Unit 7 Globalization of World Food Markets
Lesson 2: World Food Markets and Impacts of Globalization

As the global expansion of Indian and Chinese restaurants suggests, xenophobia is directed against foreign people, not foreign cultural imports.


Introduction

This second lesson introduces you the issues related to global food markets aid and trade, global food sales, market analysis of global food markets, and global food sales, of which “…retail sales are said to exceed $2 trillion dollars” (High Beam Research, 2008).² Yet much of the world’s population live in poverty and suffer from hunger. The impact of globalization on world food markets are both positive and negative due to the facts related to the distribution of global wealth among the wealthiest nations and the failure of this wealth to reduce global poverty. In many parts of the world as well as in the US many families face a food crisis daily.

Investing in Agriculture

According to the Web sites FT.com, Martin Wolfe states, “Food crisis is a chance to reform global agriculture” (2008).³

Of the two crises disturbing the world economy – financial disarray and soaring food prices – the latter is the more disturbing. In many developing countries, the poorest quartile of consumers spends close to three-quarters of its income on food. Inevitably, high prices threaten unrest at best and mass starvation at worst.

The recent price spikes apply to almost all significant food and feedstuffs (see charts). Yet these jumps are themselves part of a wider range of commodity price rises. Powerful forces are linking prices of energy, industrial raw materials and foodstuffs. Those forces include rapid economic growth in the emerging world, strains on world energy supplies, the weakness of the US dollar and global inflationary pressures. (FT, 2008).^5

Writer, Paul Collier posted the following response, stating the reasons for the price increase in world food prices.

**Paul Collier:** The sharp increase in the world price of staple foods is an inconvenience for consumers in the rich world, but for consumers in the poorest countries, especially in Africa, it is a catastrophe. Despite the predominance of peasant agriculture, most African countries are net food importers and food accounts for over half of the budget of low-income households. This is the result of decades of agricultural stagnation combined with growing populations. Although many of the net purchasers are rural, evidently the problem is at its most intense in the urban slums. These slums are political powder kegs and so rising food prices have already triggered riots. Indeed, they sow the seeds of an ugly and destructive populist politics.

Why have food prices rocketed? Paradoxically, this squeeze on the poorest has come about as a result of the success of globalization in reducing world poverty. As China develops, helped by its massive exports to our markets, millions of Chinese households have started to eat better. Better means not just more food but more meat, the new luxury. But to produce a kilo of meat takes six kilos of grain. Livestock reared for meat to be consumed in Asia are now eating the grain that would previously have been eaten by the African poor. So what is the remedy?

The best solution to a problem is often not closely related to its cause (a proposition that that might be recognized in the climate change debate). China’s long march to prosperity is something to celebrate. The remedy to high food prices is to increase food supply, something that is entirely feasible. The most realistic way to raise global supply is to replicate the Brazilian model of large, technologically sophisticated agro-companies supplying for the world market. To give one remarkable example, the time between harvesting one crop and planting the next, in effect the downtime for land, has been reduced an astounding thirty minutes. There are still many areas of the world that have good land which could be used far more productively if it was properly managed by large companies. For example, almost 90% of Mozambique’s land, an enormous area, is idle.

Unfortunately, large-scale commercial agriculture is unromantic. We laud the production style of the peasant: environmentally sustainable and human in scale. In respect of manufacturing and services we grew out of this fantasy years ago, but in agriculture it continues to contaminate our policies. In Europe and Japan huge public resources have been devoted to propping up small farms. The best that can be said for these policies is that we can afford them. In Africa, which cannot afford them, development agencies have oriented their entire efforts on agricultural development to peasant style production. As a

result, Africa has less large-scale commercial agriculture than it had fifty years ago. Unfortunately, peasant farming is generally not well-suited to innovation and investment: the result has been that African agriculture has fallen further and further behind the advancing productivity frontier of the globalized commercial model. Indeed, during the present phase of high prices the FAO is worried that African peasants are likely to reduce their production because they cannot finance the increased cost of fertilizer inputs. While there are partial solutions to this problem through subsidies and credit schemes, large scale commercial agriculture simply does not face this problem: if output prices rise by more than input prices, production will be expanded because credit lines are well-established.

Our longstanding agricultural romanticism has been compounded by our new-found environmental romanticism. In the United States fears of climate change have been manipulated by shrewd interests to produce grotesquely inefficient subsidies for bio-fuel. Around a third of American grain production has rapidly been diverted into energy production. This switch demonstrates both the superb responsiveness of the market to price signals, and the shameful power of subsidy-hunting lobby groups. Given the depth of anti-Americanism in Europe it is, of course, fashionable to criticize the American folly with bio-fuels. But Europe has its equivalent follies.

