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SETTING THE STAGE FOR CFS 37

The State of

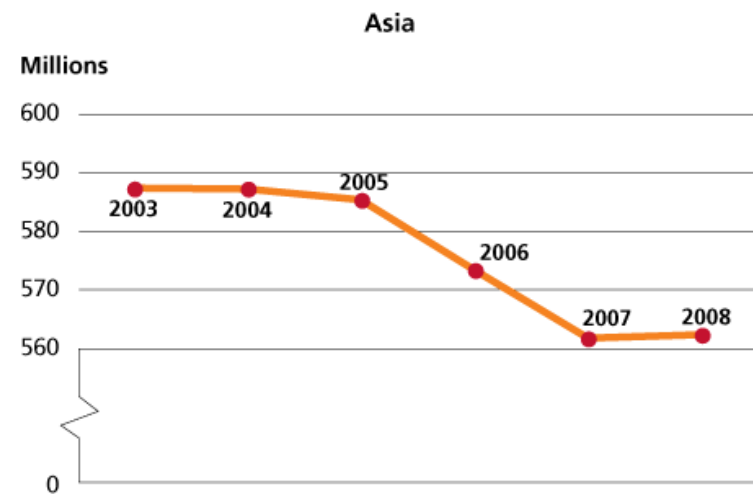
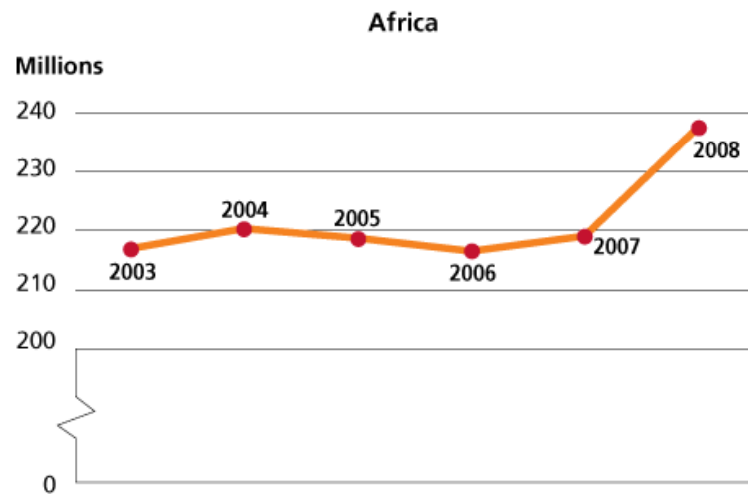
Food Insecurity in the World 2011

How does international price volatility affect domestic economies and food security?

Hafez Ghanem,
FAO Economic and Social Development Department

The impact of the crises was not uniform

Undernourishment in the world: two very different trends after the crises



Source: FAO.

The level and volatility of domestic prices rose in most countries

- Domestic prices rose by over 40 percent in real terms
- On average, this represented a 9 percent fall in real income for poor consumers
- The increase in prices affected imported staple foods as well as others (e.g. cassava)

High and volatile food prices are likely to continue ...

- Food markets are tighter
- Stronger linkages between agricultural and energy markets
- Increased frequency of weather shocks
- Increased financialization of food and agricultural commodities

Costs and benefits of high prices

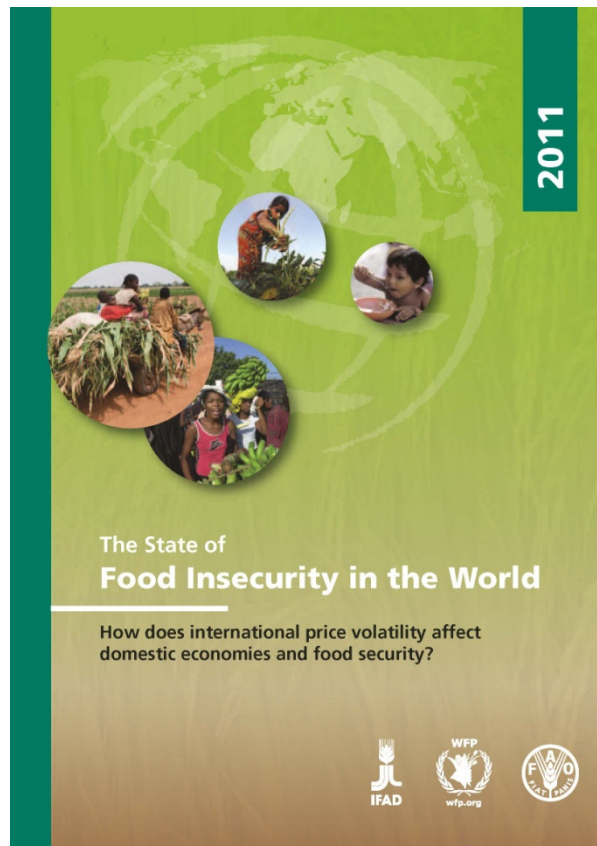
- Food security threat for urban consumers and rural net food buyers
- Benefits to smallholders who are net producers and have access to resources
- High and stable prices are an incentive to increase production and investment in agriculture, including by smallholders

Costs of food price volatility

- Disincentive to increase production and investment, especially by smallholders, when price changes are unpredictable
- Even short-term price shocks have long-term effects on producers and consumers
- Price volatility has macro-economic implications

How to deal with price volatility

- Investment in agriculture
- Improved market transparency
- Better policies
- Targeted safety nets and emergency food reserves
- Reduce production risk for smallholders
- Better regulation of futures markets



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the World 2011**

The international reference
on global hunger issues

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