

Responding to High World Food Prices:

**Evidence from Bangladesh, Nicaragua &
Sierra Leone ... and elsewhere**

**Power & Participation Research Centre, Dhaka
Nitlapan, Managua
CESPA, Freetown
&
the Hunger Alliance &
Overseas Development Institute**

Research Questions

- **What measures taken to respond higher food prices?**
 - How were they meant to work?
- **What experience of implementing them? ...**
 - cost, timeliness, capacity to reach targets?
- **How effective have they been?**
 - What impacts on prices, incomes, levels of production and consumption?
 - What social effects on intended beneficiaries?

Country Studies

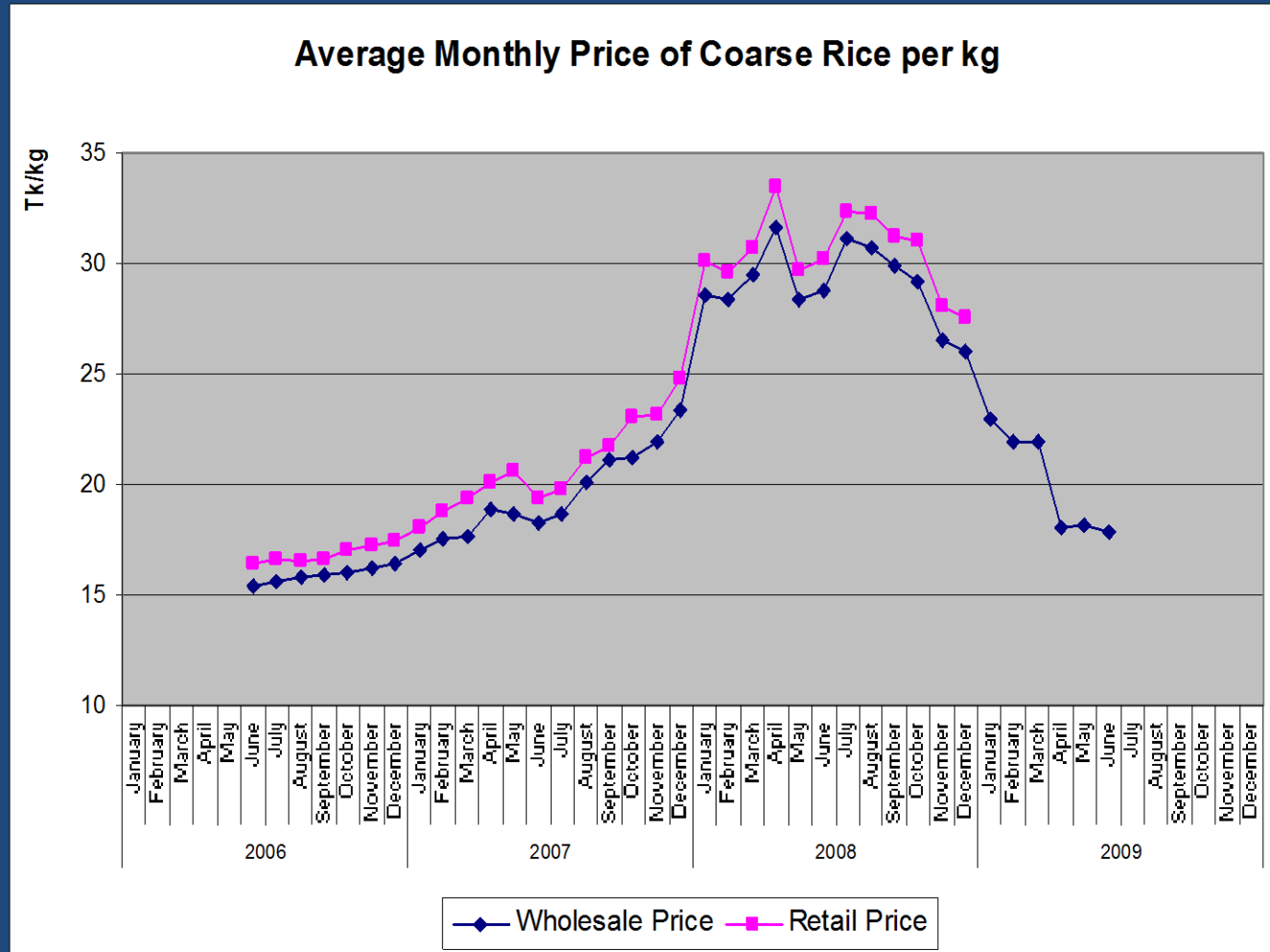


- **Secondary data & local literature**
- **Interviews key informants**
- **Focus groups of citizens**
- **Insights from other studies**
 - Asian experiences with price stabilisation (FAO)
 - East & Southern Africa responses (LEI, FAO)
 - Andean countries (IADB/BID)
 - Crisis Watch: qualitative insights Bangladesh, Indonesia, Jamaica, Kenya, Zambia (IDS)

Responding to:

- **Bangladesh**

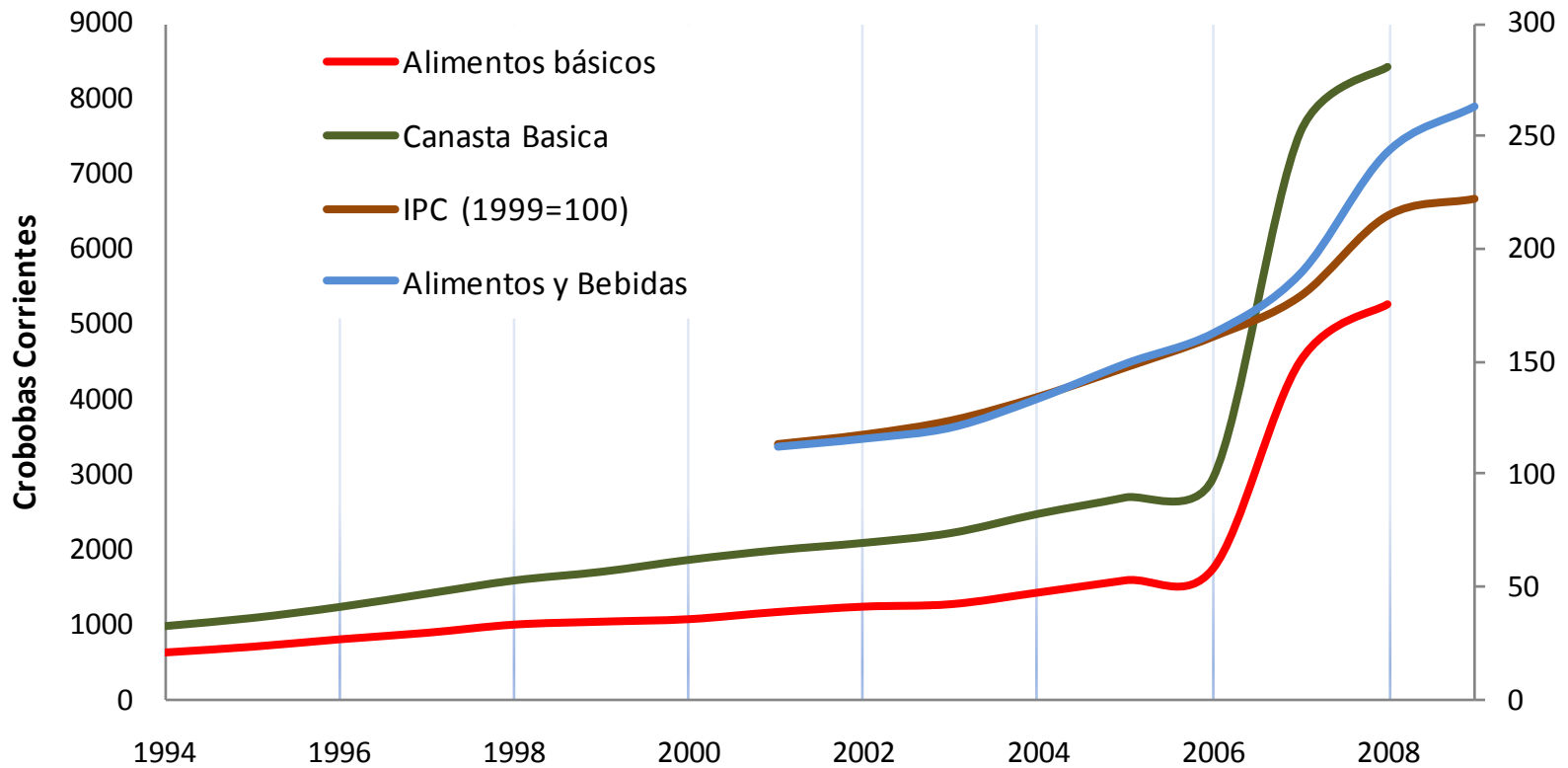
- 2 floods + Cyclone Sidr in 2007
- Indian rice export bans



