



INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
sustainable solutions for ending hunger and poverty

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PRESS RELEASE

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<http://www.ifpri.org/pubs/agm08/jvb/jvbagm2008.pdf>

Food Price Crisis and Financial Crisis Present Double Threat for Poor People

*IFPRI projects more undernourished children
if there is a global recession and decreased agricultural investment*

Maputo, Mozambique—The combined impact of low economic growth and decreased investments in agriculture could cause major increases in malnutrition in developing countries, according to new analysis by the International Food Policy Research Institute (IFPRI). The result could be 16 million more undernourished children in 2020. These findings were released today at the annual general meeting of the Consultative Group on International Agricultural Research (CGIAR).

Many developing regions have experienced high economic growth in recent years. Between 2005 – 2007, developing countries in Asia grew at an annual average rate of nine percent, while African economies grew at six percent. In 2008, however, with the onset of the food and financial crises, that robust growth has tapered off.

“The current crises are likely to have strong and long-lasting effects on emerging economies and the people most in need,” said Joachim von Braun, director general of IFPRI.

“The unfolding global financial crisis and economic slowdown have eased some pressure on

food prices, but they also significantly reduce the income-earning opportunities for poor people. Even before the world food crisis, the poorest of the poor were struggling to survive. Poor people spend 50 to 70 percent of their income on food and have little capacity to adapt as prices rise and wages for unskilled labor fail to adjust accordingly. The financial crunch lowers the real wages of poor workers, and leads to rising unemployment.

“The financial crunch has also constrained the availability of capital at a time when greater investment in agriculture is urgently needed,” von Braun continued.

IFPRI developed projections to track changes in the production and consumption of major food commodities between 2005 and 2020 if there is a world recession that reduces economic growth between two to three percent (depending on the region). In this scenario, the projections assume that agricultural investment and productivity also decline, in line with the reduced economic growth.

Compared to a baseline scenario in which high economic growth continues and productivity and investments in agriculture are maintained, IFPRI finds that the cumulative effect of reduced growth, investment, and productivity would lead to increases in the prices of basic staples. By 2020, rice prices would rise by 13 percent, wheat by 15 percent, and maize by 27 percent, compared to the baseline scenario, and 16 million more children would be malnourished.

“When economic growth declines, investment in agriculture is typically cut back and that hurts production in the long-run,” said Mark Rosegrant, director of Environment and Production Technology at IFPRI. “However, if developing countries and investors can maintain agricultural productivity and investments under a recession, these dire consequences can be avoided. We

need more public spending in R&D, irrigation, and productive services in developing country agriculture, now.”

In an alternative scenario, the research finds that if economic growth is reduced, but investment in agriculture and productivity are maintained, grain would be much more affordable, per capita calorie consumption would be much higher, and there would be significantly fewer malnourished children.

“More effort is needed to successfully resolve the food price crisis, build resistance to future challenges, and reduce poverty and hunger,” von Braun commented. “IFPRI recommends three priorities for action: (1) promote pro-poor agricultural growth, (2) reduce market volatility, and (3) expand social safety nets and child nutrition programs.

“Ultimately, our measure of success should not be defined by the price of food, but by the provision of adequate healthy food for all,” he said.

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The International Food Policy Research Institute (IFPRI) seeks sustainable solutions for ending hunger and poverty. IFPRI is one of 15 centers supported by the Consultative Group on International Agricultural Research, an alliance of 64 governments, private foundations, and international and regional organizations. Please visit our website at www.ifpri.org.