

The impact of rising food prices and climate change on the ultra poor

With the global food crisis the number of people living on less than half a dollar a day is rising. The impact of climate change will put additional pressure particularly on the ultra poor as they are most vulnerable to decreasing food production and which have almost no access to any safety nets. Proactive and coordinated national and international policies are needed now. IFPRI proposes a comprehensive set of emergency and resiliency actions to mitigate the negative impacts of the current food crisis.

At a global scale, there has been notable progress in poverty reduction in recent decades, but poverty remains severe and persistent in many parts of the developing world. Even before the world food crisis hit (that is, in 2004), half a billion people lived on less than 75 cents a day, and 162 million poor people lived in ultra poverty on less than half a dollar a day. Progress in poverty reduction has been particularly discouraging among the ultra poor. Alarming, their number has increased since the early 1990s, and they are overwhelmingly concentrated in sub-Saharan Africa (Ahmed, A., R. Hill, L. Smith, D. Wiesmann, and T. Frankenburg. IFPRI, 2007: *The world's most deprived: Characteristics and causes of extreme poverty and hunger*). If all the ultra poor people in the world were living in the same nation, it would be the

world's seventh most populous country after China, India, the United States, Indonesia, Brazil, and Pakistan.

Rising food prices and climate change are putting additional pressure on the nutrition, food security, and the livelihoods of the poor, and especially the ultra poor. Proactive and coordinated policy actions are needed to mitigate the negative effects for the ultra poor, and allow them to take advantage of potential opportunities.

Impacts of rising food prices on the poor

The effects of high food prices differ across and within countries. While net food exporting countries benefit from higher food prices due to improved terms of trade, net food importers struggle to meet domestic food demand. The latter is the case for most African countries, which are net cereal importers. At the household level, rising food prices hit the hardest the ultra poor, because they have few assets and tend to be net buyers of food. While the few poor households that are net sellers of food benefit from higher prices, the majority of the poor who are net buyers of food are harmed. Furthermore, people who recently managed to increase their incomes may fall back into poverty as a result of rising food prices. Some families are even selling the few assets they have to generate money to buy food.

Lower purchasing power is particularly troubling for the food security and nutrition of the poor, as they typically spend about 50 to 70 percent of their budget on food. When food prices increase, the poor have to limit their food consumption and/or shift to even less-balanced diets resulting in a wors-

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ening of dietary quality and micronutrient intake. According to an estimate by Howarth Bouis (IFPRI) a 50 percent increase in food prices in Bangladesh leads to an iron intake decline among women by about 30 percent, bringing most women into iron deficiency (see Bouis at IFPRI blog, June 2008).

Evidence of lower purchasing power is reflected in the declining ratio of wages of unskilled labour to food prices. In the rural economy in particular, adjustment of wages and capital inflows, which can create new income opportunities, can take time to reach the poor and vulnerable. This effect particularly affects the poor, since three-quarters of them live in rural areas.

Social safety nets and other social protection schemes are critical in helping the poor cope with rising food prices. In many countries, however, productive safety nets that combine social transfers with production reach only a small proportion of the poor. For example, in Bangladesh – a country where 25 percent of the population is ultra poor – roughly only 7 percent of the population has access to social protection or safety net programmes.

Climate change and the poor

The impact of climate change is expected to be most severe in developing countries and on the ultra poor, partially as a result of geography. Many low-income countries are located in tropical and subtropical regions, or in semi-desert zones, which are particularly vulnerable to shifting weather patterns and rising temperatures. Regional patterns of poverty and hunger within countries also show that the world's poorest are often located in geographically adverse zones. For example, the most food-insecure regions in Ethiopia are those that experience both the lowest and most variable rates of rainfall. As climate change leads to a decrease in yields in developing countries, it will further exacerbate food insecurity. Taking into account climate change, the

“The Emergency and the Resilience Actions” as proposed by IFPRI

Emergency Package:

