

Food Price Hike Drives 44 Million People into Poverty

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WASHINGTON, February 15, 2011 – Rising food prices have driven an estimated 44 million people into poverty in developing countries since last June as food costs continue to rise to near 2008 levels, according to new World Bank Group numbers released ahead of the G20 Meeting of Finance Ministers and Central Bank Governors in Paris.

"Global food prices are rising to dangerous levels and threaten tens of millions of poor people around the world," said **World**

Bank Group President Robert B. Zoellick. *"The price hike is already pushing millions of people into poverty, and putting stress on the most vulnerable, who spend more than half of their income on food."*

According to the latest edition of **Food Price Watch**, the World Bank's food price index rose by 15 percent between October 2010 and January 2011, is 29 percent above its level a year earlier, and is only 3 percent below its 2008 peak.

Among grains, global wheat prices have risen the most, doubling between June 2010 and January 2011. Maize prices are about 73 percent higher, but crucially for many of the world's poor, rice prices have increased at a slower rate than other grains. Sugar and edible oils have also gone up sharply. Other food items essential for dietary diversity in many countries have increased, such as vegetables in India and China, and beans in some African countries.

According to **Food Price Watch**, the increase in extreme poverty (under US\$1.25 a day) due to the price hike is associated with higher malnutrition, as poorer people eat less and are forced to buy food that is both less expensive and less nutritious.

In contrast to the 2008 food price spike, two factors have prevented even more people falling into poverty this time. One is that good harvests in many African countries have kept prices stable, especially for maize, a key staple. Another is the fact that the increases in global rice prices have been moderate and the outlook for the rice market appears stable.

Measures to address the recent round of food price spikes include expanding nutritional and safety net programs in countries where food prices are rising fastest, avoiding food export restrictions, and finding better information on food stocks. More investments in agriculture, the development of less food-intensive biofuels, and climate change adaptation, are also needed.

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The World Bank's Global Food Crisis Response Program (GFRP) is helping some 40 million people in need through \$1.5 billion in support. To date, over 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 \$6-8 billion a year from \$4.1 billion in 2008.

In addition, we are supporting:

- The new 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 \$350 million received so far. Since its launch, GAFSP has approved and started disbursing grants worth \$321 million to 8 countries - Bangladesh, Ethiopia, Haiti, Mongolia, Niger, Rwanda, Sierra Leone and Togo.
- 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/food_price_watch_report_feb2011.html

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