

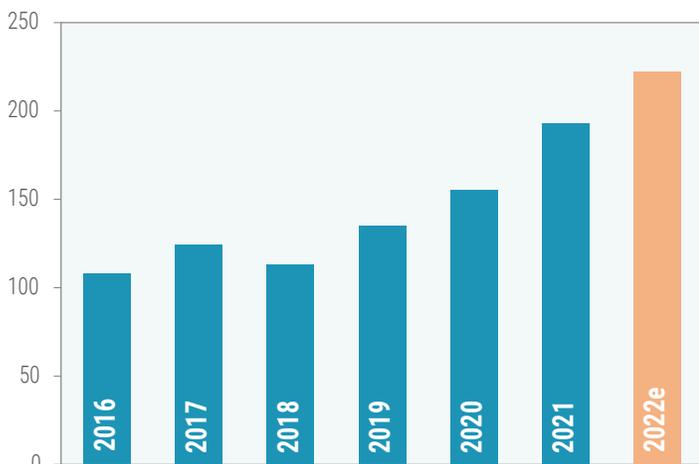
Economic downturn poses further risks for food security

Severe food insecurity continues to escalate across the world. The number of people affected by acute hunger nearly doubled between 2016 and 2021 (figure 1). In 2022, the number of people experiencing acute food insecurity (IPC/CH Phase 3 or above) and requiring urgent assistance is likely to climb to over 200 million across 53 countries and territories, up from 193 million in 2021. Almost a million people live in famine conditions (IPC/CH Phase 5), facing starvation and death – ten times more than six years ago. Afghanistan, Ethiopia, Nigeria, South Sudan, Somalia, and Yemen all have populations facing or projected to face starvation or at risk of reaching starvation (figure 2).

The impact differs by gender, with women being more food insecure than men in every region of the world. Women constituted an estimated 59 per cent of the 828 million people globally affected by chronic food insecurity last year,¹ with 150 million

¹ FAO (2022), The State of Food Security and Nutrition in the World. Chronic food insecurity refers to food insecurity that persists over time, largely due to structural causes. It differs from acute food insecurity which is any manifestation of food insecurity at a specific point in time that is of a severity that threatens lives, livelihoods or both, regardless of the causes, context or duration (see also, Food Security Information Network, Global Report on Food Crises 2022 Mid-Year Update, Rome).

Figure 1
Number of people in acute food insecurity in the world



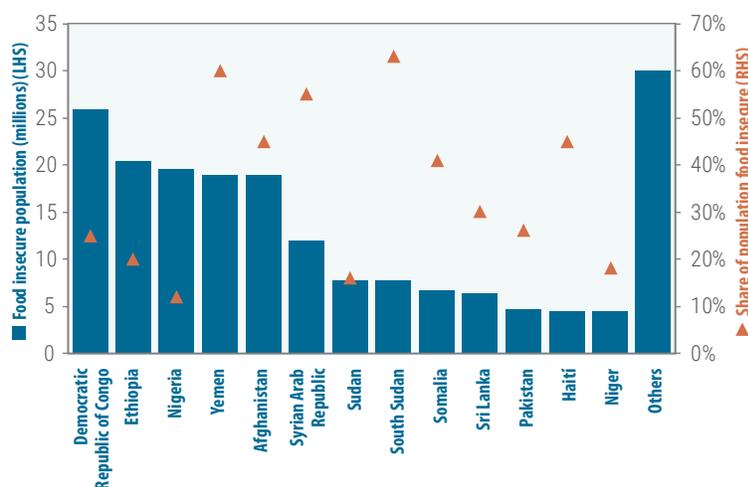
Sources: Global Report on Food Crises (GRFC) 2022 (page 6) and GRFC Mid-Year Update for latest 2022 estimate.

Note: Bars represent the sum of IPC Acute Food Insecurity phases 3 (crisis), 4 (emergency), and 5 (catastrophe/famine) or equivalent.

