

# FOOD SECURITY BULLETIN

Issue 1, Winter 2009

## IN THIS ISSUE

|   |   |
|---|---|
| Editorial .....   | 1 |
| Definitions .....   | 2 |
| Food Security in the Palestinian Territories .....              | 3 |
| Food Prices in the Palestinian Territories .....                | 4 |
| Food Aid Activities in the Palestinian Territories .....        | 5 |
| Spotlight on Food Security and Food Aid in the Gaza Strip ..... | 6 |
| World Food Security .....                                       | 7 |
| Future Trends .....   | 8 |

## EDITORIAL

With Issue Zero of the Food Security Bulletin, MAS hopes to introduce key concepts and themes in food security to a wide audience whilst covering the main food security indicators to provide an up-to-date picture of the situation of food security and food aid in the Palestinian Territories.

Food insecurity has greatly increased since the outbreak of the second intifada, (which brought about severe and long-term movement and access restrictions). An international survey conducted in May 2008 found that 38% of Palestinian households in the West Bank and Gaza Strip were food insecure, (56% in the Gaza Strip). Food insecurity is estimated to have risen to 76% in Gaza since the latest Israeli invasion.

The case of Palestinian food insecurity is not common. It exists not because of a lack of food, but rather, the result of restrictions to economic mobility, the movement of locally produced goods towards populated urban centers and the access of workers to jobs and in turn, food.

This Bulletin includes definitions such as: poverty, food security, consumer price index and standard of living. It also presents the evolution of food prices and food aid in the Palestinian context, and a snapshot of changes to global food prices.

We would like to encourage our readers to send us their suggestions and feedback, which we will use in develop the Bulletin.

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## HIGHLIGHTS

- \* Food insecurity is widespread in the Palestinian Territories, reaching 38% in 2008. In the Gaza Strip, 56% of Palestinians were food insecure before the recent Israeli invasion. This figure has since escalated to 76% of Gazans.
- \* Despite the decrease in food prices since mid 2008, the food price index in the Palestinian Territories was 17% higher in 2008 than in 2007.
- \* The Gaza Flash Appeal, from UN agencies and some NGOs, requested \$613 million, reflecting the emergency humanitarian and early recovery needs for Gaza.
- \* In 2008, there were roughly 963 million undernourished people around the world, a rise from the 923 million people in 2007.
- \* World cereal production for the year 2008/09 is expected to increase by 5.4%. International food prices declined over 32% during the second half of 2008.

## 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%.

### Global Hunger Index (GHI):

The GHI measures hunger and malnutrition with three equally weighted indicators: proportion of undernourished as a percentage of the population; prevalence of underweight children under the age of five; and mortality rate of children under five years. The index ranks countries on a 100 point scale. Less than 4.9 reflects ‘low hunger’, 5-9.9 is ‘moderate’, 10-19.9 is ‘serious’, 20-29.9 is ‘alarming’ and  $\geq 30$  is ‘extremely alarming’. (International Food Policy Research Institute- IFPRI 2008).

### 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.



# Food Security in the Palestinian Territories

The first food security assessment in the Palestinian Territories was conducted in 2003 by the three main food organizations in the Palestinian Territory (FAO, WFP and UNRWA), and has since been used as the baseline for food security. The assessment concluded that although food is generally available, access is limited. The main factor affecting food security in the Palestinian Territories was seen as the Israeli measures, which impose restrictions on the Palestinian Territories' borders and on internal movements between villages, towns and cities. Restricting movement and access has negatively affected economic access to food - people lost their jobs and income, and were therefore unable to meet basic food needs. The results were updated in a subsequent assessment (January 2007), and support the findings of the first survey: that potential agricultural areas are affected by closures and isolated from urban markets, and increasing numbers of people are reliant on food aid. The latest assessment for food security in the Palestinian Territories was conducted in May 2008. Figure (1) tracks the food security situation in the Palestinian Territories in the three household surveys:

Figure (1) shows that the incidence of food insecurity fell by 6% between 2003 (40%) and 2006 (34%). However, the number of food insecure rose again by 2008, to 38% of the Palestinian Territories population, despite an increase of 20% in financial

