

**Food security for the urban poor:
Mitigating the impact of food
price volatility**

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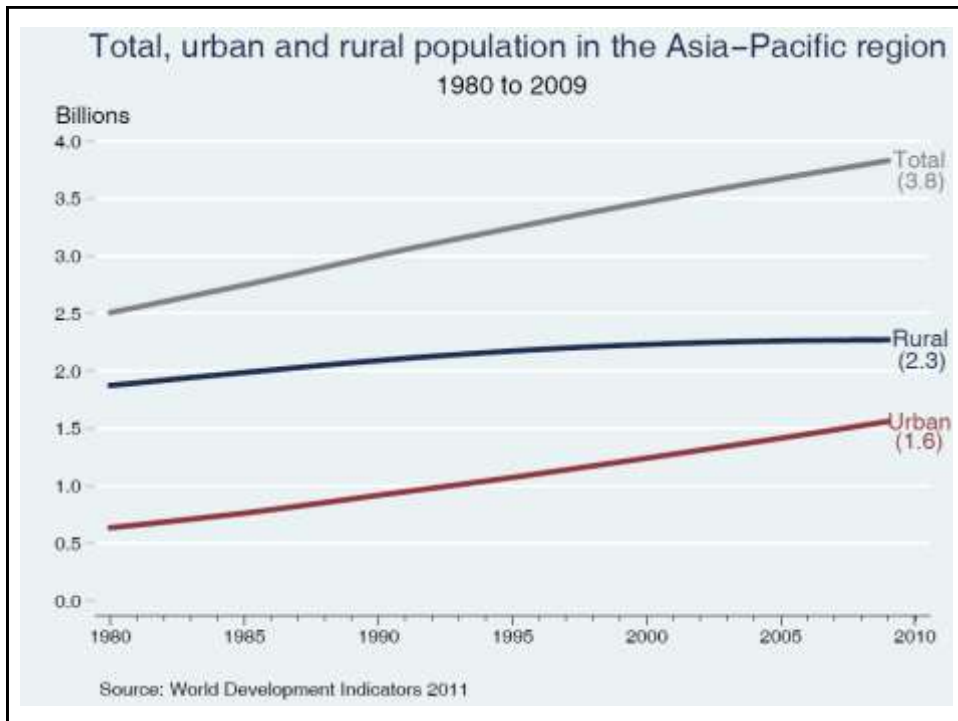
Ensuring Resilient Food Systems in Asian cities
Bangkok
17-18 Nov 2011

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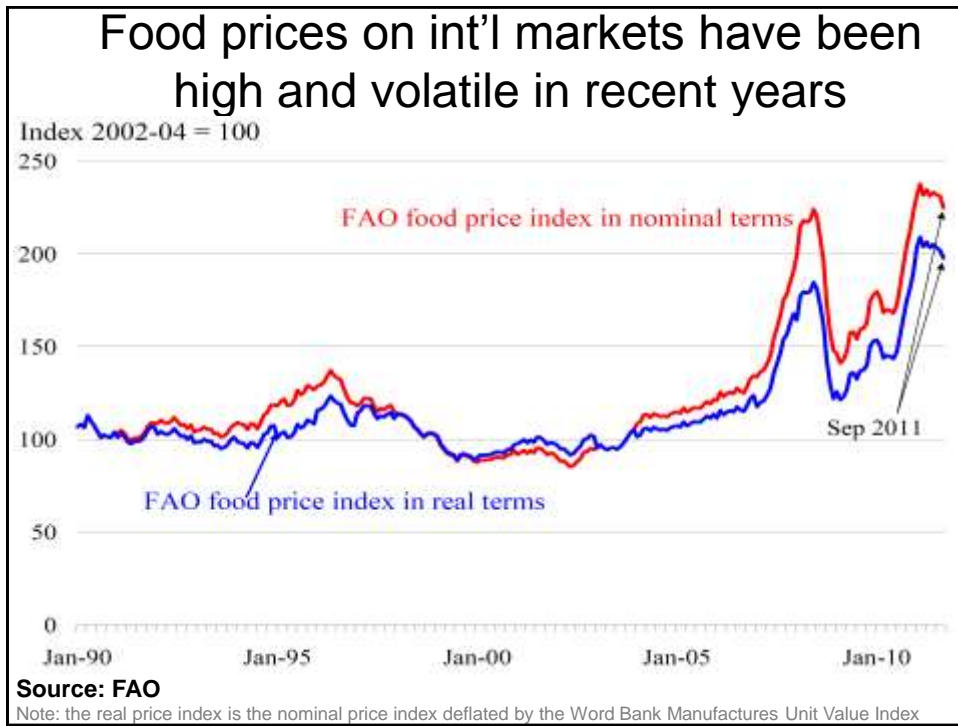
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Food security for the urban poor: Mitigating the impact of food price volatility

