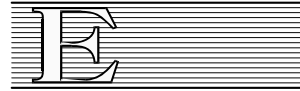




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The Status of Food Security in Africa

Contents

ACRONYMS	ii
INTRODUCTION.....	iii
I. FOOD SECURITY ISSUES AND CHALLENGES.....	1
I.1. Undernourishment and hunger on the rise.....	1
I.2. Food insecurity in Africa: patterns, trends and main causes.....	3
I.2.1. Patterns and trends of food emergencies.....	3
I.2.2. Main causes of food emergencies.....	5
I.3. Supply of major food-groups, energy supply and the diet diversity.....	7
I.4. Overall economic growth and agricultural productivity performances.....	10
I.5. Poverty, consumption patterns and the food import dependence.....	11
I.5.1. Rising urban poverty: a threat to food security and a source of food safety Challenges.....	11
I.5.2. Food import dependency.....	14
I.6. Vulnerability of households to food insecurity.....	17
II. THE GLOBAL FOOD PRICE SURGE AND ITS IMPACT ON THE FOOD TRADE BALANCE.....	18
II.1. Brief overview of the food price surge and its recent developments	18
II.2. Effect on the food trade balance.....	19
III. POLICY RESPONSES – MARCOECONOMIC IMPLICATIONS AND FOOD PRICE IMPACTS	20
III.1. Overall architecture: from the country level to the international arena.....	20
III.1.1. Country level.....	20
III.1.2. Regional level.....	21
III.1.3. International action and commitments.....	22
III.2. Macroeconomic cost implications: impacts on current accounts and on balance of payments.....	23
III.3. Transmission – “pass-through” - of international price changes to domestic food markets: the evolution of domestic food prices.....	25
III.4. Household-level effects: an encroaching poverty and the increasing toll of malnourishment on the future of Africa.....	26
CONCLUSIONS AND RECOMMENDATIONS.....	28

ACRONYMS

AU-NEPAD	African Union-New Partnership for African Development
CAADP	Comprehensive African Agriculture Development Program
CFA	Comprehensive Framework for Action
DES	Dietary Energy Supply
FAO	Food and Agriculture Organization
FAO/GIEWS	The Global Information and Early Warning System on Food and Agriculture
HLTF	High-Level Task Force on the Food Crisis
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
IGAD	Intergovernmental Authority for Development
LDCs	Least Developed Countries
LICs	Low-Income Countries
L-MICS	Low-Middle Income Countries
MDGs	Millennium Development Goals
SSA	Sub-Saharan Africa
TFP	Total Factor Productivity
UNCTAD	United Nations Conference on Trade and Development
WAEMU-CEMAC	West African Economic and Monetary Union
WFP	World Food Program
WFS	World Food Summit

INTRODUCTION

The term “food security” is used to describe not only the availability of food, but also the ability to purchase food. Being food secure for a nation or a family is to have a reliable source of food and sufficient resources to purchase it. This is why it is of paramount importance to identify the underlying causes and the proximate factors of food shortages and of disruptions/losses in real incomes among the most food-needy populations. The global food crisis that has web-caught the world since 2007 has exacerbated these causes and factors of food insecurity, although it has also provided Africa with an opportunity to find long-term solutions to hunger through agriculture-led growth. Approximately 1 billion people – or one sixth of the world’s population – subsist on less than \$1 per day, 162 million of them having less than \$0.50 per day. Between March 2007 and March 2008, global food prices increased an average of 43 per cent, according to the International Monetary Fund. The most pronounced price rises were on wheat, corn/maize and rice - the main components of the basic diet of billions of people - as well as on soybean. Feed for cattle, chickens and other meat-producing animals has also been affected. These price increases have reached – at various degrees - many local markets in Africa, Asia and other parts of the world, deepening food insecurity in the process, especially among the poor, and raising fears of contagious social unrest and political instability in many regions.

In decades, the world had not experienced a food crisis on such a scale. However, from an African perspective, food crises are nothing new. The novelty this time around is related more probably to two interrelated aspects. First, consumers and governments in some of the wealthiest corners of the world will be facing food shortages and hardship for the first time, something that Africans have been structurally exposed to for decades. Second, this potential crisis would add more strains on household incomes, on external positions and on national budgets of economies that are already facing the double challenge of poverty eradication and adaptation to a globalizing world. With 45 per cent of the African population living on less than \$1/day and spending 50-75 per cent of their income on staple foods – a high proportion of which are imports – there were particular concerns for the poor, especially in those countries that are highly dependent on the international market for food and energy. For all these reasons, the food price surge can deepen food insecurity on the continent and complicate, if not reverse, any progress towards the Millennium Development Goals (MDGs) poverty and hunger targets. On the positive side, this crisis could be used as an opportunity to revitalize and develop African agriculture on the medium to long term. Therefore, it is imperative to build a strong consistency between the response to the crisis – i.e. the set of policy measures and actions deployed to mitigate its short-term impacts – and medium- to long-term development policy.

This report reviews the status of food security in Africa and the impact of the global food price surge on the continent. It proceeds from a regional review of the main food security issues and challenges, to an overview of the global food price surge and its effect on national food trade balances and, finally, to a review of the policy responses to the food crisis, of their macroeconomic cost implications, and their impacts at the household level. The report is divided into four parts:

- The first part provides the background to the ongoing food crisis through a review of recent trends in undernourishment and hunger across the different subregions. This

description is then followed by an analysis of the nature and causes of food insecurity during the recent period, with a special emphasis on food emergencies and disasters. This analysis is expanded with a review of the key sources of vulnerability to food insecurity at the levels of the country and of the household.

- The second part is devoted to an overview of the global food price surge and its impact on national food trade balances, and how countries have handled the crisis.
- The third part presents some short-term and long-term policy options that are being implemented at both national and international levels to help mitigate the negative impacts of the crisis and to take advantage of the emerging opportunities by investing in agriculture. The macroeconomic cost implications – i.e. the impact on current accounts and on balance of payments – as well as the effects at the household level are also examined. The consistency of these measures and their sustainability are also analysed.
- In the final part, the main challenges requiring further actions are summarized and recommendations for addressing them are proposed.

I. FOOD SECURITY ISSUES AND CHALLENGES

Most African countries are still facing the interlocking challenges of low incomes, high share of food in household budgets, a very high dependency on imports for food and for fossil fuel-based energy supply, poor agricultural growth performance, and weak institutional capacities that expose them to very high risks of food insecurity. Hunger and malnutrition still are a serious concern throughout the continent, in particular in sub-Saharan Africa (SSA). Over the last decade, real progress has been made in many countries and across the subregions. However, the challenge seems unabated among many populations and is even compounded by the setbacks stemming from the recent global food crisis.

I.1. Undernourishment and hunger on the rise

The Food and Agricultural Organization (FAO) has recently estimated the number of people suffering from chronic hunger (undernourishment) worldwide at 923 million in 2007, up by 75 million from 2003-05¹. All the regions of the developing world have been affected by this increase, with the largest additional contingents being in Asia (41 million) and SSA (24 million or almost a third of the total increase) (see table I.1). This is mostly attributable to the surge in the prices of staple cereals and oil crops since early 2006. These prices continued to rise well into the first quarter of 2008 and are still on an upward trend in many SSA countries. As a consequence, in many parts of the sub-continent, the number of chronically hungry people is likely to have increased further. At 236 million people in SSA, the number of undernourished in 2007 was more than 67 million higher than in 1990-92, the base period for the World Food Summit (WFS) hunger reduction target. The setback has been more accentuated in the recent period and the progress made at the turn of the millennium has been completely wiped out in SSA as well as in Latin America and the Caribbean. In SSA, undernourishment increased at an annual growth rate that was three times higher between 2003-05 and 2007 than during the preceding decade. This shows that the challenge of halving the number of undernourished by 2015 is daunting, especially in an environment of high food prices and of uncertain global economic prospects.

The share of sub-Saharan Africa in world hunger is very disproportionate compared to the rest of the world. With only 11 per cent of the world's total population, the sub-continent harbours 25 per cent of the total number of hungry people in 2003-05. At 18 per cent in 2003-05, the proportion of undernourished people on the continent is well above the world average (13 per cent) and 2 points higher than the average of the developing world. Marginal in North Africa, at less than 5 per cent, the prevalence of hunger in SSA (30 per cent), is almost double the average of the developing world. Overall, very little progress has been made in reducing the proportion of the poor over a period of almost fifteen years. There was only a 4 per cent gain in 2003-05 from the 34 per cent plateau that had prevailed since 1990-92.

¹ See FAO 2008f *"The State of Food Insecurity in the World. High food prices and food security - Threats and opportunities"*, FAO, Rome, 2008, 56p.

**Table I.1 Trends in the number of undernourished people in the developing world
(in millions), 1990-92 to 2007**

Regions	1990-92 to 1995-97	1995-97 to 2003-05	2003-05 to 2007
World	-10.1	16.2	75.0
Developing world	-12.4	21.8	75.0
Latin America & the Caribbean	-0.8	-6.6	4.4
Asia & the Pacific	-47.4	6.9	41.0
China	-34.3	-21.0	
Southeast Asia	-17.0	-1.7	
South Asia	2.3	28.8	
India	-6.7	30.6	
North Africa	0.3	0.3	
SSA	25.2	18.1	24.0

Source: FAO 2008f

There is a high concentration of hunger –in terms of both number and prevalence of undernourished people – in East and Central Africa (see figure I.1). The Democratic Republic of the Congo and Ethiopia host 38 per cent of the hungry people in SSA, and 80 per cent and 41 per cent of those of their respective subregions. Together with Nigeria and Tanzania, they account for almost half of the total of the sub-continent. Any substantial progress in these four countries would have an important impact on the containment of hunger, and therefore on poverty alleviation throughout the continent.

The largest and fastest reductions in the proportion of hunger are observed in East Africa – namely in Ethiopia and in Tanzania, followed by the southern subregion (see figure I.1). But this has been achieved from the highest levels of prevalence (45 per cent) in the 1990s. The level of prevalence is still well above the SSA average (by more than 50 per cent) and it has consistently been more than 2.5 times higher than in West Africa.