**Table (1): Demographic and socio-economic characteristics of the different food security groups (unit of analysis is the household)**

|                                   | Food Secure | Marginally secure | Vulnerable to food insecurity | Food insecure |
|-----------------------------------|-------------|-------------------|-------------------------------|---------------|
| Average household size (persons)  | 4.1         | 6.22              | 6.5                           | 7.9           |
| Average years of education        | 10          | 9                 | 9                             | 8             |
| Average household age             | 30.1        | 27.9              | 25.5                          | 23.6          |
| Percentage of children (under 18) | 32.3        | 38.8              | 43.6                          | 50            |

Source: FAO, August 2008

support to the food security sector, (from \$132m in 2006 to \$158m in 2008).

Figure (2) illustrates the alarming increase (23%) of food insecurity in urban areas between 2006 and 2008, compared with its decline (-16%) in rural areas of the Palestinian Territories. However, food insecurity levels remain the highest among refugees, reaching 50% in 2008.

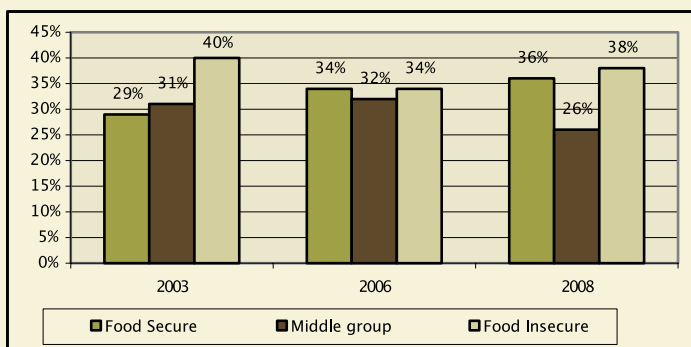
The World Food Program (WFP) published their latest Food Security and Market Monitoring report for the Palestinian Territories in July 2008, covering the food security situation in the Palestinian Territories with a focus on the Gaza Strip. As in previous reports, they concluded that food insecurity in the Palestinian Territories is primarily the outcome of Israeli restrictions. Their recommendations to improve food security in Gaza are listed in the box:

**WFP's recommended actions against food insecurity in the Gaza Strip (July 2008)**

- \* Allow the unhindered opening of crossings.
- \* Immediately restart importing sufficient amounts of fuel.
- \* Reinstatement of the export of agricultural produce and fishing.
- \* Support farmers whose trees have been uprooted.
- \* Protect poultry farmers whose nurseries have been demolished.
- \* Advocate increased access to the sea for fishermen.

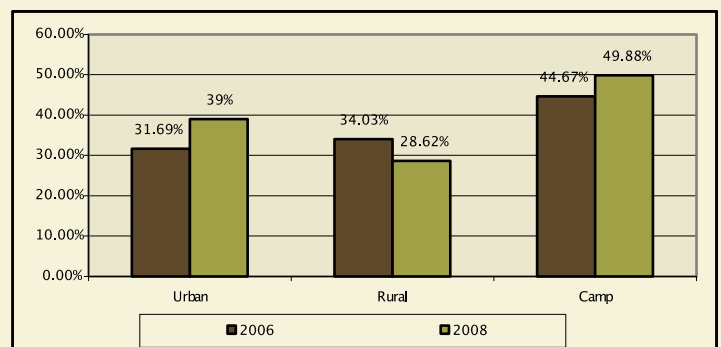
As Table 1 illustrates, food insecure households on average are larger households. (there are 7.9 people in a food insecure household compared with 4 people in the average food secure household). There are also more children in food insecure households (50%) compared with food secure households (32.8%). The food insecure group is generally younger and has less years of education.

**Figure (1): Food Security Status in the Palestinian Territories**



Source: CFSVA 2003, 2007 and FAO/WFP/UNRWA, May 2008

**Figure (2): Food Insecurity levels by locality type**



Source: CFSVA, 2007 and FAO/WFP/UNRWA May 2008

## Food Prices in the Palestinian Territories

Food prices in the Palestinian Territories have been dramatically affected by the sharp increase in global food prices over the past few years, up until mid-2008. A WFP watch list (July 2008) ranked the Palestinian Territories among the 30 countries most affected by the rise in prices.

