High Food Prices: Impact and Recommendations for Actions

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1. Introduction

The world is experiencing a dramatic increase in food prices. Nominal, as well as real, international prices of all major food commodities reached, in the first three months of 2008, their highest level in nearly 30 years. Although the food market situation differs from country to country and future evolution remains highly uncertain, best projections suggest that food prices are likely to remain high in the next few years and high prices are expected to affect most developing country markets.

Rising food prices are provoking social unrest across the developing world and resulting in a number of short-term policy responses from Governments in both exporting and importing countries which risk exacerbating instability in world markets . In the short run those food buyers in the cities and in the rural areas (including the poorest rural households that are predominantly net food buyers) who spend large share of their income in food, are likely to be pushed deeper into poverty and food insecurity. In some countries urgent action is required to maintain and in some case enhance emergency safety nets. On the other hand high prices will stimulate a supply side response where the market signals are transmitted to food producers and where they have the capacity to increase production and the infrastructure and organisation to supply the market. This may represent an important opportunity for promoting agricultural and rural development in many low income-food deficit countries, provided an enabling policy environment and supportive measures are established quickly. On the longer term however climate change and water scarcity are expected to affect negatively food production. Without coordinated actions and adequate policy measures, these new challenges will jeopardise the prospects for achieving the Millennium Development Goals, in particular MDG1. Failure to act expeditiously may lead to a significant increase in the number of people in need of emergency, as well as medium and long-term, assistance. Actions are needed to both mitigate the impact and to provide the basis for rapid and medium term supply response to take advantage of the emerging opportunities through investment in agricultural assets.

Policy and investment responses by Governments and development partners need to be country and context specific and should be articulated to address both immediate issues and long terms challenges in a coherent and a mutual reinforcing manner. The UN system can assist affected countries – in particular Low-Income Food-Deficit Countries - in various ways, including through analysis and assessments, emergency safety nets, policy advice and investments to enable poor agricultural producers to increase their supply of food crops.

2. High food prices

International prices of basic food commodities, in both absolute and relative terms, have been increasing since 2001, and particularly steeply in 2007 and 2008 (see Figures 1 and 2). A number of factors have come together to lead to a unique situation where the prices of almost all basic food and feed commodities have increased together, accompanied by higher price volatility that has lasted longer than before.

The short term drivers have been; poor harvests resulting from extreme weather events in major cereal exporters, within a background of depleted grain stocks, which magnified the increases in their prices; rising input and transport costs (especially energy and increasingly also fertilisers); demand for crops for biofuels, exacerbated by support provided to the related sectors; and to some extent rising demand, especially for feedstuffs, from emerging economies, e.g. China and India. Additional factors contributing to the soaring food prices have been the over-reactive trade policies put in place by some countries to provide immediate responses to the crisis coupled and increased flow of financial resources into agricultural markets that tend to increase the price volatility. Analysts attach different weights to each, but tend to agree on this list of drivers.

In the longer term, though, other drivers may become more significant (though there is high uncertainty attached to each): climate change, oil depletion, water scarcity, speed of technology development and adoption, as wells changes in commodity and trade policies related, related to agricultural and biofuels sectors.

Medium-term outlook. As opposed to other instances of sharp increases in agricultural commodity prices that have rapidly dissipated, however, prices are expected to remain high for some time. The historic long-term decline in real food prices seems to have stopped in the late-1980s and reversed since the early-2000s (see Figure 2). At the beginning of 2008, they reached their highest level in nearly 30 years. Most institutions project that average nominal prices of most food commodities **for the next 10 years are likely to be higher than during the previous 10 years** [1], even they predict a small decline in 2009 or 2010 (see Figure 4). Yet, there is still great uncertainty surrounding how the global supply will really respond, especially if the parameters used in the projections models no longer reflect the changing structure of agricultural and other markets.

Several underlying factors explain these likely trends over the next decade. Of significance in this respect is the possibility of the persistence of demand for biofuels – although there is great uncertainty over the expansion of the biofuel market due to both potential policy reversals in the support provided to bio fuel related sectors in some countries (the EU and the US) and the developments of second generation biofuel technologies.

Of greater significance in the medium term is the **changing structure of food demand** associated with income growth, population increase and urbanization, especially in developing countries – such as BRIC[2] in particular - that lead to a significant shift in the structure of demand diversifying diets away from starchy foods towards more meat and dairy products, which is intensifying demand for feed grains and strengthening the linkages between different food commodities.