KEY MESSAGES

- » Acute food insecurity is rising globally. The number of people affected by hunger has nearly doubled in the past five years, with women more food insecure than men in every region of the world.
- » Rising global food prices caused by high and volatile global agricultural and hydrocarbon prices, monetary tightening measures by major economies and mounting macroeconomic risks in developing economies can further affect food access in many countries.
- » As the world falls further behind from its goal of ending hunger (SDG 2), countries must act to protect open and stable global food trading systems and urgently provide targeted humanitarian action to save lives and livelihoods.

Figure 2
Projected number of people in acute food insecurity, 2022

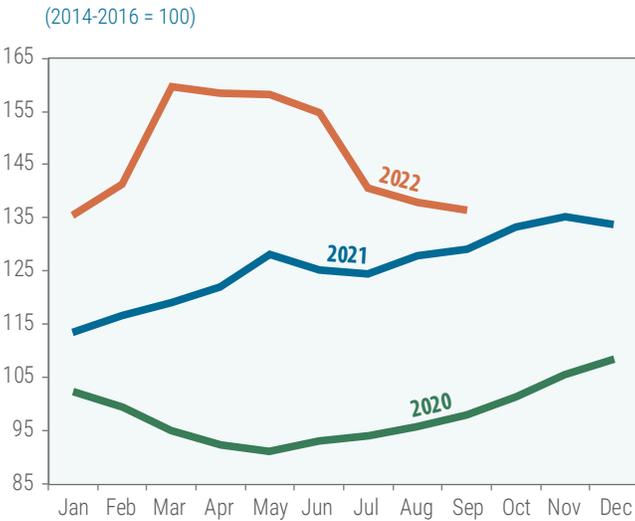


Source: UN DESA, based on data from WFP and FAO.

Note: Data is based on the most recent projections. Bars represent the sum of IPC Acute Food Insecurity phases 3 (crisis), 4 (emergency), and 5 (catastrophe/famine), as well as severely and modestly food insecure categories. "Others" includes the following countries: Burkina Faso, Central African Republic, Chad, Guatemala, Honduras, Kenya, Malawi, Madagascar, Mali, Mauritania and Zimbabwe.

Figure 3

Monthly food prices



Source: UN DESA, based on data from FAO.

more women facing food insecurity than men.² The disparity between women and men is also growing. The gender gap in food security widened 8.4 times since 2018 and it is expected to grow with the compounding impacts of the COVID-19 pandemic, the war in Ukraine, and rising food and energy prices.³

International food prices are declining but remain at historic highs

Acute hunger often occurs in places subject to conflict and violence (both on the rise in 2022) and in areas vulnerable to intensifying extreme weather events such as droughts, storms and floods. Of particular concern is the drought in the Horn of Africa, the worst in 40 years, affecting millions of people across Ethiopia, Kenya and Somalia for two consecutive years now. Economic factors are also posing significant barriers to food access in many countries. In particular, elevated global prices for agricultural commodities and hydrocarbons continue to cause increases in domestic food and energy prices.

Though agricultural commodities prices have returned to their pre-war levels, retreating from the highs reached in March 2022 as a result of the war in Ukraine, they remain high historically. The FAO Food Price Index⁴ registered 136.3 points in September, over 20 points (14.7 per cent) below the record level of 159.7 points

² CARE (2022a), Food Security and Gender Equality: A synergistic understudied symphony.

³ Evidence suggests that gender inequality is a further driver of food insecurity and that reducing the former would reduce the latter. See CARE (2022a) and CARE (2022b), The Impact of Commodity Price Hikes on Poor and Extreme Poor Households.

⁴ The FAO Food Price Index is a Laspeyres price index, which is calculated as the trade-weighted average of the prices of food commodities spanning the key agricultural markets for cereals, vegetable oils, sugar, meat and dairy products.

Figure 4

Annual food prices

(weighted index 1990=100)



Source: UN DESA, based on EIU's Food, feedstuffs and beverages index, a weighted price index of 13 soft commodities (beverages 20%, grains 46.4%, oilseeds 28.6% and sugar 4.9%).

Note: 2022 is partially estimated. 2023 and 2024 are forecasts as of 1 October 2022.

in March, but still 7.2 points (5.5 per cent) higher compared to the same month of the previous year (figure 3). In 2021, food prices were already high, having witnessed the greatest increase in a single year since 1990, both in nominal and real terms, on account of supply-chain disruptions, adverse weather events and recovering global demand.

