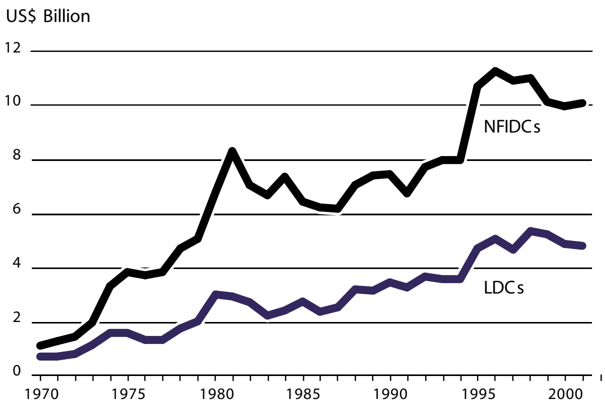
Food import bills of least developed countries (LDCs) and net food importing developing countries (NFIDCs)

SUMMARY

- *The food import bills of LDCs, and NFIDCs have been rising in both nominal and real terms; imports are a significant proportion of total calorie intake.*
- *Relative to national income and trade account measures, food import bills of LDCs and NFIDCs are significant.*
- *Highly variable international markets, and declining food aid create an increasingly vulnerable situation for many LDCs and NFIDCs.*

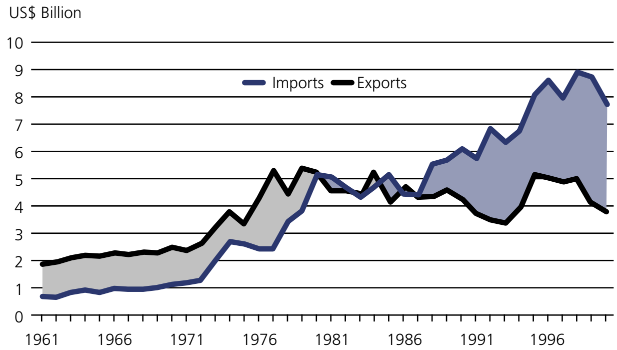
In 2001, the commercial food import expenditures of LDCs and NFIDCs were US$4.8 billion and US$10.1 billion respectively. These expenditures were down considerably from peaks reached in 1996, when food commodity prices were at cyclical highs. In real terms, and over a longer period, however, food imports to both groups of countries have been increasing over time at the annual rate of over 6 percent during recent decades. This trend is expected to continue.

Figure 1: Commercial food import bills



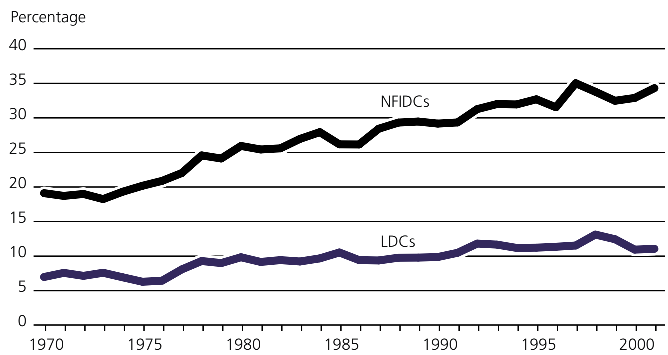
In fact, for all agricultural products, LDCs have been net importers of agricultural products since the early 1990s, as the value of their exports has also stagnated.[1] This agricultural deficit is expected to grow in future years. For certain LDCs in particular, full exploitation of domestic food supply potential, income growth and demand growth have been weak, particularly in Africa.

Figure 2: Least developed countries have become major net importers of agricultural products



Food imports are important in meeting the nutritional needs of LDC and NFIDC populations. While average calorie consumption of LDC populations is low, food imports now contribute 10-12 percent of intake. For NFIDC countries the average proportion is very high at 35 percent.

