

The Global Food Crisis and Food for the Hungry's Response

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Global Food Crisis: A Short Primer – Part I

What Goes Up...

May 2006 to May 2008: Rapidly Rising International Commodity Prices – The Perfect Storm

■ **Macro-Economic Dynamics:**

- **Rising** oil prices
- **Higher** energy and freight costs
- **High level** of speculation by hedge and index funds
- **Relatively weak** dollar

■ **Agricultural Commodity Market Dynamics:**

- **Tight** supply situation
- Production **decreases** in key exporting countries
- Demand **increases** in emerging economies
- Average commodity prices **rose by 100%** or more from May 06 to May 08

Global Food Crisis: A Short Primer – Part II

Sometimes Comes
Down...

May 2008 to November 2008: A Changing Reality in International Commodity Markets

Macro-Economic Dynamics have changed:

- **Falling** oil prices
- **Lower** energy and freight costs
- **Less** speculation by hedge and index funds
- **Stronger** dollar

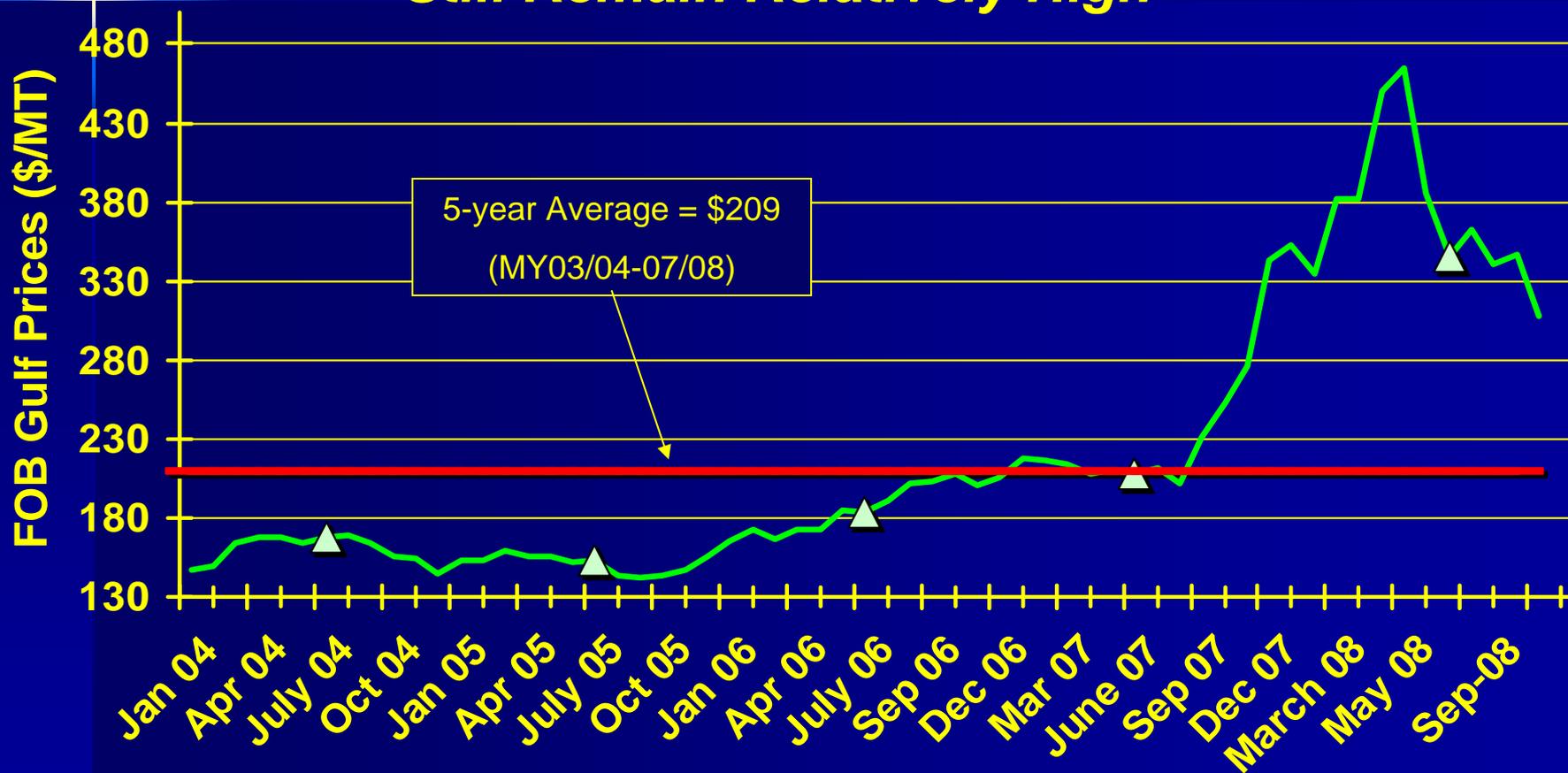
Agricultural Commodity Market Dynamics have changed:

- **Improving** supply situation - falling prices
- Production **rebounds** are being led by key exporting countries
- Average commodity prices have **fallen 20% or more** from their mid-2008 price peaks

(Commodity Price Information courtesy of Patrick Packnett, USDA/FAS)

U.S. #1 Hard Red Winter Wheat Prices

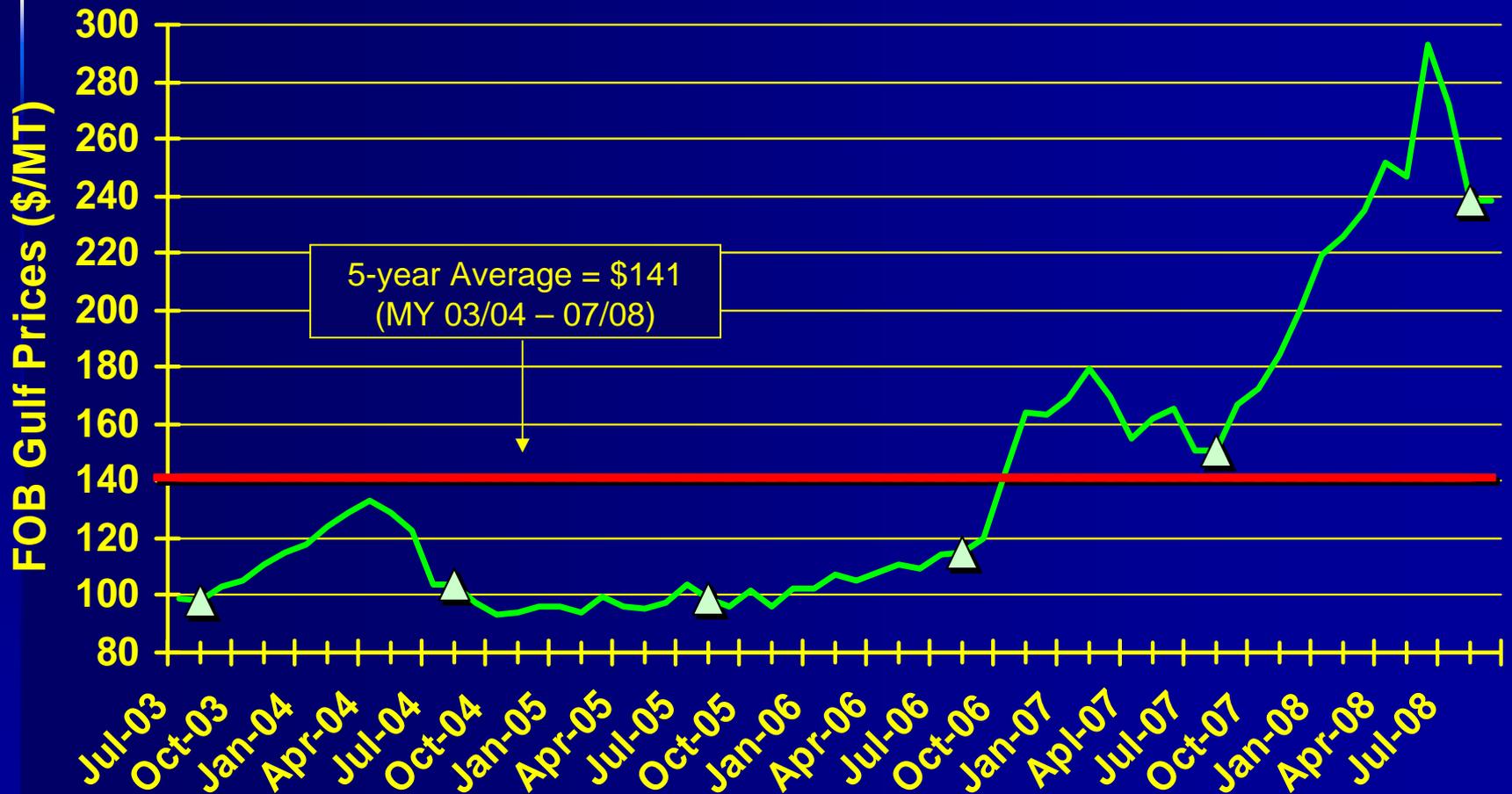
Prices Have Come Down in Recent Months But Still Remain Relatively High