The recent decline in food prices was driven by improved supply conditions and macroeconomic factors, including rising interest rates and global recession concerns as well as the effects of the Black Sea Grain Initiative, a UN-brokered deal that enabled the resumption of Ukrainian grain exports through the Black Sea.⁵ Since 1 August 2022, the deal has allowed more than 350 ships to safely cross the Black Sea, shipping over 9 million metric tons of grains and other foodstuffs to global markets, more than half to developing countries, such as Egypt, India, Iran, Kenya, Lebanon, Somalia, Sudan, Turkey and Yemen. Nearly 20 per cent of wheat exports have gone to least developed countries (LDCs) with vulnerable populations.⁶ Exports of Ukrainian agricultural products have subsequently recovered to around pre-war levels.

International food prices remain vulnerable though to sudden changes in geopolitical and environmental conditions, especially in major food exporting countries. Cereal prices increased in September, driven by heightened uncertainty regarding the Black Sea Grain Initiative's continuation beyond November 19th,⁷ by

⁵ The Russian Federation and Ukraine together account for 30 per cent of global trade in wheat and 50 per cent of trade in sunflower oil, almost all of which is routed through Black Sea shipping routes.

⁶ UNCTAD (2022), A trade hope: The role of the Black Sea Grain Initiative in bringing Ukrainian grain to the world.

⁷ Following the Russian Federation's suspension of participation in the Black Sea deal on October 29th, wheat futures rose sharply, and corn and soybean prices also rose.

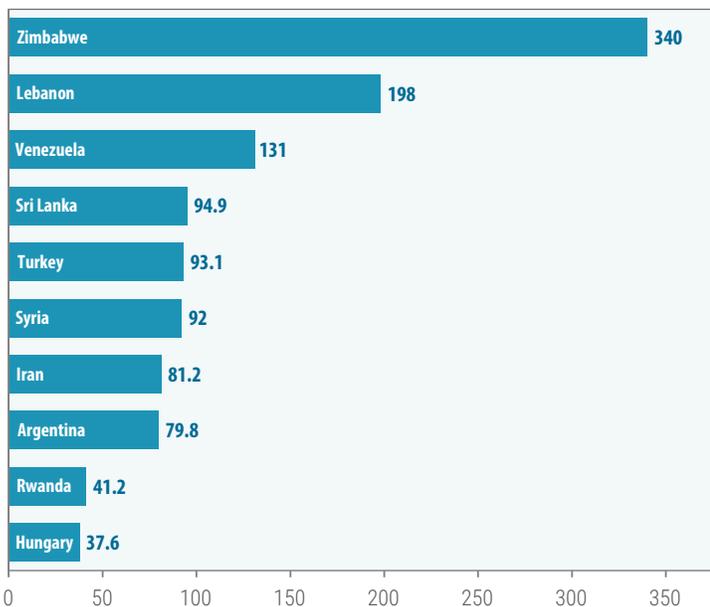
export policy changes in major producers of rice and by production disruptions due to severe floods.⁸ Backtracking on the Black Sea grain deal would further escalate the food security crisis, especially among the poorest developing countries, which source significant amounts of goods from Ukraine and Russia.

Export restrictions being implemented by several countries also compound the effects of elevated prices. Trade policy actions on food and fertilizers have risen sharply since the start of the war in Ukraine. This adds to trade measures implemented to respond to potential domestic food shortages at the beginning of the COVID-19 pandemic. Though restrictions have decreased since May, eighteen countries have enacted 25 food export bans, and eight are implementing 11 export-limiting measures, as of 3 October 2022.⁹

Looking ahead, global food prices are expected to remain markedly above the levels of recent years (*figure 4*). Though food prices are expected to ease in 2023–2024 due to fewer supply-chain disruptions, especially in the Black Sea, and increasing production volumes of agricultural commodities, the medium-term outlook remains uncertain. Upside risks could push up food prices again and increase food insecurity, due to renewed export restrictions or droughts in major exporting countries, such as parts of China

Figure 5
Food price inflation

(per cent, year-on-year)



Source: UN DESA, based on data from Trading Economics and WFP Syria Country Office Market Price Watch Bulletin August 2022.