First, the European Commission is now imitating the American bio-fuels policy. At present the programme is small enough to be unimportant, but we need to pull it back before it does real damage. We have surely learnt enough about European agriculture to realize how important it is to kill this incipient scam before we are engulfed by it. But the true European equivalent of America’s folly with bio-fuels is the ban on GM. Europe’s distinctive and deep-seated fears of science have been manipulated by the agricultural lobby into yet another form of protectionism. The ban on both the production and import of genetically modified crops has obviously retarded productivity growth in European agriculture: again, the best that can be said of it is that we are rich enough to afford such folly. But Europe is a major agricultural producer, so the cumulative consequence of this reduction in the growth of productivity has most surely rebounded onto world food markets. Further, and most cruelly, as an unintended side-effect the ban has terrified African governments into themselves banning genetic modification in case by growing modified crops they would permanently be shut out of selling to European markets. Africa definitely cannot afford this self-denial. It needs all the help it can possibly get from genetic modification. Not only is Africa currently being hit by rising food prices, over the longer term it will face climatic deterioration in the context of a rapidly growing population.

While the policies needed for the long term have been befuddled by romanticism, the short term global response has been pure beggar-thy-neighbour. It is easier for urban slum dwellers to riot than for farmers: riots need streets, not fields. And so, in the internal tussles between the interests of poor consumers and poor producers, the interests of consumers have prevailed. Governments in grain-exporting countries have swung prices in favour of their consumers and against their farmers by banning exports. These responses further politicize and fragment an already confused global food market. They increase the risks of investing in commercial-scale food production and drive up prices further in the food-importing countries. Unfortunately, trade in agriculture has been the main economic activity to have resisted being subject to global rules. We need stronger and fairer globalization, not less of it. (FT, 2008).

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Global Food Markets: Trade and Aid

Open this PDF file for a PowerPoint Presentation on Global Food Markets, Trade And Aid: A Perspective On Vulnerable And Food Insecure Countries. This presentation was delivered at an international workshop on Defining the Role of Food Aid in Contributing to Sustainable Food Security, Berlin, 2003. http://www.fao.org/es/esc/en/15/16/highlight_21.html

Global Food Sales

According to a 2008 press release by the International Monetary Fund (IMF) Price Surge Driving Some Countries Close to Tipping Point, IMF Says

The impact of surging food and fuel prices is felt globally but is most acute for import-dependent poor and middle-income countries confronted by balance of payments problems, higher inflation, and worsening poverty, a new IMF study warns. Analyzing the macroeconomic policy challenges arising from the price surges, the study argues that many governments will have to adjust policies in response to the price shock while the international community will need to do its share to address this global problem.

"Some countries are at a tipping point," said IMF Managing Director Dominique Strauss-Kahn at the release of the study. "If food prices rise further and oil prices stay the same, some governments will no longer be able to feed their people and at the same time maintain stability in their economies. They need good policy options and they need help from the international community. Their challenge is ours. It is to ensure adequate food supplies while preserving the poverty-reducing benefits derived in recent years from faster growth, low inflation, and better budget and balance of payments positions."

Mr. Strauss-Kahn said the findings of the study underscored the need for a broad cooperative approach involving the countries affected, donors, and international organizations to cope with the effects of high prices. "Working closely with our member countries, the Fund has been actively involved in providing advice and financial support to address their urgent concerns and help mitigate the impact of this crisis," he said. "Every country is different and exact policy prescriptions will vary considerably. But the universal challenge for all poor and middle-income countries is to find ways to feed the hungry while maintaining hard-won macroeconomic stability."

Price Surge Impacts

Key findings of the multi-country survey—the first broad assessment of the impact of the price rises, include:

• Higher food prices have cost a group of 33 poor net food importers US$2.3 billion, or 0.5 percent of 2007 annual GDP, since January 2007. In the same period, the effect of rising oil prices on 59 low-income net oil importers was US$35.8 billion, or 2.2 percent of their GDP.
• Annual food price inflation for 120 low-income and emerging market countries rose to 12 percent at the end of March 2008 from 10 percent three months earlier, while fuel prices accelerated to 9 percent from 6.7 percent in the same period. Preliminary data indicate the problem is worsening.
• Poor countries that are highly dependent on food imports are particularly vulnerable to rising food prices. The share of household spending on food in emerging and developing economies typically exceeds 50 percent. The study found that low-income households are the most affected by food price inflation and warned that the share of undernourished in developing countries could rise rapidly above the current 40 percent of total population.