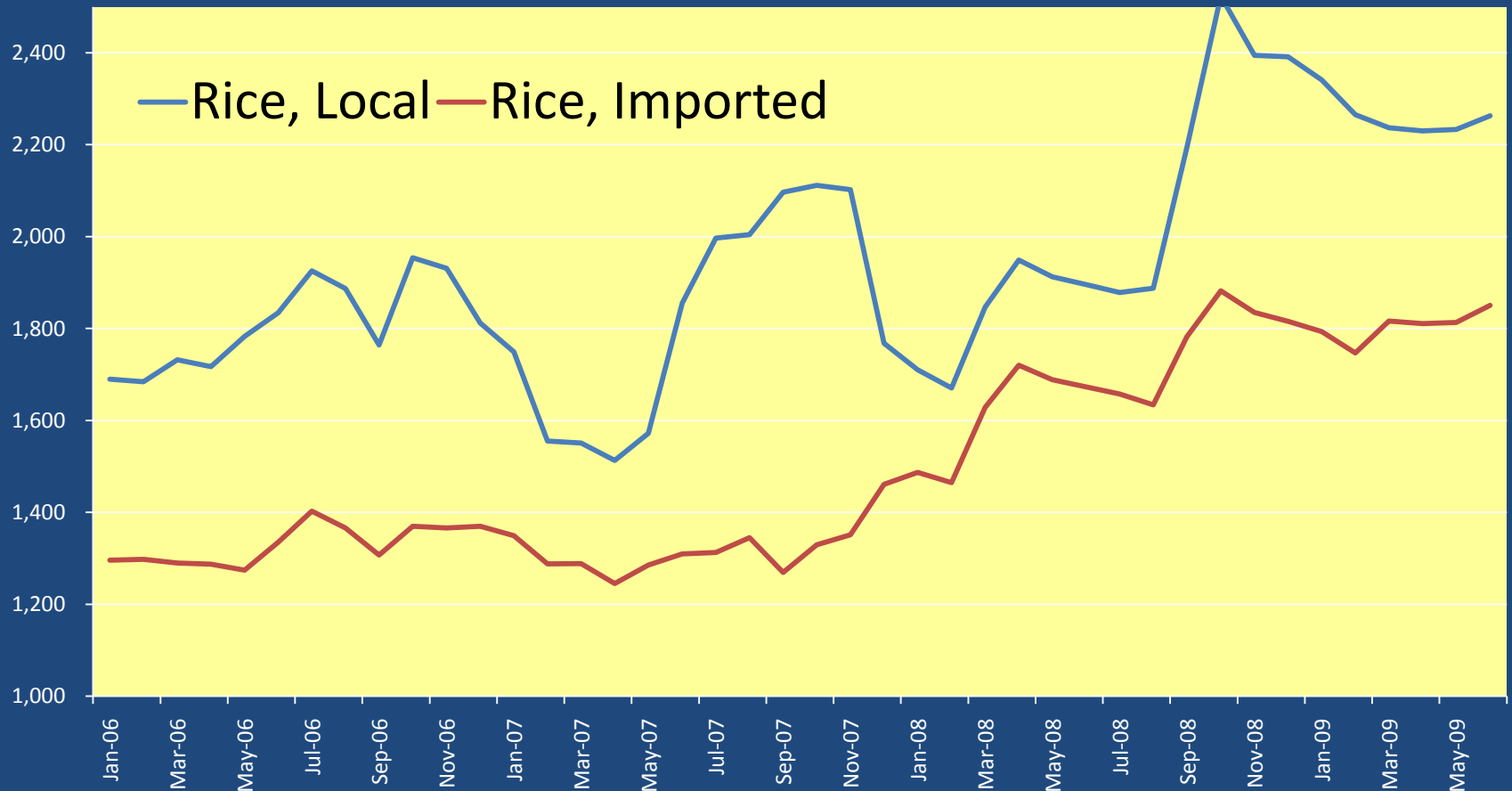
Nicaragua

World rice prices + Huracan Felix