The Consumer Price Index (CPI) increased by 10% in the Palestinian Territory in 2008, (to 121 in 2008 compared with 110 in 2007, base year 2004 = 100). The huge increase in food prices is the main driver behind the increase in the CPI. The prices of the food and soft drink group increased by 17.3% during that period.

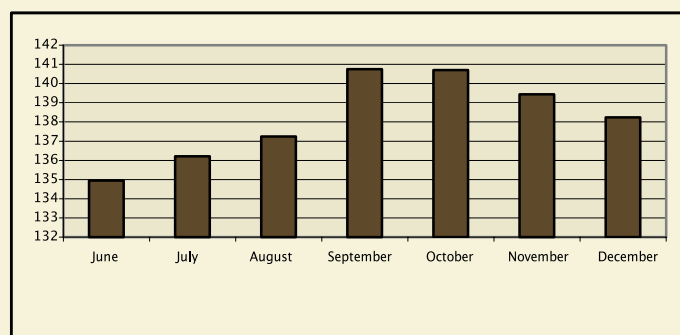
**Table (2): Food Price Index in the Palestinian Territories**

| Year | Food price index |
|------|------------------|
| 2004 | 100              |
| 2005 | 103.7            |
| 2006 | 108.8            |
| 2007 | 115.14           |
| 2008 | 135.01           |

Source: PCBS, different years.

According to table (2), food prices in the Palestinian Territories have surged over the past five years. The food price index reached 135 points in 2008 (35 points higher than the base year- 2004). As figure (3) shows, the food price index peaked in September 2008, at 141 points, since when it has gradually decreased, falling to 138.5 points by the end of 2008. Despite this, the food price index in 2008 was 17% higher than in 2007.

**Figure (3): Food Price Index in the Palestinian Territories in 2008 (base year 2004 = 100)**



Source: PCBS, 2008

The fall in the price of flour and sugar at the international market accounts for most of the decrease in the Palestinian Territories food price index. Table (3) tracks average consumer prices in the Palestinian Territories for certain essential goods during the period June-December 2008. White flour was most locally affected by the decrease in world food prices, (falling 15% between June and December 2008). There was little change in the price of locally produced goods.

**Table (3): Average consumer prices of selected food items in the Palestinian Territories during June-December 2008 (prices in NIS)**

|                          | Unite | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
|--------------------------|-------|------|------|------|-------|------|------|------|
| Rice "sunwhit"-Australia | 25 kg | 122  | 143  | 141  | 142   | 143  | 152  | 157  |
| White flour - Haifa      | 60 kg | 219  | 212  | 208  | 203   | 199  | 191  | 187  |
| Fresh beef meant - Local | 1 kg  | 45.8 | 46.9 | 46.6 | 46.8  | 47.4 | 48.4 | 50.5 |
| Olive oil - Local        | 1 kg  | 28.8 | 29   | 29   | 28.6  | 28.8 | 28.6 | 28.7 |
| Sugar Crystal - England  | 50 kg | 127  | 134  | 128  | 127   | 126  | 132  | 126  |

Source: PCBS, 2008.

### Household expenditure on food

According to the PCBS 2007 Palestinian Expenditure and Consumption Survey, (PECS) 36% of total household expenditure is spent on food in the Palestinian Territory, (33% in the West Bank and 38.5% in the Gaza Strip).

In May 2008 FAO, WFP and UNRWA reported, in a food security assessment, that the percentage of total expenditure spent on food was far higher: 61% in the Palestinian Territory, with 56% in the West

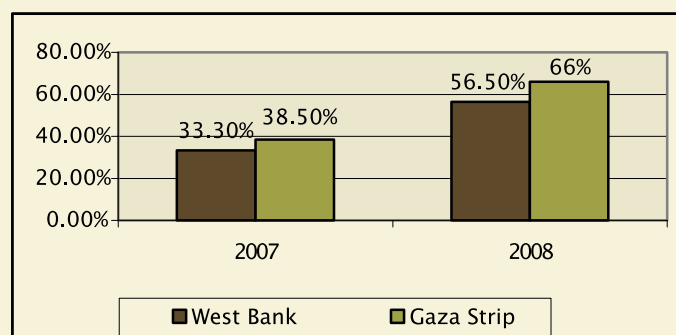
Bank and 66% (or 2/3) in the Gaza Strip. See figure (4).