Source: USDA/FAS-OGA/ISAD

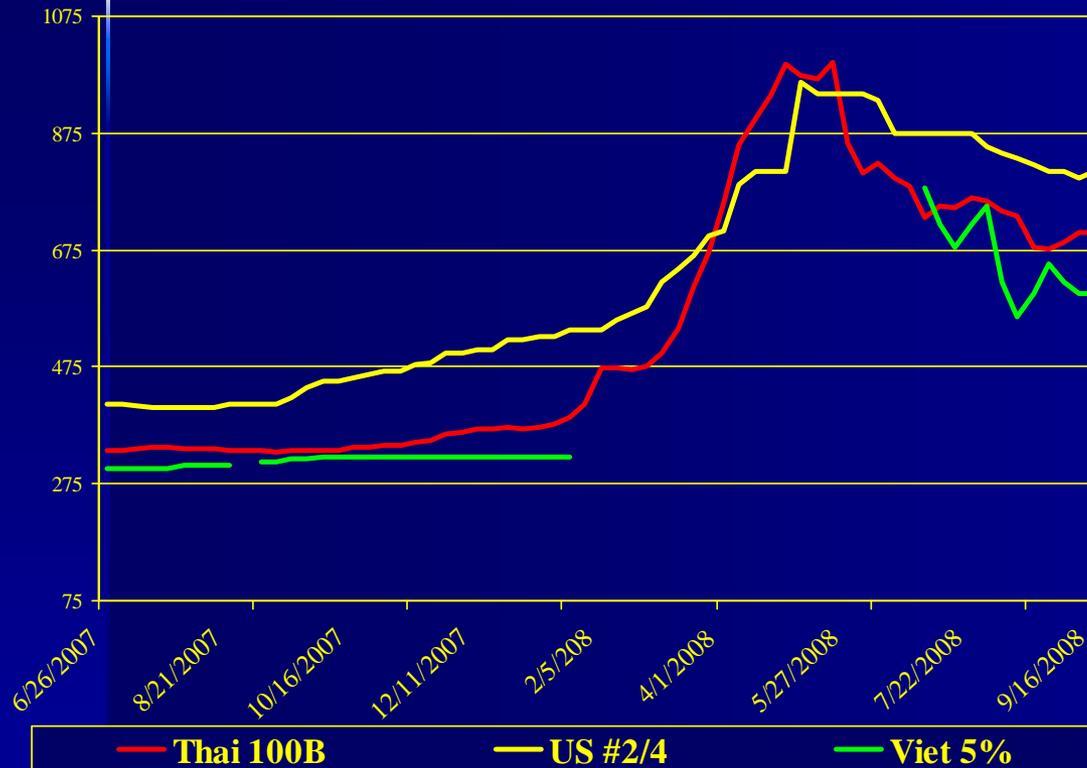
#2 Yellow Corn Prices

Prices have tumbled with an improved U.S. crop outlook and abundant feed quality wheat and other grains



Rice Prices Respond to Changed Perceptions

Export restrictions not absolute



- Vietnam lifted ban on private sales
- India continues government sales (non-basmati) and allows private sales (basmati)
- Prospects for bumper crops in Vietnam and Thailand

Soybean Prices Rise Dramatically in 2007/08, then fall

- US soybean prices increased nearly 100 percent between September 2007 and July 2008
- After peaking in early July, prices declined nearly 50 percent
- Factors include:
 - Increased availability of substitutes,
 - Reduced petroleum prices, and
 - Uncertainty in financial markets



When Prices Rose
Rapidly, What
Happened to the Poor
in the Developing
World?

Poor Households Radically Changed their Consumption...