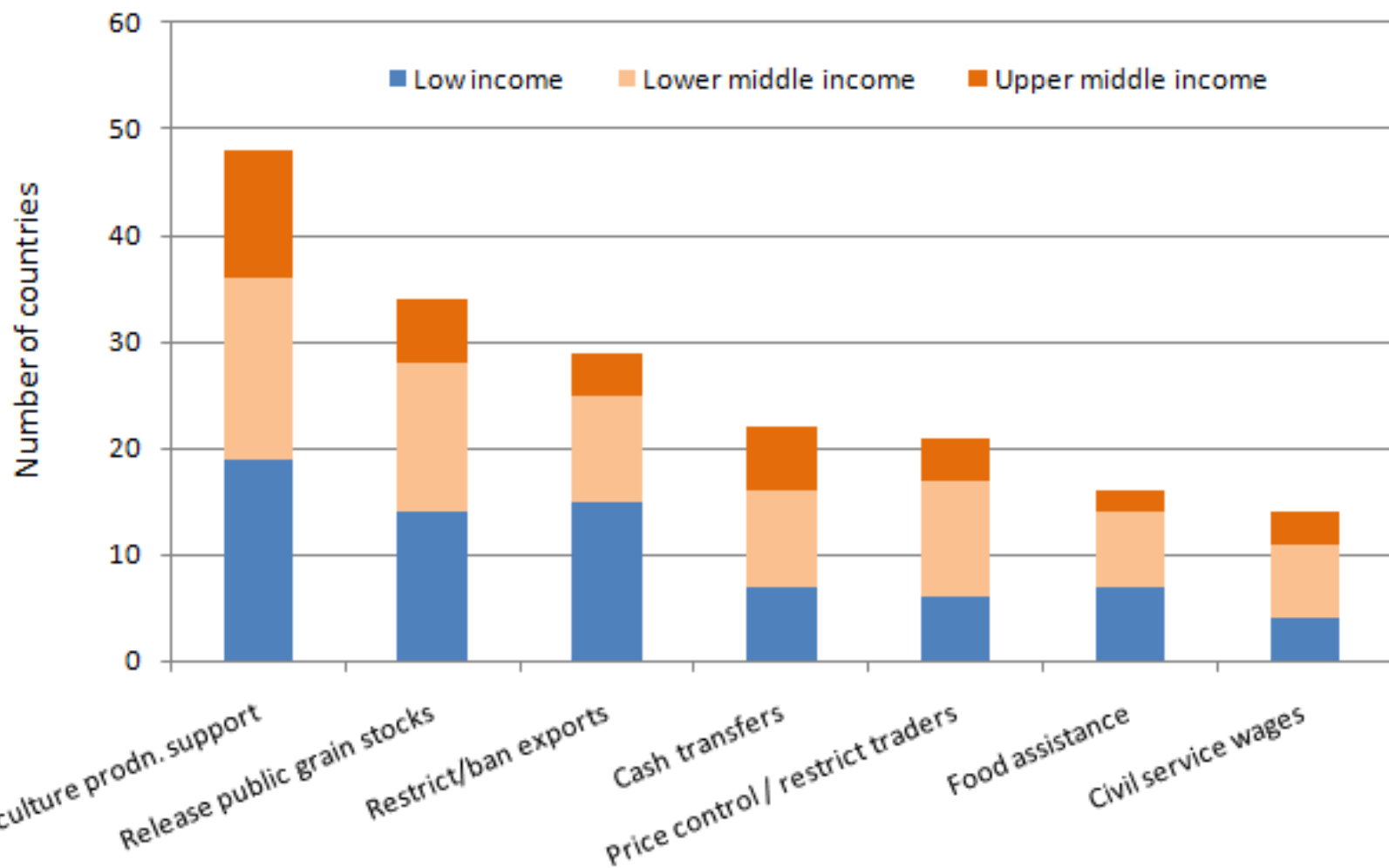
Food Prices, Basic Bunde and CPI in Nicaragua
1994-2009