Policy Responses
Oil and food prices are expected to stay at high levels. Supply has been slow to respond to rising demand for commodities, which was largely the result of rapid economic growth in emerging and developing economies.

The Fund has been working closely with its membership on fiscal, monetary and exchange rate, trade and other policy measures to alleviate the effects of higher prices. Taking into account country-specific conditions and priorities, the Fund’s involvement has focused on:

- **Fiscal policy.** Policy measures need to reflect each country’s economic situation and capacity to create fiscal space to combat the impact of higher costs. Some countries have the scope to loosen their fiscal positions while others may need to create fiscal space through raising revenues or cutting other expenditures, or securing external grants and concessional loans. The need for support from the international community is most pressing in countries that find it difficult to accommodate higher spending.

- **Monetary and exchange rate policies.** While the first-round effects of higher food and fuels prices on inflation should generally be accommodated, monetary policy should seek to avoid spillover to more generalized inflation. Food and fuels prices remaining at high levels will likely call for real exchange rate depreciation for net food and fuels importers.

- **Trade polices.** Global food markets need to be kept open, with restrictive policies, such as export taxes and bans, removed to maintain appropriate incentives for producers and consumers. Tariff reductions can help to reduce trade distortions and mitigate price increases.

- **Fund financing.** The Fund has already provided additional financial assistance to seven low-income countries through the concessional Poverty Reduction and Growth Facility and is ready to support others as needed. It is also streamlining the Exogenous Shocks Facility to make it more useful to IMF members, and stands ready to provide support for middle-income countries through Stand-By Arrangements.

(International Monetary Fund, 2008).

**Global Market Analysis**

According to the Food and Agriculture Organization (FAO) of the United Nations agricultural commodities report related to a 2008 global market analysis

All agricultural commodities covered in this report are of critical importance to global food and feed markets. They constitute much of the world’s food consumption, generate income to farmers and represent the largest portion of food import expenditures across the world. The analysis in the report puts in perspective market developments in recent months with a view to provide some insights into how the outlook might unfold for the commodities covered during the coming months.

In recent weeks, international prices of many agricultural commodities have started to fall and early indications do not preclude further declines in the coming months, however, prices are unlikely to return to the low levels of previous years due to a host of reasons, including the escalated cost of inputs. Moreover, a number of demand factors such as the need to replenish stocks and expected increases in utilization are keeping prices high despite a favourable global production outlook. The most influential development in pushing up international prices of basic foods has been the low level of exportable supplies, resulting from utilization outstripping production for several crops in a number of major exporting countries. Rising utilization levels would necessitate more than one good season to bring

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about a meaningful replenishment of stocks and hence a reduction in price volatility. (FAO, 2008)\(^8\)

Go to this Web site for the FAO Market Analysis including market indicators, Food Price Index and Food Price Inflation Index [http://www.fao.org/docrep/010/ai466e/ai466e00.HTM](http://www.fao.org/docrep/010/ai466e/ai466e00.HTM)

**Global Investment in Food Markets**

World Bank Group President, Robert B. Zoellick announced in Washington, DC that “a New Deal for global food policy is urgently needed -- and sovereign wealth funds should invest $30 billion in Africa to help fuel the continent’s long-term economic growth and development” (2008).\(^9\)

In an April 2 speech before the Center for Global Development in Washington, Zoellick warned that such a new food policy is needed because as financial markets have tumbled, food prices have soared. The New Deal is a term coined by President Franklin D. Roosevelt during the 1930s to describe programs to alleviate poverty and boost a weak economy in the United States. “Since 2005, the prices of staples have jumped 80 percent. Last month, the real price of rice hit a 19-year high; the real price of wheat rose to a 28-year high and to almost twice the average price of the last 25 years.

“The good news for some farmers adds a crushing load to the most vulnerable -- children, as young as 4 or 5, [who are] forced to flee the safety of their rural communities to fight for food in teeming cities,” he said. Food riots threaten societal breakdown, and mothers are deprived of nutrition for healthy babies, he added.

Citing World Bank statistics, Zoellick estimated that 33 countries around the world face potential social unrest because of the acute hike in food and energy prices. “For these countries, where [the amount of money available for] food comprises from half to three-quarters of consumption, there is no margin for survival,” he warned.