In the medium to long-term, **climate change** is expected to significantly reduce food production in tropical and most temperate regions, as a consequence of climate variability and uncertain growing season length, decreased water availability, new patterns of pests and diseases and a loss of biodiversity. Recent analysis suggests that production in developing countries could decline between 9 per cent and 21 per cent by 2080[3], and that even by 2030 Southern Africa could lose more than 30 per cent of its main crop, maize, and South Asia 10 per cent or more of staples such as millet, maize and rice[4]. Almost everywhere, it will be the poorest and most vulnerable in the rural areas that will be the hardest hit. Almost 50 million extra people could be at greater risk of hunger by 2020 as a result of climate change. [We need a reference for this estimate.]

3. Impacts on countries

Rising global food prices affect countries differently depending on whether they are net exporters or importers of food. Net-exporting countries will benefit and experience higher terms of trade. Net-importing countries will face lower terms of trade and a larger food import bill. This is especially worrying for developing countries, the majority (55 percent) of which are net-food importers. Almost all countries in Africa are net importers of cereals.

The total **cost of food imports for Low-Income Food-Deficit Countries (LIFDC) was 24 percent higher in 2007 than in 2006, rising to $107 billion**.[5] The annual food import bill for these countries was more than twice the bill in 2000. In addition, petroleum prices have also risen sharply over the past years and many of the net fuel and food importing developing countries were those where more than 30 percent of their populations were considered by FAO to be undernourished, with nearly 80 percent of those countries located in Africa.

Most immediately, we have already seen that increasing food prices have triggered riots, and even contributed to political instability. Unrest linked to high food price has already occurred in a number of countries, including Burkina Faso, Cameroon, Egypt, Guinea, Haiti, Mauritania, Mexico, Morocco, Nepal, Senegal, Uzbekistan and Yemen. The importance of increasing food prices as a political issue, as well as a development issue, should not be under-estimated.

Rising world food prices lead to an increasing vulnerability of food importing developing countries. **Imports are essential** for many developing countries. But **rising international prices and export restrictions have made this "safety valve" more difficult to operate**. A range of developing countries, including Argentina, Cambodia, Egypt, India, Kazakhstan, Russia, Serbia, Ukraine and Vietnam, have imposed export taxes, export bans or other export restrictions, further exacerbating the tightness in world grain markets.

The level and pace of change in domestic food prices will also be affected by trade barriers (such as tariffs), exchange rate movements, domestic taxes and market power of various actors along the marketing chain, as well as nature of infrastructure the countries.

In developing countries, food typically accounts for a large share of the consumer price index (see Figure 5). Hence **rising food prices will lead to increasing pressure on the overall price level**. The IMF calculates that between 2000 and 2006, the direct impact of food prices on headline inflation was on average 26.6 percent in the world, but was as high as 46.5 percent in Africa.

Higher food prices could also **contribute to fiscal imbalances**. Government expenditures on safety net programmes, whether food based or not, are likely to increase, both because the number of beneficiaries and the cost per beneficiary rises. ,. .

4. Impacts on household food security

Impacts of food prices on households will be group specific. The population groups that are most vulnerable to higher food prices are those low-income groups that buy more food than they sell (net-buyers). Those groups typically spend a large share of their income on food. These groups include the **urban poor, rural landless, many small-scale farmers and pastoralists**. It is likely that rising food prices will be a source of further growing inequality in developing counties, and that this will cut across urban and rural areas.

Higher food prices may jeopardize the fight against hunger, as they make it more difficult for households to access food. At the same time, appropriate responses in terms of investments and policies can help to spur production and marketed supply of food crops – in particular for agriculture-based countries.

Poor rural farmers in agriculture-based countries are by and large net buyers[6] of foodstuff but at the same time their livelihoods are still highly dependent on agriculture. In Sub-Saharan Africa in particular, the potential for boosting agriculture through smallholder farming is still largely unexploited and a price increase, if supported by specific investment and supportive policy environment could represent an opportunity for the development of family agriculture and thus of reducing – on a sustainable basis – poverty.

Poor households will be also hardest hit by soaring food prices since they have few coping mechanisms at their disposal. For such households, **higher prices will have an immediate impact on the quantity and quality of food consumed**. They will reduce the number of meals, reduce the size of meals and reduce expenditures on non-staple foods[7]. These strategies will have significant consequences, especially for the most vulnerable groups (sick, elderly, children, pregnant women). Households might also reduce expenditures on other basic needs and investments in (especially intangible) human assets, such as education and health, or sell productive assets (distress sales) with negative effects on their current and future livelihoods. Short-run threats can thus have long-term impacts on poverty and development.

As high food prices and expansion of bio-fuel crops increase the value of land, poor rural households in distress or without secure tenure rights, in particular indigenous people, risk being pushed off their land.