Figure I.1: Subregional trends in number and proportion of undernourished people in SSA

Figure I.1a

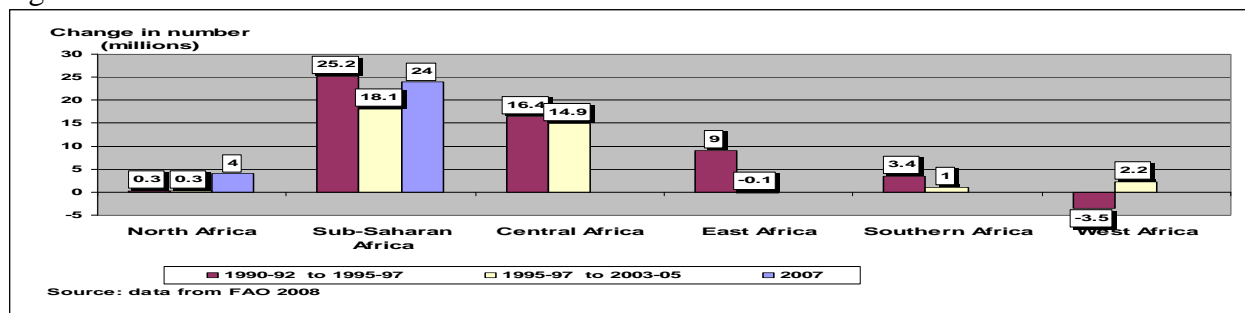
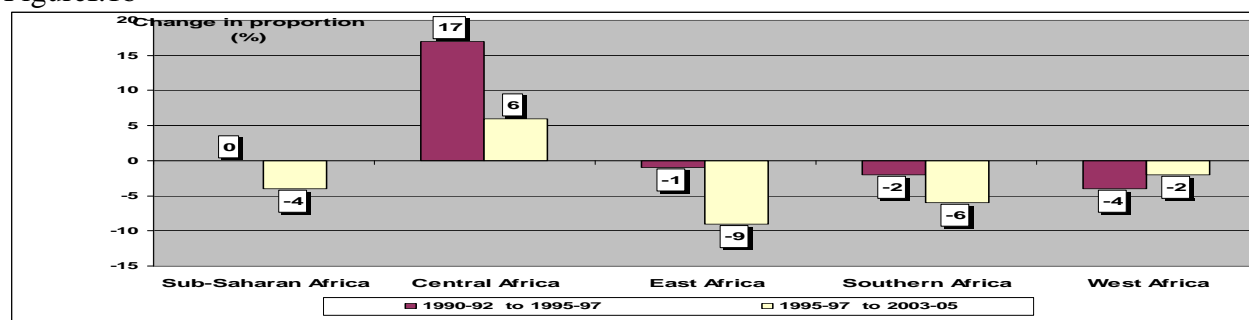


Figure I.1b



Source: FAO 2008f

The most worrisome trends originate from Central Africa and from a few conflict-ridden or affected countries in the western (Liberia, Sierra Leone, Togo) and the eastern (Burundi, Rwanda) subregions. More than half of the population is affected in Central Africa, in a proportion that is almost twice the average of SSA in 2003-05 and contributing eight of every ten additional hungry people in SSA in 2003-05 compared to 1995-97. Moreover, it is the only subregion where the relative share of undernourished people has been on an upward and very steep trend since the early 1990s (60 per cent between 1990-92 and 2003-05). This is mostly due to the situation in Eritrea and Burundi (68 per cent and 63 per cent of proportion of undernourished respectively), and in the Democratic Republic of the Congo, the fourth most populous country in Africa, where three quarters of the total population were undernourished in 2003-05. This country accounted for half of the prevalence of hunger of East Africa in 2003-05. The prevalence doubled during the 1990s and then increased by almost half during the following decade.

I.2. Food insecurity in Africa: patterns, trends and main causes

I.2.1. Patterns and trends of food emergencies

The FAO Global Information and Early Warning System (GIEWS) compile an annual list of countries in food crisis. These are countries regarded as having “hunger hotspots” – areas where a significant proportion of people are severely affected by persistent or recurring hunger and malnutrition owing to lack of resources to deal with reported critical problems of food insecurity. Those are categorized by GIEWS as:

- an exceptional shortfall in aggregate food production/supplies as a result of crop failure, natural disasters, interruption of imports, disruption of distribution, excessive post-harvest losses, or other supply bottlenecks.
- widespread lack of access, where a majority of the population is considered to be unable to procure food from local markets, due to very low incomes, exceptionally high food prices, or the inability to circulate within the country.

- severe localized food insecurity due to the influx of refugees, a concentration of internally displaced persons, or areas with combinations of crop failure and deep poverty (FAO/GIEWS 2008).

Between December 2005 and April 2009, sixteen countries out of a sample of forty-six can be classified as food secure – i.e. they did not face any food crisis that required emergency assistance. Altogether, they harbour 350 million people – i.e. 40 per cent of the total population of the continent, mostly across the northern subregion and in five of the fifteen West African countries. This proportion falls to 29 per cent if Nigeria is not considered and is as low as 10 per cent without Nigeria and North Africa and small countries with an average population of 6.5 million, and that are singular in their respective subregions, such as Gabon in Central Africa, Rwanda in Eastern Africa, Botswana, Mauritius and Namibia in the Southern part.

As reported by FAO, in the period 1993–2000, an average of 15 sub-Saharan African countries faced food crises annually; that number climbed to about 25 countries after 2001 (FAO 2008). From 2005 onward, with a core set of about twenty countries consistently listed and twelve others that appear occasionally, sub-Saharan Africa contributed, on the average, 60 to 70 per cent to the FAO/GIEWS world list. With respect to geographic distribution, most of the hunger hotspots are located in the East (34 per cent) where all but one country of the subregion (Rwanda) required external assistance; and in the West (30 per cent) where two out of three countries appear yearly or occasionally on the GIEWS list (see figure II.2 below). The last tier is split between Central and Southern Africa - 18 per cent each.

Overall, across SSA, food emergencies are predominantly related to severe localized food insecurity, and are relatively more frequent (57 per cent) than crises resulting from a widespread lack of access (23 per cent) or an exceptional shortfall in aggregate production/supply (20 per cent). Two thirds of the countries in crisis consistently needed external assistance over the period and the remaining on an occasional basis. Almost all food crises in Central Africa are predominantly related to severe localized food insecurity, as are most of the crises in Eastern Africa (70 per cent) and half of the cases in West Africa. It is in West Africa that widespread lack of access is relatively more frequent. At 53 per cent of the cases, it is more than twice higher than the SSA average and more than five times the level of East Africa (10 per cent), while it is negligible in Southern and Central Africa. Exceptional shortfall in food production/supply prevailed in Southern Africa (80 per cent) and had a significant share in the Eastern subregion (20 per cent).

I.2.2. Main causes of food emergencies

The causes of food emergencies can be classified under two broad categories: natural² or human-induced – i.e. socio-political hazards (e.g. war or conflict-related crises), and disasters that are mostly induced by socio-economic shocks. The latter can result from internal factors – i.e. economic or social policies, conflicts over land-based resources or a deteriorating public health situation – infectious diseases and HIV/AIDS pandemic being the most inflicting factor. The external factors may include the loss of a country's export earnings or a sharp increase in the price of imported food commodities (as in the last two years).

Figure I.2 shows the relative shares of causes of disasters in SSA over the 2005-2009 period based on a collation of GIEWS lists of hotspot countries. War and conflict-related events (45 per cent of the cases) dominate, followed by meteorological hazards (38 per cent) and socio-economic factors (26 per cent). More than half of the socio-economic and one third of the weather-related food emergencies are associated with this socio-political factor. War and conflicts and the related social unrest in SSA have been the main causes of famine, as they destroy assets and displace populations, although the absolute number of such crises has been decreasing over the period. In 2002, about 6.3 million people (refugees, internally displaced persons, returnees) were in need of assistance owing to conflicts in the Horn of Africa. Three quarters of them were member countries of the Intergovernmental Authority on Development.

² A natural hazard is any ecological hazard or a hydro-meteorological or geological event that can be classified as either “slow onset” (e.g. drought or prolonged dry spells) or “sudden onset” such as floods, tropical cyclones, tsunamis and strong wind, storm surges, extreme temperatures, forest fires, sand or dust storms and landslides. An example of ecological hazard is, for instance, a locust swarm that can cause crop and pastures infestation, threatening agriculture and livestock productivity and triggering famine. Less frequent and with smaller impact are geological hazards such as earthquakes, volcanoes and explosive crater lakes.

Figure I.2 Nature and causes of food emergencies in sub-Saharan Africa, 2005 – 2009

Figure I.2a Distribution (per cent) of food emergencies by nature and across the sub-regions

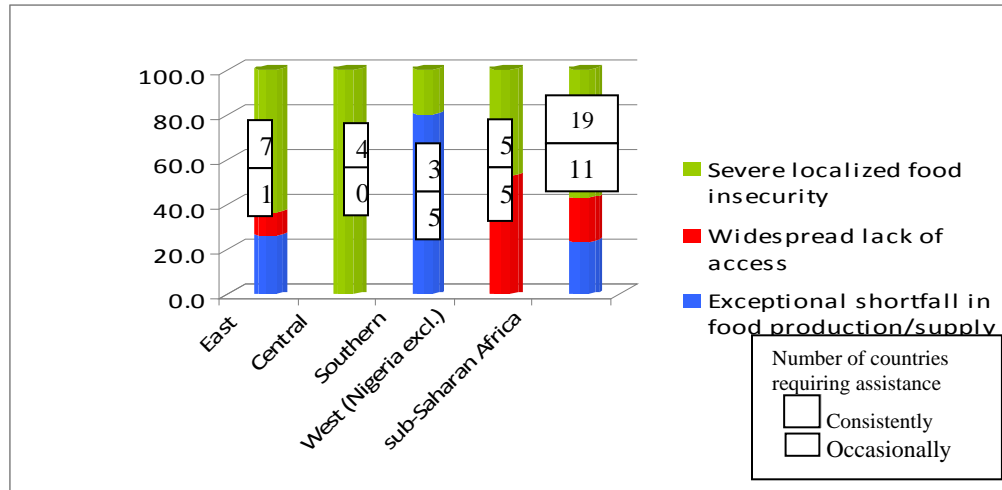
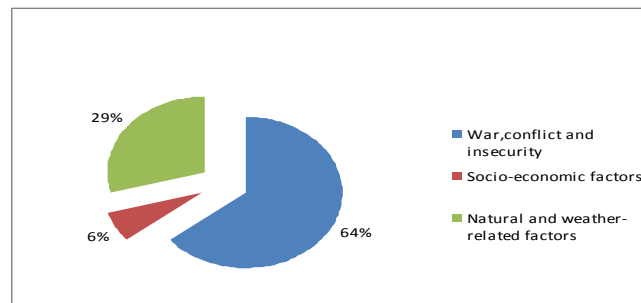


Figure I.2b Natural and human-induced causes of disasters in SSA*



Source: Data for both figures are compiled from FAO/GIEWS *Crop Prospects and Food Situation*, April 2005/2006/2007/2008

At odds with the global trend, the proportion of natural disasters has increased in SSA. This is mostly due to sudden-onset disasters, especially wet spells such as floods, a feature that SSA shares with the rest of the world³. Over the last ten years, the number of disasters related to meteorological, hydrological or climate extremes have increased significantly. The ongoing climate change process is already resulting in increased intensity, frequency and variability in the patterns of hazards such as floods and droughts. Moreover, climate change will induce increased competition for water, energy and land resources from industry and urbanization. Rice yields are projected to fall more than 25 per cent in most of the world's poorest countries. As a result, 24 million children could be added to the ranks of the under-nourished.

Compounding the effects of natural disasters, the HIV/AIDS scourge has multidimensional impacts on food security, including the decline in food production, in farm labour income, and therefore, leading to food insecurity (UNESA 2004⁴). Overall, HIV/AIDS can affect people at any stage of the production of food, including scientists, extension agents, labourers, farmers and other stakeholders in the food value chain. AIDS has also some critical gender implications as women in most African countries contribute to most of food production. From 2006 onwards, it was identified as the main cause of highly severe localized food insecurity that prevailed in many parts of Southern Africa, namely in Malawi, Lesotho and Swaziland, and in some Eastern African countries. These countries face the very daunting challenge of providing food to large numbers of infected people, whose specific daily food needs are bigger – especially among the youngest – than in the general population, and which are crucial to maintaining the effectiveness of antiretroviral drugs.