“The realities of demography, changing diets, energy prices and biofuels, and climate changes suggest that high -- and volatile -- food prices will be with us for years to come,” he said.

The New Deal for global food policy would meet that challenge. “This New Deal should focus not only on hunger and malnutrition, access to food and its supply, but also the interconnections with energy, yields, climate change, investment, the marginalization of women and others, and economic resiliency and growth. Food policy needs to gain the attention of the highest political levels, because no one country or group can meet these interconnected challenges,” Zoellick said.

The immediate needs of many countries must be met, he said, while noting that the United Nations World Food Programme is now in need of at least $500 million in additional food supplies to meet emergency calls.

The United States is committed to the goal of global food security through its international food assistance and other foreign assistance programs. In fiscal year 2007, the United States provided more than $2.1 billion in food aid to 78 developing countries, reaching tens of millions of people worldwide.

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A New Deal for global food policy, Zoellick told his audience, will require a stronger delivery system to overcome fragmentation in food security, health, agriculture, water, sanitation and rural infrastructure and inequitable policies based on gender. A shift from traditional food aid to a broader concept of food and nutrition assistance must also be part of this New Deal, he said. "In many cases, cash or vouchers, as opposed to commodity support, is appropriate and can enable the assistance to build local food markets and farm production. When commodities are needed, purchasing from local farmers can strengthen communities. Funds can buy micronutrients customized to locations."

President Bush has been pushing U.S. lawmakers to allow the U.S. government to spend food aid money to buy crops in poor countries. The World Bank Group can help, Zoellick said, by backing emergency measures that support the poor while encouraging incentives to produce and market food as part of sustainable development. He cited the World Bank’s *World Development Report 2008*, on agriculture for development, for pointing the way forward. “We can help create a ‘Green Revolution’ for sub-Saharan Africa by assisting countries to boost productivity throughout the agricultural value chain and help smallholder farmers to break the cycle of poverty.”

Additionally, he said, the World Bank plans to “almost double” its own lending for agriculture in Africa, from $450 million to $800 million, and can help countries and farmers manage systemic risks, including using financial innovations to counter weather variability, such as drought. “We can offer access to technology and science to boost yields” as well, he added.

A New Deal for global food policy will contribute to inclusive and sustainable development, he stressed. “Poor, middle-income, and developed countries will benefit together. Income gains from agriculture have three times the power in overcoming poverty than increases in other sectors, and 75 percent of the world’s poor are rural, with most involved in farming. Almost all rural women active in the economies of developing countries are engaged in agriculture. With support, women can seize the opportunities of globalized food demand.” Zoellick also called for a “1 percent solution” for sovereign wealth funds that could greatly fuel equity investment and development in Africa. “The rising economies of China, India, Brazil and others have strengthened and rebalanced the international economy, providing new poles of growth -- making them the new ‘stakeholders’ in globalization,” he said. He reminded his audience that sovereign wealth funds currently hold an estimated $3 trillion in assets. A sovereign wealth fund is an investment fund created or controlled by a government, usually of a country with trade surpluses and abundant foreign monetary reserves. “If the World Bank Group can create the equity investment platforms and benchmarks to attract these investors, the allocation of even 1 percent of their assets would draw $30 billion to African growth, development and opportunity. “This 1 percent could be the start of something much bigger, across more types of funds and countries, because the investment of wealth into equity for development offers opportunity, not something to fear,” he said.

(America Government, 2008) 10

**World Hunger and Poverty**

Soaring food prices have led to serious difficulties, especially for vulnerable population groups that spend a substantial part of their incomes on food. Perhaps one estimate sums up best the overall impact of the higher prices: the USD 1 035 billion that the world is forecast to spend on importing food in 2008. This means an additional USD 215 billion on

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top of the record bill registered in 2007. Food is no longer the cheap commodity that it once was. As the global food import bill has entered the trillion dollar territory, the food import bill of the Low-Income Food-Deficit Countries (LIFDCs) is likely to climb to USD 169 billion in 2008, 40 percent more than in 2007.