Anecdotal evidence is emerging from all developing regions about the impact of higher food prices on people. Yet, there are no global estimates of **how many people are becoming food insecure because of high food prices**. This is not an easy question to answer because of data requirements and the difficulties in establishing thresholds for food insecurity and accounting for coping strategies (including substitution in consumption).

Risk analysis conducted by WFP in a number of countries suggests that the impact on household food security will be significant. It is likely that high food prices will make the fight against hunger an uphill struggle if no additional actions are taken to mitigate the impact.

5. Recommendations for actions by the UN system

The support that the UN system can offer for boosting a coherent and sustainable response to soaring food prices includes emergency safety nets, support to rapid supply-side response in food deficit countries, longer term investment support to Governments, food producers and other national actors and policy analysis and advice.

All support by the UN system to address the crisis and to adapt to the on-going structural changes in the food market needs to be contextualised within its broader support for the achievement of the MDGs - and particularly MDG1, the eradication of poverty and hunger. Three quarter of the extremely poor people live in the rural areas of developing countries and the majority of them are food producers, smallholder farmers or agricultural wage labourers. The UN system response to high food prices must strategically focus on mitigating their impact on food security and enabling these hundreds of millions of small and medium-scale producers to increase their productivity and supply the urban markets.

The UN system support also needs to take account of climate change, the ever-growing needs of rural producers to adapt to the effects of climate change and the global need for “climate friendly” agricultural development models that contribute to climate change mitigation, by reducing GHG emission in production and transport, by avoiding deforestation and by increasing carbon sequestration.

The UN system support needs to be located within, and supportive of, governments' policy framework for poverty reduction and for agricultural development: context-specific and responsive to local constraints and opportunities. And it must conform to the commitments of the Paris Declaration on Aid Effectiveness – not only country ownership, but also donor-partner alignment, inter-agency harmonization, managing for results and mutual accountability. For the Rome-based agencies, there is a particular requirement for closer and more active collaboration and for joint consultation with IFIs, bilateral donors and farmers' organisations.

Actions by the UN system should distinguish between an immediate crises response and interventions that should be applied in the medium and long-term. Actions should be coherent and mutually reinforcing. They should focus on protecting the most vulnerable households in both rural and urban areas, by strengthening social protection systems and safety nets, while at the same time ensuring that market signals reach the food producers and stimulating a supply-side response in terms of increased food production and marketed supply in developing countries and regions.

The effects of rising food prices vary enormously, country by country. Responses need not only to be context specific; they also need to recognise the divergent interests of different national stakeholders, and to be developed within national strategies for achieving the MDGs. They must be owned and led by national governments, and they must involve all national stakeholders, including representatives of rural people and farmers organisations. UN engagement should support national capacities and be informed by evidence-based assessments, analysis, and monitoring.

Government-led assessments will be basis for developing coherent strategies to address the new reality – over the immediate, short and medium terms and will be the basis for assessment of the food security problem, who is most affected and where they live and what the most appropriate responses would be.

Special attention should be paid to monitoring of food markets and prices and its impact on food security, particularly given the possibility for unrest in urban areas as a result of high food prices. The preparation of contingency plans should also be considered.

The Rome-based agencies are present in more than 70 developing countries. WFP has significant capacity for needs assessments and vulnerability analysis and mapping (VAM). WFP has been applying this capacity, in partnership with Governments and a network of food security analysts, to the vulnerability arising from high food prices; while FAO has been using its capacity in partnership with Governments to ascertain the possible market impacts of high food prices, not only on consumers, but also on producer responses. IFAD provides support through loans and grants for government programmes and projects aimed at increasing agricultural production and rural incomes. It currently is supporting programmes and projects in 85 countries, for a total value of almost US$ 4.0 billion. In partnership with the governments in question, IFAD can work to adjust these where necessary, on the basis of these new assessments to cope with the changing contexts.

The level of uncertainty as to future food supplies, food prices - and the associated new linkages between the four markets of staples; high value crops; biofuels; and carbon sequestration - is so high that it is possible only to sketch scenarios for anything beyond the most immediate response. All responses need to be constantly adjusted to reflect the evolving realities. Risk of land grabbing must be closely monitored.