In a context of sharp rise in agricultural commodity, food and fuel prices and rapid climate change, this represents a huge challenge to most African countries, given their weak institutional and organizational capacities in terms of preparedness and response to emergencies and to external economic shocks.

I.3. Supply of major foods groups, energy supply and the diet diversity

A combination of climatic/agro-ecological zones and dietary/consumption habits determine the dominant crop or food type in each country. The three major food groups in terms of supply for human consumption are cereals, starchy roots, and fruits and vegetables (see table I.2). Cereals are represented by maize, rice, sorghum and wheat. North Africa is the dominant consumer for wheat (33 per cent of the total), Southern Africa for maize (32 per cent). ; West Africa is the major consumer of rice (49 per cent) and of sorghum (50 per cent), followed by North Africa. The supply of starchy roots is mostly comprised of cassava and yams, for which Central and Eastern Africa are the major consumers, at 93 and 46 per cent respectively. North Africa is the major consumer of fruits and vegetables. The availability of this important source of

³ At the global level, “FAO/GIEWS data indicate that sudden-onset disasters – especially floods, have increased from 14 per cent of all natural disasters in the 1980s to 20 per cent in the 1990s and 27 per cent since 2000. Worldwide, flood occurrence has risen from about 50 floods per year in the mid-1980s to more than 200 today. Conversely, there has been a decrease in food emergencies caused by slow-onset natural disasters” (FAO 2008).

⁴ UNESA (2004): Impact of AIDS

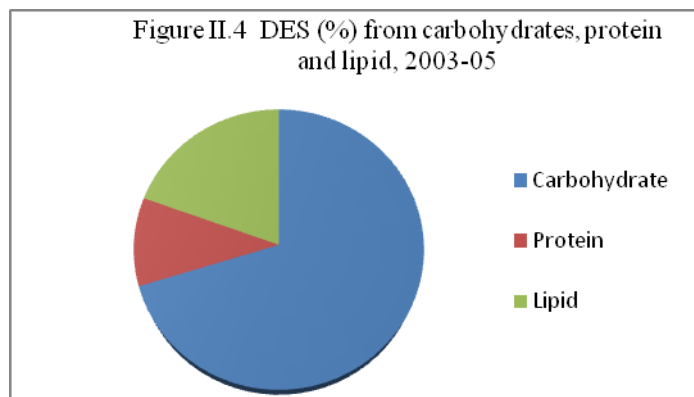
micronutrients has been significantly improved in West and Central Africa. Meanwhile, it has almost stagnated in Southern Africa and regressed in the Eastern part. The per capita supply of milk, meat/offal and eggs – an important source of protein and micronutrients – remains at low levels in all subregions but North Africa. Marine fish consumption is highest in West Africa (36 per cent), while East Africa is the major consumer of fresh water fish (44 per cent).

Supply of cereals has almost stagnated over a decade in all subregions except Central Africa, where it has increased at the expense of starchy roots by 6.7 per cent yearly since the early 1990s, although its share has remained the lowest of the subregions. Starchy roots have been decreasing also in Eastern Africa by almost 1/2 per cent yearly. In the three other subregions, the daily supply of this food group's share has been dramatically increased, almost doubling every two years in North Africa. The per capita supply of animal products such as milk and eggs has increased substantially in all subregions but Southern Africa and, to a lesser extent, West Africa. In 2003-05, the losses incurred from 1990-92 to 1995-97 in the other three subregions were regained.

Table I.2 Supply of major food groups					
Table I.2a Per capita supply of major foods groups (in g/per/day), 2003-05					
Major food groups	Northern Africa	Western Africa	Central Africa	Southern Africa	Eastern Africa
Cereals	595	373	237	360	263
Starchy roots	101	317	517	262	352
Oils and fats	20	18	28	16	18
Animal products	56	27	28	34	31
Fruits and vegetables	336	105	155	91	146
Other (incl. other vegetable products)	28	24	30	38	40
Table I.2.b Average annual increases, 1990-92 to 2003-05					
Cereals	-0.01	-0.02	6.7	1.1	6.6
Starchy roots	13.6	6.0	-0.04	7.9	-0.04
Oils and fats	1.6	7.8	-0.01	2.4	-0.05
Animal products	7.5	1.8	6.3	-0.003	3.4
Fruits and vegetables	1.2	3.2	2.5	0.6	-0.08
Other (incl. other vegetable products)	0.1	4.5	1.3	5.1	-0.15

Source: FAO- Statistical Yearbook 2007-08

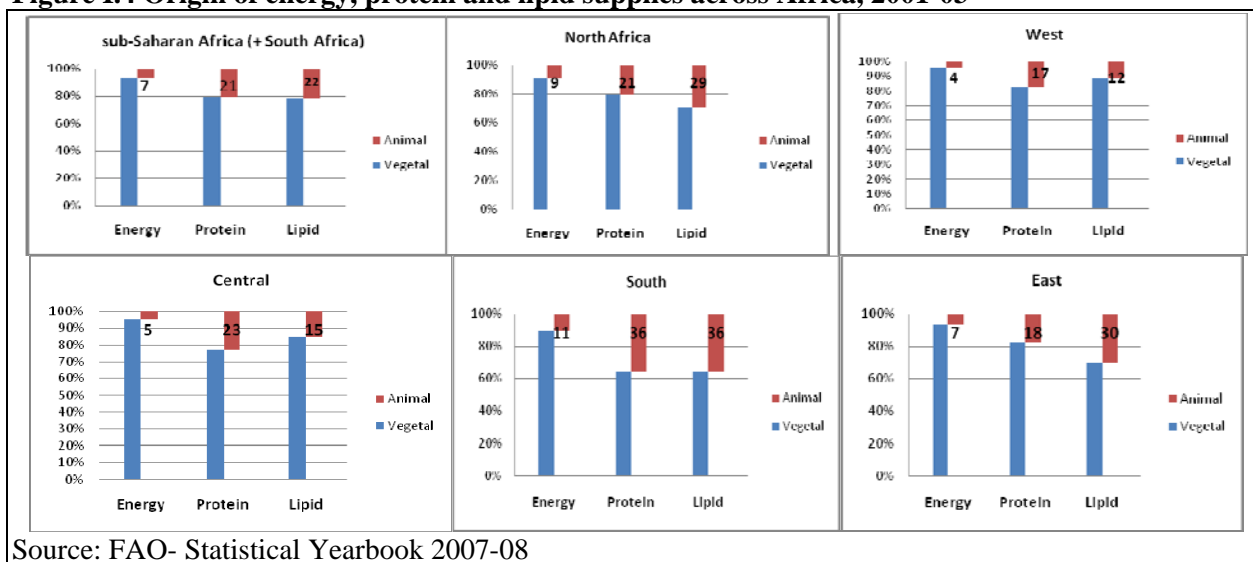
Figure I.3 shows the distribution of macronutrients in the total dietary energy supply (DES). At 70 per cent on the average across the region, the share of carbohydrates is in the recommended range in 34 countries and even high in 10 of them. The share of energy from protein (10 per cent) complies with the recommendations (10-15 per cent).



However, it is low in 24 countries, especially in West Africa (10 out of 14 countries) as well as in 9 Central and Southern African countries. The share of lipids (19.5per cent) is within the recommended range (15-30per cent). But 10 countries in Southern and Eastern Africa and even Ghana in the West exhibit low contribution of lipids, while the Gambia and Central African Republic display the highest value of the recommended range. In summary, underlying the trends in undernourishment and hunger reviewed in the preceding sections, the dietary energy supply increased only in North Africa and in a few SSA countries. Everywhere else, if not reversed, its increases were not sufficient to meet daily energy requirements.

Figure I.4 shows the variations in the distribution of vegetable *versus* animal origin of supplies of energy, protein and lipids. On the average, food supply is mainly of vegetable origin, namely cereals. This is reflected in the high share of energy (93 per cent in SSA, 91per cent in North), protein (79per cent in both) and lipid (78per cent in SSA). With the exception of North Africa, low supplies of animal foods result in limited intake of micronutrients such as iron and calcium. This is particularly the case in West and Central Africa. In East Africa, animal foods contribute 30per cent of the supply of lipids, which is still 6 percentage points less than the best performer, Southern Africa.

Figure I.4 Origin of energy, protein and lipid supplies across Africa, 2001-03



Source: FAO- Statistical Yearbook 2007-08

These regional variations in food patterns typically illustrate the relationship between income and food choices – in terms of both food groups and quantity. The higher the per capita income levels, the larger the supply of dietary energy from animal foods - vegetable oils, sugar, fruits and vegetables as substitutes to starchy foods. Diets in low-income countries are typically poor in oils and fats, and in fruits and vegetables. These foods are usually the most expensive, but they are also the most concentrated sources of many essential nutrients⁵. Precisely, the recent global price hike has mostly impacted these food

⁵ As noted by the FAO “meat and dairy products are rich in high-quality proteins and micronutrients, such as iron, zinc and vitamin A. Fruits and vegetables contain vitamin A precursors. Oils are rich in dietary energy. Thus, the poor in developing countries usually suffer disproportionately from malnutrition in part because diverse, nutritionally well-balanced diets are unaffordable” (FAO 2008)

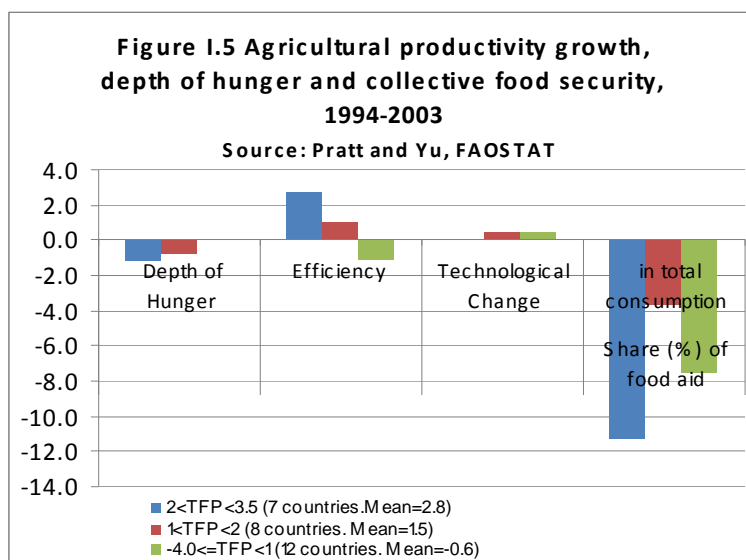
commodities and the staple food – cereals. This is one of the main factors of increased undernourishment and, therefore, of deepened poverty in sub-Saharan African and of likely reversals in Northern Africa.