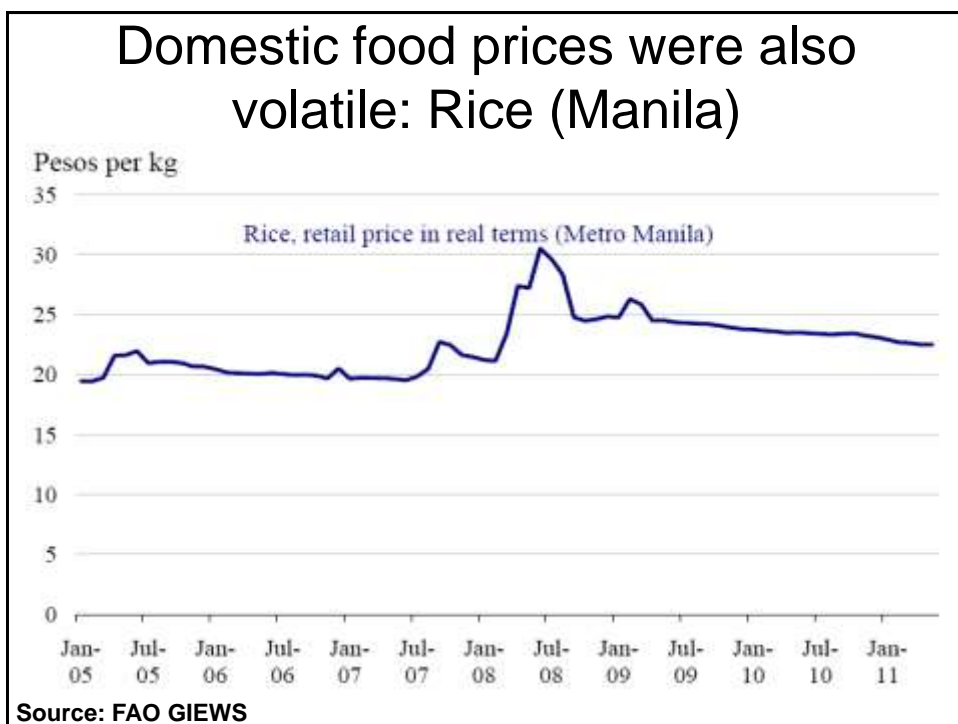
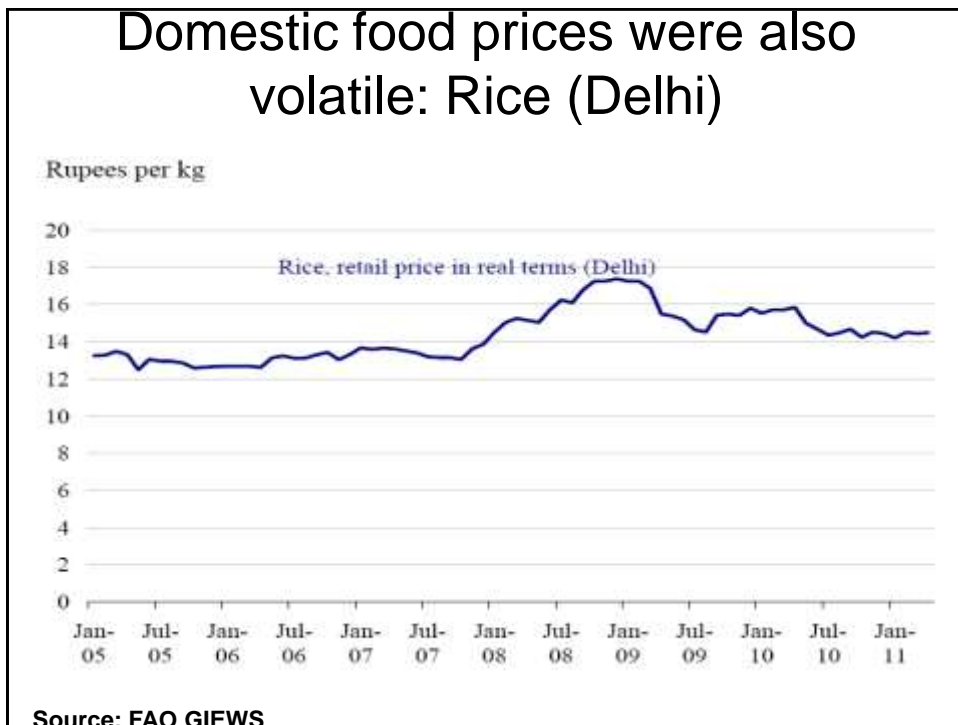


