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**NEWS RELEASE**

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## **Global Food Prices Remain High and Volatile Affecting Poorest Countries the Most**

*Floods in Thailand add further uncertainty. Food crisis in the Horn of Africa continues*

**WASHINGTON, November 1, 2011**—Global food prices remain high and volatile, hitting the poorest countries hardest and adding to the strains facing the global economy, according to the World Bank Group's new *Food Price Watch* released ahead of the G-20 Summit in Cannes, France. While the Bank's food price index has dropped 5 percent from its February 2011 peak and dipped marginally in September by one percent, it remains 19 percent above its September 2010 levels.

*"The food crisis is far from over,"* said World Bank Group President **Robert B. Zoellick**, who has urged the G-20 to put food first. *"Prices remain volatile and millions of people around the world are still suffering. The World Bank has been working closely with the French Presidency of the G-20 and our partner international organizations on actions to protect the most vulnerable from the dangers of food price volatility, while also addressing some of its root causes. Let's remember, averting crisis is not just about banks and debt. Millions of people around the world face a daily crisis of hunger and malnutrition. At Cannes, the G-20 can and should take steps to address their needs."*

The Group of 20 heads of government, who are meeting in Cannes Nov. 3– 4 to discuss the global economy, are expected to endorse a package of concrete actions to improve transparency and policy coordination to detect and correct problems early; to help countries manage price volatility using sound risk management tools; to promote more productive and resilient agriculture; and to get food to the needy fast through emergency regional humanitarian food reserves and agreement not to ban exports of food for World Food Programme. As the world population reaches a staggering 7 billion people, it is more important than ever for the global community to galvanize around actions to improve food security.

According to *Food Price Watch*, a quarterly report, recent floods in Thailand—the worst in 50 years—may add uncertainty in the short run following estimated production losses of between 16 to 24 percent of total production. In the meantime, the food crisis in the Horn of Africa continues, affecting over 13.3 million people in the region—an additional million since August, and the outlook remains frightening.

The report said prices of grains rose 30 percent (September 2010–September 2011), with maize increasing by 43 percent, rice by 26 percent and wheat 16 percent. Soybean oil went up by 26 percent. Over the last quarter, however, an increase of 3 percent in the price of grains was roughly offset by a 3 percent decline in the prices of fats and oils.

Volatility, which is higher in low income countries, is expected to persist in the medium term due to multiple global and domestic factors. Structural factors contributing to the volatility include rising populations and

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changing diets, increasingly intertwined relations between food and energy prices, and increasing production of biofuels.

On the other hand, a favorable outlook on supply and stocks is likely to relieve some of the pressure on global food prices. Latest forecasts show global wheat stocks reaching a 10-year high in 2011-12, global production of maize to rise by 4 percent from increased production in Argentina, Brazil, China, Russia, and Ukraine. Global rice output is also likely to get a boost in 2011-12 due to an expected bumper harvest in India following very favorable monsoon rains.

These production gains in some markets underscore the critical need to keep international markets open, to get food where it is needed, provide incentives to farmers who expand production, and avoid panic behavior created by export bans.

While a troubled global economy could dampen demand and push food prices down, the effect on developing countries would be mixed—hurting food exporting countries and poor producers in rural areas, and benefiting food importers and consumers. The problem, *Food Price Watch* warns, is that developing countries might have now limited resources to protect vulnerable populations following the economic crisis and stimulus spending.

In addition, fears associated with the global economy may affect medium to long-term investments in agricultural research and more productive agricultural techniques, especially amid persistent volatility.

Among the ongoing efforts to improve volatility-related information, the G-20 agriculture ministers introduced the Agricultural Market Information System (AMIS), officially launched in September, to increase market transparency on the short-term global food outlook, especially stocks, and to identify abnormal international market conditions in order to prompt early responses.

#### How the World Bank Group is helping to put food first

- In the Horn of Africa, the World Bank Group is providing \$1.88 billion to save lives, improve social protection, and foster economic recovery and drought resilience. More than 13 million people are affected by the crisis.
- A first-of-its-kind World Bank Group risk management product, provided by the International Finance Corporation (IFC), will enable up to \$4 billion in protection from volatile food prices for farmers, food producers, and consumers in developing countries.
- The Global Food Crisis Response Program (GFRP) is helping some 40 million people through \$1.5 billion in support.
- The World Bank Group is boosting its spending on agriculture to some \$6 to \$8 billion a year from \$4.1 billion in 2008.
- Supporting the Global Agriculture and Food Security Program (GAFSP), set up by the World Bank Group in April 2010 at G-20's request, to assist country-led agriculture and food security plans and help promote investments in smallholder farmers. To date, six countries and the Gates Foundation have pledged about \$971.5 million over the next three years, with \$571 million received.

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- The World Bank Group is coordinating with UN agencies through the High-Level task Force on the Global Food Security Crisis and with NGOs.
- The World Bank Group supports the Consultative Group for International Agriculture Research (CGIAR), which it helped to establish in 1971. In 2008, the CGIAR with the support of the World Bank and other donors launched a reform process, which culminated in the adoption of a comprehensive strategy that determines the new global research programs and a new funding model that prepares CGIAR to absorb and attract vastly more program funding, with a target annual budget of \$1 billion by 2013, to which the World Bank contributes some \$50 million per year. With agriculture production needing to rise some 70 percent by 2050, and with a five- to ten-year window to develop new varieties and get them to farmers, increased funding from the international community for global research is critical.

**Contacts:**

*In Washington:* Alejandra Viveros, (202) 473-4306, [aviveros@worldbank.org](mailto:aviveros@worldbank.org)

*For Broadcast Requests:* Natalia Cieslik, (202) 458-9369, [ncieslik@worldbank.org](mailto:ncieslik@worldbank.org)

To access Food Price Watch, please click: <http://go.worldbank.org/26VBL9Q3F0>

Food Price Watch author, Jose Cuesta will take part in World Bank Live online discussion about Global Food Prices on Tuesday, November 8 at 10:00 am EST (15:00 GMT). Participate and submit questions in advance here: <http://live.worldbank.org/qa-global-food-prices-nov-2011>

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