A. Crisis response

i. Emergency safety nets

- Vulnerable people need to be protected from shocks through effective safety nets. Safety nets may include assistance in the form of food, vouchers or cash transfers, employment programmes (food or cash for work), school feeding as well as insurance schemes and productivity-enhancing measures for poor farmers.
- Safety nets not only save lives but can also strengthen livelihoods and promote longer-term development: they can reduce malnutrition that has lifelong consequences, prevent distress sales of assets and allow investments in education and health, often made difficult as a result of high food prices.
- Strengthening of safety nets is important for the urban poor, where many vulnerable households live. Vouchers, cash transfers and nutritional programmes may be combined with targeted food sales through public or selected food stores. Subsidies to consumption with targeted vouchers can be implemented that utilize the private sector for distribution of the food. This would help to maintain caloric intake and dietary quality, thus helping avoid long-term developmental damage to children. If implemented successfully, the direct approach would have effects relatively quickly. Moreover, it would produce an impact on the overall diet and thus nutritional status, which would not be the case with input subsidies aimed at a single staple food crop. Food or cash-for-work and other public employment schemes could also enhance access to food.
- Among the Rome-based agencies, WFP has extensive experience in the development of safety-net programmes, including through nutrition programmes, school feeding and cash- or food-for-work programmes. Existing school feeding programmes could be expanded rather quickly. Targeted nutrition programmes, addressing the nutritional status of pregnant and lactating women, children less than five years of age and other vulnerable groups such as people living with HIV/AIDS or tuberculosis, could be scaled up.
- While the demand for food assistance increases, the high food and fuel prices mean that WFP can reach fewer people with the same resources. Food aid deliveries have declined almost continuously from 15 million MT in 1999 to 7 million MT in 2006, and are likely to have declined in 2007 as well.
- The cost for WFP to deliver food to beneficiaries has increased over 70 percent over the period 2002-07. Further increases between the end of 2007 and early 2008, mean additional costs to simply meet the already assessed and Board-approved needs for WFP programmes for 2008 and most likely also for 2009.
- Higher prices on international markets also increase opportunities for local procurement by WFP, not only because local prices might not follow the same pattern as international prices, but also because local procurement can provide significant market opportunities for smallholder producers. In 2007, WFP purchased 1.6 million MT, valued at $612 million, in 69 developing countries, as compared to 1.5 million MT in 2006, valued at $460 million, from 70 developing countries. There is significant scope for increased inter-agency collaboration aimed at increasing local supply and procurement of food aid.

ii. *<u>Assistance, Support and Advice to Governments to design appropriate policies to cope with the consequences in the short term</u>*

- The UN system can through various channels provide policy advice to mitigate the impact of high food prices, improve the food security situation, protect the productive assets –including land - of rural poor households and benefit from the opportunities that high food prices create for farmers. Such support should be always provided on the basis of a clear strategy coping with the new situation over the immediate, short and medium terms.

  These could include assistance to:

  - <u>Enhancing supply response</u>: identify and assess effectiveness of various measures, e.g. off season utilization of irrigated land for producing short duration vegetables or other crops, distribution of seeds and fertilisers through various schemes, that could enhance the ability of producers to respond to improving market signals. FAO has already started an initiative in collaboration with a number of its partners such as the World Bank, IFAD, WFP, the African Union through its NEPAD Secretariat, the African Development Bank and other African institutions to rapidly assess the situation in Africa to help increase supply response in the short term, as well as to support their national programmes and design policies with a longer term perspective aimed at sustainable increases in production and productivity. To this effect, country consultation missions are currently being organized along with partners' organizations (WB, IFAD, WFP) to Burkina Faso, Mauritania, Senegal and Mozambique in order to assess the situation and provide recommendations for immediate action.
  - <u>Food price policies:</u> assessing the impact of changing support to and taxes on food commodities, even if temporary.
  - <u>Targeted subsidized food sales:</u> enable the use of existing food distribution systems effectively and determine the most appropriate targeting criteria for food sales to vulnerable groups.
  - <u>Food reserves:</u> assess the appropriate role of such reserves for reducing intra-annual price fluctuations and emergency shortfalls.
  - <u>Private sector support:</u> determine the most effective means of enabling market actors to play a critical role in trade of food and supply of agricultural inputs throughout the country at competitive prices.
  - <u>Trade policy:</u> assess the most effective and least distortive ways of using trade measures to deal with the challenges

B. Medium and long-term responses

i. *<u>Opportunities to increase supply</u>*

- Support needs to focus particularly on enabling poor rural producers – those least able to respond to changing market signals – to expand their production and marketed supply. In this way, they can be assisted both to overcome their own food insecurity, and to contribute to increasing marketed supply. And the support needs to reflect both elements: production and marketing. The main areas of support that might be included in a UN response:

- Promoting agricultural research focused on the needs of poor rural producers, many of whom farm in increasingly marginal areas;
- Enhancing the access of poor rural producers to agriculture services, including research, extension, and financial services, and strengthening their capacity to take advantage of these;
- Increasing their access to natural resources such as land, forests, and water, and strengthening their capacity to manage these productively and sustainably;
- Increasing the capacity of rural communities to enter into new markets related to climate change (payment for environmental services); and
- Supporting the improving of governance (in particular public sector governance) on issues related to agriculture an rural development with specific emphasis on both (i) developing policy processes open to dialogue and participation of civil society (CSOs) and in particular of rural producers organisations; and on (ii) building resilience strategies and investment programmes to cope with an increasing level of uncertainty linked to food and broadly the agriculture sector.