It is unlikely that food expenditure increased so dramatically in one year. The difference is likely to be partially due to contrasting research methodologies, definitions and the sample size of the surveys.

The higher percentage in the Gaza Strip than in the West Bank emphasizes an inverse relationship between food expenditure and income.

According to PCBS classifications, spending 36% of total household expenditure on food reflects a "middle standard of living," (see definitions), whereas figures produced by international organizations, (61% for the Palestinian Territories, 2008) fall into the "lower standard of living" category.

**Figure (4): Percentage of food expenditure in total household expenditure**



Source: PCBS, 2007 and FAO/WFP/UNRWA < May 2008

## Food Aid Activities in the Palestinian Territories

There are 669 organizations providing food aid in the Palestinian Territories, (400 in the West Bank and 269 in the Gaza Strip), according to the results of a mapping exercise conducted by MAS and the PCBS in 2007. These organizations can be categorized into three types of institutions: Palestinian National Authority (PNA) institutions; Palestinian NGOs and civil society organizations; and international organizations. The most important relief program offered by the PNA is the Social Hardship Cases program, provided through the Ministry of Social Affairs. This program provides monthly cash payments and in-kind assistance.

The majority of food aid distributed by NGOs and PNA institutions comes from international food aid donors. Two major international agencies provide most of the regular food aid: WFP is the main provider of food aid to non refugees, and UNRWA aims to cover the humanitarian needs of more than 1.7 million refugees in the Palestinian Territories.

The main WFP operation is the “Relief and Rehabilitation Operation” (RRO) which during the period 2007-2009 provides food aid to 665,000 of the most vulnerable, non-refugee population (where 413,000 beneficiaries in the West Bank and 252,000 in the Gaza Strip. Since the hostilities that erupted on 27 December, these figures have changed. WFP has called for an emergency operation in the Gaza Strip which will benefit 365,000 Gazans between January 2009 –2010 (113,000 more Gazans than in RRO). For this period, RRO will be amended to focus on requirements in the West Bank.

Table (4) shows that since the beginning of the Intifada in 2000, food aid increased from 56,500 tons to more than 223,000 (2007), an increase of almost 300%. The Intifada devastated the livelihoods of Palestinians and in 2001, food aid deliveries increased to 184,500 tons, (226% of 2000 levels). Later, in 2002, the livelihoods of Palestinians had not improved but food aid nonetheless decreased, to 82000 tons. In 2004, food aid jumped to 202,600 tons, an increase of 205% compared with the

66,400 tons delivered in 2003. The change might be related to the 2003 baseline food security assessment which insisted that food aid is essential since food insecurity is a serious problem in the Palestinian Territories. The rise and fall in amount of food delivered may also be related to the ability of food aid organizations to acquire funds and therefore, less to do with the state of food insecurity (the number of food insecure in the Palestinian Territories during these years was either increasing or fairly steady).

Table (5), presents the estimated total costs of WFP’s latest emergency operation in the Gaza Strip. The table includes the main food items in the food aid basket, (cereals, pulses, oil, sugar, salt and sometimes canned meat).

Food items cost USD 47m, which is around 60% of WFP’s total emergency operation cost (USD 47 millions). This is typical for food aid programs worldwide. Although food aid has alleviated some of the hardship endured by Palestinians, there are serious

questions and ongoing debates among academics and humanitarian organizations about the effectiveness of this tool for the eradication of hunger and for breaking the cycle of poverty.

**Table (4): Food Aid Deliveries between 2000-2007 (in thousands of tons; cereals in grain equivalent**

| Year | Food Aid Deliveries to WBG | Change % |
|------|----------------------------|----------|
| 2000 | 56.5                       |          |
| 2001 | 184.5                      | 226      |
| 2002 | 81.9                       | 55-      |
| 2003 | 66.4                       | 18-      |
| 2004 | 202.6                      | 205      |
| 2005 | 82.2                       | 60-      |
| 2006 | 149.4                      | 82       |
| 2007 | 223.2                      | 50       |

Source: International Food Aid Information System (INTERFAIS), WFP.

