



## **PRESS RELEASE**

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**Background materials are available at:**

<http://www.ifpri.org/pubs/agm07/jvbagm2007.asp>

### **Rising Food Prices Threaten World's Poor People**

*New report examines the impact of growth, climate change, and biofuels*

**Beijing**—Income growth, climate change, high energy prices, globalization, and urbanization are all converging to transform food production, markets, and consumption, according to a new report by the International Food Policy Research Institute (IFPRI). As a result, global food demand and prices are likely to rise, threatening the livelihoods and nutrition of poor people in developing countries. The report, “The World Food Situation: New Driving Forces and Required Actions,” was released today at the annual general meeting of the Consultative Group on International Agricultural Research (CGIAR).

“Food prices have been steadily decreasing since the Green Revolution, but the days of falling food prices may be over,” said Joachim von Braun, lead author of the report and director general of IFPRI. “Surging demand for feed, food, and fuel have recently led to drastic price increases, which are not likely to fall in the foreseeable future, due to low stocks and slow-growing supplies of agricultural outputs. Climate change will also have a negative impact on food production, compounding the challenge of meeting global food demand, and potentially exacerbating hunger and malnutrition among the world’s poorest people.”

“Economic growth has helped to reduce hunger, particularly when it is equitable,” added von Braun. “But unfortunately, growth does not always reach the poorest people.”

#### **Consumer Demand**

Many regions of the developing world, especially China and India, have seen high economic growth in recent years. Together with an expanding urban population, income growth

is altering spending and consumer preferences. Global food demand is shifting from grains and other staple crops to processed food and high-value agricultural products, such as vegetables, fruits, meat, and dairy.

Although many smallholder farmers would like to take advantage of new income-generating opportunities presented by high-value products, there are serious barriers to entering this market, including the capacity to address safety and quality standards and produce large quantities for food processors and retailers.

### **Bioenergy**

In response to rising oil costs, the production of biofuels as an alternative source of energy is also contributing to dramatic changes in the world food situation. According to the report, increased production of bioenergy will adversely affect poor people in developing countries by increasing both the price and price volatility of food. Subsidies for biofuels, which are common, exacerbate the negative impact on poor households, as they implicitly act as a tax on basic food.

Using state-of-the-art computer modeling, IFPRI has projected the possible price effects of biofuels for two potential scenarios:

- Under scenario one, which is based on the actual biofuel investment plans of many countries and the assumption that high-potential countries will expand their production of bioenergy, maize prices would increase by 26 percent and oilseed prices would rise by 18 percent.
- Under scenario two, which assumes that the production of biofuels would expand greatly, to twice the level of scenario one, maize prices would increase by 72 percent and oilseeds by 44 percent.

In both scenarios, rises in crop prices would lead to decreases in food availability and calorie consumption in all regions of the world, with Sub-Saharan Africa suffering the most. As biofuels become increasingly profitable, more land, water, and capital will be diverted to their production, and the world will face more trade-offs between food and fuel.

### **Agricultural Trade**

In addition to biofuels, IFPRI also modeled the impact of supply and demand changes on prices and projects that up to 2015, cereal prices could further increase by 10 to 20 percent,

benefiting certain countries and population groups while ill-affecting others. China and almost all African countries, which are net importers of cereals, would suffer from the resulting high prices, but India, a net exporter would benefit. Overall, the majority of poor people, who live in households that are net buyers of food, will be worse off and increased food prices will make it even more difficult for them to eat healthy, well-balanced diets

A more open global trade in agriculture, however, would generally benefit developing countries. IFPRI research shows that opening up and facilitating market access between industrialized and developing countries would bring significant economic gains, although poverty would not be significantly reduced except in certain contexts.

### **Climate Change**

World agricultural output is projected to decrease significantly due to global warming, and the impact on developing countries will be much more severe than on industrialized nations. Africa is particularly vulnerable to climate change because of its high proportion of low-input, rainfed agriculture, compared with Asia or Latin America. Exposure to rainfall variability also extends to livestock, which mostly depend on range and grasslands that are affected by environmental shocks, such as climate change. To address these risks, investments to improve agricultural productivity need to increase and innovative insurance mechanisms should be explored to compensate rural communities and smallholder farmers when rains fail.

### **Policy Recommendations**

Given the various risks and challenges posed by the rapidly changing world food situation, current market trends and government policies could exacerbate hunger and poverty, especially for the world's poorest people. Policymakers thus must take explicit measures to mitigate the negatives effects on poor households. While tackling long-term challenges is vital, the report recommends that policymakers also take immediate action:

1. Developed countries should facilitate flexible responses to drastic changes in food prices by eliminating trade barriers and programs that set aside agriculture resources. A world facing increased food scarcity needs to trade more, not less.

2. Developing countries should increase investment in rural infrastructure and market institutions to improve access to critical agricultural inputs, including fertilizers, seeds, and credit, which are key to enhancing productivity.
3. To counteract rising food prices, national and international research systems, including the CGIAR, should be positioned to invest more heavily in agricultural science and technology to increase agricultural production on a global level.
4. Policymakers should enact social protection measures that focus on early childhood nutrition to mitigate risks associated with reduced food access, particularly for the poorest households.
5. Because poor people in developing countries are especially vulnerable to the risks associated with climate change, particularly as it relates to food security, policymakers should take agriculture and food issues into account when developing national and international climate change agendas.

“As the world food situation is being rapidly defined by new driving forces, including income growth, climate change, and increased production of biofuels, the global community must give renewed attention to the role of agriculture, nutrition, and health in development policy,” said von Braun. “Above all, policies must target the world’s most poor and hungry people, to ensure that they do not get left behind in the wake of overall economic growth and global progress.”

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*The International Food Policy Research Institute (IFPRI) seeks sustainable solutions for ending hunger and poverty. IFPRI is one of 15 centers supported by the Consultative Group on International Agricultural Research, an alliance of 64 governments, private foundations, and international and regional organizations. Please visit our website at [www.ifpri.org](http://www.ifpri.org).*