FOOD SECURITY BULLETIN

Issue 2, Summer 2009

IN THIS ISSUE

Biannual Bulletin Published by:

M A S

Palestine Economic Policy Research Institute (MAS)

Edited by: Haneen Ghazawneh

Tel: 972 2 2987053/4
Fax: 972 2 2987055
info@ pal-econ.org
www.mas.ps

EDITORIAL

This issue of the Food Security Bulletin coincides with the 5th United Nations Development Program (UNDP) report 'Arab Human Development Report 2009'. The report is titled 'Challenges to Human Security in the Arab Countries'. This latest report has been published in response to the observation of a general downward trend in living standards established over the course of a series of Arab Human Development Reports. The report attempts to address questions as to the nature of, and underlying reasons for, obstacles restraining development in Arab states.

The report argues that the answer lies in the absence of human security in the region. The report defines human security as "*the liberation of human beings from those intense, extensive, prolonged, and comprehensive threats to which their lives and freedom are vulnerable*". The report identifies seven types of security risks negatively affecting people in the Arab region:

1. Pressure on environmental resources, including geographic and demographic pressures.
2. State weakness in guaranteeing the security of human rights. The report equally found that individual rights are often violated.
3. Lack of personal security for marginalized groups. These groups include abused women, victims of slavery, child soldiers, refugees and the internally displaced.
4. Unstable growth, high unemployment, and poverty. The report found that growth based on oil results in weak economic structure.
5. Hunger, malnutrition, and food insecurity. The countries found to be suffering from the loss of food security are affected by conflicts, civil wars and foreign occupation, which all contribute to a cycle of poverty.
6. Poor health. The health status of Arab citizens' ranks very poorly in comparison with developed countries.
7. Finally, the systemic insecurity of occupation and foreign military intervention which serves to eliminate the fundamental right of these occupied people to self-determination. Moreover, the occupation reduces levels of human security in the countries adjacent to the occupied territory through the impact of cross-border migration. This has posed a severe humanitarian challenge for these countries, and sown the seeds of tension.

It was expected that the issuing of this report would give rise to discussion amongst experts and politicians as such reports are afforded wide coverage in the Arab and international media. The Arab Human Development Report use to evoke strong controversies. And this year's report is not an exception. Many observers questioned the rating of the security risks and why military occupation sat on the last seventh place. There was also anxiety about the influence of donors upon the political content and recommendations of the report.

The UNDP maintained that no funding for the report came from sources external funders to the UNDP itself. Ms. Amat Al Alim Al-Soswa, Assistant Secretary-General, Assistant Administrator and Director of the Regional Bureau for Arab States in the United Nations maintained that "*Not everyone will agree with all of its messages, but the thorough reader will find the Report's analysis quite balanced, with messages offered in a constructive spirit to enrich the thinking of all actors interested in promoting the human security of the people of the Arab region*".

Definitions

Food Security:
The World Food Summit (1996) defines food security as a general state "When all people at all times have both physical and economic access to sufficient food to meet their dietary needs for a productive and healthy life". Four elements coexist in this definition:

- Food availability – whether produced locally or imported.
- Food accessibility – where all individuals have access to adequate resources to meet appropriate dietary needs.
- Food stability – where access to adequate food is permanently secured, with no risk of shocks.
- Food utilisation – the consumption of food with adequate sanitation and clean water, and where health care is provided.

Food Security in the Palestinian Territories:
The World Food Programme (WFP), Food and Agriculture Organization (FAO) and the United Nations Relief and Works Agency (UNRWA) divide Palestinian families into four categories with respect to food security (2008):

- *Food secure:* Households with income and consumption above USD2.6/capita/day.
- *Marginally secure:* Households with either income or consumption (but both) above USD2.6/capita/day.
- *Vulnerable to food insecurity:* Households with both income and consumption below USD2.6/capita/day.
- *Food insecure:* Households with income and consumption below USD1.9/capita/day.

Note: Food security or poverty are measured based on household consumption or income. Usually, household consumption is higher than household income due to the foreign assistance provided to needy families and the coping mechanisms adopted (such as self-production of food).

Poverty in the Palestinian Territories:
The Palestinian Central Bureau of Statistics (PCBS) defines poverty using the budget of a standard household, (six members: two adults and four children). There are two poverty lines:

Deep poverty line: A standard household with a monthly budget below NIS1,886 (2007) covering: food, clothing and housing costs.
Relative poverty line: A standard household with a monthly budget below NIS2,362 (2007) covering: food, clothing, housing, health care, education, transportation and housekeeping supplies.

Consumer Price Index (CPI):
CPI is mostly used as a tool for measuring inflation and increases in the cost of living. It is calculated by taking price changes for the items in a predetermined basket of goods and averaging them. There are 568 items (goods and services) used in calculating Palestinian CPI and the goods are weighted according to their importance. Food has a weight of around 40% of the total CPI, transport and communication around 12.7% and textiles around 10%.