**Table (5): WFP food aid emergency operation in Gaza 2009/10 costs breakdown**

| Costs  | Value (US\$)      |
|--|-------------------|
| <b>Direct Operational Costs</b>                                      |                   |
| Wheat flour  | 17,201,834        |
| Chick peas   | 1,991,732         |
| Vegetable oil  | 4,790,232         |
| Sugar  | 1,558,755         |
| Salt   | 181,000           |
| Canned Meat  | 7,562,047         |
| High Energy Biscuits   | 8,043,859         |
| Other commodities  | 5,898,459         |
| <b>Total Commodities</b>   | <b>47,227,918</b> |
| Transportation, storage, handling and other direct operational costs | 20,433,693        |
| Total direct operational costs                                       | 67,661,611        |
| Direct support costs   | 5,083,484         |
| Indirect support costs (7 percent of total direct costs)             | 5,092,182         |
| Total WEP Costs  | 77,837,641        |

Source: WFP, 2009

## Spotlight on Food Security and Food Aid in the Gaza Strip

The Israeli military invasion into Gaza from 27 December to 18 January has further eroded the livelihoods of Gaza's population. The 1.5 million residents are facing food shortages and without a doubt, those who were vulnerable to food insecurity before the invasion are likely to be food insecure. Preliminary estimates of the incursion's impact, as reported in the UN "Gaza Flash Appeal," indicate that the military operation has increased food insecurity by 20%, to 76% of the population. (In May 2008, a FAO and WFP food security assessment found that 56% of Gazans were food insecure). Unprecedented numbers of Gazans now rely entirely on food aid, imported by humanitarian agencies. According to the Office for the Coordination of Humanitarian Affairs (OCHA), before the operation 80% of Gazans were receiving aid of some kind (although not all on a regular basis). This percentage has certainly since increased.

Thousands of families have lost their source of income as scores of breadwinners were either martyred or have suffered permanent injury. Thousands of farmers, dependent on agriculture, have been affected by the destruction of agricultural land and livestock farms. Fishermen have suffered, as many assets have been destroyed. Table (6) summarizes the losses to the agricultural sector during the invasion:

**Table (6): Losses to the agricultural sector in Gaza during the invasion**

|                       | Value in Million USD |
|-----------------------|----------------------|
| Plant production      | 84,786               |
| Animal Production     | 18,133               |
| Infrastructure        | 77,800               |
| Total direct losses   | 180,719              |
| Total indirect losses | 88,242               |
| Grand total           | 268,961              |

Source: FAO newsletter, Feb. 2009.

### Food Prices in Gaza Strip

Preliminary results from the ongoing qualitative rapid emergency food security assessment, (EFSA) by WFP and FAO, find that due to heavy livestock losses during the invasion (see table 7), the market price of fresh meat, chicken and eggs is unaffordable for the average consumer. On the other hand, some fresh vegetables and fruits, such as potatoes and strawberries are available in the market at average, or even cheaper prices than normal. This may be related to the fact that farmers are harvesting ahead of season. Once current stocks run out, a shortage of fresh fruit and vegetables is expected, since there will be severe constraints to re-starting the new productive cycle.

### Gaza Flash Appeal

On 2nd February 2009, a number of UN agencies and non-governmental organizations (local and international) launched their "Gaza Flash Appeal" for projects lasting up to nine months. The appeal was for \$613 million, reflecting the emergency humanitarian and early recovery needs for Gaza. 25% of the total requested funding is for food security needs, while cash assistance accounts for 15%, as shown in table (8). 23% of the total food security appeal (\$153m) was secured with the launching of the appeal, while only 13% of the total appeal (\$613m) had been funded. It is worth mentioning here

the widespread opinion that, "...It is not enough for donor countries to reach out for their check books. They must also press Israel to open up the border crossings and make sure their aid money is being used effectively. The people of Gaza cannot indefinitely continue to be dependent on external aid". (Jeremy Hobbs Executive Director of Oxfam International).

