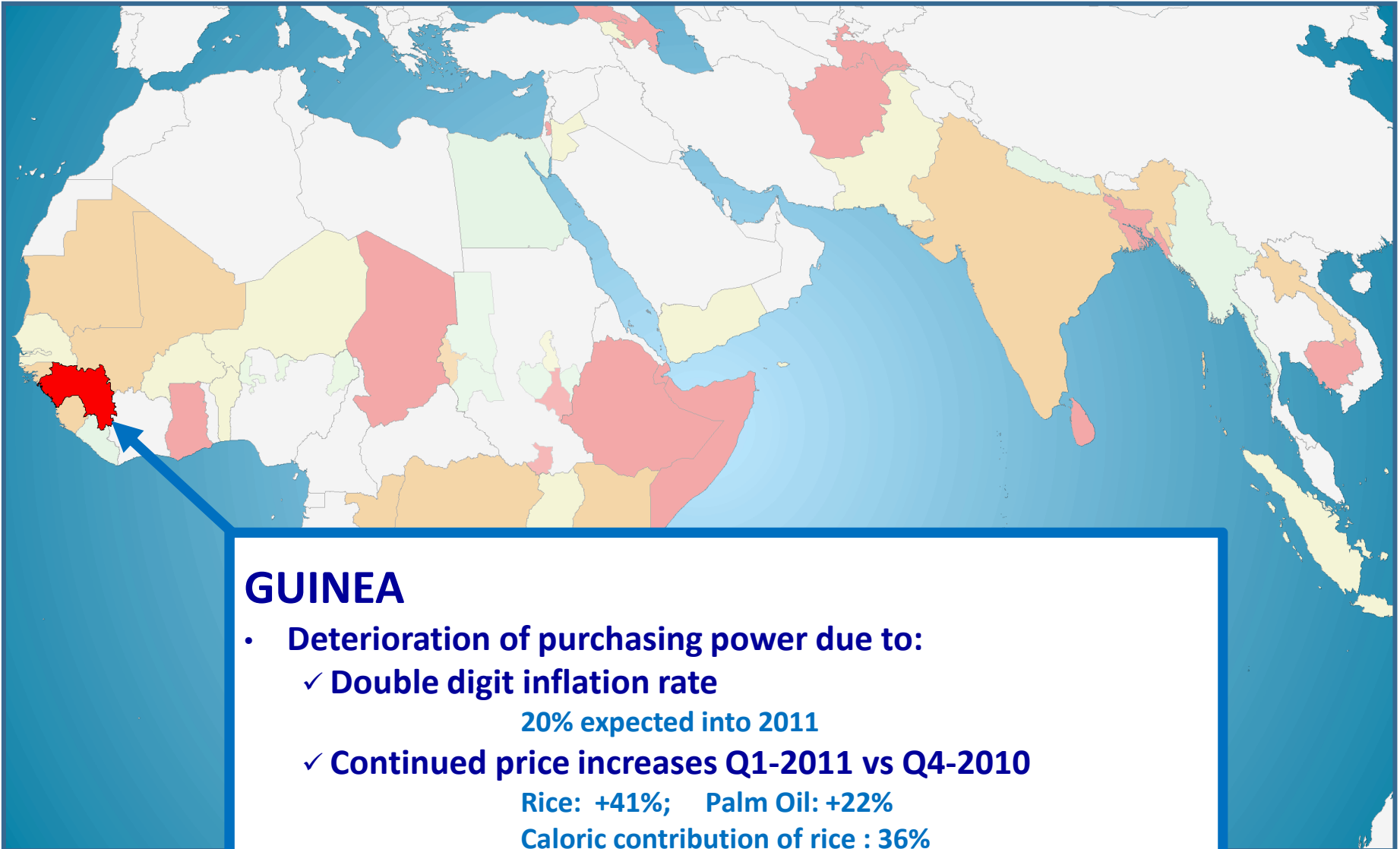


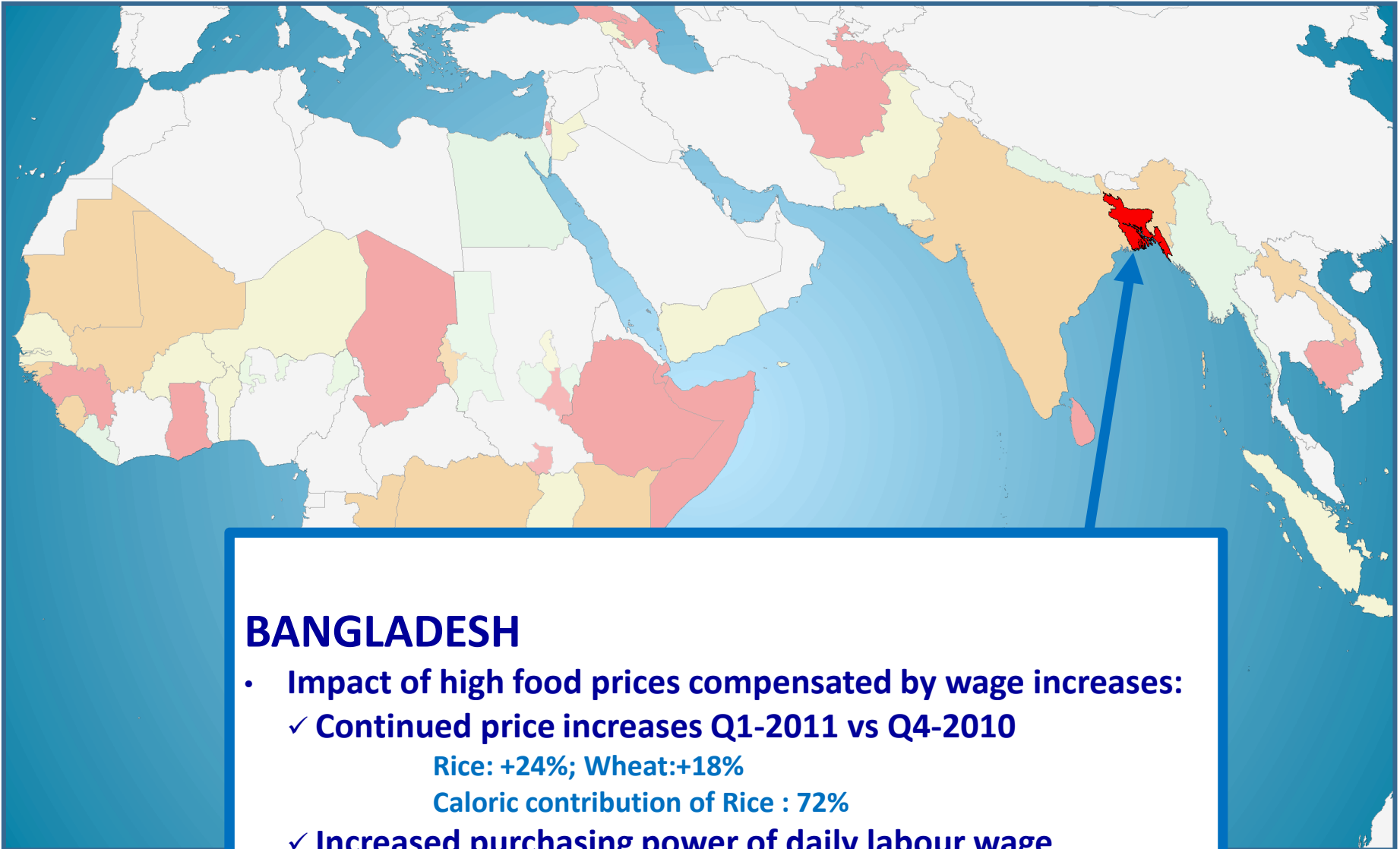


ETHIOPIA

- Deterioration of purchasing power due to:

- ✓ **Month-on-month inflation**
+9.8% in February 2011 o/w food inflation: +3.7%
- ✓ **Continued cereal price increases Q1-2011 vs Q4-2010**
Maize: +51%; Wheat: +20%; Sorghum: +14%
- ✓ **Fuel subsidies scaled back**
Fuel price increase between 18-24% Dec 2010 to Mar 2011
- ✓ **Currency devaluation against USD**
- ✓ **Poor agricultural season.**