Sierra Leone: P rice world, 30% imported



Typical Responses across World [FAO log]



Framework = Three Public Measures +

- **Trade, border & market interventions**
 - *Aim: stabilise prices*
- **Food production stimulus**
 - *Aim: more supply, lower prices*
- **Social protection**
 - *Aim: mitigate hardship for vulnerable*
- ***Coping by individuals & households***

Stabilising Food Prices

Some facts about the crisis

- **Asian countries relatively successful in managing instability:**
 - World price for traded rice tripled in a few months, but
 - 46% max year on year price increase (median 46 countries)
 - but between -1 and 14% in three most populous countries
 - notwithstanding a major shock to consumer welfare
- **In Africa, main impact was with rice**
 - “imported instability”
 - consumed more by middle & upper income groups

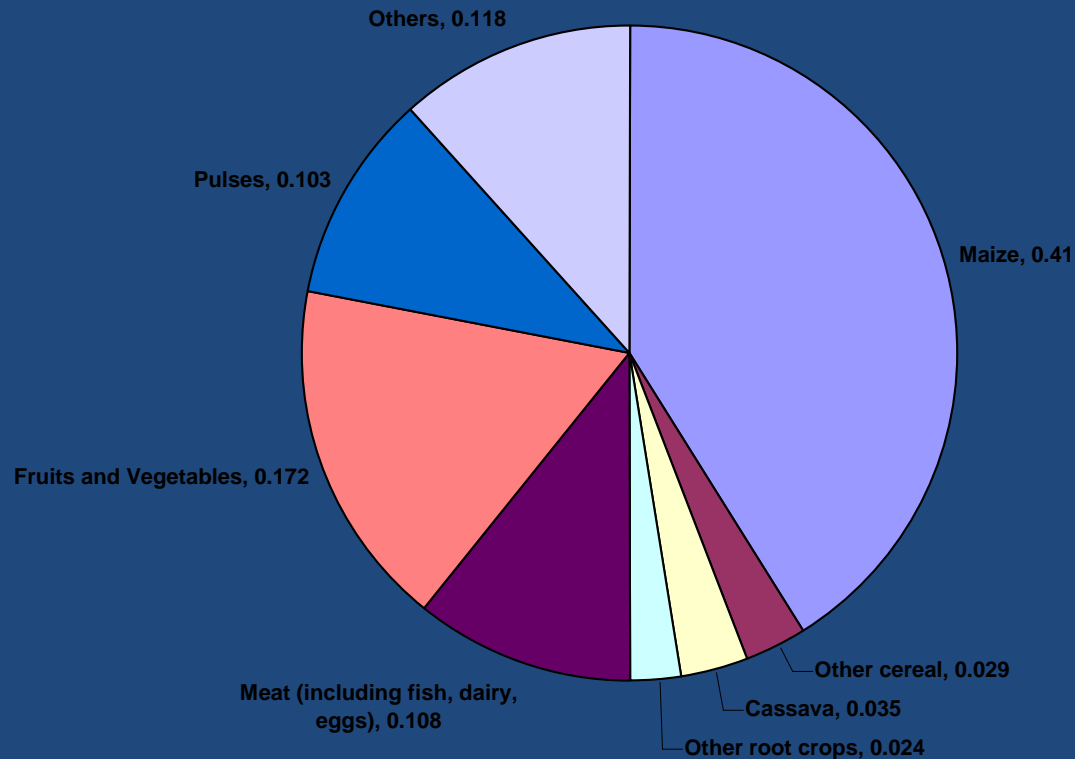
Some further facts - -

- **In Africa, price spikes with coarse grain were not unprecedented**
 - e.g. West Africa experienced a higher spike in 2005
 - South African peak same as in 2002
- **However, there was cumulative impact of : oil prices, fertiliser prices, food prices and financial crisis**

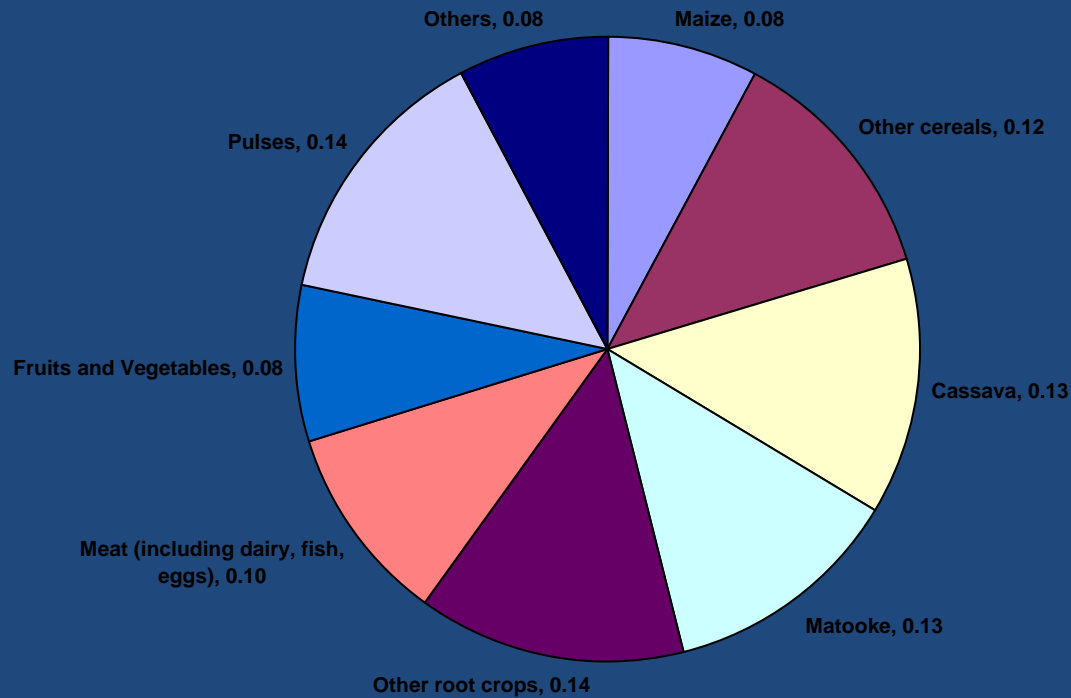
Big differences in countries' ability to manage price variability