**Table (8): Gaza Flash Appeal (USD millions)**

| Type of Aid                       | Funding request |
|-----------------------------------|-----------------|
| Agriculture                       | 30              |
| Cash for work and cash assistance | 92              |
| Coordination and support services | 30              |
| Education                         | 40              |
| Early recovery                    | 27              |
| Food security                     | 153             |
| Health                            | 48              |
| Protection/human rights           | 5               |
| Psycho-social and mental health   | 34              |
| Shelter and non-food items        | 128             |
| Water and sanitation              | 25              |
| Un-earmarked funds                | 1               |
| <b>Total</b>                      | <b>613</b>      |

Source: Gaza Flash Appeal, (February 2009)

**Table(7): Prices of main food commodities before, during and after the invasion (prices in NIS)**

| Item          | Unit   | 21 Dec. | 9 Jan. | 2 Feb. | % Change |
|---------------|--------|---------|--------|--------|----------|
| Wheat flour   | 50 kg  | 107.5   | 140    | 107.5  | 0        |
| Sugar         | 50 kg  | 124     | 129    | 120    | -3.2     |
| Rice Egyptian | 1 kg   | 5       | 6      | 5      | 0        |
| Milk powder   | 900 gm | 29.5    | 36     | 38     | 28.8     |
| Fresh meat    | 1 kg   | 60      | 60     | 64     | 6.7      |
| Chicken       | 1 kg   | 12      | 17     | 21     | 75       |
| Tomato        | 1 kg   | 1       | 1      | 1      | 0        |
| Potato        | 1 kg   | 2.3     | 1.8    | 1.1    | -52      |
| Strawberry    | 1 kg   | 5       | 5      | 3.3    | -33.4    |

Source: First incoming results of the WFP/FAO qualitative rapid EFSA

## World Food Security

FAO's hunger report, "The State of Food Insecurity in the World 2008" estimated that in 2007 there were 923 hungry people, (an increase of over 80 million from the 1990–92 base period). According to FAO's preliminary estimates, the recent increase in food prices pushed another 40 million people into hunger during 2008, bringing the total number of undernourished people in the world in 2008 to around 963 million.

The Global Hunger Index (GHI) for 2008, calculated by the International Food Policy Research Institute (IFPRI), reveals that 33 countries have levels of hunger that are 'alarming' or 'extremely alarming'. The majority of them are in Sub-Saharan Africa and South Asia. (See the definitions page for an explanation of GHI). Most Arab countries have GHI values of less than 4.9, reflecting low levels of hunger, except Algeria, (6 points) and Morocco, (6.53 points) reflecting moderate hunger. IFPRI did not provide any index for either the Palestinian Territories nor Iraq, but the report did emphasize the role of conflict and political instability in exacerbating hunger.

### World cereal production

World cereal production for the year 2008/09 is expected to significantly increase, (by 5.4%) according to FAO's December 2008 estimates. A record 2,245m tonnes of cereal produce are forecast for 2008/09 compared with 2,129m in 2007/08. (See table 9):

**Table (9): World cereal market (million tonnes)**

|                          | 2006/07 | 07/08 estimate | 08/09 forecast | 2008 over 07 |
|--------------------------|---------|----------------|----------------|--------------|
| <b>Supply Indicators</b> |         |                |                |              |
| World production         | 2010.4  | 2129.2         | 2244.8         | %5.4         |
| Developing countries     | 1154.7  | 1204.1         | 1217.6         | %1.1         |
| Developed countries      | 855.6   | 925.1          | 1027.3         | %11          |
| -Wheat                   | 596.6   | 610.8          | 682.2          | %11.7        |
| -Coarse grains           | 985.1   | 1078.4         | 1111.6         | %3.1         |
| -Rice                    | 428.7   | 440.0          | 451.0          | %2.5         |
| <b>Demand Indicators</b> |         |                |                |              |
| Total utilization        | 2061.9  | 2126.0         | 2197.0         | %3.3         |
| -Food                    | 994.3   | 1010.1         | 1023.4         | %1.3         |
| -Feed                    | 738.7   | 750.9          | 765.6          | %2.0         |
| -Other industrial uses   | 328.9   | 365.8          | 407.9          | %11.8        |

Source: FAO, 2008

Between 2007/08 and 2008/09, a major increase in cereal production is expected in developed countries (11%), whilst developing countries have a very minor estimated increase (1%). Favorable weather conditions have contributed to the boost in world cereal production, as has the decline in international oil prices since the second half of 2008.