II.4. Overall economic and agricultural growth performance

Addressing the challenges for improving food security in the region requires, first and foremost, strong, sustained increases diversified food production and agricultural productivity. From that perspective, the good news is that, following an almost 20-year period of negative performances, the continent went through its longest period (1994-2005) of sustained positive per capita income growth. Moreover, there has been a steady increase in the level of per capita food production over the past 10 years. The recovery process which started in the late 1990s has accelerated over the last decade and has now reached average growth rates of 6 per cent per year for GDP and 4 to 5 per cent for agriculture. The evidence collected by FAO shows a positive correlation between growth in African agricultural and level of performances on the MDG-1 targets:

- A steady and relatively rapid growth - characterized by gains in agricultural value added, food production, cereal production and cereal yields, in the 14 African countries on track to meet the MDG-1 targets; and, inversely
- A sharp fall in food production and lower levels of agricultural value added (by $\frac{1}{4}$ of the rate of the former group) in the 14 African countries that either have failed to reduce the prevalence of undernourishment or have seen it increase since 1990–92⁶.

Unlike in preceding years, the growth in agriculture has been accompanied by strong growth in overall productivity levels in the sector. Figure I.5 shows that over 1994-2003, the best performers in overall agricultural productivity also recorded very substantive results in reducing the depth of hunger – a measurement of the intensity of food deprivation. The higher the annual growth in total factor productivity as re-assessed recently by IFPRI⁷, the more retrenched is hunger and the higher is the collective



⁶ It is noteworthy that “countries that have scored stark successes include several that emerged from decades of civil war and conflict, offering striking evidence of the importance of peace and political stability for hunger reduction” (FAO 2008).

⁷ See Pratt, A., N., and Bingxin Yu, 2008, “An Updated look at the Recovery of Agricultural Productivity in Sub-Saharan Africa”, IFPRI Discussion Paper 00787, August 2008, 57p.

food security as measured by the share of food aid in the total consumption.

Most of the growth is explained by efficiency gains rather the technological change, most notably in Southern Africa. Increased efficiency and accelerated output growth in SSA resulted from differential growth between sub-sectors. During the period of accelerated growth, the most dynamic sub-sectors were oil crops, roots and tubers, other cereals, pulses and milk. Chicken meat and other crops (nuts and fruits) have also shown high growth rates in recent years. On the downside were beef, tropical fruits and traditional export crops. The case of maize is more striking: excluding Nigeria, from 3.5 per cent in 1984-1993, its growth rates dropped to only 0.9 per cent per annum in the 1990s. That slowdown reduced the share of maize in total output in 2003 almost to the levels shown in 1984. This has been reflected in the stagnation of supply of cereals in all regions but Central Africa, where it is nevertheless the lowest. It showed also in the increased supply of proteins from animal foods to compensate for the maize-related losses of proteins and lipids.

A few countries contribute 70 per cent of the total output growth of: 1) roots and tubers in Nigeria, Ghana, Malawi and Mozambique; 2) oil crops in Ethiopia, Sudan, and Ghana; 3) other cereals in Ethiopia and Nigeria; 4) tropical fruits in Nigeria, Ghana, and Kenya; 5) vegetables in only Nigeria and Cameroon. To rice production - a West Africa phenomenon, the main contributors are Mali, Côte d'Ivoire, Guinea and Nigeria. The highlands of East Africa and Sudan contributed mostly beef and milk production; while Nigeria and Sudan contributed sheep and goat meat.

The best-performing countries had, on average, similar growth in TFP and increased labour and land productivity owing to an increased use of fertilizer per hectare and per worker. These countries are more likely to have improved rural living standards through increased labour income in agriculture. However, as noted by Pratt and Yu, acceleration of yields increase is needed since *“a caveat to these results is that in many of these countries labor per hectare increased slowly because they were still able to incorporate more land into crop production, given that the rural population is still showing significant growth. If the availability of land decreases in the coming years, yields will need to increase faster to compensate for growth in rural population and improve rural income”* (op. cit.: 27).

The main challenge is now to sustain, accelerate and broaden this in the medium to longer term, and even accelerate it over the next few decades in the current context of global food and fuel price hikes. This is imperative if Africa is to achieve the desired changes in poverty and malnutrition levels within the timeframe defined in the MDGs, while redirecting inwards its increased wealth in support of its own development.

I.5. Poverty, consumption Patterns and Food-import dependency

I.5.1 Rising urban poverty: a threat to food security and a source of food safety challenges

The trends and patterns of urbanization in Africa, the living conditions of the urban population as well as the nature of the links between the urban and the rural areas, have wide-ranging

implications for food security locally and at the aggregate level. More than in many developing countries, the decline in available farmland, inequities in land holding, low agricultural productivity, limited availability and declining productivity of non-farm jobs⁸ have been driving rural-urban migration. A clear example of this case is the high rate of urbanization that took place in Sub-Saharan Africa during the 1980s and the 1990s, a time of low, or even, zero agricultural and economic growth. (UNCTAD, 2006).

With only 38.7 per cent of its population residing in cities in 2007, Africa is the least urbanized region of the world, but SSA countries have the highest rates of urban growth and the highest levels of urban poverty in the world. Among the sub-regions, Northern and Southern Africa have the continent's highest urbanizations figures. The West and Central sub-regions are urbanizing at the annual rate of 4 per cent. East Africa is the least urbanized region in the world, but it also has the world's shortest urban population doubling time – at less than nine years: from 50.6 million in 2007 to a projected 106.7 million by 2017 (UN Habitat 2008).

In absolute terms, rural poverty remains higher than urban poverty, but urban poverty is growing at a faster rate. A recent World Bank and IMF report showed that, in 90 developing countries, the growth in urban poverty was 30 per cent higher than that of rural poverty from 1993 to 2000. As a result, there were 50 million more poor people in urban areas (those living on less than \$1 a day) in a period of just 7 years⁹.

Rising urban poverty is a threat to food security for two reasons: first, it derives from much higher levels of inequality within the urban population than in the rural one, therefore compromising the food security of increasing segments of urban dwellers; second, it restrains the size of the internal agro-food markets, negatively impacting income earnings of farmers. Unlike in rural areas, food-insecurity problems in urban areas are not related to a lack of available food. Instead, they are related to inadequate purchasing power. High income inequality in urban areas is the reason why more than half of the urban population is below the poverty line in SSA countries such as Angola, Chad, Madagascar, Malawi, Mozambique, Niger, Sierra Leone and Zambia.

Cost of living is much higher in urban than in rural areas and its urban-rural differential widened subsequent to the adoption of structural adjustment policies in the 1980s¹⁰. A void was then created by the withdrawal of governments from the provision of basic consumer services and recruitments by the civil service were extremely limited, if not frozen. Instead of formal private operators substituting for the public sector, the informal sector for services grew rapidly, but offering low salaries in a context of widespread underemployment.

⁸ According to UNCTAD, non-farm productivity in the least developed countries declined 9 per cent from 1980-83 to 2000-03. Agricultural labour productivity early in this decade was less than two decades ago in one third of the world's 50 poorest countries (UNCTAD, *The Least Developed Countries Report: Developing Productive Capacity*, 2006)

⁹ See Ravallion, Martin, 2007 *Urban Poverty*, in *Finance and Development*, IMF, September 2007

¹⁰ United Nations Economic and Social Council, *Urban poverty and the Working Poor*, September 2007, New York, NY.

Another problem facing the urban poor is the unhealthy living conditions that are closely linked to food safety and security¹¹. Inadequate access to clean water and basic sanitation, combined with crowded urban conditions, exposes the people in urban slums to high health risks, including food-borne diseases. The general level of food safety tends to be compromised because of low food standards, lack of strict controls and certification systems. Frequent contamination with heavy metals from urban gardening and industrial or mining activities is common, and food is more likely to be adulterated with toxic farm chemicals and food additives. Children are disproportionately affected than adults, especially in precarious habitats.

Food-safety risks faced by the urban poor in developing countries also arise from poor food handling and sanitation, and particularly of street foods – which are more affordable to consumers and the production of which is also more accessible (small-scale enterprises requiring limited capital assets). A major source of income – estimated, for instance, at \$100 million yearly in Accra - and food, particularly for the poor, production and distribution in this sector is also a potential source of food-borne illnesses.

In Africa, urban populations can use up to 60 per cent (close to 100 per cent for the poorest) of their income on food, thus creating a growing market. But, as a result of the changing urban diet of the wealthiest and of relatively lower cost of imports of staple foods derived from rice and wheat, the urban food demand is largely disconnected from the traditional food supply chain – i.e. most of local agriculture.

As indicated in *The Least Developed Countries Report 2006* of UNCTAD, the experience of high and strong growth in developing economies shows “a pattern, in which there is a virtuous circle in which demand stimulus from agricultural growth induces investment, entrepreneurship and employment in non-agricultural activities, particularly non-tradables” from the informal sector. In most African countries, this did not happen. Moreover, food imports out-competed local products and, therefore, slowed down agricultural growth. Declining agricultural and non-agricultural labour productivity, weak support infrastructure for production and distribution as well as outward-oriented consumption patterns, are the main causes of the breakdown in positive inter-sectoral linkages between agriculture and the rest of the economy. This is the main underlying cause of the high level of food import dependence, a major source of the vulnerability of the Least Developed Countries (LDCs).

¹¹ For details, see World Health Organization, Regional Office for Africa *The global Food Crisis: Implications for the Health of People in the Africa Region*, An information note from the WHO Regional Office for Africa, August 2008, Brazzaville, Congo; U.S. Department of Agriculture, Economic Research Service, *Food Security Assessment, 2008-09*, GFA-20, June 2009 ([http://www.usaid.gov/our_work/humanitarianassistance/foodcrisisdocuments/052209\)sr1.pdf](http://www.usaid.gov/our_work/humanitarianassistance/foodcrisisdocuments/052209)sr1.pdf) [September 30, 2009]

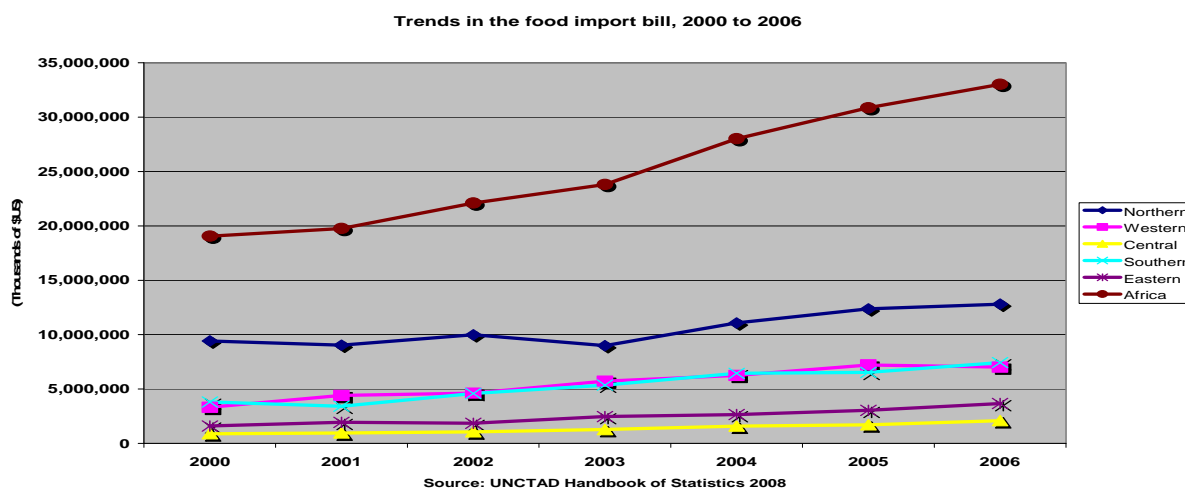
I.5.2 Food import dependency

Since the early 1990s, African countries, and in particular the LDCs, have been exposed to increased import surges - in terms of numbers and frequency¹². This trend accelerated in 2000–2003, the period in which African countries changed to being net food importers from their high surpluses of the 1980s (UNCTAD, 2006). That period of expansion of global trade was one of a wider openness of the continent's food market: its share of global exports remained relatively stable at around 3 per cent, while its imports went up by 4-5 per cent.