Note: Data for the latest month between June and September 2022 for 10 countries with the highest rates.

⁸ FAO Food Price Index as of 7 October 2022.

⁹ International Food Policy Research Institute (IFPRI), COVID-19 Food Trade Policy Tracker.

and the United States. Delayed pass-through from higher fertilizer prices, reflecting reduced availability of fertilizers produced in Belarus and the Russian Federation, would adversely impact crop yields in 2023 and beyond, thus putting upward pressure on food prices.

High domestic food inflation is squeezing household budgets across the world

Despite a decline in international food prices in recent months, domestic food inflation rates continue to rise across countries, hitting developing economies especially hard. Food price inflation data for the latest month between June and September 2022 shows high inflation in almost all developing countries, especially the most vulnerable. About 89 per cent of LDCs, 93 per cent of landlocked developing countries (LLDCs) and 94 per cent of small island developing States (SIDS) have seen food inflation levels above 5 per cent, with many observing double-digit inflation. In 65 economies globally, year-on-year food inflation surpassed 15 per cent in the most recent available figures.

The economies affected most are in East and Southern Africa, Europe, South America, and South and Western Asia (*figures 5*), with currency depreciation playing a large role for most countries as it becomes costlier to import food and agricultural materials such as fertilizers (*figure 6*). Overall, the economies most impacted are those with diets based on foods that saw major price gains such as wheat and corn, those more dependent on the importation of food, and those with diets based on foods with large pass-throughs from global to local prices. Of particular concern are lower-income economies, where the pass-through from global to domestic food prices is relatively high, as compared to industrialized economies, in part because food commodities have a higher cost share in food consumer prices.¹⁰

Beyond food prices, elevated energy prices have also weighed on household incomes and government budgets in net energy importers, raising energy and transportation bills and domestic price levels. Crude oil and natural gas prices rallied for most of the year, having reached the highest levels of the past decade before recently easing due to enhanced risks of economic recession in several major economies. However, energy prices are expected to remain relatively high, at more than 50 per cent above their five-year average through 2024,¹¹ amid tightening markets for liquefied natural gas worldwide and supply cuts by major oil producers, among other factors, adversely affecting inflation and households' purchasing power. Additionally, high natural gas prices raise the price of fertilizer, which induces farmers to ration its use, lowering crop yields and potentially leading to higher food prices.

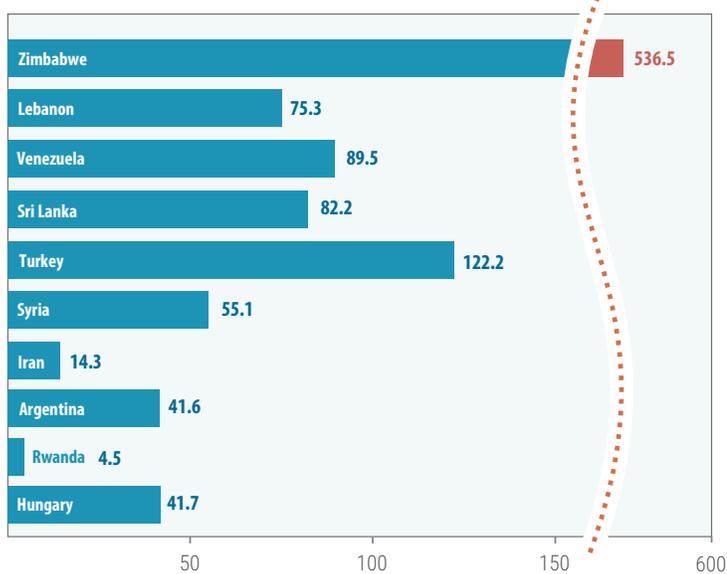
¹⁰ International Monetary Fund (2022), World Economic Outlook: Countering the Cost-of-Living Crisis. Washington, D.C., October.

¹¹ World Bank (2022), Commodity Markets Outlook: Pandemic, war, recession: Drivers of aluminum and copper prices. Washington, D.C., October.