Rice has caught the headlines in recent weeks, but from dairy to wheat and soybeans to sugar, price spikes and market volatility appear to have become more the norm than the exception. The FAO Food Price Index in April showed no increase compared with the previous month, but March was the month when international prices of many commodities reached their heights. Against this backdrop of changing and increasingly unpredictable markets, there are also some positive signs. Recent events have brought agriculture back to the centre stage. World leaders are coming to Rome to attend the High-Level Conference on World Food Security: the Challenges of Climate Change and Bioenergy to be held in June 2008. Governments are showing concern; giving strong support to calls for short-term humanitarian assistance as well as for longer term aid to the agricultural sector, enabling it to adjust to the ever increasing world demand in the face of growing resource constraints. Collective international action is needed now to develop agriculture and fight hunger. (2008)

According to the World Health Organization (WHO) using figures from the World Bank developed the following table of statistics by country, for the level of poverty among developing countries, Europe and the Central Asia and the Middle East and North America:

<table>
<thead>
<tr>
<th>Region</th>
<th>% in $1 a day poverty</th>
<th>Population (millions)</th>
<th>Pop. in $1 a day poverty (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>9.07</td>
<td>1,885.0</td>
<td>170.0</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>8.63</td>
<td>549.0</td>
<td>47.0</td>
</tr>
<tr>
<td>South Asia</td>
<td>31.08</td>
<td>1,470.0</td>
<td>456.0</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>41.09</td>
<td>753.0</td>
<td>309.0</td>
</tr>
<tr>
<td>Total Developing countries</td>
<td></td>
<td>982.0</td>
<td></td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>0.95</td>
<td>460.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>1.47</td>
<td>306.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>987</td>
<td></td>
</tr>
</tbody>
</table>

According to the most recent estimate that Hunger Notes could find, malnutrition, as measured by stunting, affects 32.5 percent of children in developing countries--one of three (de Onis 2000). Geographically, more than 70 percent of malnourished children live in Asia, 26 percent in Africa and 4 percent in Latin America and the Caribbean. In many cases, their plight began even before birth with a malnourished

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mother. Under-nutrition among pregnant women in developing countries leads to 1 out of 6 infants born with low birth weight. This is not only a risk factor for neonatal deaths, but also causes learning disabilities, mental, retardation, poor health, blindness and premature death. (WHO, 2008).

There is Enough Food for Everyone
According to the World Health Organization (WHO) in a Hunger Notes article

**The world produces enough food to feed everyone.** World agriculture produces 17 percent more calories per person today than it did 30 years ago, despite a 70 percent population increase. This is enough to provide everyone in the world with at least 2,720 kilocalories (kcal) per person per day (FAO 2002, p.9). The principal problem is that many people in the world do not have sufficient land to grow, or income to purchase, enough food. (WHO, 2008).

**Poverty is the principal cause of hunger.** The causes of poverty include poor people's lack of resources, an extremely unequal income distribution in the world and within specific countries, conflict, and hunger itself. As of 2008 (2004 statistics), the World Bank has estimated that there were an estimated 982 million poor people in developing countries who live on $1 a day or less (World Bank, Understanding Poverty, Chen 2004). This compares to the FAO estimate of 850 million undernourished people. Extreme poverty remains an alarming problem in the world’s developing regions, despite the advances made in the 1990s till now, which reduced “dollar a day” poverty from (an estimated) 1.23 billion people to 982 million in 2004, a reduction of 20 percent over the period. Progress in poverty reduction has been concentrated in Asia, and especially, East Asia, with the major improvement occurring in China. In Sub-Saharan Africa, the number of people in extreme poverty has increased.

**Conflict as a cause of hunger and poverty.** The United Nations High Commissioner for Refugees (UNHCR) reports that as of December 2006, there were at least 22.7 million displaced, including 9.9 million refugees and 12.8 million internally displaced persons (UNHCR 2007). (Refugees flee to another country while internally displaced people move to another area of their own country.) Most people become refugees or are internally displaced as a result of conflict, though there are also natural causes such as drought, earthquakes, and flooding. In the early stages of refugee emergencies, malnutrition runs rampant, exponentially increasing the risk of disease and death (World Health Organization 2003). But, important and (relatively) visible though it is, conflict is less important as poverty as a cause of hunger. (Using the statistics above 798 million people suffer from chronic hunger while 22.7 million people are displaced.)

**Hunger is also a cause of poverty.** By causing poor health, low levels of energy, and even mental impairment, hunger can lead to even greater poverty by reducing people's ability to work and learn. (WHO, 2008).

A report from the FAO, THE VICIOUS CIRCLE OF POVERTY AND HUNGER

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Poverty and hunger: recent trends and future scenario\textsuperscript{16} provides information on the steps being taken with global efforts to address poverty by increasing improved food markets through rural development and agriculture.

The international community has pledged to halve poverty and hunger by 2015. But who are the poor and the hungry? How many are there? Where are they located? What is the relationship between hunger and poverty? The next two sections address these questions and emphasize the urgency of the fight to reduce hunger.