Level of Living:
This is defined as a household's food consumption relative to their total consumption. The PCBS has divided Level of Living into three categories:

- Higher Standard of Living: food consumption to total consumption is less than 30%.
- Middle Standard of Living: food consumption to total consumption is between 30 and 44%.
- Lower Standard of Living: food consumption to total consumption is between 45 and 100%.

Purchasing Power
It is the citizen's ability to buy goods and services with his or her money. In the Palestinian context, purchasing power depends on three main factors; income, changes in the Consumer Price Index (CPI) and changes in exchange rate of the US Dollar and Jordanian Dinar against New Israeli Shekel (NIS), both of which are widely used in the Palestinian Territories. Purchasing power is inversely proportional to the Consumer Price Index (CPI), and directly proportional to income level and foreign exchange rates.

Human Development Index (HDI):
The HDI is also a composite index with the following sub-indices: life expectancy at birth, educational attainment (adult literacy and school enrolment), and standard of living (measured by real per capita income). The index ranges between 0 and 1. In 2005, Norway had the highest value (0.968) and Sierra Leone, the lowest (0.336). The Palestinian Territories measured 0.731 in 2005.

FAO Food Price Index (FFPI):
The FFPI represents international prices of food commodities. It is calculated by taking the average of six commodity group price indices (meat, dairy, cereals, oils, fats and sugar). The indices are weighted with their average export shares.

Millennium Development Goals:
In the year 2000 the UN, G8 and other international organizations adopted a set of eight development goals (18 targets) to be achieved by 2015. Goal 1 has three targets: to halve, between 1990 and 2015, the proportion of people whose income is less than $1 per-day, to achieve full and productive employment and decent work for all, including women and young people, and to halve, between 1990 and 2015, the proportion of people suffering from hunger.

This publication is funded by
The Spanish Cooperation (AECID) through Asamblea de Cooperación Por la Paz (ACPP).

Food Security Updates in the Palestinian Territories

Since the recent Israeli invasion of the Gaza Strip (27/12/2008 - 18/01/2009) most of the focus on food security issues has been shifted to Gaza.. The Food and Agriculture Organization (FAO) and the World Food Program (WFP) have done a 'Rapid Qualitative Emergency Food Security Assessment' immediately after the Israeli withdrawal. The evaluation used descriptive methodology in its analysis aimed at determining the needs of families in Gaza.

Table 1 summarizes the main findings of the evaluation regarding the conditions and needs of Gazan families after the invasion. The evaluation divided Gazan families into three main groups. Regarding the needs of these groups, the evaluation stressed the need for food assistance, especially during the immediate aftermath of the conflict, and the need for retrieval of productive assets such as land, and irrigation systems.

The evaluation did not produce any quantitative results. However, the Chamber of Commerce of the Gaza Strip stressed in a report released to coincide with International Labor Day that the blockade imposed on Gaza has led to unprecedentedly high rates of unemployment (65%) and poverty (80%) amongst the local population.

Table 1: Profile of the most vulnerable groups and their needs in the Gaza Strip

Livelihood group	Profile of vulnerable sub-group	2-Immediate (1 months) needs	6 months)-Short-term (3 needs
* Internally Displaced People (IDPs) and other directly war affected households	- House destroyed and depend on others for shelter - Lost main source of income - Lost their productive assets	- Food assistance - Cash and material support to meet essential non-food needs (particularly for non-refugees who do not benefit from free services.)	- Assistance in recovering productive assets - Cash and/or food for work geared towards repair of home and productive assets If recovery materials remain unavailable, food aid will continue to be essential
* Indirectly war-affected households, including: Laid-off workers	- Lost job - Member of households already food insecure before the war	- Food assistance - Temporary employment	- Cash and/or food for work and assistance in locating employment
* Families Hosting IDPs	- Households already food insecure before the war hosting IDPs - Limited income sources	- Cash and/or in-kind support to meet non-food needs - Temporary food assistance	- If hosting is prolonged, enrollment in food and cash assistance programs

Source: WFP & FAO (Feb, 2009)