The import surges were caused by: 1) high levels of subsidies by OECD countries; 2) far-reaching and fast trade liberalization – including domestic exchange rate depreciation - in many LDCs, resulting in increased food imports in countries where local production is uncompetitive with imports. Therefore, these import surges affected the domestic production of processed goods such as poultry meat and unprocessed agricultural goods such as rice and tomato paste. However, as UNCTAD put it, “*it is difficult to ascertain whether production is falling because of an inability to compete with cheaper imports, or whether imports are filling a demand gap left by falling domestic production*” (*op.cit.*).

Yearly, on the average during 2000-2005, the food trade bill of the continent was of US\$17,340 billion of exports and \$24 billion of imports, leading to an average deficit of \$6,600 billion. Figure I.6 below shows the very steep rise in the food import bill from nearly \$20 billion in 2001 to more than \$33 billion – i.e. two thirds of the food market in 2006, year in which the deficit was close to \$9,600 billion, up by 45 per cent on the year before.

Figure I.6. Africa's food import bill, 2000-2006



¹² A price surge is defined by FAO as a 20 per cent positive deviation from a five-year moving average for each commodity/country. See FAO (2002). [Some trade policy issues relating to trends in agricultural imports in the context of food security](http://ftp.fao.org/docrep/fao/008/j5425e/j5425e00.pdf). CCP 03/10, Rome <http://ftp.fao.org/docrep/fao/008/j5425e/j5425e00.pdf>
Between 40 and 60 per cent of the total import surges occurred during 1990-2003 for any of the commodities considered – i.e. wheat, maize, rice, bovine meat, pig meat, poultry meat, milk, tomatoes, tomato paste and sugar. (UNCTAD, 2006. [The Least Developed Countries Report 2006](#).)

Cereals and preparations accounted for 37 per cent of the total of the food groups. The global share of cereal imports by countries in Africa is about 22 per cent, while its share in exports is roughly 3 per cent. Import growths were above average (2.1 per cent annually) for cereals, oilseeds, meat, beverages and miscellaneous food products. The share of cereals was higher in North Africa – (43-47 per cent) - than in SSA (9.5-11.5 per cent). Africa's imports of live animals and sugar have steadily declined since 1996-99 (FAO, October 2007).

This expression of food trade in market value shows 33 countries in deficit and 18 net food exporters. However, converting traded food commodities into calories tells a different story of food trade. According to recently released FAO data, which show the share of net trade in food in the total dietary energy supply expressed as a nutritional value, the food trade of the continent appears as an impoverishing factor. As shown in the figure II.7 below, over the period 2003-2005, total food consumption benefited quite substantially from the imports in only two net food exporters¹³ (Côte d'Ivoire and Malawi) and two net food importers (Mauritius and Swaziland). This is owing to more inward-oriented diets and a more favourable caloric balance of internationally traded foodstuffs.

All the others (48) countries were in deficit – i.e. the calorie content of their food imports outpaced the equivalent in their food exports. The net trade caloric balance of food was neutral or significantly in deficit (up to 25 per cent) in half of the African countries, both net food exporters (13) and net food importers (12). In 13 others, including 2 net food exporters (Mauritania and Morocco) the deficit in food trade was as high as 50 per cent at least. In the remaining 7 countries, it comprised between a quarter and a half of the total food consumption.

Map 1 on next page shows that the most dependent countries were located along the northern, north-western and south-western coasts. Disconnected from the hinterland of the continent as far as food trade is concerned, they are as food dependent as more industrialized and wealthier countries like Mexico, Chile and Venezuela in Latin America or the big oil exporters in the Middle East or in the Arabian Gulf.

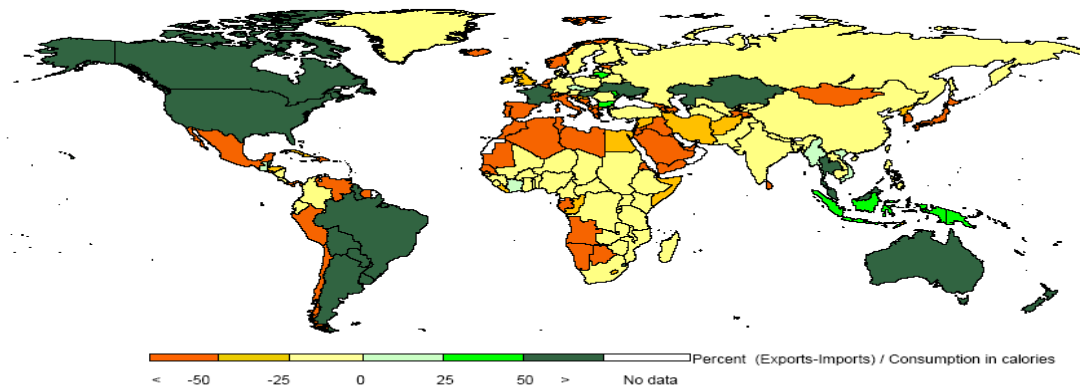
Owing to a higher commercialization and openness of their food market, Northern and Western Africa are relatively more exposed to global price spikes. The most exposed countries to a commodity price shock are the thirty-two (32) low-income countries in which the three vulnerability factors are at very high level. They are mostly a) importers of crude oil and/or refined petroleum products; b) net importers of food; and, c) countries where almost one third of the population is undernourished. Some others are almost self-sufficient or relatively less dependent on imports. High availability of coarse grains reduces the recourse to imports – 22.3 per cent of consumption in Ethiopia and at as low as 8 per cent in Mali. Local production of rice and maize keeps imports at bay by 15 to 16 per cent in Madagascar and Zambia respectively. But, in all cases, consumers are highly exposed to production shortfalls due to dry or wet spells. In such occurrences, that will also limit export earnings and rising prices of food and energy will constrain access to imports as substitutes for local products.

¹³ Net trade positions refer to trade in monetary value. Countries have been classified according to a three –year (2004-2006) balance of food trade.

Figure I.7 Distribution of countries according to Categories of Net-Trade in Food, 2003-2005

Percentage	-50 to less	-25 to -50	0 to -25	0 to 25	25 to 50-	50 to over
Categories of food consumption						
Net food importer	Algeria; Angola; Botswana; Cape Verde; Djibouti; Eritrea; Gabon; Gambia; Libya; Sao Tome and Principe; Senegal; Seychelles; Tunisia; .;	Comoros; Congo; Egypt; Lesotho; Liberia; Mozambique;	Benin; Burkina Faso; Central African Rep; Chad; Democratic Rep. of Congo; Guinea; Mali; Niger; Nigeria; Sierra Leone; Sudan; Togo;		Mauritius;	Swaziland
Net food exporters	Mauritania; Morocco;	Namibia;	Burundi; Cameroon; Ethiopia; Ghana; Guinea Bissau; Kenya; Madagascar; Rwanda; South Africa; Uganda; Tanzania; Zambia; Zimbabwe	Côte d'Ivoire; Malawi;		

Map 1: Net Trade in Food, 2003-05



Map 5 - year 2003-2005
 Prepared by: FAO Statistics Division
 Rome, 2005



I.6. Vulnerability of households to food insecurity

The main factors of vulnerability at the household level stem first from its status *vis-à-vis* the food market, primarily as net food seller/consumer, and second from the relative share of food consumption in total consumption expenditures. Table I.3 below displays the high level and the variation of the share of food expenditure across countries and by urban/rural residence. In the middle-income countries, it is as high as 24 per cent on the average, and almost close to 40 per cent in rural Namibia.

Table I.3 Share (per cent) of food consumption expenditure in total household consumption expenditure

Countries	National	Rural	Urban
Rwanda (2000)	71.7	80.2	50.9
Malawi ¹ (2004)	65.5	55.2	65.5
Tanzania, United Rep of (2000)	65.4	67.0	60.2
Togo (2005)	63.7	73.1	56.0
Mozambique ² (2002)	54.5	71.8	38.8
Ethiopia (2004)	50.8	54.3	38.4
Burkina Faso ² (2003)	48.8	Na	Na
Kenya (2006)	45.8	58.2	35.8
Lesotho (2002)	44.3	Na	Na
Uganda ² (2002)	44.0	49.0	32.0
Cape Verde (2001)	41.0	53.0	38.0
Mauritius (2001)	38.1	Na	Na
Niger (2008)	29.7	33.5	25.6
South Africa ² (2000)	25.0	Na	Na
Namibia ² (2003)	24.3	38.7	15.7

1 = Data are for capital city 2 = includes tobacco n/a: not available
(2000) = year of the survey. Source: FAOSTAT

On the average, it was as high as 50 to 72 per cent for the households in some low-income countries. In Rwanda, rural dwellers allocated 80 per cent of their consumption expenditure to food items, while their urban counterparts devoted more than half of it, but still less than urban households in Malawi (65), Tanzania (60) and Togo (56). Interestingly, in rural areas of Malawi, food takes a lesser toll on the household budget.

Winning or losing on a food market in the advent of high food prices will depend on the extent to which a household is a net food buyer on that market, i.e. the value of consumed food staples is higher than the value of the produced ones. According to FAO data from nine developing countries, about three quarters of rural households and 97 per cent of urban households are net food buyers. In Malawi (2004), 93 per cent of them are in such a situation (FAO 2008). More at risk are the vast majority of the poor urban and rural households (especially landless and female-headed households), depending on their dietary patterns, their expenditure shares of internationally traded food staples (such as wheat, rice and maize), the possibility of

substituting for less expensive foods, and access to assets usable to produce and sell food staples competitively and to earn incomes.