1. **Expand emergency responses and humanitarian assistance.** Food or cash transfers should be expanded and should target the poorest people, with a focus on early childhood nutrition, regions in distress, school feeding with take-home rations, and food and cash for work.
2. **Eliminate agricultural export bans.** The elimination of export bans would reduce food prices and price fluctuations, and enhance the efficiency of agricultural production. Export bans should be addressed by an ad-hoc forum of global players negotiating according to a code of conduct and in a spirit of mutual trust building.
3. **Undertake fast-impact food production programmes in key areas.** Small farmers should be provided with improved seeds, fertilizer, credit, and access to procurement programmes that guarantee minimum prices at long-term global market price levels. Programmes should be carefully subsidised, and have clearly defined and communicated exit strategies.
4. **Change biofuel policies.** Governments should revoke biofuel subsidies and excessive blending quotas. Political leaders should consider a range of additional measures, including freezing biofuel production at current levels, reducing production, or enacting a moratorium on the use of grains and oil seeds for biofuels.

Resilience Package

The following strategies should also be implemented immediately for bringing into the agricultural system resilience from shocks such as surging food prices and climate change:

5. **Calm markets with market-oriented regulation of speculation, shared public grain stocks, strengthened food import financing, and reliable food aid.** Surveillance and regulatory measures such as monitoring speculative capital or limiting futures trading should be taken to curb excessive speculation in agricultural commodity markets. A coordinated set of pledges to build a virtual (modest) grain reserve for releases in emergencies by major grain-producing countries should be established at global or regional levels.
6. **Invest in social protection and scale up insurance.** For longer term impact, developing countries need to invest in social protection measures, such as cash transfer programmes, pension systems and employment programmes. Preventative health and nutrition programmes targeted to vulnerable groups should be scaled up to ensure universal coverage. In addition, school feeding programmes can play an important role in increasing school enrollment and in retaining children in school and enhancing their academic achievement. In view of higher climate variability, new and innovative crop insurance mechanisms and private-public partnerships should be proposed and coverage among the poor should be expanded.
7. **Scale up investments for sustained agricultural growth.** Urgent investments for sustained agricultural growth and food price relief should include expanded public spending for rural infrastructure, services, agricultural research, science, and technology. To mitigate climate change, the technological innovations needed include early warning systems for droughts, floods, and other natural disasters, better soil and water management, improved seed varieties that are more resistant to adverse climates, and carbon sequestration. Developed countries should facilitate the sharing of innovation and research relevant to enhancing productivity and transforming small-farm agriculture.
8. **Complete the WTO Doha Round.** The completion of the WTO Doha Round is even more relevant in times of high food prices in order to achieve a rule based global system that promotes agricultural trade on a fair and equitable basis. A world faced with limited supply and regional and country-specific fluctuations needs more options to trade, not less.

number of undernourished people in sub-Saharan Africa may triple between 1990 and 2080 (Tubiello, F. N., and G. Fischer, 2007: *Reducing climate change impacts on agriculture: Global and regional effects of mitigation*).

The impacts of climate change on the poor's food security are particularly harsh because the majority of them depend on agriculture as a source of food and income. Climate change affects the key dimensions of food security – availability, stability, access, and utilisation of food. Availability of food is affected by climate change directly (through its impacts on crop yields, crop pests and diseases, and soil fertility) and indirectly (through its impacts on economic growth, income distribution, and agricultural demand). Variable weather patterns cause instability of crop yields and food supplies.

Furthermore, access to food is decreased by climate change because lower agricultural productivity will increase food prices. Lastly, food consumption and nutrition are affected by climate change through its effects on health and the spread of diseases. Inadequate complementary services, such as health, education, and insurance services impair the adequate response of the ultra poor to these climate change threats. Sustainable solu-

tions to the impact of climate change on the ultra poor requires additional investment in these services, as well as in capacity, science, and research.

Proactive and coordinated policy response is needed

A rapid and coordinated response to climate change and rising food prices is of crucial importance for mitigating the negative effects on the ultra poor, and preventing the poor close to the poverty line from being the “next” that fall in the ultra poor category. Response strategies must go beyond growth promotion and good development policy, be proactive, and explicitly target the poor. Since climate change and rising food prices not only affect agricultural issues, but also affect broader social, environmental, and security issues, the appropriate response should involve a combination of science, institutional, and policy innovations.