Food and Nutrition Coordination Group

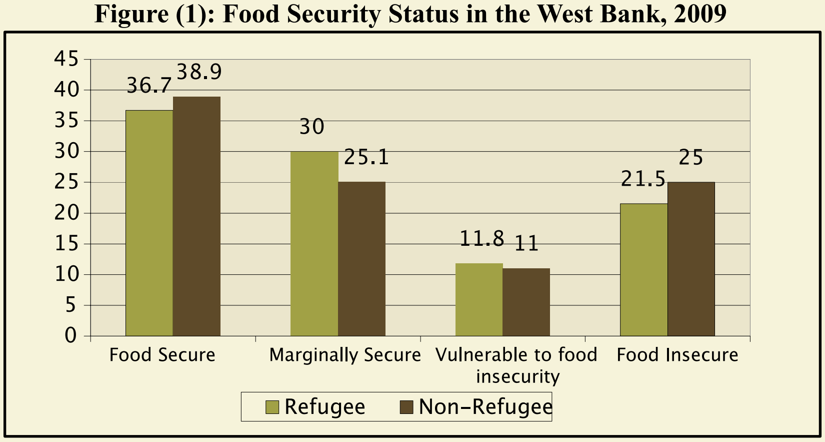
Since the invasion a group of key United Nations agencies interested in food security and nutrition issues (such as WFP, FAO, UNRWA, WHO), as well as a number of local non-governmental organizations and international organizations including MAS, have coordinated efforts relating to food aid and food security in the Palestinian territories. The group has held a series of regular meetings to discuss and exchange information. Despite the fact that the group was specifically formed in response to the crisis in Gaza, it will continue its work in the future and will also cover the West Bank. This appears to be a positive initiative to combine and coordinate efforts with regards to improvement of food security.

The Food Security Situation in the West Bank

The FAO and the WFP in partnership with the Palestinian Central Bureau of Statistics (PCBS) surveyed the socio-economic and food security conditions of Palestinian families in the West Bank (February 2009). The preliminary results of this survey in the West Bank have been issued in July 2009, while the results of the survey in Gaza have not yet been issued as a result of the complex political situation. However, it is expected to process the results of Gaza survey in the next few weeks.

Preliminary results of the survey in the West Bank (4960 families) conclude that 24.1% of households in the West Bank suffer from food insecurity, compared with 25% in 2008. Figure 1 divides the Palestinian families in the West Bank into four groups with regard to food security (see definitions page), and subdivides these between refugees and non-refugees. It is obvious from the figure that the rate of food insecurity was higher among the non-refugees compared to refugees (25% among non-refugees, while it was 21.5% among the refugees). The proportion of households vulnerable to food insecurity is almost the same for both refugees and non refugees in the West Bank, amounted to about 12%. It should be noted that this proportion reached 16% during the year 2008. The proportion of marginally food secure households during the year 2009 rose to 26.4% compared with 15% in 2008. Most probably a considerable proportion of the food secured households in 2008 became marginally food secure during this year because of the increase in food prices. The proportion of the food secured households declined to 38.3% in 2009 compared with 44% in 2008.

Figure (1): Food Security Status in the West Bank, 2009



Source: FAO/WEP/PCBS, July 2009

Food Prices in the Palestinian Territories

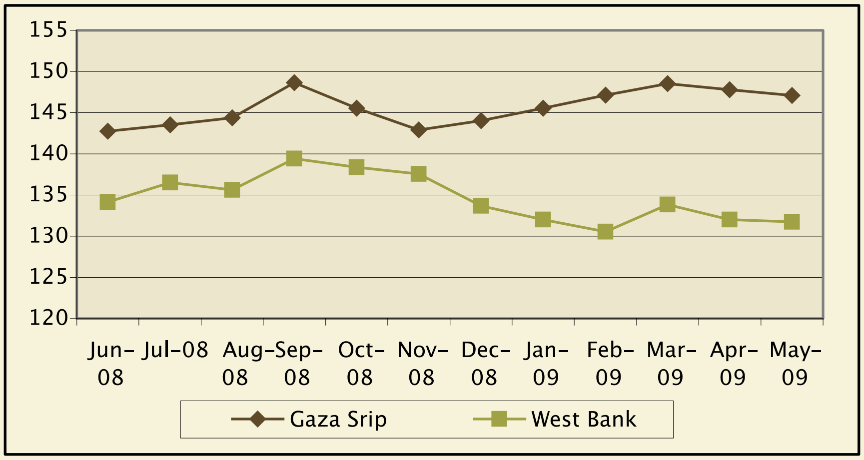
The Socio-Economic and Food Security Survey of Palestinian families in the West Bank, conducted by the PCBS in cooperation with the WFP and the FAO Organizations (February 2009), found that 96% of Palestinian families have been negatively affected by the rise in food prices during the second half of 2008.

Table 2 shows the development of prices of basic food commodities in the Palestinian territories during the first five months of this year. Study of the table leads to the observation that basic food commodities imported from abroad, particularly rice and sugar, have seen a rise in price. The prices of rice and sugar increased during the month of May by 9% and 10% respectively when compared to prices in January 2009. The prices of milk and meat have witnessed some sort of stability during the first five months of 2009. The price of flour, however, decreased to 179.5 NIS in May, compared to 188.7 NIS during January 2009. Furthermore, the price of local olive oil dropped by 5% in May compared to the price at the beginning of this year. This may be due to the Palestinian custom of purchasing olive oil during its season, with less demand for it at other times.