▪ FAO is initiating a programme to assist Governments to identify and formulate appropriate country frameworks for specific food security interventions in selected countries in Africa, Asia, Latin America and the Caribbean, following a twin-track approach, i.e. (i) boost food production and (ii) improve availability and access to food for the most vulnerable and cope with higher and more volatile food prices.

▪ In Africa, the initiative is being developed under the framework of the Thematic Group on Agriculture and Rural Development of the MDGs Initiative for Africa, coordinated by the Africa Union (AU) and FAO, and the Comprehensive Africa Development Programme (CAADP) particularly within its Pillar 3.

▪ Considering that high food prices also represent an opportunity for African agriculture and for increased agricultural productivity and investment, the African Union, through the NEPAD secretariat and its development partners, have agreed on a common process to operationalize CAADP Pillar 3 at the country level. FAO, together with IFAD, will play a catalytic role in providing policy and technical assistance to Governments and Regional Bodies of LIFDCs and help streamlining interventions into existing programmes and policies.

▪ Through an inclusive consultative process with the partners involved (World Bank, FAO, IFAD, WFP and the regional lead institutions (ACFS and CILSS)) this process will involve:

- Preparing country concept notes in a selected number of countries
- Preparing projects and programmes leading to a joint programming workshop and concerted country assistance

▪ In 2008 IFAD will provide loans and grants to developing countries worth around US$660 million. By 2011 the Funds hopes to increase this amount to around US$ 1.0 billion per year. Most of these funds will support Governments to finance their programmes and projects aimed explicitly on enabling poor rural men and women to increase their agricultural production and increase their incomes. A small proportion of these resources will be used to support the work of agencies such as FAO and the Consultative Group on International Agricultural Research, and NGOs working on agricultural development issues at local level. In what is a rapidly evolving context, global and local food prices will play an important part in shaping the definition of these projects and programmes. In all countries farmers' organisations will be consulted and involved in programmes development and implementation.

ii. *Risk management*

- Supporting poor rural households to strengthen their livelihoods in conditions of ever greater climatic uncertainty will be the key challenge facing those agencies supporting rural economic development. The recognition of these conditions must shape all support provided, by the UN as by all other development actors, and it must feed its way into agricultural research, extension and marketing. Part of the response will lie in new approaches to managing weather and other risks, such as those based on market based index insurance. These have been piloted by the World Bank, and WFP, and FAO has a programme of work to advise Governments on appropriate agriculture related risk management options and policies. Several countries have already instituted market-based disaster risk management systems, and the Rome agencies are supporting such initiatives. Such policies offer considerable promise for countries to decrease the cost of managing weather-induced disasters

iii. *Strengthening social protection systems*

- Carefully targeted safety nets and social protection programmes need to be expanded and strengthened, building on existing government programmes, national priorities and development plans existing strategies, such as sector-wide programmes.
- Multiple interventions need to be considered, tailored to national situations, capacities and vulnerability patterns. Governments, with support from relevant UN agencies and development partners, should develop a comprehensive national social protection strategy that includes an appropriate mix of safety net interventions from a menu that can include targeted food and cash transfer programmes, including school feeding; public works (food for work/cash for work); and specific nutritional activities focused on vulnerable children (from birth through primary school) and pregnant and lactating women and people living with HIV/AIDS or tuberculosis. The strategy also needs to include effective assessment and targeting systems.
- For rural households, an integrated approach to social protection should be taken which combines traditional transfers (social safety nets) and smallholder-oriented policies (productive safety nets or social protection through agriculture). Carefully designed cash transfer programmes (a social protection policy) can alleviate financing constraints and promote smallholder investment while "smart subsidies" for agricultural inputs (subsidised seeds and fertilisers, voucher systems for inputs) can increase food production for own consumption or for sale in local markets (thus reducing local prices) thus alleviating some of the pressures from food prices.
- In general, while social protection schemes should address the multiple risks faced by rural households, they can have important impacts on agriculture in that they allow more risk-taking investment behaviour and releases funds for investment otherwise used as pre-cautionary savings. However, the implementation of various forms of transfer programmes has proven to be a major challenge; particular risks include leakage of benefits to non-target group, resale of vouchers by the target group, rent seeking by officials, and the exclusion from the programmes of what is in many countries a nascent, indigenous, private sector input suppliers.