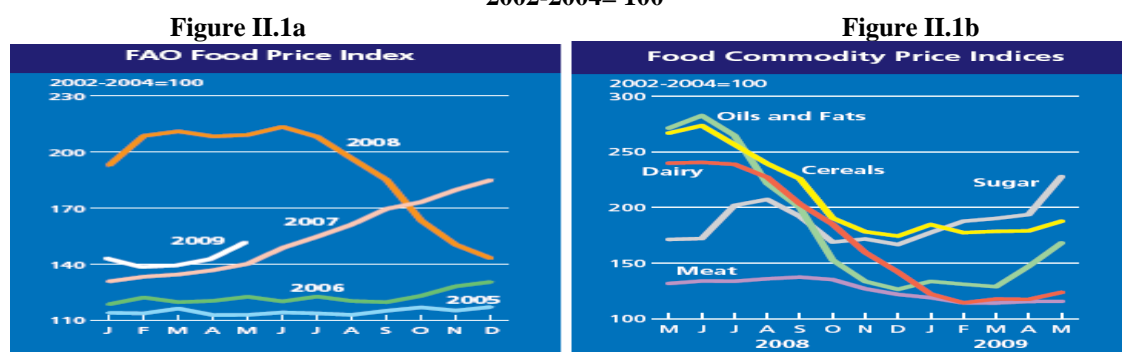
II. THE GLOBAL FOOD PRICE SURGE AND ITS IMPACT ON AFRICA¹⁴

II.1. Brief overview of the food price surge and its recent developments

As shown by figure II.1, the FAO Food Price Index (FFPI) rose steadily from the last term of 2006 to reach, in June 2008, a record 214 points, or an 85 per cent increase, then it decreased to reach an average of 152 points in May 2009.

The most pronounced price rises have been on oils and fats along with cereals - a reflection of the increased integration of the markets for these commodities resulting from the development of corn and vegetable oils-based biofuels and the feeding needs of booming meat-producing businesses in the emerging markets of Asia¹⁵. Cereal price increases were well below those of energy products; maize prices almost tripled, rice and wheat prices increased 170 and 127 per cent respectively between January 2005 and June 2008¹⁶. They had more than doubled from the end of 2007 well into 2008. Between January and May 2009, compared to the same period of 2008, global prices of cereals decreased by 31 per cent and only by -0.1 per cent for rice. However, rice prices are still well above their 2007 international levels.

Figure II.1 FAO Food Price Index (2008-2009) and food commodity price indices, 2002-2004= 100



The significant fall in international prices in the second half of 2008 did not translate into substantially lower prices, especially in developing countries. By mid-2008, the global food import bill was still about 23 per cent higher than in 2007. Purchasing food on the international marketplace has been a heavier burden to SSA than to any other region: *“the sub-region endured the largest rise in food import costs, when measured from the run-up to the peak of the high price event in 2008 ...the expected decline in the overall bill this year, from USD 28.4 billion to*

¹⁴ Most of the following sections have been drawn from ECA 2009, *The Food Price Surge and Its Impact on Africa*” paper prepared by Hamdou R. Wane and Taro Boel, for ECA *Economic Report on Africa 2009*.

¹⁵ From January 2005 until July 2008, palm oil prices went up 200 per cent, soybean oil prices up 192 per cent and other vegetable oil prices by similar amounts. In comparison, other food prices – i.e. of sugar and meat - increased by 30 to 50 per cent (FAO 2008a; Mitchell, D, 2008; IMF Index).

¹⁶ See Mitchell, D., 2008, “A Note on Rising Food Prices”, Policy Research Working Paper, 4682, The World Bank Development Prospects Group, July 2008, 20p

USD 21.3 billion, is among the smallest of any geographic or economic group” (FAO 2009). In contrast, in 2008, the increase was far less for developed countries and the expected drop in their 2009 bills was disproportionately higher. The pass-through between international commodity markets and consumer prices was high in the face of increasing prices. The reverse was not evident during the subsequent period of falling prices. Moreover, all forecasts expect food prices to remain high in the long run, mainly as a result of continuously rising biofuel demand and structural factors related to population and income growth (OECD-FAO, 2009, USDA, 2009). These are worrisome prospects for food security in African countries that are facing losses of shares on the international markets and depreciating value of exports.

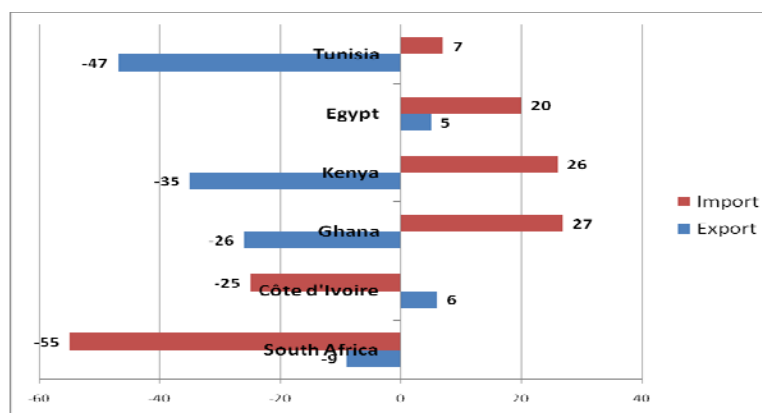
II.2. Effect on the food-trade balance

Recently reported *Comtrade Data* provide a comprehensive view of the food trade flows of a sample of 25 African countries on 2006-2008. This allows for a preliminary assessment of the impact of the price surge and its variation. The sample includes eight of the top 10 exporters and 6 of the top 10 importers over the period 2000-2005. For a total food trade of \$43,270 billion, of which \$23,137 billion are imports – i.e. 66 per cent of the estimated imports of the region - it shows a deficit of \$3 billion. However, the balance deficit is down by \$2,723 billion or minus 48 per cent from 2006-2007, when it increased by as high as \$3,878 billion.

Among the net food exporting countries (NFE), 6 substantially improved their surplus, 3 registered a decreasing surplus – by as high as half (Malawi), 60 per cent (Zambia) or 85 per cent (Seychelles). Six others became net food importers. The most striking cases are Mauritius – \$90 million surplus in 2006 and a deficit of \$190 million in 2008 – and Ethiopia – deficit of \$40 million in 2008 from surpluses of \$215 million and \$339 million the preceding years.

In 2008, the top 8 exporters accounted for 60 per cent of the food trade – 66 per cent including Nigeria. From the year before, their exports increased faster (by 39 per cent) than the average of the sample (22 per cent). But the contraction of food imports was bigger (minus 10.5 per cent) than the average of the 25 countries (minus 4 per cent). As shown in the figure II.2, over a longer period – 20006-08 compared to the average of 2000-2006, only Egypt and Côte d’Ivoire have increased exports. However, Egypt’s trade deficit outpaced the average of the sample by half a million United States dollars. The two other worsening balance trends are observed in Tunisia (minus 40) and South Africa (minus 46).

Table II.2 Changes in export and import of selected countries, 2006-2008



III. POLICY RESPONSES - MACROECONOMIC IMPLICATIONS AND FOOD PRICE IMPACTS

III.1. Overall architecture: from the country level to the international arena

III.1.1. Country level

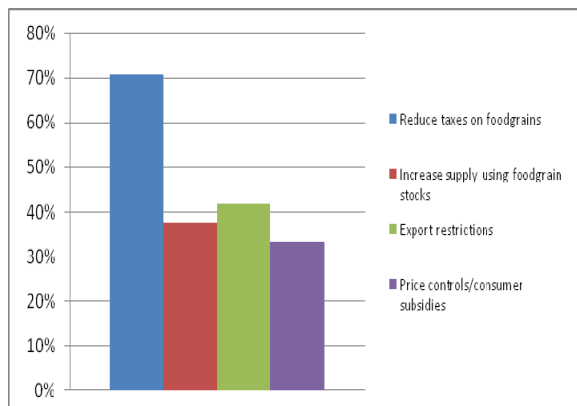
Almost all governments have been trying to use a mix of market-based and command and control short-term measures aimed at reducing consumer prices, providing safety nets to the most food insecure, and guaranteeing an adequate food supply, and exporting any surpluses. The set of measures have included: i) releasing food stock to market, and waiving/easing import taxes and/or imposing export restrictions to maintain domestic food availability; ii) applying price controls, subsidies and cash and food transfers to keep food affordable to different segments of the society; iii) drawing down on stocks to stabilize supplies and prices; and, iv) providing support measures to increase local production on the medium to the long term (FAO 2008a, FAO 2009). At least initially, very few governments have tried to foster an agricultural supply response. But now, almost all of them have taken action to provide farmers with the support needed to boost agricultural production.

Releasing public stocks and providing consumer subsidies were among the most common measures. In Ethiopia, Mali, Senegal and Cameroon, public stocks were released and targeted and untargeted subsidies were offered. However, the degree to which prices are influenced on the open market depends on the governments' capacities of intervention. As demonstrated through the presentation of the effect on trade balances, due to shortage of foreign exchange, many poor food-deficit countries have been importing much less and have been resorting to food aid or external assistance to bridge the gap. A survey of policy responses in 24 countries revealed that during 2007 and early 2008, seven out of 10 countries reduced cereal import taxes and roughly the same proportion applied export restrictions and price controls or consumer subsidies in an attempt to keep domestic food prices below world prices. Almost 40 per cent of the governments took action to increase supply, drawing down on food grain stocks (figure III.1).

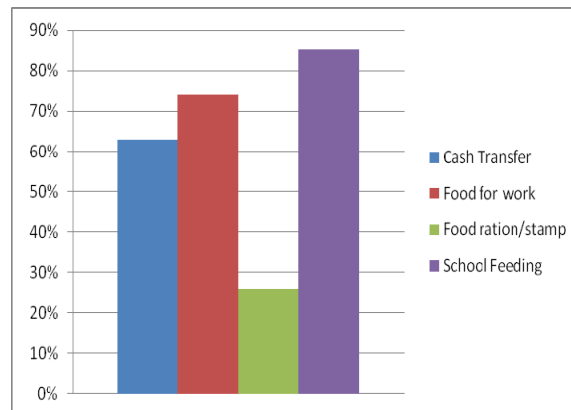
There is not yet any comprehensive regional or subregional assessment of the impact, effectiveness and sustainability of these policy measures. Some of the macroeconomic policies that are actually implemented might not dampen prices for long. Whereas they put a heavy fiscal burden on governments, they might increase disparities – for instance, benefits from reducing import tariffs on staples may accrue largely to the non-poor; and discourage supply responses by farmers. Moreover, many are challenged by poor harvests, limited public stocks and a shortage of foreign exchange.

Figure III.1 Policy Action to address high food prices

A. Economy-wide policies



B. Social Protection



Almost all African economies are price takers on the global food markets. Therefore, it is very unlikely that some of the policy interventions – namely export restrictions or bans and stock replenishing purchases – can increase the volatility of world prices. John Staatz and colleagues have recently documented the unexpected consequences of such policies in West Africa by a cross-examination of the policies on both sides of the chains in the Sahel and West Africa around Nigeria and between the coast and the Sahelian hinterland (Staatz 2008). Given the production potential and size of these markets – both internally and subregionally – non-coordinated measures could jeopardize efforts towards regional integration and, short of taking advantage of agro-ecological complementarities, tend to hurt producers and trade partners, and may actually increase prices of local staple produces, taking them out of reach of the common diet.

The biggest challenges faced by the existing social policies revolve around the following issues: 1) efficient targeting to ensure that benefits reach the neediest; 2) level and sustainability of funding in the context of scarcity of donor support; and, 3) mobilization and allocation of resources – i.e. alignment with agricultural policies. This is particularly relevant as the other main axis of action is the *promotion of smallholder agriculture for poverty reduction*.