A team at the International Food Policy Research Institute – IFPRI – recently proposed a comprehensive set of actions – an emergency package and a resilience package – which are needed to address the acute and long-run price effects of the current food and agriculture crisis (von Braun, J. et al., IFPRI, 2008: *High Food Prices: The What, Who, and How of Proposed Policy Actions* – see Box on page 13).

As a global IFPRI conference on “the poor and hungry” (held in Beijing, October 2007) highlighted, most of the ultra poor are in their adverse situation because of discrimination, lack of access to services, lack of human capital, and adverse policies, including in food and agriculture. The current and emerging global changes in food markets and in climate accelerate these adverse effects. Action is needed to overcome this. The ultra-poor must be included in societal progress and opportunities.

Semi-desert zones are the most vulnerable to climate change. Areas in Ethiopia deliver examples of this.

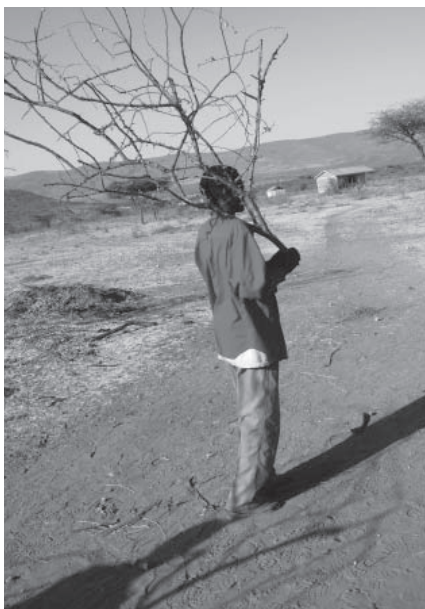


Photo: IFPRI/Dama Boru

Zusammenfassung

Über 162 Millionen Menschen leben in extremer Armut. Durch steigende Lebensmittelpreise und die Folgen des Klimawandels nimmt ihre Zahl immer weiter zu. Arme geben in der Regel zwischen 50 und 75 Prozent ihres Einkommens für Lebensmittel aus. Die steigenden Lebensmittelpreise begünstigen daher Fehl- und Mangelernährung, die Kinder unter fünf Jahren besonders stark trifft. Für Menschen in extremer Armut sind die sozialen Sicherungsnetze kaum erreichbar. Der Klimawandel verstärkt noch den Druck auf diese Gruppe, da seine Folgen in den tropischen und subtropischen Gebieten Afrikas, wo die meisten sehr armen Menschen leben, besonders deutlich spürbar sein werden. IFPRI hat jetzt ein umfangreiches Maßnahmenpaket vorgeschlagen – ein Notfall- und ein Bedarfspaket –, um die akuten und langfristigen Folgen der aktuellen Lebensmittel- und Agrarkrise auf die Preise aufzufangen.

Resumen

Más de 162 millones de personas viven en la ultra pobreza. Debido al aumento vertiginoso en los precios actuales de los alimentos y los efectos del cambio climático, esta cifra está creciendo. Los pobres típicamente gastan entre 50 y 75 por ciento de su presupuesto en alimentos. Por lo tanto, el alza de los precios de los alimentos los lleva a consumir una dieta menos balanceada, con efectos particularmente negativos para los niños menores de cinco años. Las redes sociales de protección apenas están al alcance de la población ultra pobre. El cambio climático conlleva una presión adicional para este grupo, ya que los impactos serán más severos en las regiones tropicales y subtropicales del África, donde habita la mayoría de los ultra pobres. El Instituto Internacional de Investigación Sobre Políticas Alimentarias (IFPRI por su sigla en inglés) recientemente ha propuesto un conjunto integral de medidas, compuesto por un paquete de emergencia y un paquete de resistencia y capacidad de recuperación. Ambos componentes son necesarios para afrontar los efectos de la actual crisis agrícola y alimentaria sobre los precios, tanto en su etapa aguda como de largo plazo.