On the basis of the "one-dollar-a-day threshold", there are 1.2 billion poor people in developing countries. Of these, 780 million suffer from chronic hunger, which means that their daily intake of calories is insufficient for them to live active and healthy lives.

Extreme poverty remains an alarming problem in the world's developing regions, despite the advances made in the 1990s. Progress in poverty reduction has been concentrated in Asia and especially East Asia. In all the other regions, the number of people in extreme poverty has increased. In sub-Saharan Africa, there were 58 million more poor people in 1999 than in 1990.

World Bank projections (World Bank, 2001) show that by 2015, the proportion of people living below the one-dollar-a-day poverty line will be 12.3 percent as compared to 29.0 percent in 1990 - well below half the 1990 proportion. The projections assume substantially higher economic growth rates than experienced in the recent past. If the assumptions turn out to be accurate, the MDG of halving the proportion of people in poverty world-wide between 1990 and 2015 will have been met. However, even using the optimistic growth assumptions, in sub-Saharan Africa nearly 40 percent of the population will still be in poverty by 2015 while there will be 45 million more poor people in the sub-continent than in 1999. Clearly, there is no room for complacency.

The proportion of hungry people in developing countries was reduced by 3 percentage points in the 1990s, despite population growth. Although this constitutes progress, the prevalence of hunger is still unacceptably high. At the start of the twenty-first century, in a world of conspicuous affluence, 34 percent of the people in sub-Saharan Africa suffer from chronic hunger (Figure 1). This means 24 million more undernourished people at the end of the decade than at the beginning.

\textbf{Figure 1}. Proportion of Undernourished in Developing Regions. Actual and FAO Baseline Projections

Progress in reducing the number of undernourished has been alarmingly slow. The target set at the 1996 World Food Summit was to halve the number of undernourished people by 2015 from their number in 1990- The latest data show that the number of undernourished is falling by 6 million a year. This means that the annual rate of reduction has to be stepped up to 22 million for the target to be met. On the basis of current trends it will be 2030 before that target is achieved. FAO projections show that none of the world's developing regions will achieve the WFS target; only the two Asian sub-regions will come close (Figure 2).

**Figure 2.** Number of Undernourished : Actual and FAO Baseline Projections

Source: FAO 2000, 2001\(^{17}\)

Widespread and persistent hunger is a fundamental contradiction in today's world. The food is there: world agriculture produces 17 percent more calories per person today than it did 30 years ago, despite a 70 percent population increase. Work in FAO shows that world agriculture can produce enough to feed humanity in the future without putting excessive pressure on prices or the environment. The existence of 780 million chronically hungry people in the developing world today shows that there is something fundamentally wrong in the distribution of food and the resources with which to access it.

Hunger and poverty will remain at unacceptable levels unless purposeful action is taken to give them higher policy priority and to mobilise resources towards fighting them directly and towards agriculture and rural development. That is our principle message. Placing the MDGs at the centre of Financing for Development is a step in the right direction.

**Hunger and poverty: exploring the reverse linkages**

Widespread hunger and malnutrition in a world of plentiful food implies that extreme poverty is the root cause of undernourishment. It is not always understood, however, that hunger and malnutrition (including micronutrient deficiencies) are in turn major causes of poverty. They affect the ability of individuals to escape poverty in several ways through:

Reducing the capacity for physical activity and hence the productive potential of the labour of those who suffer from hunger - and that is usually their only asset. Impairing people's ability to develop physically and mentally, retarding child growth, reducing cognitive ability and seriously inhibiting school attendance and performance - thus compromising the effectiveness of investment in education.

Causing serious long-term damage to health, linked to higher rates of disease and premature death.

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Passing from generation to generation: hungry mothers give birth to underweight children who start life with a handicap. Contributing to social and political instability that further undermines government capacity to reduce poverty. (FAO, 2008).\textsuperscript{19}

Summary

World food markets are impacted by a number of issues including trade sanctions, export and import regulations and tariffs, prices increases in food, global food sales, investments by the International Monetary Fund (IMF) and world hunger caused by poverty. As the United Nations Food and Agriculture Organization (FAO) points out, “Chronically undernourished people are, therefore, caught in a hunger trap of low productivity, chronic poverty and hunger” (2008)\textsuperscript{20} and this hunger trap can be addressed by global efforts in improving agriculture, expansion of food markets and improved trade and aid agreements based on re-distribution of assets to those countries where trade imbalances exist.