The Development of the food price index in the Palestinian Territories

The Palestinian territories were impacted upon by the sharp rise in food prices in global markets between the beginning of 2007 and the middle of 2008 (see previous issue of the Food Security Bulletin). The decline in food prices in global markets since mid-2008, however, was not proportionally reflected in the prices of foodstuffs in the Palestinian territories. The rate of decline in the index of food prices in the Palestinian territories did not exceed 2% over the period from September 2008 to May 2009, while over this period globally it exceeded 17%.

Figure (2): Food Price Index in the West bank and Gaza strip (base year 2004 = 100)



Source: PCBS, 2009.

This slight decline in the index of food prices in the Palestinian territories may be related to three main reasons:

Firstly, the decline in food prices in global markets and the rising global grain supply reflected positively on food prices in developed countries, without a similar effect on food prices in developing countries (including the Palestinian territories).

Secondly, the index of food prices in global markets has risen since March 2009, and this has been directly reflected in the prices of foodstuffs in the Palestinian market. Perhaps the main reason behind the start of the increase in global food prices was the report of the FAO, which was issued in early April 2009, expecting a decrease in global grain production by 3.1% for the 2008/2009 agricultural season. The organization have previously issued a report in December 2008 expecting an increase in global grain production by 5.4% for this same period. (For more details on the global food markets, see page 7).

Thirdly, the unjust embargo and the recent Israeli invasion (27 December -18 January) significantly impacted on the price of foodstuffs, in particular in the Gaza Strip. The price index of foodstuffs during May in the Gaza Strip exceeded 147 points, while it did not exceed 132 points for the same month for the West Bank (See figure 2).

The previous figure reaffirms a historically repeating trend that the high prices in the global market lead directly to higher food prices in the Palestinian territories. However, lower prices in the global market are not reflected to the same degree or at the same time in the Palestinian market.

Table (2): Average consumer prices of selected food items in the Palestinian Territories (prices in NIS)

	Unit	Jan.	Feb.	March	April	May	% Change
Rice “sunwhite”	25 kg	155.73	160.60	161.85	166.26	169.36	9
White flour - Haifa	60 kg	188.70	188.16	184.86	184.88	179.44	-5
White bread -local	1 kg	4	4.05	4	4.05	3.94	-1.5
Tnova Milk 3% fat	1 kg	6.92	6.97	6.97	7.08	7.01	1
Fresh beef meant - Local	1 kg	50.45	50.78	52.04	51.78	49.99	-1<
Olive oil - Local	1 kg	29.02	28.87	27.97	27.50	27.29	-5
Sugar Crystal - England	50 kg	121.87	128.25	139.75	132.95	134.28	10

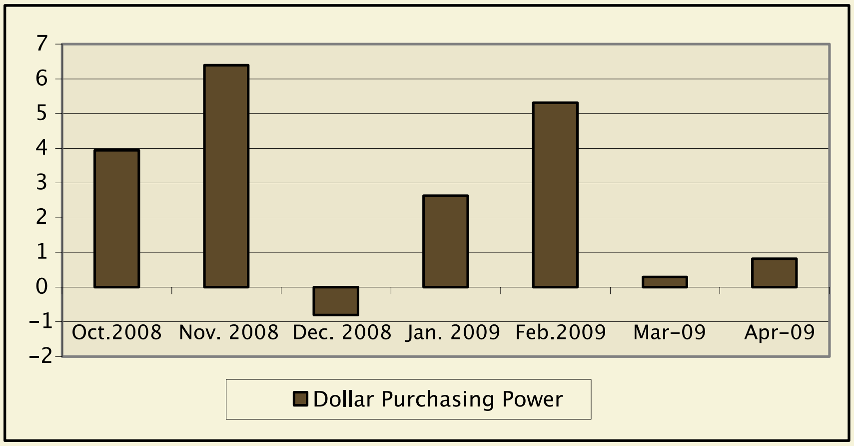
Source: PCBS, 2009.

Purchasing Power

The rise and decline in food prices in the Palestinian territories affects the purchasing power of the Palestinian consumer (see definitions page). Since purchasing power is inversely proportional to the consumer price index (which increased during the first five months of 2009 by 3.25% compared to 2008 levels), this rise in prices has therefore weakened the purchasing power of the Palestinian citizen. The other important factor affecting purchasing power is the exchange rate of the shekel against the dollar for people who receive their salaries in dollars. The dollar’s exchange rate has improved during 2009, reaching on average, 4.05 NIS/dollar in the first quarter of 2009 compared with 3.78 NIS/dollar in the last quarter of the year

2008. The improvement in the exchange rate of the dollar has been accompanied by a rise in the consumer price index, and these effects balanced each other out. Therefore, it is difficult to talk about a significant change in the purchasing power of the Palestinian citizen receiving a salary in dollars (as shown in Figure 3 which shows high volatility in the purchasing power of the dollar in the Palestinian territories during the period October 2008 - April 2009). As for those who receive a salary in NIS, it is likely that their purchasing power declined as a result of an increase in the consumer price index by 3.25% during the first five months of the year when compared with 2008 levels.

