

Global Food Insecurity and Price Increase Update #1

May 13, 2008

OVERVIEW

At present, 37 countries throughout every region of the world are experiencing localized food insecurity, lack of access to food, or shortfalls in food production or supplies. In the past year, global food prices have increased an average of 43 percent, according to the International Monetary Fund. On April 14, the World Bank estimated that the doubling of food prices during the past three years could potentially push 100 million people throughout the world into extreme poverty.

Approximately 1 billion people—or nearly one-sixth of the world’s population—subsist on less than \$1 per day. Of this population, 162 million survive on less than \$0.50 per day. At the household level, increasing food prices have the greatest effect on poor and food-insecure populations, who spend 50 to 60 percent or more of their income on food, according to the International Food Policy Research Institute. Overall, increased food prices particularly affect the poorest people within developing countries.

USG RESPONSE TO GLOBAL FOOD INSECURITY AND PRICE INCREASE TO DATE

The U.S. Government (USG) is the leading donor for world food assistance and is committed to working with other donor countries to combat global food insecurity and price increases. On April 14, President George W. Bush directed the Secretary of Agriculture to draw down on the Bill Emerson Humanitarian Trust to meet emergency food aid needs. With this action, the USG made available an estimated \$200 million in emergency food aid through USAID. This additional food aid will address the near term impact of rising commodity prices on U.S. emergency food aid programs and will help meet unanticipated food aid needs in Zimbabwe, Ethiopia, Afghanistan, Haiti, Bangladesh, Somalia, Mauritania, Uganda, and Sudan. The U.N. World Food Program (WFP) and non-governmental organizations will distribute this assistance.

With the additional \$770 million requested by President Bush on May 1, the USG will fund short-term humanitarian assistance programs to preserve price parity in existing food aid programs, provide funds for local purchase of food aid, and support voucher programs in urban areas or help smallholder farmers to obtain fertilizers and seeds in order to plant crops. Supported by part of the additional funding requested on May 1, urgent medium-term measures will aim to increase agricultural productivity, alleviate transport and supply chain bottlenecks, and promote market-based systems. Burma, Haiti, and Somalia are three countries currently receiving USG assistance to combat the effects of food insecurity and rising prices.

BURMA

Cyclone Nargis, which made landfall in Burma on May 2, has led to significant concerns about local food insecurity and increased prices in Burma, as well as potential damages to next rice harvest. On May 7, the U.N. Office for the Coordination of Humanitarian Affairs (OCHA) reported that food insecurity could become acute, as Burma already faced severe food insecurity prior to the cyclone. According to the U.N. Food and Agriculture Organization (FAO), rice prices in Rangoon have risen by nearly 50 percent since the cyclone. The affected states and divisions produce 50 percent of the country’s poultry and 65 percent of Burma’s rice. The cyclone caused extensive damage to all crops, particularly rice, the food staple.

Cyclone Nargis struck Burma when rice farmers were harvesting the dry season crop, which typically yields 25 percent of annual production. On May 8, FAO reported that entire rice-growing regions were under water, and many of the roads and bridges needed to transport salvageable crops were impassable. FAO is particularly concerned about the destruction of rice seed stocks, which will negatively affect rice production in upcoming seasons. While the extent of crop damage remains undetermined, the cyclone

will result in decreasing rice production and availability and will impair access to food nationwide. If Burma imports rice from neighboring countries, world rice market conditions could continue to tighten.

On May 5, U.S. Chargé d'Affaires Shari Villarosa declared a disaster in Burma due to the effects of Cyclone Nargis. On May 12, USAID Administrator Henrietta H. Fore announced \$13 million in additional aid to Burma, bringing the total value of USG assistance to more than \$16.3 million, including more than \$12 million to WFP for food aid.

HAITI

Between August 2007 and March 2008, the price of basic food commodities in Haiti increased by up to 65 percent. In November 2007, heavy rains and floods damaged infrastructure and crops in critical production areas, making the recovery of high-cost products difficult. The food price increase led to widespread civil unrest throughout the capital city of Port-Au-Prince and the provinces of Gonaives, Jacmel, Les Cayes, Petit Goave, and St. Marc from April 7 to 11.

On April 28, U.S. Ambassador Janet A. Sanderson determined that the current food crisis warranted USG emergency assistance and requested USAID disaster support. In response, USAID is programming \$150,000 in consultation with USAID/Haiti through non-governmental organizations for relief activities, including the purchase and distribution of seeds to farmers in urban and peri-urban production areas for the coming growing season. In addition, USAID/Haiti is providing \$1 million to support the Government of Haiti's plan to subsidize imported rice in order to reduce the price of rice from \$51 to \$43 per 110 pounds. USAID/Haiti has reprogrammed \$5.5 million for job creation programs, projected to provide short-term jobs for 15,000 people in Fiscal Year (FY) 2008. Money earned through these jobs will allow beneficiaries to purchase additional food for themselves and dependents. USAID/Haiti is expediting implementation of previously planned conflict mitigation activities, obligating \$8 million in Economic Support Funds ahead of what was originally planned. In FY 2008, USAID/Haiti will also continue to support safety net program activities to serve Haiti's most vulnerable and marginalized people.

SOMALIA

An abnormally severe January to March (*jilaal*) dry season, increasing rates of inflation, and insufficient March to May rains have increased food insecurity in central and southern Somalia and among urban poor and internally displaced populations, according to the FAO Food Security Analysis Unit (FSAU) and USAID's Famine Early Warning Systems Network (FEWS NET). The rapid devaluation of the Somali shilling, increased transportation costs, and conflict-related disruptions in trade and import activities have also contributed to significant commodity price increases in many parts of central and southern Somalia, further exacerbating food security concerns. The U.N. Office for the Coordination of Humanitarian Affairs (OCHA) reports increases in maize and sorghum prices of up to 400 percent in the last 12 months. The food insecurity and price increases are adding to an already deteriorating humanitarian situation, in which a high level of conflict and displacement, endemic poverty, and recurrent droughts and floods have led to extreme vulnerabilities among the Somali population. On April 30, FAO released the preliminary results from an April nutrition survey conducted in El Berde District, Bakool Region. The results indicate a very critical nutrition status, with 24.1 percent global acute malnutrition (GAM) and 2.8 percent severe acute malnutrition rates. The new indicators reflect a deterioration in nutrition and food security from a previous survey conducted in December 2006, when the GAM was 17.7 percent.

On May 2, the FSAU announced that the number of people in need of food assistance in Somalia is currently 2.6 million people, or 35 percent of the total population, an increase of more than 40 percent since January 2008. On May 5 and 6, protests over high food prices and traders' refusal to accept old Somali shilling notes led to the deaths of at least three individuals, according to OCHA. In response to FEWS NET and FSAU's estimate of increasing numbers of individuals in need of humanitarian assistance, WFP and CARE are revising food assistance programs to address increased needs and to expand the number of current beneficiaries. To date in FY 2008, USAID has provided more than \$89 million to WFP and CARE for emergency food aid to displaced and vulnerable populations throughout Somalia.