- **Asia:**
 - countries often able to seal borders
 - sometimes causes price instability to be exported
- **African countries with diversified diets, case of Uganda:**
 - price spike not seen as a problem, but as
 - an opportunity to produce and export more grain
- **African countries heavily dependent on cereal staples**
 - Price spike is source of political tension
 - Sealing borders is hardly an option
 - Intra-regional trade is (by contrast) vital to price stabilisation
 - Coarse grain buffer stocks work poorly, due to underlying political conundrum

Consumption patterns: Food expenditure by poor households in Malawi



Consumption patterns: Food expenditure by poor households in Uganda



The buffer stock conundrum

- **Some theoretical justification, in land-locked countries**
- **but rendered difficult by practicalities, i.e.:**
 - the high cost of transport and logistics (lack of river/rail transport)
 - requires prices to fluctuate a great deal
 - requires wide price bands and geographical spreads
- **mismatch with short-term political imperatives, e.g.:**
 - pan-territoriality
 - need to get re-elected
- **leads to:**
 - slow and weak decision-making
 - ‘overhang’, and large financial losses
- **Governments frequently exacerbate price spikes**

Maize prices in Zambia: wholesale and import parity from South Africa

(source: Tschirley & Jayne, 2007)



Policy implications for Africa

- **Recognise limitations in managing price instability in the short term – avoid large buffer stocks**
- **Focus on mitigating price instability over the medium to long term, e.g.:**
 - strengthen public policy-making and information systems
 - help rural people increase their storage
 - testing approaches systematically and patiently
 - encourage private players to develop market institutions
 - e.g. warehousing, commodity standardisation, advocacy
 - a legal framework that protects rights of private trade
 - Central Bank rediscounting of storage credits
 - develop peoples' financial resilience: microfinance

Safety Net Feasibility & Effectiveness :

Three contexts

- **Existing social assistance programmes in place**
- **Social assistance reduced in context of liberalisation**
- **Social assistance not in place (post-conflict)**

Safety Nets – Bangladesh



- **Expansion of Vulnerable Group Development and Vulnerable Group Feeding**
- **Public distribution of food grains**

	06/07	07/08	08/09
VGD and VGF	0.79m MT	1.37m MT	1.57m MT
Total	2.97m MT	3.12m MT	4.26m MT

Safety Nets: Nicaragua

- **Conditional Cash and Food Transfer (Red de Protección Social) from 2000.**
 - Coverage: 21,619 families (2.2% of population).
 - Effectively ended 2006
- **Sistema de Atención al Crisis - SAC**



Safety Nets: Sierra Leone

- **Cash for Work**
- **Coverage: 5.3k youth for up to 2 months @US\$2 day**
- **School feeding**
- **Supplementary feeding mothers & infants**



Safety Nets Issues

- **What was in place, could be built on**
- **Limited effects because limited (additional) coverage**
 - *Progresa* scaled up by only 25%
- **Targeting: do transitory shocks obscure chronically poor(er)?**
- **Social Protection or social protecting?**
 - Risk Reduction (increase food production)
 - Risk Mitigation (reduce price volatility)
 - Risk Coping (safety nets / social transfers)



- **Nicaragua ... Seeds + Livestock**

- ... 13k households 07, 19k households 08

- **Sierra Leone ... Seeds + Tools ...**

- Limited coverage

- **Bangladesh**

- Seed, fertiliser + ↑ procurement P
- Boro rice 08: ↑ 17% on 07!