- Food insecure families went from two or three meals a day to only one meal a day or skipped meals entirely one or two days a week
- Others supplemented their meals with cheaper, less nutritious alternatives
- Decreased caloric intake—especially among children—contributed to increasing rates of malnutrition
- In extreme circumstances evident in some African countries, families sold off assets to buy food or relocated to other regions where food or work was more available

Food riots erupted in several countries around the world...

- In Haiti, protesters chanting “We're hungry” forced the prime minister to resign
- Twenty-four people were killed in riots in Cameroon
- In response to riots in Egypt, the president ordered the army to start baking bread
- In response to unrest that led to hoarding, the Philippines made hoarding rice punishable by imprisonment.

Global Food Crisis: A Short Primer – Part IV

With declining world food and fuel prices, the crisis must be over, right?

The Crisis is alive and well in many developing countries...

- "According to the IMF, people in 50 developing countries around the globe remain at risk through 2009 because of deteriorating foreign exchange reserves, rising inflation and slowing world economic growth". (Wess Stafford, "Currency of Compassion halts Global Food Crisis")
- In essence, many poor households are still faced with the same level of need today that they did in May of this year. The Global North may have moved on from this crisis, but the South is still trapped in it.

General Food for the Hungry Response

- Commit ourselves to speak out for more international assistance and intervention. Advocate to governments and organizations to take immediate and effective action through trade policies and foreign aid to increase affordable food to the most vulnerable.
- Educate, inform, and engage our partners to respond effectively and with urgency.
- Focus our initial emergency response on urban and peri-urban areas where the need is greatest because of people's inability to grow food themselves.

General Food for the Hungry Response (Continued)

- Address immediate needs of households in crisis through a combination of food vouchers, local food purchase and distribution, school feeding programs, and cash or food for work programs. Begin in our program locations and expand outward to neighboring communities and areas.
- Address longer-term needs by intensifying and expanding effective agriculture interventions to increase food production, improving marketing, and expanding proven livelihood programs to increase family income.
- Increase child sponsorship which is proving to be one of the most effective ways to enable thousands of families in crisis and communities to keep their children in school and meet their food needs.

Specific Food for the Hungry Response in Title II MYAP programs

- Three-year programs in Mozambique, Ethiopia and DR Congo
- Beginning implementation
- Programs are designed to respond to long-term causes of food insecurity and as such are geared toward longer-term solutions as opposed to short-term emergency assistance
- Agricultural development and marketing, NRM, MCHN, and WASH.
- Possibility of engaging in emergency response if need merits such a response.

Specific Food for the Hungry Response in Kenya

- Arid and Marginal Lands Recovery Consortium: A Coordinated Response to the Global Food Crisis in Kenya (FH, CARE, WVI, CRS, and ACF)
- Areas of operation - Northern and north-eastern Arid and Semi Arid Lands: Turkana, Marsabit, Moyale, Mandera, Wajir and Garissa Districts; Eastern Marginal Agricultural Lands: Tharaka, Makueni and Malindi Districts
- Two primary phases: immediate, short-term action to mitigate the effects of the food crisis and longer term, sustainable activities that both strengthen and diversify livelihoods through viable economic opportunities.

Specific Food for the Hungry Response in Ethiopia

- Market-led Livelihood Recovery and Enhancement Program
- Areas of operation: Alaba, Shashego and Angacha Districts, SNNPR Region
- The program will introduce Community Knowledge Building (CKB) and Value Chain Analysis (VCA)-based market-oriented interventions as innovations in the targeted areas.
- Activities include :
 - Promotion of Dairy via formation of Milk Producer and Marketing Groups
 - Promotion of Forage Crops
 - Promotion of Marketable Crops Production and Diversification
 - Formation and Strengthening of Agricultural Marketing Cooperatives
 - Promotion of Small Scale Irrigation
 - Micro-credit and representatives of targeted farmers)
 - Temporary Employment through Seedling Production

Challenges Related to Emergency Humanitarian Assistance (IDA) funding for local procurement of food

Great opportunity for INGOs (PVOs) to meet critical needs at the grass-roots level via small-lot procurement of food with a link to smallholder production. But significant challenges need to be overcome:

- Governments of Ethiopia and Kenya appear to be opposed to INGO involvement in local market purchases
- WFP's political and financial position is much more robust than INGOs and NGOs which allows them to "corner the market" in this intervention
- Small-lot procurement with a robust connection to smallholder production will be more costly and take more time to develop.