Figure (3): Purchasing Power of Dollar in the Palestinian Territories



Source: MAS, 2009 and Palestine Monetary Authority, 2009

Food Aid Activities in the Palestinian Territories

The WFP and the UNRWA are the most vital international organizations working in the area of food aid provision in the Palestinian Territories. The UNRWA directs its aid to more than 1.7 million refugees in the West Bank and Gaza Strip, whereas the WFP is the main provider of food aid to non-refugee families, working along with other local and international NGOs operating in the region, especially in times of emergencies.

Table 3: CAP Food Sector Requirements and Secured Funding in 2009 (thousands of USD)

	Original Requirement	Revised Requirments	% of change from Original to revised requirments	Funded Until 2/7/2009	% of funding
UNRWA	116,333	111,925	%4-	36,338	%32
WFP	85,084	137,977	%62	116,433	%84
Other organizations	2,895	6,533	%126	816	%12
Total	204,312	256,435	%25	153,587	%60

Source: CAP, 2009

Table (3) presents the estimated financial requirements needed by the different food aid organizations to carry out their activities in the Palestinian Territories in 2009. The preliminary estimates were submitted in November 2008 through the Consolidated Appeal Process (CAP), while the revised estimates are updated periodically. The revised financial requirements in table (3) are those adjusted recently in July 2009.

Many dramatic changes took place between the formation of the original requirements and the revised requirements. The most significant of these were the Israeli invasion of Gaza, and the increasing dependency of the Palestinians on food assistance. Equally however, the prices of food commodities in the global market have declined during the begining of 2009. These factors provide explanation for the discrepancy between the original and revised requirements.

Between November 2008 and July 2009 total financial requirements have increased by 25%. The largest increases in demand were those of small NGOs. These organizations were forced to adapt to meet the demand for food distribution following the deterioration of the food security situation, particularly in Gaza .

There has been a 4% decline in funds required by the UNRWA to meet the needs of the Palestinian refugees in the occupied territories. This is probably due to two factors. Firstly, the burden of the increased quantity of food which the UNRWA planned to distribute was smaller than the financial benefit accrued by the decline of food prices in the international market. Secondly, while the category of persons able to benefit from UNRWA aid was widened during the Israeli invasion of Gaza to include female Palestinian refugees married to non-refugee men, since March 2009 the total number of UNRWA food aid beneficiaries has decreased from a high during the invasion of 885,000 recipients to 650,000.

On the other hand, the WFP financial requirements increased by 62% to meet the emerging needs of new non-refugee families who lost their homes during the recent violence, and to meet the needs caused by the rise in food prices in the Palestinian market following the world food crisis.

With regards to funding provision, 60% of the total revised food aid budget estimates were actually funded. This is considered a good return for the first half of the year. Resources were distributed as follows: 32% for the UNRWA, 84% WFP, and 12% for other small organizations.

In the previous issue of the Food Security Bulletin, we included a detailed illustration of the WFP food aid emergency operation in Gaza, for the benefit of 365,000 persons in the Strip for the period Jan 2009 -2010. In this issue we will be concentrating on the West Bank.

In Feb 2009 the WFP launched a “Food Voucher” program in the West Bank. This is the first operation of its kind in

Table 4: WFP food voucher operation in the West Bank costs breakdown

Costs	USD
Direct Operational Costs	
Cash in lieu of commodities	4,173,968
Other direct operational costs	1,333,028
Total Direct operational costs	5,506,996
Other direct and indirect support costs	1,155,462
Total costs	6,662,458

the Middle East, and will involve 5500 households (more than 31,000 persons). This operation was initiated as a response to increased food prices in the Palestinian Territories. It aims to protect the livelihood of food vulnerable urban households through the distribution of vouchers enabling beneficiaries to purchase directly from small and medium-sized traders in the Palestinian Territories.

Table (4) presents the total estimated cost of the voucher project in the West Bank. The food voucher allows beneficiaries to purchase bread, milk, yogurt, labneh, cheese and eggs. The total cost of these food items is around USD 4 million. The operation is implemented by two NGOs; the Catholic Relief Services (CRS) in the south of the West Bank, and Action Contre la Faim (ACF) in the north.