Urban poverty is less than rural poverty

Country	Year	Population below poverty line		Rur as % of tot pop
		Rural	Urban	
China	1990	74.1	23.4	72.6
China	2005	26.1	1.7	59.6
India	1994	52.5	40.8	74.5
India	2005	43.8	36.2	71.3
Indonesia	1990	57.1	47.8	69.4
Indonesia	2005	24.0	18.7	51.9

Source: ESCAP 2011. Statistical Yearbook for Asia and the Pacific



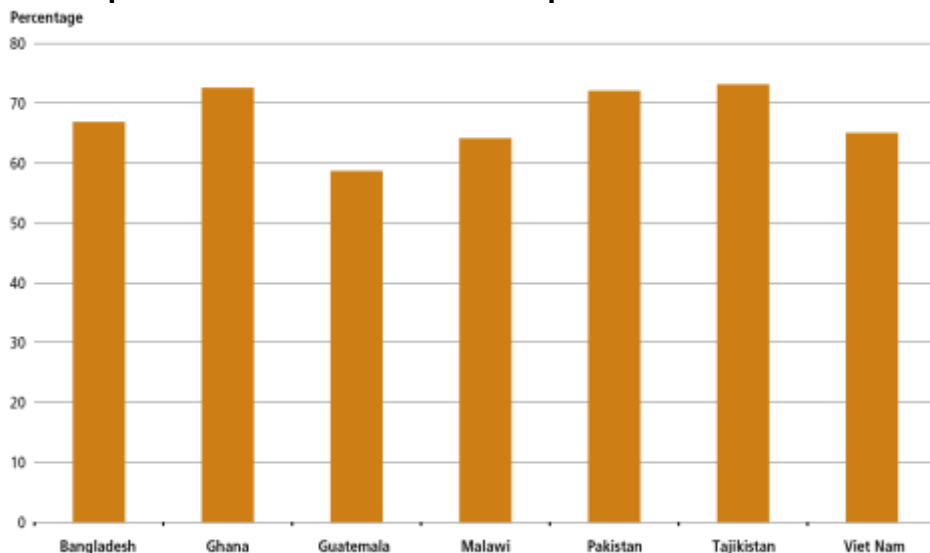


Impact of higher food prices:

Are households net buyers or sellers of food?

- Net food buyer: total value of food consumed is greater than total value of food produced
- Urban households are net food buyers – except for some who practice urban agriculture
- **Net food buyers are hurt by higher food prices and benefit from lower food prices**

What proportion of household budget of poor households is spent on food?



Source: FAO. State of Food Insecurity in the World, 2010

How do the urban poor cope with higher food prices?

- Sell assets or borrow in order to mitigate the decline in consumption
- Shift dietary patterns towards starchy foods, away from milk, meat, fruits and veg.
 - Colombo 2008: total household expend on food declined, yet expenditure on staples up nearly 60%, livestock products expend down 20%.
- Cut energy intake if so poor that can't afford same amount of calories at new prices.

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Poverty traps

- Reduce expenditures on health and education
 - Fewer visits to the doctor
 - Remove children from school in order to save on school fees
- Poverty trap because one time shock has effects that last a lifetime.

