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NEWS RELEASE

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High and Volatile Food Prices Continue to Threaten the World's Poor

WASHINGTON, April 14, 2011— Driven in part by higher fuel costs connected to events in the Middle East and North Africa, global food prices are 36 percent above their levels a year ago and remain volatile, pushing people deeper into poverty, according to new World Bank Group numbers released today.

“More poor people are suffering and more people could become poor because of high and volatile food prices,” said World Bank Group President **Robert B. Zoellick** at his press conference ahead of the Spring Meetings. *“We have to put food first and protect the poor and vulnerable, who spend most of their money on food.”*

According to the latest edition of the World Bank's *Food Price Watch*, a further 10 percent increase in global prices could drive an additional 10 million people below the \$1.25 extreme poverty line. A 30 percent price hike could lead to 34 million more poor. This is in addition to the 44 million people who have been driven into poverty since last June as a result of the spikes. The World Bank estimates there are about 1.2 billion people living below the poverty line of US\$1.25 a day.

The World Bank's food price index, which measures global prices, is 36 percent above its level a year earlier and remains close to its 2008 peak. Key increases compared to a year ago include maize (74 percent), wheat (69 percent), soybeans (36 percent) and sugar (21 percent), although rice prices have been stable. In many countries, vegetables, meats, fruits and cooking oil continued to rise with potentially adverse nutritional consequences for the poor.

Food prices have soared due to severe weather events in key grain exporting countries, export restrictions, the increasing use for biofuel production, and low global stocks. The food price hike is also linked to surging fuel prices -- crude oil increased 21 percent in the first quarter of 2011 as a result of unrest in the Middle East and North Africa.

According to *Food Price Watch*, poorer countries have experienced greater food inflation than higher income economies. In the Kyrgyz Republic, for instance, where the poorest 10 percent of the population spends 73 percent of their budget on food, food price inflation in 2010 was 27 percent. As a result, the number of people living below the poverty line could increase by 11 percentage points.

Measures to reduce the impact of high food prices on the poor include targeting social assistance and nutritional programs to the poorest, removing grain export restrictions, and relaxing biofuel mandates when food prices exceed threshold levels. Improving country capacity to manage volatility through financial market instruments, better weather forecasting, more investments in agriculture, the adoption of new technologies, such as rice fortification to make it more nutritious, and efforts to address climate change are also needed.

How the World Bank is helping

The World Bank has a multi-pronged approach to boost agriculture and food security.

In the short term, the World Bank's Global Food Crisis Response Program (GFRP) is helping some 40 million people in need through \$1.5 billion in support. Already, more than 40 low income countries are receiving, or will receive, assistance through new and improved seeds, irrigation, and other farm support and food assistance for the most vulnerable people. For example, in Benin, fertilizer provided through these resources led to the production of an extra 100,000 tons of cereal.

For the longer-term, the World Bank Group is boosting its spending on agriculture to some \$7 billion a year from \$4.1 billion in 2008.

In addition, we are supporting:

- The multi donor Global Agriculture and Food Security Program (GAFSP), set up by the World Bank in April 2010 at the request of the G20, to support country-led agriculture and food security plans and help promote investments in smallholder farmers. To date, six countries and the Bill & Melinda Gates Foundation have pledged about US\$925 million to the program over the next three years, with \$405 million received so far for the public sector and \$50 million raised for the private sector. Since its launch, GAFSP has approved grants worth \$321 million for eight countries -- Bangladesh, Ethiopia, Haiti, Mongolia, Niger, Rwanda, Sierra Leone and Togo. Seventeen more countries have prepared investment plans that the World Bank would like to help support.
- Advocacy for more investment in agricultural research, and for its improved effectiveness, including through the Consultative Group on International Agricultural Research.
- Monitoring agricultural trade to identify potential food shortages.
- Coordinating with UN agencies through the High-Level Task Force on the Global Food Security Crisis and with Non-Governmental Organizations.
- IFC has significantly scaled up its investments in the sector, providing nearly \$2 billion in fiscal 2010 along the agribusiness supply chain to boost agricultural production, increase liquidity in supply chains, improve logistics and distribution, and increase access to credit for small farmers.

The World Bank Group also supports wider measures to improve nutrition among vulnerable groups. Through Bank safety net programs such as conditional cash transfers, some 2.3 million school meals are provided every day to children in low income countries. The World Bank is also working with the World Food Programme to help feed 22 million children in 70 countries. Over the past decade, the World Bank has provided 98 million children with Vitamin A doses, information on improved child feeding practices, and de-worming.

To access Food Price Watch, go to:

http://www.worldbank.org/foodcrisis/foodpricewatch/april_2011.html

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