Two observations can be made based on the above table:

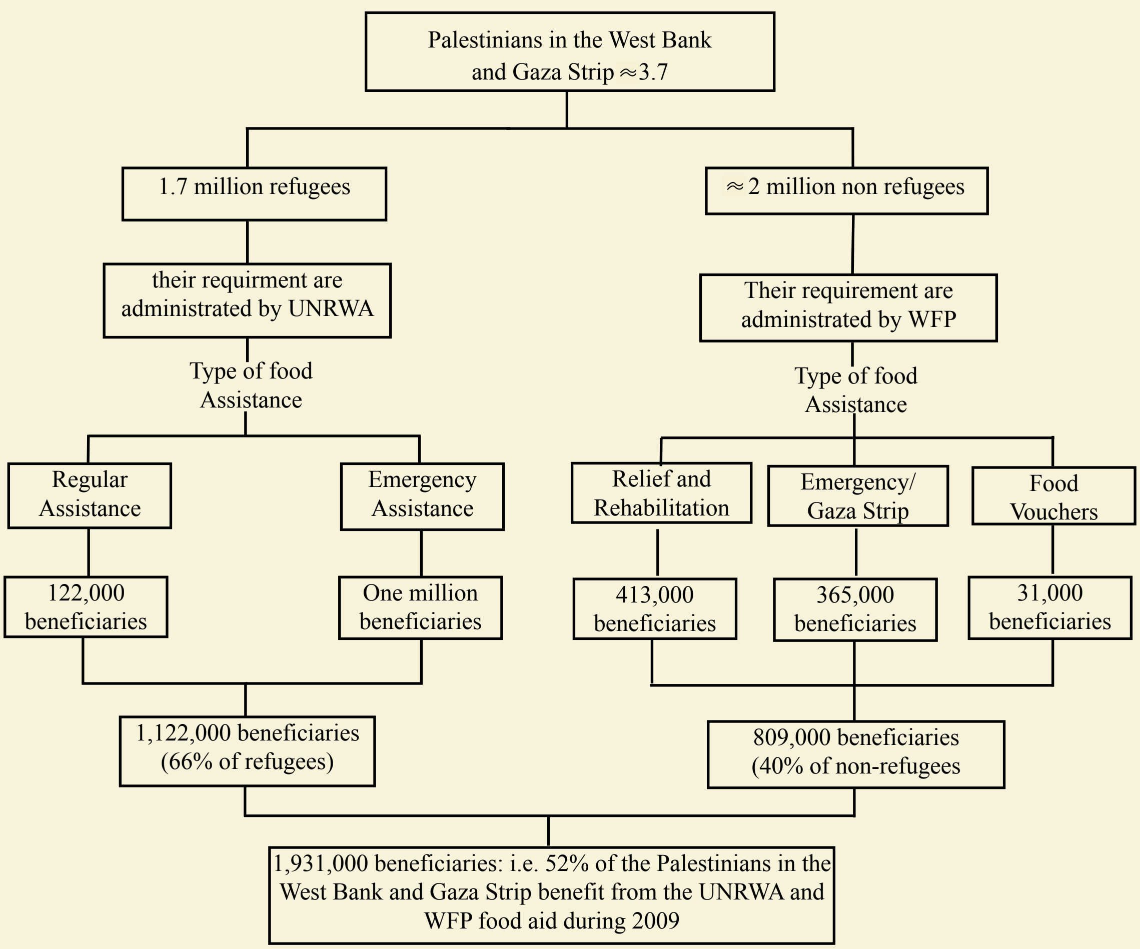
- The direct cost of food purchases accounts for nearly 60% of the total cost of the project. This means that the remaining 40% is used to cover to transportation, insurance, storage and other administrative costs.
- As there are about 31,000 beneficiaries the cost of each food voucher is around $215 per person.

Along with this voucher project, the WFP will continue this year with their project known as the 'Palestinian Relief and Rehabilitation Operation' (PRRO), which has 413,000 beneficiaries in the West Bank. This means that the total number of beneficiaries of WFP activities in the West Bank will amount this year to 444,000 persons. When added to the 365,000 beneficiaries in the Gaza Strip, the total number of beneficiaries of WFP activities in the Palestinian territories amounts to 40% of the total non-refugee population of the West Bank and Gaza strip.

There are currently more than one million beneficiaries of UNRWA food aid. Around one million persons benefit from emergency aid and 122,000 from the regular food aid which UNRWA has been distributing since 1948.

Adding these figures together suggests that more than half the total population of the West Bank and Gaza Strip benefit from WFP and UNRWA food assistance (see box). The total number of food aid beneficiaries will be greater than this given the number of local and international NGOs that distribute food aid as well.

A scheme of food aid types and organizations in-charge and the no. of beneficiaries in West Bank and Gaza Strip during the first half of 2009



≈ means approximate value.
Source: data for WFP was collected out of the WFP "food vouchers", emergency aid to Gaza Strip and the relief and rehabilitation projects. The data of UNRWA aid beneficiaries was provided by UNRWA to MAS.

World Food Security

Advocacy to ensure global food security

Recently the Italian Agriculture Minister, whose country currently holds the presidency of the Group of Eight, stressed that all members agree "something must be done" to safeguard food supplies threatened by sudden price hikes and speculation. The German Minister of Agriculture also highlighted the need to find specific solutions to ensure increased food production in all parts of the world. These include access to land, water, and fertilizers. At the same time he called for the strengthening of cooperation between rich and poor countries regarding development.