ANNEX – Charts

Figure 1: Monthly FAO price indices for basic food commodity groups (1998-2000=100)

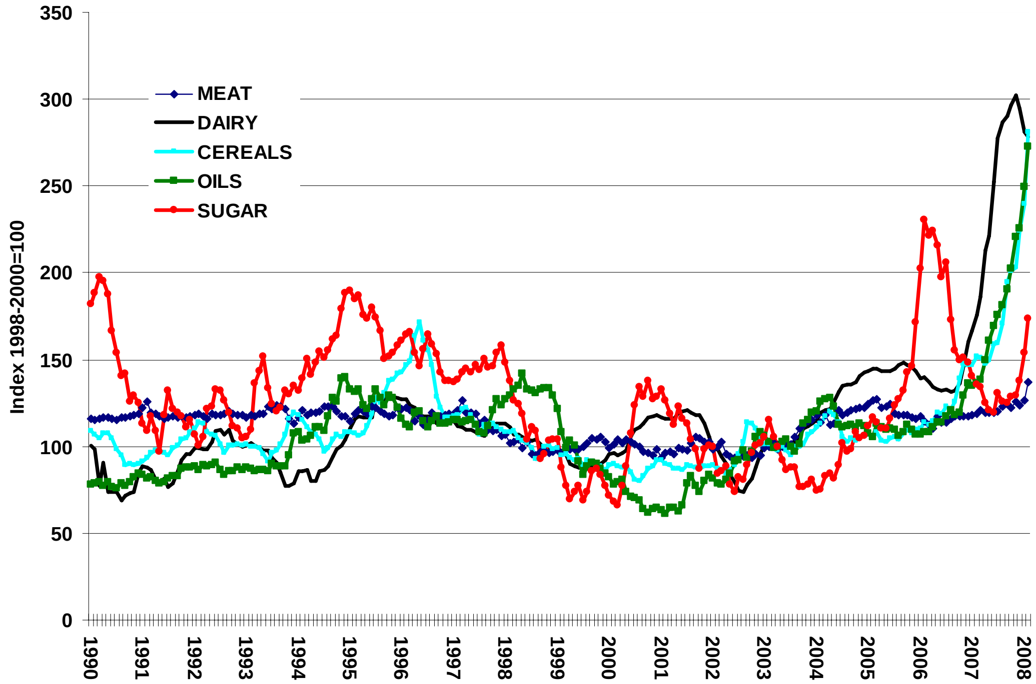


Figure 2: Annual FAO Food Price Index 1998-2000=100

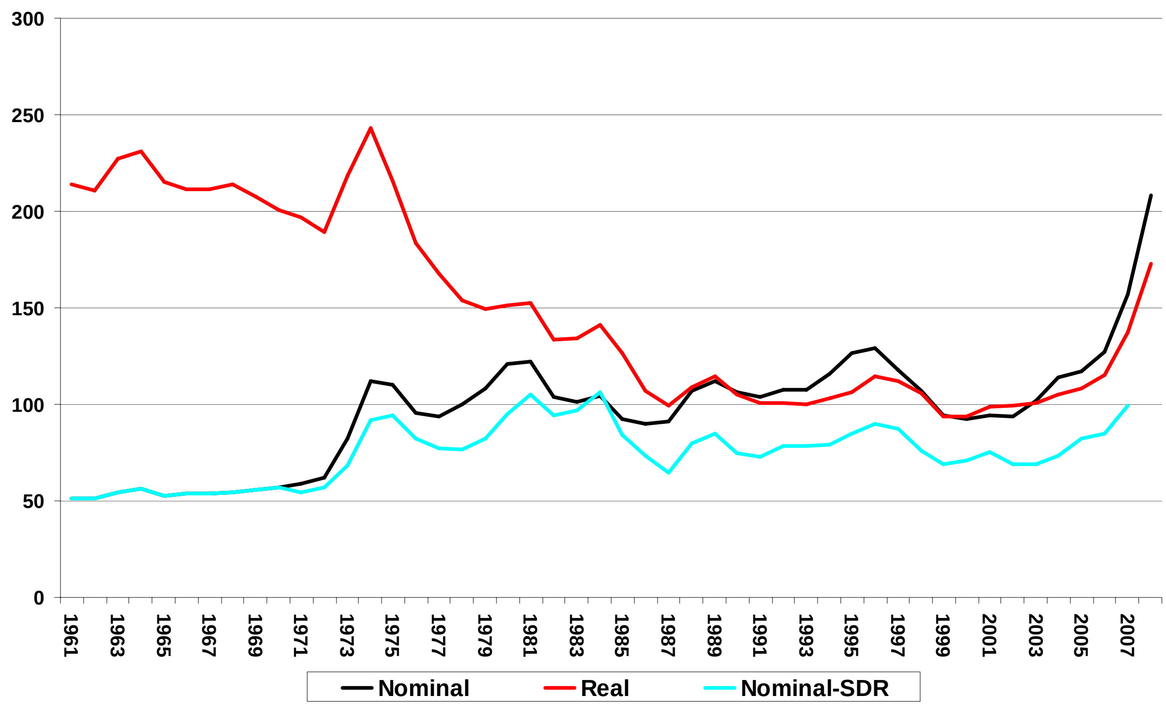