III.1.2. Regional level

The global food price crisis is relevant to all the four pillars of the Comprehensive Africa Agricultural Development Programme (CAADP), which are: 1) land and water resources; 2) rural infrastructure and trade capacities for market access; 3) food supply chains and responses to emergency food crises; and 4) agricultural research, technology dissemination and adoption. Under the CAADP framework, the African Union (AU) and the New Partnership for Africa's Development (NEPAD) have launched an initiative to assist countries in addressing the food price crisis by accelerating the CAADP country round-table process, which involves all key AU institutional partners.

The overall objective is to develop a country action plan that will include a government/United Nations call for short-term assistance through a consultative process with all stakeholders and partners. Draft country action plans and road maps for the short, medium and long term have been designed. As part of this process, some inter-agency assessment missions have been conducted. Several dimensions are included in the country action plans: 1) humanitarian assistance: social safety nets; 2) boosting agricultural production (short-term leading to longer-term solutions); 3) policies to respond to high food prices; 4) budget adjustment to assist countries. Four countries have been targeted in the pilot phase: Burkina Faso, Mauritania, Sierra Leone and Madagascar. The action plans for these countries have been completed, while two others are ongoing: Somalia and The Gambia.

III.1.3. International action and commitments

At the onset of the food price crisis, the United Nations established, on 29 April 2008, a High Level Task Force on the Global Food Crisis (HLTF) under the leadership of the Secretary-General. The aim of the HLTF was to draw up a prioritized plan of action for addressing the current crisis and coordinate its implementation. The HLTF members produced a comprehensive framework for action (CFA) which set out the joint position of HLTF members on how to: 1) address the current threats and opportunities resulting from food price rises; 2) promote policy change to avoid future crises; and 3) contribute to country, regional and global food and nutritional security. Thereafter, a High Level Conference on World Food Security attended by Heads of State and Governments and Representatives of 108 countries was held from 3 to 5 June 2008 in Rome at FAO headquarters. The participants adopted a common declaration on practical measures to implement in order to cope with the crisis. This declaration followed the CFA by recommending two types of policies: meeting the immediate needs of vulnerable populations; and building longer-term resilience and contributing to global food and nutrition security.

In the short term, the objectives are to improve access to food, give nutrition support and take immediate steps to increase food availability. The objectives can be achieved through four main actions: 1) emergency food assistance, nutrition interventions and enhancement or accessibility safety nets; 2) boosting of smallholder food production; 3) adjustment of trade and tax policy; and 4) management of macroeconomic implications.

In the long run, the objective is to strengthen food and nutrition security by addressing underlying factors driving the food crisis. This objective can be achieved through four actions as well: 1) expansion of social protection systems; 2) sustainable growth of smallholder farmer food production; 3) improvement of international food markets; and 4) development of international consensus on biofuels.

In order to achieve the short- and longer-term objectives, there is a need to develop further global information systems that will help to monitor achievements and failures.

As at 31 October 2008, the mobilization of resources by bilateral and multilateral organizations and agencies was as follows:

- The World Bank's New Deal for Global Food Policy: \$US1.2 billion for quick response to immediate needs. It includes \$US200 million of aid for the poorest countries in the world. The World Bank also announced that global support to agriculture will increase by \$US 6 billion the following year.
- The International Monetary Fund (IMF) also came up with an action plan with four components: 1) provide countries with necessary support in the conception of appropriate macroeconomic policies to cope with shocks; 2) provide advice and technical assistance to countries where surge in prices destabilizes the terms of exchange through a targeted aid to the poorest category; 3) provide assistance through loans to countries where surge in prices affected the balance of payments; and 4) work in cooperation with other organizations and donors to help countries manage the negative effects of the food crisis.

Each of these organizations underlines, in its proposed action plan, the importance of cooperation to the implementation of global solutions to the world food crisis. Participants at the Rome conference particularly stressed the need for cooperation in areas such as research and development, adoption, transfer and dissemination of agricultural and food technologies. They also appealed to the international community to continue its efforts towards trade liberalization of agricultural products through a reduction of tariff barriers and other disruptive policies.

III.2. The macroeconomic cost implications: impact on current accounts and on balance of payments

Increased food and energy import bills might lead to a substantial widening of the current account deficit. This in turn could worsen other macroeconomic variables such as the exchange rate, the reserve position of the national bank or the indebtedness of the country. The IMF has *simulated* the balance of payments impact of the fuel and price shocks on African countries, of both the low-income and middle-income countries (L-MICs) (IMF 2008a & 2008b). The *estimated effect of a further increase in oil and food prices on international reserves* is used to measure its impact¹⁷. For countries that participate in a currency union and, thus, benefit from reserve pooling, the effect on *the ratio of current account deficit to GDP* is more meaningful than a reserves-based indicator. Therefore, the following paragraphs will present a summary of the simulation results for each of these indicators. The results will be grouped along income groups of countries - low and middle – and, separately, for the franc CFA zone (WAEMU and CEMAC), and for the rest of the African countries in the sample.

The oil price increase would severely weaken the balance of payments of 25 countries, including 6 L-MICs, e.g. Botswana (-1.7 months), Morocco and South Africa (-1.3). The food price increase would have a severe negative effect for 5 low-income countries (LICs). The Democratic Republic of the Congo would lose more than 4 years of reserves and Eritrea and

¹⁷ The exercise compares the 2008 Spring WEO baseline projections for 2008 and 2009 with an alternative scenario for these two years in which food and fuel prices are 20 per cent higher than in the baseline. See IMF 2008b, for a more detailed discussion of the methodology.

Liberia, respectively three quarters and almost two thirds of their initial position. The combined price hikes would take a heavy toll on 24 countries – including 6 L-MICs. Within this group, Morocco and South Africa and, marginally, Tunisia – would offset the oil price shock partially by taking advantage of the food price surge.

Seven LICs would be hardest hit with a drop of more than 50 per cent of their initial international reserves: Eritrea, Ethiopia, Guinea, Liberia, Madagascar, Malawi, the Democratic Republic of the Congo¹⁸. The assumption that a rise in oil prices is expected to have a larger balance-of-payments effect than a similar food price increase¹⁹ seems to hold mostly beyond a certain threshold of income wealth. Indeed, the 18 LICs that face a severe reduction in coverage will incur a stronger impact from the food price increase with an average loss of 0.7 months of reserve coverage than from the oil price increase – a loss of 0.4 months on the average.

The balance of payments of all eight oil-producing countries – including the 4 LICs among them, namely Cameroon, Côte d'Ivoire, Nigeria and Sudan - would benefit from the oil shock. Côte d'Ivoire, a net food exporter, would also take advantage of its competitive agro-industrial sector to increase its reserves by more than 40 per cent, while Guinea Bissau would gain more than a year – i.e. 111 per cent – of reserve coverage. Likewise, for three other low-income (Uganda, Ethiopia and Ghana) and one middle-income (Morocco) countries, the negative oil price increase could be offset, in variable proportions, by gains from the food sector.

Twelve countries, including Sudan and Côte d'Ivoire, Namibia and Seychelles, already had low reserves (on average 2.3 months) before the upward revision of food and fuel prices. The combination of price increases for both commodities would leave Namibia and Seychelles still managing less-than-adequate reserves. Sudan (plus 130 per cent and up to 6.7 months) and Côte d'Ivoire (plus 56 per cent and up to 4.2 months) as well as some other LICs – 2 owing to the fuel price hike and 5 to the food booms, respectively – would have reserves above three months of import coverage.

Among ten countries surveyed by the IMF in the CFA franc zone²⁰, it is in only one – i.e. Senegal, that the predicted *increase* in the food import bill would widen the deficit of the current account balance as a share of the 2007 GDP, by 1 per cent point. In two other countries (Benin and Central African Republic), which already had large deficits (>5 per cent of GDP) and one with a moderate initial deficit (<5 per cent), the ratio would be lower than the 1 per cent threshold. Two other countries with initial large to very large deficits (>10 per cent) – i.e. Togo and Niger – would register marginal surpluses in food bills owing to exports to neighbouring Nigeria for the latter. With the exception of Niger, these countries are moderately dependent on food imports.

¹⁸ In Madagascar, the cost of reconstruction due to natural disasters (cyclones) is also a factor. Zimbabwe should complete that list. But estimates are highly uncertain in its case.

¹⁹ “Because oil imports are 2½ times larger than food imports for low-income countries and twice as large for LMICs, the oil price increase would have a larger balance-of-payments impact, assuming equal price increases and no behavioural or policy response” (IMF 2008b).

²⁰ The franc CFA zone comprises fourteen countries. Two of them, which also are big agricultural countries - Burkina Faso, Mali – and two equally big oil-producing countries – Chad and Congo – have not been included because of missing data on the food segment.

Starting from the same level – a moderate deficit, Cameroon and Côte d’Ivoire might experience different trajectories: a small widening of the deficit for the former and, for the latter, a surplus from the food sector to the current-account-balance contribution. However, the predicted impact (<1 per cent) of the food bill would be very marginal on the budgets of the other two oil-exporting countries, Gabon and Equatorial Guinea.

II.3 Transmission – “pass-through” - of international price changes to domestic food markets: the evolution of domestic food prices

The main factors that might affect the extent of transmission, or pass-through, of international prices are: 1) the exchange rate movements between the trading countries; 2) the policies – e.g. taxes, subsidies – of the recipient country, which can amplify or mitigate the transmission; 3) the extent of the integration of the domestic economy with international commodity markets. In the determination of local food inflation, this will give different weights to domestic supply conditions for given crops *versus* world price changes²¹. As noted by the IMF “*in many countries, an appreciation of the nominal exchange rate vis-à-vis the U.S. dollar during 2007 and the first few months of 2008 has provided some relief from the higher international prices*” (IMF 2008c *op.cit.*). However, there is not yet a comprehensive assessment of the net impact of the real exchange rate of the dollar on imported food prices across commodities and main currency zones in Africa²².

Weak urban-rural linkages buffer the rural communities from both urban and global economic downturns, and limit the benefits of an economic upturn. Scattered evidence is emerging on the weak response of the agricultural sector to the incentives offered by the rising commodity prices of 2002-08. An ERS study of five SSA countries (Ghana, Kenya, Mozambique, Senegal and Uganda) showed that a variety of factors mitigated a local supply response to the higher prices, including rising costs of imported inputs and transportation and infrastructure constraints. These higher prices were, however, transmitted to consumers in most cases. In almost all cases, governments did intervene to counter the higher consumer prices, but consumers still experienced significant price increases²³.