Elsewhere, a high-level meeting held in Madrid on 'food security for all' attempted to foster global partnership in the field of agriculture and food security. It is hoped that such a partnership could generate the political momentum necessary to find a comprehensive and sustainable solution to the lack of food security. In response to the meeting, several non-governmental organizations indicated their dissatisfaction with the efforts, writing them off as inadequate 'publicity stunts'. However, many of these NGO's do appreciate that there has been increased interest in the issue on the part of the worlds' governments.

Cereal production in the world

In the previous issue of the Food Security Bulletin, at hand, we discussed an expected rise in cereal production by 5.4% in the year 2008-2009 (FAO, December 2008). However, more recent estimates by the FAO (April 2009) predict a decline in the production of grain in 2009 by 3.1%. (See Table 5). Global cereal production for the year 2007/2008 was in fact 7% higher than erroneous initial estimates (2289.1 million tons). Adjusted estimates suggest that cereal production in developing countries last year increased to 1047.3 million tonnes (13% higher than the initial estimates).

It should be noted that although the production of grain in 2009 is estimated to decline to 2217 million tonnes, production will remain higher than the predicted demand for cereals for the same year (2202.7 million tons).

Table (5): World Cereal Market (million tonnes)

	FAO estimates (Dec. 2008)			(FAO estimates (April, 2009		
	07/08 estimate	08/09 forecast	2009 over 08	07/08 estimate	08/09 forecast	2009 over 08
Supply Indicators						
World production	2129.2	2244.8	%5.4	2189.1	2117.0	%3.1-
Developing countries	1204.1	1217.6	%1.1	1241.8	1233.3	%0.7-
Developed countries	925.1	1027.3	%11	1047.3	983.7	%6.1-
-Wheat	610.8	682.2	%11.7	688.5	655.0	%4.9-
-Coarse grains	1078.4	1111.61	%3.1	1141.9	1100.0	%3.7-
-Rice	440.0	451.0	%2.5	458.7	461.9	%0.7
Demand Indicators						
Total utilization	2125.2	2198.3	%3.4	2120.4	2202.7	%3.9
-Wheat	617.5	647.6	%4.9	617.9	646.3	%4.6
-Coarse grains	1070.9	1106.1	%3.3	1064.6	1107.3	%4.0
-Rice	436.8	444.5	%1.8	437.9	449.1	%2.6

Source: FAO, Dec, 2008 and April 2009.

World Food Prices

There are fears of a returning "silent tsunami" (a sharp increase in food prices in global markets, as described by the WFP). Although food prices dropped significantly reaching 139 points in February 2009, the lowest point since May 2007, they rose again to reach 152 points by May 2009. It should be noted that the index of food prices in May 2009 is still 27% lower than in May 2008 when they stood at 209 points.

Table (6) presents the development of prices in terms of the groups of food commodities that determine the index of food prices. Study of the table establishes two significant trends.

Firstly, that the price index for each of the five groups, with the exception of the sugar grouping, remained less during the first five months of 2009 than during 2008. Sugars were subject to a successive increase in price during the first five months of 2009. The price rate of the sugar group increased by 25% in May 2009 compared to levels in 2008.

Secondly, the prices of oil, grain, dairy and meat consistently declined from mid-2008 until early 2009. However, prices rebounded after March 2009. This is rather alarming because of the impact these prices have on living standards, particularly in poor countries.

Table (6): FAO Food Price Index (FFPI) (base year 2002-2004=100)

	Sugar	Oils	Cereals	Dairy	Meat	FFPI
2007	143	169	167	212	112	154
2008	182	225	238	220	128	191
Jan. 2009	178	134	185	122	119	144
Feb. 2009	188	131	177	114	119	139
March 2009	190	129	179	117	119	140
April 2009	194	147	179	117	115	143
May 2009	228	168	188	124	116	152

Source: www.fao.org/worldfoodsituation/FoodPricesIndex/en/

Spotlight on the World Food Crisis

Ban Ki-moon, Secretary-General of the United Nations, recently stressed the importance of not neglecting the implications of the global food crisis. The Secretary-General said, "*We do not see many references these days to the food crisis in the news. It has been eclipsed by economic fears. But we are still not out of the woods. I call it our forgotten crisis - because it has not gone away.*"

In the beginning of the year 2007, the world witnessed an acute rise in food prices. The Economist's annual food-price index was at its highest level since 1845. The report, dated December 2007, suggested that the average price of wheat has doubled in the last quarter of a century. In March 2008 the price further increased to USD 440. This increase caused a price shock in the international markets, as it came after three decades of relative decline in prices.

According to traditional economic belief, changes in supply are responsible for changes in price. On the other hand, changes in demand are often slow and gradual. However, cereal production in 2007 rose by 89 million tons compared to the previous year (up to 1.66 billion tons) indicating that the sharp increase in price was due to problems in demand and not supply.