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Policy options to protect the urban poor

- Options to reduce price volatility
- Options to help poor households cope with price volatility
- Interventions can occur at international or domestic levels
- Interventions can be implemented by public or private sectors
- But need not fit into one category alone

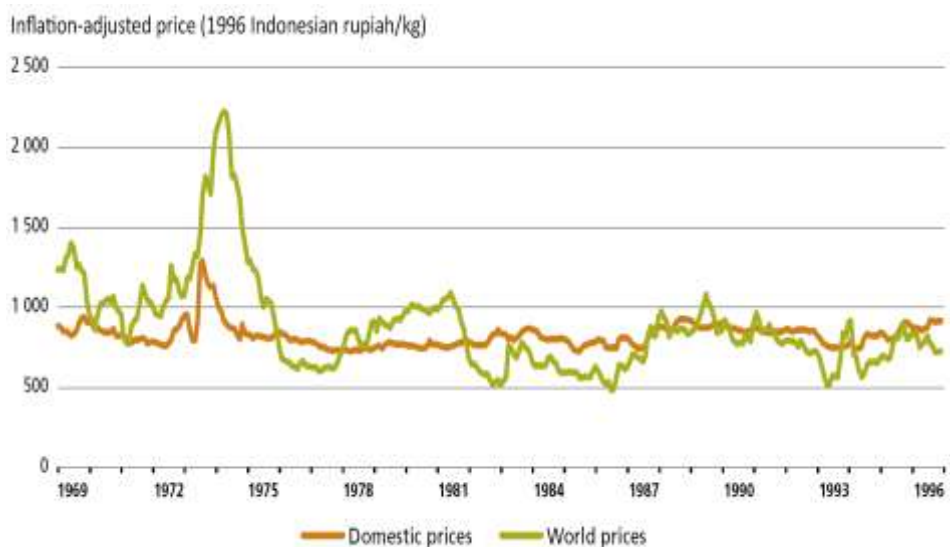
General principles for design of interventions

- Interventions should be cost effective
 - E.g. ensure that public funds are available for critical investments in education & health
- Allow private sector to play a critical and dominant role in efficient marketing system
- Gov't interventions should be predictable and shd take into account their impact on private sector behaviour
- Each country shd analyse its own circumstances and engage in policies appropriate to those circumstances

Policy options to reduce price volatility

- Asian countries stabilized food prices through a combination of:
 - international trade,
 - buffer stocks,
 - import or export monopolies
 - domestic procurement
- Example of Indonesia shows that prices can be stabilized
- But there are costs:
 - Interest costs and turnover costs for buffer stocks
 - Increased price volatility in int'l markets
 - Lower domestic prices reduce incentives to domestic producers

Rice price stabilization in Indonesia: Trade controls and buffer stocks



Source: FAO. *The State of Food Insecurity in the World, 2011*.

Major assumptions

- ❖ **Exogenous projections:**
 - Macroeconomic variables
 - Population
 - Crude oil price
 - Technology parameters and elasticities
- ❖ **Projection conventions:**
 - Normal climatic conditions
 - Trended yield development
 - Policies according to current legislation

Coping with food price volatility: Safety nets & emergency food reserves

- Targeted or universal delivery of benefits
- **Targeted safety-net mechanisms must be designed in advance and in consultation with the most vulnerable people**
- Types of safety net programmes
 - Food based
 - Fair price shops, or PDS in India
 - Food stamps
 - Cash based
 - Conditional cash transfers (e.g. *Oportunidades*)
 - Employment guarantee schemes (not many examples in urban areas)
 - Wages paid either in food or cash

General principles for design and operation of safety net programmes

- **Food based safety nets**

- Should be set up in advance and should be linked to early warning systems
- Specialized foods e.g. for small children should be stockpiled
- Size and location of reserve shd be carefully determined
 - Shd only be big enough to take care of emergency needs
 - Located in surplus areas?
 - Or located in deficit areas?
 - In how many locations

General principles for design and operation of safety net programmes

- **Food based safety nets (cont'd)**

- Food reserve agencies shd be given as much autonomy as possible
 - Stock purchases should not increase uncertainty for private traders
 - Agencies should try to cooperate across borders to pool risks more efficiently

- **Cash based safety nets**

- Can be more cost-effective
- Example of *Oportunidades* shows positive impact on children's health and education

Conclusions

- Urban populations are net food buyers
- Rely on pre-cooked and street foods
- Spend high proportions of income on food
- Very vulnerable to food price hikes
- Safety net programmes can help
- But safety nets are not well developed in Asia
- Critical: design safety net mechanisms even if not enough funds to implement immediately: planning ahead leads to better outcomes

Thank you!