Figure 3: Global cereal stocks and stock-to-utilisation ratio

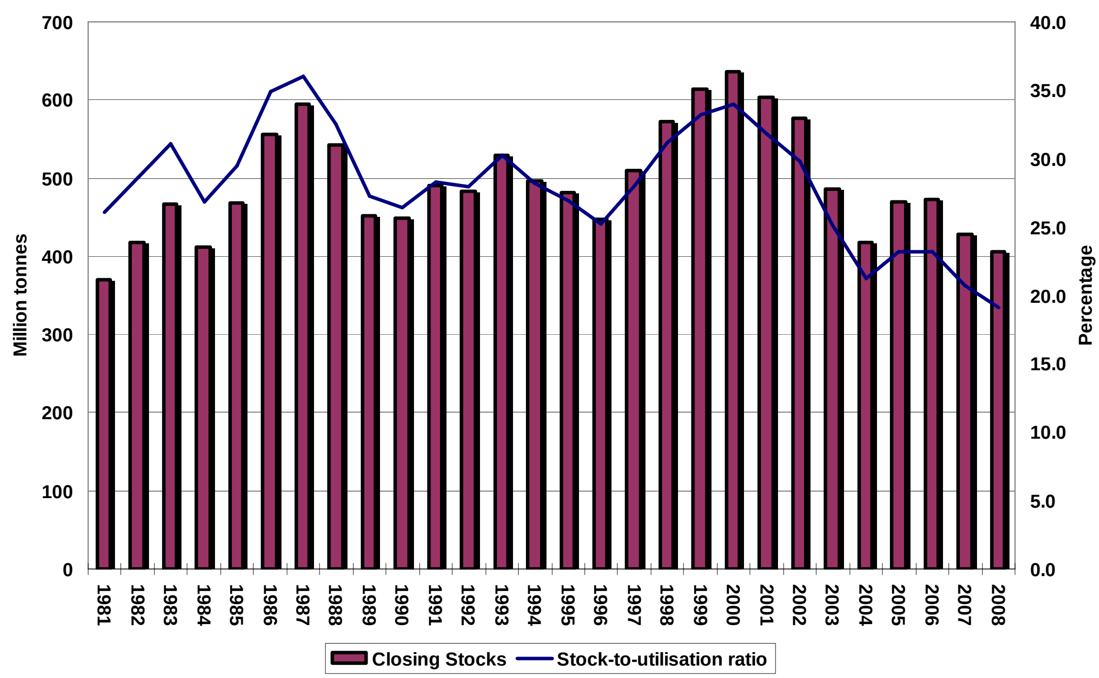


Figure 4: Food Price Forecasts

Figure 1 Food Price Forecasts

Average of forecasts of EIU, FAPRI, IFPRI, OECD/FAO, USDA and World Bank (2000=100)