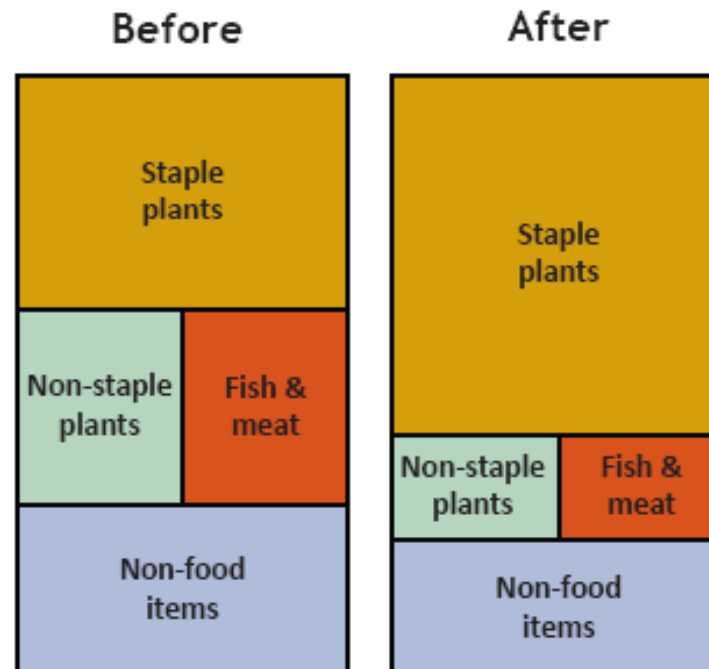


BANGLADESH

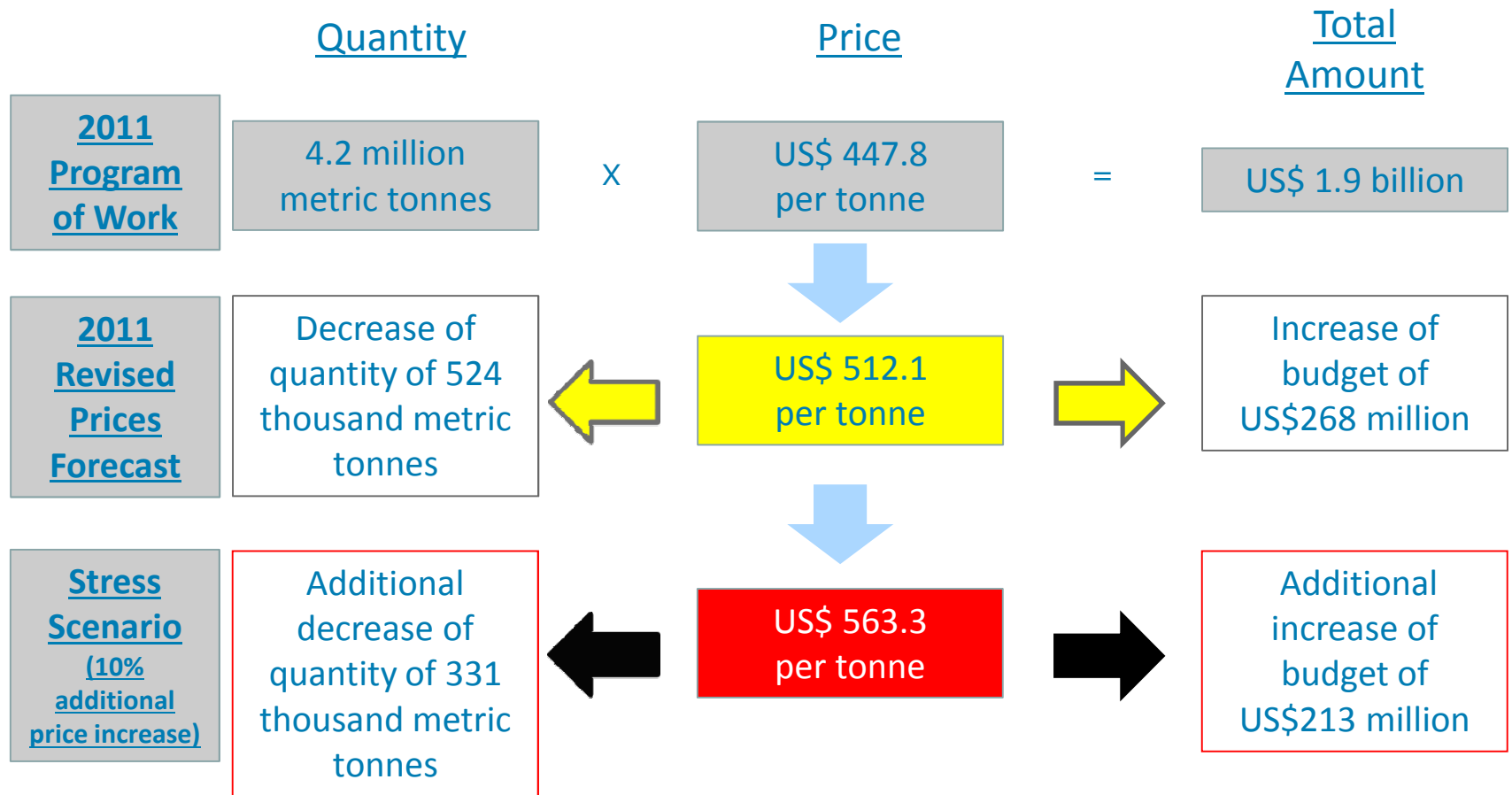
- **Impact of high food prices compensated by wage increases:**
 - ✓ **Continued price increases Q1-2011 vs Q4-2010**
Rice: +24%; Wheat:+18%
Caloric contribution of Rice : 72%
 - ✓ **Increased purchasing power of daily labour wage**
+26% in Q1-2011 vs Q1-2010

Example from rural Bangladesh

Share of Total Expenditures Before and
After a 50% Increase in Food Prices



Actions Taken and Foreseen: Operational Cost Optimization



- Higher prices than expected → less quantity bought → fewer # of beneficiaries reached
- Increased flexibility in procurement and logistic tools → reduced impact of price increases by 1/3 in 2010
- Increased predictability and flexibility of contributions (un-earmarked and multi-year)