Figure 6

Currency depreciation against the US dollar

(per cent, year-on-year)



Source: UN DESA, based on data from Bloomberg, Central Bank of Sri Lanka, National Bank of Rwanda, Reserve Bank of Zimbabwe and Trading Economics.

Monetary measures and fiscal challenges are affecting the growth outlook and food security

The move in major developed economies to a tighter monetary policy stance prompted by rising domestic inflation rates has raised borrowing costs and prompted outflows of capital in developing countries.¹² Developing economies with large current account deficits and elevated debt levels are among the most vulnerable. Together with the risks of recession or significant slowdown in large trade partners, including the European Union and China, these developments are raising macroeconomic risks for developing countries.

A significant deterioration of the economic outlook across the developing world could entail significant consequences, as it would further affect the capacity of these countries to cope with the ongoing food security crisis. Paying for the import of essential products while simultaneously servicing debt is becoming increasingly challenging in many economies. Higher borrowing costs could lead to the exhaustion of foreign exchange reserves in cases where debt servicing would require their use, eventually leading to the restriction of essential imports. Additional hikes to interest rates in advanced economies are likely, given that domestic inflation is not yet under control in many countries, and could further destabilize developing economies. Almost one in every two LDCs and more than one in every three SIDS and LLDCs are at high risk of, or already in, debt distress (table 1). Numerous economies have sought external support from multilateral organizations such as the International Monetary Fund or bilateral donors.

¹² United Nations (2022). Monthly Briefing on the World Economic Situation and Prospects No. 165, Department of Economic and Social Affairs, New York, 3 October.

Faced with shrinking fiscal space, governments are compelled to curtail public spending, adversely impacting disposable income and purchasing power. Moving towards fiscal austerity could derail already weak economic recoveries and worsen the negative social impacts from the pandemic and the food security crisis.¹³ Already, poverty and severe hunger are growing along with the risk of social unrest due to rising socioeconomic difficulties. In areas in Southern Africa and Western Asia, protests against the rise of food and energy prices are adding to pre-existing political grievances and could aggravate existing conflicts.

International cooperation and domestic measures can improve access to food

The current unprecedented global food crisis presents a major obstacle to sustainable development. The UN has warned that the world is falling further behind from its goal of ending hunger, food insecurity and malnutrition in all its forms by 2030 (SDG 2). Funding shortfalls and rising operational costs have reduced humanitarian assistance across many hunger hotspots. Without additional funding, humanitarian assistance is likely to be further reduced in the short-term.¹⁴ Targeted humanitarian action is urgently needed to save lives and livelihoods and prevent starvation and death.

In terms of economic policy, the events of recent years have come to highlight the important role of stable and functional global food markets and of adequate measures to deal with unavoidable price volatility. These measures include food and cash support targeted to those particularly exposed to higher energy and food prices such as children and the elderly, automatic stabilizers such as unemployment insurance, and the stockpiling of international food supplies. In the current context, careful policy design is required to avoid inflationary measures, such as broad subsidies and broad price caps that could increase demand significantly and disincentivize supply, potentially leading to rationing and parallel markets.

Table 1

Debt distress in LDCs, SIDS and LLDCs

Risk of debt distress	Least developed countries (LDC)	Small island developing States (SIDS)	Landlocked developing countries (LLDC)
In debt distress (A)	6	2	3
High (B)	16	13	8
Total no. countries in group	46	38	32
A+B as share of group	48%	39%	34%

Source: UN DESA, based on data from IMF List of LIC DSAs for PRGT-Eligible Countries as of September 30, 2022.

¹³ United Nations (forthcoming), World Economic Situation and Prospects 2023, Department of Economic and Social Affairs, New York.

¹⁴ Food Security Information Network, Global Report on Food Crises 2022 Mid-Year Update, Rome.

International food trade is beneficial to consumers as it provides increased product diversity, more stable and more sophisticated markets, and can shield consumers from volatility in local production. Measures in favour of autarky deteriorate the global food trading system and can increase the ecological footprint of agricultural products due to land change or more intensive agricultural techniques. Policy action to sustain open trade is needed to alleviate the food crisis, including the phase out of export restrictions implemented by main food producers, to permit the movement of food from surplus regions to regions facing food deficits due to economic challenges, extreme weather events, unrest or other disruptions.