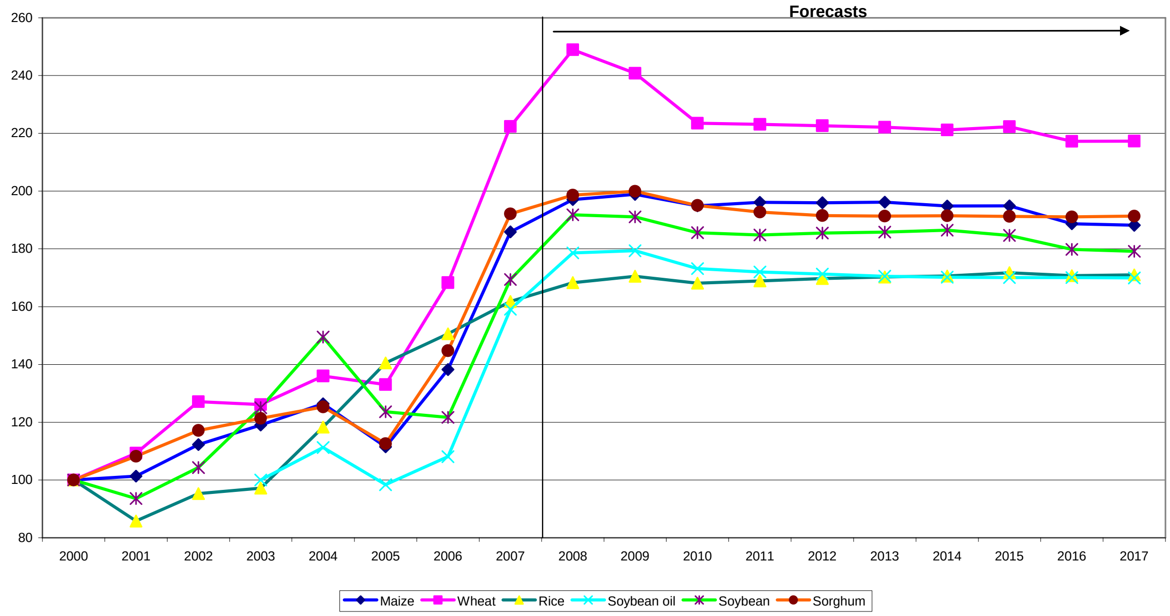
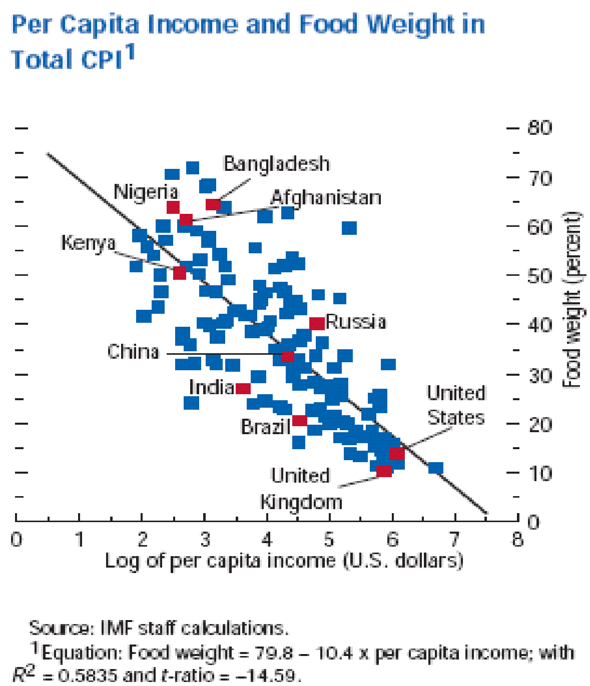


Figure 5: Weight of food in the consumer price index and per capita income



Source: IMF, World Economic Outlook, October 2007

ENDNOTES

[1] See Economist Intelligence Unit, *World Commodity Forecasts: Food, feedstuffs and beverages*, November 2007; Food and Agricultural Policy Research Institute, *2008 World Agricultural Outlook*, 2008; OECD-FAO, *Agricultural Outlook 2007-2016*, 2007; United States Department of Agriculture, *Agricultural Projections until 2017/18*, February 2008 (US price forecast only); and World Bank, *Global Economic Prospects*, *2008*, 2008.

[2] BRIC stands from Brazil; Russia; India; and China.

[3] William Cline: "Global Warming and Agriculture: New Country Estimates Show Developing Countries Face Declines in Agricultural Productivity". Center for Global Development - Brief (October 2007)

[4] David Lobell, Marshall Burke, Claudia Tebaldi, Michael Mastrandrea, Walter Falcom, and Rosamond Naylor "Prioritizing Climate Change Adaptation Needs for Food Security to 2030". See also F. N. Tubiello and G. Fischer 2007 "Reducing climate change impacts on agriculture: Global and regional effects of mitigation", 2000-2080 *Technological Forecasting and Social Change* 74:1030-56 and IPPC *Climate Change 2007: Impacts, Adaptation and Vulnerability*.

[5] See FAO 2007 *ibid*.

[6] In sub-Saharan Africa, surveys in Ethiopia, Kenya, Mali, Mozambique, Rwanda, Senegal, Somalia, Tanzania, Zambia, and Zimbabwe between the mid 1980s and 2002 found that in no country were more than half of the smallholders net sellers of staples; the modal figure is closer to one-third (from Staatz and Dembélé (2007), *Agriculture for Development in Sub-Saharan Africa*, WDR 2008 Background Paper).

[7] In Bangladesh, for example, households are known to reduce non-rice expenditures in the face of rising rice prices. This substitution has a strong effect on nutritional status because of the high micronutrient content of non-rice foods, such as fruit, vegetables, eggs and fish. Non-rice food expenditures are strongly correlated with the percentage of underweight children ($r = -0.91$).