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CREATING KNOWLEDGE TO END POVERTY

THE GLOBAL FOOD CRISIS AND WELFARE

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Skyrocketing international food prices in 2008 and 2011 caused heated debate on the welfare implications of dramatic food price fluctuations. FAO estimated that the food crisis of 2008 plunged over 24 million additional people in Sub-Saharan Africa into hunger, increasing the number of undernourished to a record of 236 million.

In Côte d'Ivoire, the average yearly food price index increased from 117.51 in 2006 to 123.77 in 2007 and 137.78 in 2008. Following riots and violence in the streets of Abidjan, President Gbagbo embraced a policy of self-sufficiency in the key imported staple food – rice.

Gbagbo's reaction to the food crisis follows stylized policy prescriptions. These favour increased food production and income redistribution from presumably richer food producers to presumably poorer food consumers. Such prescriptions are typically backed by analyses of food-exporting (Asian and Latin American) countries. They ignore both structural differences and unsuccessful historical attempts at green revolution in Africa.

Researching discrepancies

We challenge these prescriptions. Our research looks at the discrepancy between comparative advantage in export crops, such as cocoa and coffee, self-sufficiency in local food crops like cassava and millet, and constraints to the production of local rice, which government initiatives have failed to stimulate to demand-required levels (Table 1).

Top items in agricultural trade and production, Côte d'Ivoire

Top exports (Int \$ 1,000)		Top imports (Int \$1,000)		Top production (Int \$1,000)	
Cocoa beans	2,479,240	Rice	459,591	Cocoa beans	1,402,291
Rubber	670,181	Wheat	147,307	Yams	1,073,813
Cocoa paste	598,570	Tobacco	86,106	Cashew	396,216
Cocoa butter	300,599	Palm oil	73,570	Plantains	321,911
Cocoa husks	188,038	Prepared food	37,688	Natural rubber	264,742

Source: FAOSTAT data for Côte d'Ivoire.

We address several policy-relevant questions:

- Is demand for imported staple foodstuffs sufficiently resilient to their rising prices to justify policy intervention?
- Can incomes from appropriate activities, such as tropical export crop production, smooth consumption?

- Are poorer or richer households more affected by either of these scenarios?

We find that while middle-income urban households are adversely affected by rising rice prices, poor rural households benefit. The ability to generate income from tropical cash crops both improves the welfare of rural households, and helps smooth the consumption of urban households.

Key policy points

- There is no support for policies that favour self-sufficiency in staple foods at the possible expense of tropical export crop production.
- Income reallocation from richer to poorer households in the same geographic area and across geographic areas does not support income reallocation policies as a response to the global food crisis.
- Median income households, who rely most on non-agricultural livelihood strategies, are the largest victims of rising food prices. Hence, government efforts to ensure productive non-agricultural employment should be considered a priority.

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Further reading

'The global food crisis: disaster, opportunity or non-response? Household level evidence from Côte d'Ivoire', *World Development*, 2013 (in press): <http://www.sciencedirect.com/science/article/pii/S0305750X13000533>