Regarding food demand, the use of world cereals is expected to grow from 2,126m tonnes in 2007/08 to 2,197m tones in 2008/09, (an increase of 3.3%). Almost half of the 2008/09 cereal is for human consumption. Cereals are becoming important for industrial use, (with cereal production for industrial use increasing by 12% in 2008/09). In recent years, fuel ethanol has emerged as one of the most significant industrial products derived from cereals and accounts for a part of the rise in cereal prices in the last few years. As the previous table shows, world cereal production for 2008/09 is likely to be greater than estimated utilization and will therefore contribute to re-piling world stocks, which have been significantly reduced in the past two years.

### World Food Prices

After a huge surge in the first half of 2008, international food prices steadily declined throughout the rest of 2008, (by over 32%). Table (10) presents FAO's figures for the food price index of the international markets. FAO's indices reveal that food prices

increased by more than 25% between 2007 and the end of 2008. The cereals group was most affected by the rise in food prices. The cereals price index surged by 40% between 2007 and the end of 2008, but as with other food groups, prices started to decline from June 2008, (falling 36% in the second half of 2008).

#### The main factors behind the sharp rise in food prices in 2007 and during the first half of 2008 could be related to:

- \* An increase in the agricultural production of maize, used to manufacture biofuels.
- \* Higher oil prices, which affected the price of agricultural inputs (such as fuel, fertilizers and transportation costs).
- \* An increase in demand for grains, used as feed in animal production and as a result of a higher demand for meat in China, (incomes in China have increased).
- \* The trend in falling agricultural prices over the past quarter of a century has acted as a disincentive for production and investment in agriculture.

The contraction in international food prices since mid-2008 can be summarized by favorable weather conditions that contributed to the boost in world cereal production and the decline in oil prices, from the second half of 2008. It is also due to the increase in supply due to the sharp rise in prices.

The recent decline in food prices however is not an indication of the world's problems of hunger and poverty diminishing, as most increases in food production have been in developed countries.

**Table (10): FAO Food Price Index (base year 1998-2000=100)**

|            | Sugar | Oils | Cereals | Dairy | Meat | FFPI |
|------------|-------|------|---------|-------|------|------|
| 2007       | 129   | 174  | 168     | 247   | 121  | 156  |
| 2008       | 164   | 234  | 239     | 240   | 138  | 196  |
| Jan. 2008  | 154   | 250  | 234     | 281   | 126  | 195  |
| Feb. 2008  | 173   | 273  | 277     | 278   | 128  | 215  |
| March 2008 | 196   | 285  | 276     | 276   | 132  | 217  |
| April 2008 | 161   | 276  | 278     | 266   | 132  | 214  |
| May 2008   | 155   | 280  | 270     | 265   | 142  | 215  |
| June 2008  | 156   | 292  | 273     | 263   | 144  | 219  |
| July 2008  | 183   | 273  | 255     | 264   | 143  | 213  |
| Aug. 2008  | 188   | 230  | 240     | 247   | 146  | 201  |
| Sept. 2008 | 174   | 209  | 226     | 218   | 148  | 190  |
| Oct. 2008  | 153   | 162  | 190     | 197   | 145  | 166  |
| Nov. 2008  | 155   | 141  | 177     | 171   | 135  | 154  |
| Dec. 2008  | 151   | 132  | 174     | 151   | 130  | 148  |

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

## Future Trends

Every year a number of aid organizations, including UN institutions and NGOs, jointly plan, coordinate, implement and monitor their response to emergencies and appeal for funds together rather than competitively. This process is called the Consolidated Appeals Process (CAP). In the Palestinian Territories, the 2009 CAP included nine UN institutions and 45 NGOs, of which 23 are international and 22 are local. It covers a range of sectors, including the food aid and food security sector. The strategy of response for this sector is far greater than food assistance to destitute groups:

### CAP (2009) Response Strategy to food aid and food security sector

- \* To maintain levels of food assistance to destitute groups.
- \* To incept food vouchers to urban poor non-refugees.
- \* To expand the school feeding projects.
- \* To support small-scale activities (such as home gardening, and fish-farming pools).
- \* To promote food-for-work/training with the aim of restoring livelihoods.
- \* To support local economies through local procurement (such as olive oil, dairy products, milling of wheat flour).
- \* To support the PCBS in the establishment of a socio economic and food security monitoring system.