Stimulate
production



Households & Individuals: Coping

- **Cut spending on non-food items**
- **Food intake**
 - Cut veg, meat, pulses, etc.
 - Switch to less preferred staples
 - Reduce meals frequency
- **Debt/borrow/beg**
- **Seek more work**
- **Children out of school/Cut school exp**
- ***But ...Rarely: sale assets***



Initial Highlights: Political priorities

- **What got political priority?**
 - Bias to urban areas, to consumers?
 - **But** revival of interest in farming, focus on food security
- **Country context so important ...**
 - Bangladesh: rising prices raise ghosts of past famine ... '74 ['43]
 - Nicaragua: between liberal markets & return of State
 - Sierra Leone: following textbook



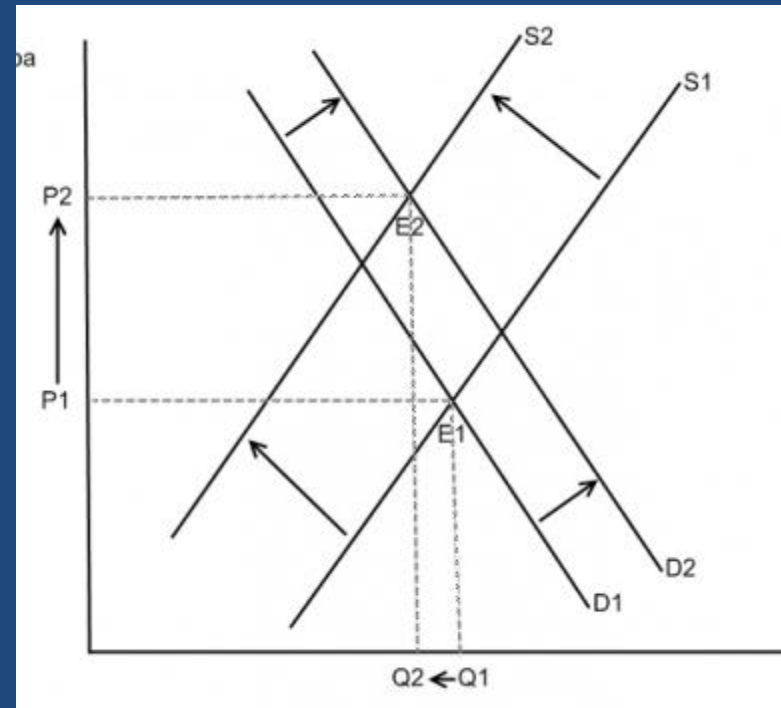
Initial highlights: Markets

- **Volatility as important as levels**
- **Consumer confidence**
- **Short Term pressures vs Long Run wisdoms**
 - **ST: Thin & Imperfect Markets, uncertainty**
 - Intervention hazardous, yet need to be seen to act
 - Distrust of private traders
 - **LT: Develop roads, warehouses, institutions, trust private trade (within regulatory frame)**

Initial Highlights(3)

Prices & Markets: as many puzzles as answers

- **Puzzles:**
 - Why Sierra Leone rice P *only* up by < 70%?
 - Nica rice P: jacked up by oligopoly?
- ***So few data, so little time for analysis.....***
- ***... Little M & E in general***



Initial Highlights & Puzzles (3)

Responses: feasibility & effectiveness

- **What was in place, could be built on**
 - Social protection, but also in production
 - Bangladesh farm support
 - Plans for ENABAS, Hambre Cero
- **Importance of being seen to act: symbols**
- *Big question: Coping vav public response?*

Trade, Border & Market Measures

- **Cut tariffs on cereals imports**
 - But not much to cut, low tariffs: 5% cereals to Bangladesh, 15% rice to Sierra Leone
- **Exports banned in Bangladesh**
 - ... But no exports to ban!
- **Facilitate trade: Sierra Leone & India**



Market Measures

- **Sell subsidised food:**
 - ENABAS Nicaragua ... limited capacity, buying <5% cereals harvests
 - Mainly Managua, other cities
 - Coverage = 151k by 2008
 - Citizens Power Councils organised
- **Bangladesh Rifles, open market sales**
 - Outlets mainly Dhaka, other cities



- **Bangladesh**
 - Expansion of Vulnerable Group Feeding safety net
- **Sierra Leone**
 - Expanded public works programme
 - ... 5.3k youth x 2m @US\$2 day
 - School feeding
 - Supplementary feeding mothers



Social
Protection