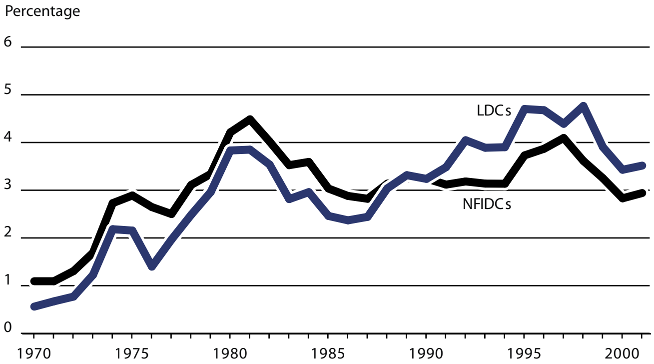
Figure 3: Share of food imports in total apparent food consumption



(calorie equivalent basis)

1 See World Agriculture Toward 2015/30, Chapter 9. FAO (2003)

Figure 4: Food import bill as a share of GDP

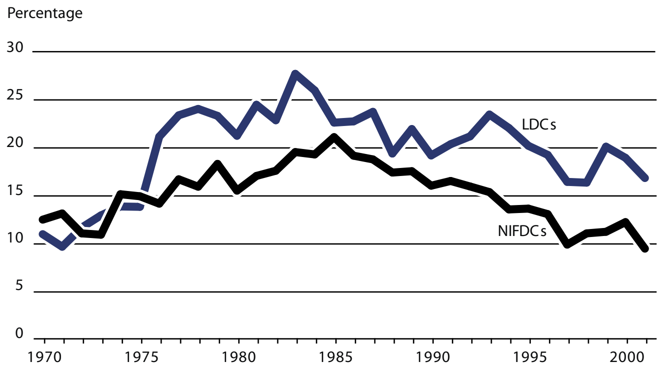


Compared to total Gross Domestic Product (GDP), food import bills are high for both LDCs and NFIDCs and during the high commodity price period in the late 1990s countries were on average spending as much as 5 to 6 percent of their GDP on food imports. For some individual countries, the proportion is significantly higher. For example, in the high commodity price periods around 1996-98, Sierra Leone spent 22-24 percent of its GDP on commercial food imports, Somalia 11-12 percent, and Haiti over 10 percent. Many food insecure countries do not have the income to afford importing food for their populations. Many countries must buy food in international markets, spend a significant proportion of their resources to do so, and be vulnerable to large variations in food prices, and macroeconomic conditions. Furthermore, food import bills constitute significant proportions of both the total import expenditures for these countries, as well as export revenues, which makes their trade accounts highly vulnerable to variations in commodity prices.

Along with increasing dependence and a growing proportion of income resources spent on food imports, food aid to LDCs and NFIDCs has been falling in relative terms. The ratio of food aid to food imports reached its peak in the 1980s at 28 percent for LDCs, and 20 percent for NFIDCs, but has fallen to about a half of that by 2001 (Figure 5). This development obviously has implications for the level of commercial imports in these countries, but underscores the implications of changes to international assistance levels.

International agricultural commodity markets are notoriously variable, often with large unpredictable upward swings in prices. International wheat prices for example, may suddenly increase 50-100 percent within months. For LDCs and NFIDCs facing such variability, in the context of a growing dependence on food imports, and a declining relative support from food aid, may have significant challenges in sustaining import levels needed to feed their populations. Such an environment may call for special attention, either in the form of direct assistance, institutional developments to handle such variability, for example price insurance, or development assistance to increase availability of substitute foods from domestic markets.

Figure 5: Ratio of the value of food aid to the value of food imports



Key challenges

- *To strengthen the domestic supply capacity of vulnerable LDCs and NFIDCs to limit their growing reliance on food imports, and diversify their export base;*
- *To improve and stabilize food aid assistance, recognizing its diminished role in meeting food security needs;*
- *To develop institutions which may help in stabilizing food import prices, through appropriate risk management instruments.*

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