Table (11) compares between the resources requested and achieved by the CAP for the food and agriculture sectors. The amount required to finance these sectors has continued to increase since 2003. The CAP appealed for around \$262m to finance the food sector alone in 2009, (roughly 6 times the amount required in the year 2003). It is worth noting that the ratio of funding achieved to requested funding has been high in recent years. The greatest response has been to the food sector, where in 2006, funds actually exceeded requirements by 24%. On the other hand, the amount requested for agriculture is relatively small compared to the amount required for the food sector. It should be noted that greater attention has been put on the agricultural sector in the 2009 CAP, where agricultural requirements have increased by 150% compared with the previous year.

**Table(11): Requirements and Secured Funding of the CAP in the Palestinian Territories, 2003-2008 (thousands of USD)**

| Year | Food     |         |           | Agriculture |        |           |
|------|----------|---------|-----------|-------------|--------|-----------|
|      | Required | Funded  | Covered % | Required    | Funded | Covered % |
| 2003 | 42,649   | 46,186  | 108       | 4,737       | 2,242  | 47        |
| 2004 | 82,576   | 43,183  | 52        | 5,450       | 2,345  | 43        |
| 2005 | 86,476   | 45,750  | 53        | 12,599      | 5,162  | 41        |
| 2006 | 106,628  | 131,859 | 124       | 36,897      | 1,561  | 4         |
| 2007 | 147,668  | 149,876 | 101       | 14,480      | 5,794  | 40        |
| 2008 | 202,129  | 172,948 | 86        | 22,485      | 12,617 | 56        |
| 2009 | 262,209  |         |           | 56,077      |        |           |

Source: CAP, 2003-2009

### Literature on food security:

Food-For-Work versus Cash-For-Work: Emergency Assistance in Palestine  
By Marco Missaglia & Paul De Boer

Published in Economic Systems Research, Vol. 16, No. 4, December 2004. Routledge

This article aims to answer an important question: are “food for work” programs more effective than “cash for work” programs in Palestine? Food for work programs have been used extensively since the outbreak of the second intifada, as a way to mitigate poverty and loss of jobs in the Palestinian Territories. To answer this question of effectiveness, and to determine the economic impacts of food for work programs compared with cash for work programs, the authors build a general equilibrium model for

the Palestinian economy, (comprised of the eight productive sectors and four economic agents). The model is build on the basis of a social accounting matrix for 2002. Table (12) summarizes the results of the analysis. It compares the economic results of spending a hypothetical amount (375 million dollars) on either “food for work” or “cash for work” program in the Palestinian territories:

The results of the article demonstrate that direct distribution of food leads to a greater increase in welfare (see the rise of consumption in the table), but comes at the expense of producers, local production and long-term growth. The article therefore argues that direct financial (cash) support for labour-intensive projects will lead to better economic result than food distribution programs.

**Table(12): Simulation results for some economic indicators (Base year 100)**

|                             | Food transfer for work | Cash transfer for work |
|-----------------------------|------------------------|------------------------|
| Gross national income       | 105                    | 111                    |
| Unemployment                | 94                     | 89                     |
| <b>Domestic production</b>  |                        |                        |
| -Food                       | 86                     | 102                    |
| -Other agriculture          | 100                    | 112                    |
| -Public services            | 83                     | 97                     |
| <b>Domestic consumption</b> |                        |                        |
| -Food                       | 118                    | 106                    |
| -Other agriculture          | 106                    | 106                    |
| -Public services            | 92                     | 98                     |

Source: Missaglia and Boer, 2004.