Despite the decline of prices on the world market in the second half of 2008 and early 2009, prices in many countries in the region remain higher than a year ago. For example, the retail price of rice in Malawi was recently quoted at kwacha 210 (US\$1.50) per kilogram, almost double that of a year ago. In Zambia, white maize, the country’s main staple food, cost kwacha 28,185, up from Kwacha 17,500; in Kenya, the wholesale price of maize was US\$367/ton, up

²¹ See IMF 2008. “Food and Fuel Prices—Recent Developments, Macroeconomic Impact, and Policy Responses, June 30, 2008

²² As pointed by Staatz and colleagues who analyze the case of the main staple commodity in most West Africa – rice: on the one hand, “*the declining dollar is responsible for pushing rice prices that are denominated I dollars higher. On the other hand, the CFA F zone countries will be able to moderate the impact of rising prices to some extent because their currency is tied to the appreciating Euro*”, in Staatz, J., Valerie Kelly, Niama Nango Dembele. “Potential Food Security Impacts of Rising Commodity Prices in the Sahel: 2008-2009”, A special report by the Famine Early Warning Systems Network (FEWS NET), USAID, Michigan State University, May 2008, 49 p

²³ See U.S.DA, ERS 2009

from US\$222. In only two countries, Ethiopia (Addis Ababa) and Tanzania (Dar es Salaam), did corn prices decline, albeit not at the same rate as international prices, but at 8 and 20 per cent²⁴

According to the United Nations' Food and Agriculture Organization, millet prices in January 2009 were 25 per cent higher than they were in January 2008 in Burkina Faso (United Nations, FAO, February 2009). In Niger, these prices were 40 per cent higher. In Kenya, grain output fell more than 20 per cent in 2008. As a result, the price of maize, the country's staple food, in January 2009 was nearly 50 per cent higher than a year before. Prices in Ethiopia have fallen considerably in recent months, reflecting the good 2008 crop. But, wheat prices were about 50 per cent higher in January 2009 than January 2008, and maize prices were 13 per cent higher.

This situation is explained by a number of factors that include poor harvest in many countries, lack of trade finance for agricultural imports, pitfalls in implementing efficient supply responses, and economic and financial crises in developed countries. Decreasing remittances from the African Diaspora have further aggravated the plight of the poor and vulnerable.

The main factor limiting the impact of global food price increases on domestic food prices has been the existence of a diversified base for domestic production of several food commodities in combination with a partial insulation from the world market. This arises from poor infrastructure and/or trade barriers, such as the early export bans in Ethiopia, Mali and Tanzania. As a result, the price of commodities that are mainly imported, such as rice, has historically been closely correlated with the world market price, while the prices of crops that are mainly domestically produced, such as maize, and other coarse grains in the Sahel for instance, have been more closely related to domestic supply conditions and regional markets (although the correlation with world prices has increased over the last few months).

In Uganda and Kenya as well as in the interface of WAMEU zone, on one hand, and Nigeria and Ghana, on the other, exchange rate movements also mitigated the impact of world market price increases on domestic prices (IMF 2008d; John Staatz *et al* 2008), because the local diet is largely composed of food staples that are not internationally traded. Therefore, the impact will be less for households. For example, the majority of households in West of Africa (, e.g. in Ghana and Niger) and East Africa (e.g. in Uganda, Tanzania and Ethiopia), are relatively insulated from most global food markets, and from shifts in international food prices. A large share of their diet is based on local staples such as cassava, millet, *teff*, local varieties of maize and beans. These are mostly traded locally and on the regional market, barring infrastructural and institutional bottlenecks. Should the price of these local staples also rise, as demand for them increases, rising food prices would have a much stronger impact.

II.4 Household-level effects: an encroaching poverty and the increasing toll of malnourishment on the future of Africa

The short-term welfare impact can be measured as a percentage of household expenditures. In terms of loss of income, the poorest households are hardest hit by rising food prices in both

²⁴ U.S. Agency for International Development Famine Early Warning System (FEWSNET), various issues.

urban and rural areas. The urban poor, together with food-deficit farmers, are the worst affected by food price inflation, because they are mostly net purchasers of food. The amplitude of the impact will vary according to the weight of internationally traded food staples in the local diet and to the efficacy of the local policy responses and programmes.

A study by M. Ivanic and W. Martin found an increased level of poverty for a majority of the low-income countries covered in their sample, mainly due to the negative impact of higher wheat prices, followed by the prices of rice, dairy and maize. There were few cases where higher commodity prices lowered rural poverty. But in most cases, poverty - even rural poverty - increased, and the overall sample average poverty impact was clearly adverse. The fact is that *“the high shares of staple foods in the expenditures of poor people increase their vulnerability to food price rises, while the limited share of output marketed by small, subsistence farmers reduces their benefits”* (Ivanic and Martin; 2008).

This finding has been confirmed by a case study of West and Central African countries. The negative impact of food price hikes for consumers has been found to be larger than the positive impact for net sellers of locally produced foods (Wodon & Zaman 2008). Increasing the price of cereals by 50 per cent could add 4.4 percentage points to the share of the population in poverty if only the impact on consumers is taken into account. In some countries, the impact should be limited, but in other countries that are highly dependent on food imports such as Liberia, the share of the population in poverty could potentially increase by eight percentage points with a 50 per cent increase in rice prices. Factoring in potential gains for producers, the headcount index of poverty would still increase by 2.5 percentage points (Quentin Wodon *et al* 2008).

The same methodology has been combined to a poverty mapping exercise in Guinea. Its results suggest that in the case of a rice price increase, the poorest areas of the country will not be the hardest hit, especially if the potential positive impact of higher food prices on rice producers is taken into account. In such a case, poverty may decline in some of these areas even if for the country as a whole poverty will increase significantly due to the large share of rice in the household consumption budget. Moreover, although better protected, even food-surplus farmers may not benefit in all cases from the food price surge, as the pass-through of higher input costs (fuel, fertilizer and transportation) is often faster than that of world market prices for food. Poor small farmers are hard hit with increasing input and marketing costs:

- Marketing costs in SSA are up to 70 per cent of crop retail values, reducing the effective price farmers receive for their products (Minot and Hill 2007, *quoted by IFPRI 2008*)
- Transport costs represent 50 to 60 per cent of total marketing costs in Benin, Madagascar and Malawi (Fafchamps *et al.* 2005, *quoted by IFPRI 2008*)

Wodon and Zaman (2008) estimate at close to 30 million the number of persons who would fall into poverty in SSA. Recent estimates of the poverty depth – measured by the gap in consumption between the average poor household and the poverty line – show that poverty is increasing, and that it is the really poor who are being hit hardest. Eighty-eight per cent of the increase in the urban poverty depth in the wake of rising food prices is from poor households

becoming poorer and only 12 per cent from households falling into poverty. This increase in the poverty depth is roughly equivalent to 1 per cent of GDP for a typical less developed country.

Finally, the share of undernourished could rise rapidly above the current mark of 27 per cent of the total population in Africa. Eating less and switching to lower-cost coarse cereals will have irreversible nutritional consequences, especially for infants born since the food crisis began. Many of the countries exposed to rising global food and fuel prices are those with high pre-existing levels of malnutrition. Ranking countries most affected by malnutrition, we find that Burundi, Madagascar and Niger are among the ten most affected countries for both stunting and wasting indicators. All of these countries experienced double-digit food inflation in 2007-08. Moreover, of 60 countries with high malnutrition burdens, 44 countries have experienced negative terms-of-trade impacts of recent food price changes (World Bank, 2008a). This is likely to result from cuts on food expenditures that poor households are to make as coping strategies.

For instance, in Bangladesh, a five-person household leaving on one dollar-a-day per person spends every \$3.00 of its \$5.00 on food and \$.50 on household energy. A 50 per cent increase in food and energy prices requires them to cut \$1.75 of their expenditures. Made most on food expenditures, these cuts will imply reduced diet quality and increased micronutrient malnutrition – i.e. iron and vitamin A deficiencies (IFPRI 2008). The same applies to many African poor households. The World Bank estimated recently at 0.6 per cent of GDP the median losses arising in developing countries from iron deficiency alone.

A Liberia joint high food price assessment conducted in May-June 2008 found that: 1) households spend more on transport and basic food commodities and less on higher-quality food commodities, health, education and housing; 2) the proportion of households with poor or borderline consumption has increased; 3) households consume slightly more staple commodities but less protein sources, fruits, vegetables and oil; 4) restricted sources of income, indebtedness and weak assets such as land are driving reduced food consumption – fewer meals a day and more no-meal days, food on credit (WFP 2008).

Even though high food prices may be a temporary shock, they are here to stay at a high level and, more importantly, they may have long-lasting effects on physical and mental growth if proper actions are not taken targeting the most vulnerable groups, and women and children among them.

IV. CONCLUSIONS AND RECOMMENDATIONS

The review of the evidence regarding the potential impact of the recent increase in food prices on poverty in African countries showed us that the poor are likely to be entrenched in their condition and more people would fall into poverty. The various tools that governments have used so far to deal with the immediate impact of the increase in food prices included macroeconomic – fiscal and trade – regulatory and social policies that might impede, in the medium term, the new agenda for agricultural development in Africa. Indeed, the short term policies should be balanced enough to yield equitably distributed benefits between farmers and non-farmers, urban and rural dwellers, and to promote the development of smallholder

agriculture that can ensure a sustainable supply of affordable surplus in basic food commodities for national and regional markets.

Boosting agricultural productivity and diversifying agricultural production

- Actually, if agricultural growth is to be re-launched in Africa, it is imperative to harness high food prices and the opportunities they can provide in order to boost agricultural productivity and diversify production. Incentive mechanisms should be put in place and the structural constraints facing agriculture should be removed. A balance should be maintained between interventions in high potential agro-ecological zones or farmer types, and the focus of anti-poverty interventions in rural areas. Supply responses should be seen in a regional as well as national context – this requires open trade in staples and reduced transaction costs between neighbouring countries, and strengthening the capacity of the private sector to respond in the medium and long term.

Aligning social policies to promote smallholder agriculture for poverty reduction

This is particularly relevant as the other main axis of action is the *promotion of smallholder agriculture for poverty reduction*. The focus of anti-poverty interventions should be on rural areas where poverty remains highest even after taking into account the adverse impact on the urban poor due to the rise in food prices

Achieving a balance between investments in export-oriented agriculture and locally oriented agriculture

There is a need to achieve a balance between investments in export-oriented agriculture to earn revenues, and locally oriented agriculture to guarantee production not just of grains, but of a diversity of foods for local consumption. *Engaging the poor in the production of foods for sale in the local market* will not only *create localized income*, but also *contribute to assuring the quality of the diet available for local consumption*. Improving the productivity of small farmers has a ripple effect that spreads benefits throughout poor rural communities, and stimulates urban economic activity as well.

Strengthening the links between nutrition and agricultural development

Even though high food prices may be a temporary shock, they are here to stay at a high level and, more importantly, they may have long lasting effects on physical and mental growth if proper actions are not taken targeting the most vulnerable groups, especially women and children. Indeed, remaining malnourished for more than two years increases risks of stunting in children. On top of physical growth, stunting impairs mental potential and becomes an inherited genetic marker. So, should they remain unabated for the next few years, high food prices would take a huge toll on the developing world, especially on Africa's future. Bringing down the global food crisis is a moral and a survival imperative. To start tackling this challenge, the solution resides less on the demand side but more on the supply side. Moreover, initiatives to boost food production are necessary in most of the affected countries both to stimulate growth and to exert downward pressure on prices.

Establishing food and nutrition surveillance systems that can inform decision-making at all levels, not just by central policymakers

Such information can provide the elements of predictability and accountability that are required for a human rights-based approach to developing national government responses to crises such as those provoked by the increases in food prices.

Establishing a market information system, including an early warning component on prices and trans-boundary flows of grains, vegetables and oil-fats to inform a monitoring and evaluation tool of the agricultural policies designed in response to the food crisis.