In this context, most economists agree that there are four factors behind an increase in demand occurring alongside an increase in supply, and ultimately resulting in a price increase. These factors are:

1. Increased use of agricultural crops, in particular maize, in the production of bio-fuel. Over the period 2004-2007 the United States increased the maize crop used for the production of bio-fuels by 50m tonnes. This was equaled by an equivalent increase in the rest of the world's usage of maize for various uses.
2. Increased demand for animal protein (meat). It is known that the shift in human consumption from grain to meat is usually associated with a substantial increase in the demand for grain as fodder. Furthermore, the average per capita consumption of meat in China, which is host to a quarter of the world's population, rose from 40 kg in 1985 to more than 50 kg now, and rose by 70% in Brazil, and 20% in India. Thus, the increased usage of grain in meat production has decreased the amount of grain available for direct human consumption.
3. High oil prices. The rise of oil prices in the first half of this decade also contributed to rising food prices. High prices of petroleum products led to increases in both fertilizer and transportation costs. For example, fertilizer prices have risen threefold in only two years (2005-2007), while transportation costs doubled during the same period.
4. Natural Disasters, Speculations and Export Restrictions. The last factor is composed of many events that have impacted on supply. For example, several droughts have ravaged many parts of the globe (Australia, Africa, and Southern Europe). Moreover, speculation helped reduce supply and increase price. Finally, the decisions to restrict exports taken by a number of key grain exporting countries such as India, Vietnam, Ukraine also helped to diminish the supply.

This pushed FAO early this year to establish a database to track prices of basic foodstuffs in local markets in 58 developing countries -including the Palestinian territories. (www.fao.org/giews/pricetool/). In the analysis done by FAO of food prices in these developing countries, it appeared that 80% of the countries included in the database are still experiencing rising food prices in the year 2009.

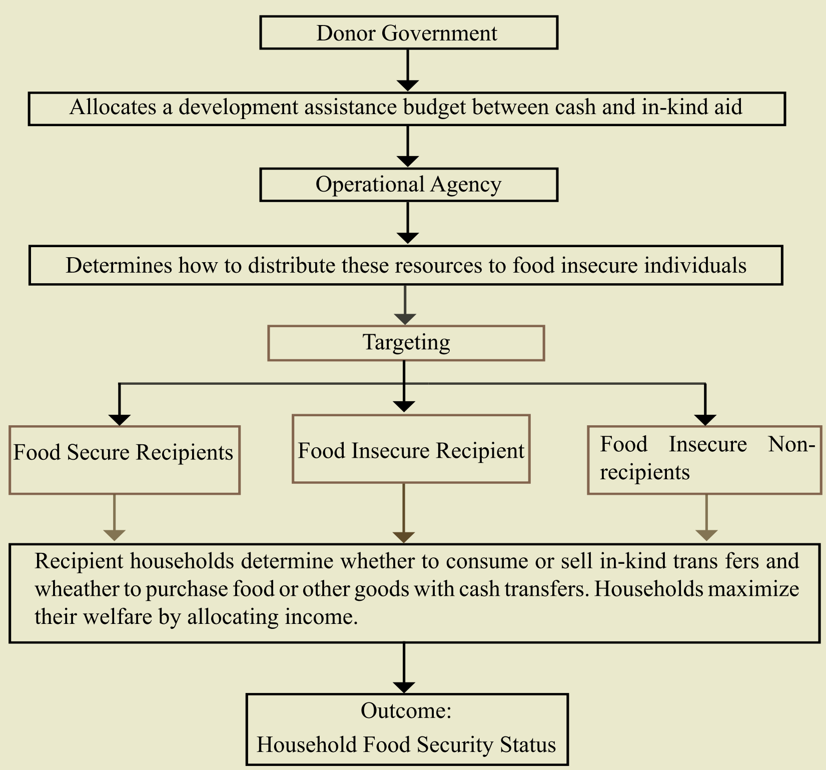
Confirming the suspension of Mr. Ban Ki-moon that the global food crisis is not over yet and that the financial crisis has overshadowed it, it should be noted that food security and economic recession are interrelated, as the global financial crisis has led to a reduction in remittances from workers employed outside their own countries. These remittances are playing a very important role in achieving food security in many poor labor-exporting counties.

Literature on Food Security

Improving Food Aid: What Reforms Would yield the Highest payoff?
E. Lentz & C. Barrett
World Development Vol. 36, No. 7 2008

The paper develops an integrated model of the food aid distribution chain, from donor appropriations through operational agency programming decisions to household consumption choices. The model is used to simulate alternative policies and to perform sensitivity analysis to establish how varying underlying conditions – for example, delivery costs, the political additionality of food, targeting efficacy- affect optimal food aid policy for improving the well-being of food insecure households. The authors find that improved targeting by operational agencies is crucial to advancing food security objectives. At the donor level, the key policy variable under most model parameterizations is ocean freight costs associated with cargo preferences restrictions on the US food aid.

Actors and choices along the aid distribution channel



Source: Lentz and Barrett, 2008.