



## High food prices keep millions in Asia-Pacific region in poverty – UN



The poorest of those most affected by high food prices spend over 75 per cent of their income on food

31 March 2011 – High food prices prevented more than 19 million people in the Asia-Pacific region from lifting themselves out of poverty last year, the United Nations said in a new study released today, warning that soaring food and fuel inflation will keep large sections of the region's population below the poverty threshold.

The assessment by the UN Economic and Social Commission for Asia and the Pacific (**ESCAP**) says that rising food prices can delay the achievement of the global aim of eradicating extreme poverty and hunger – the first of the Millennium Development Goal (**MDGs**) – by five years in countries such as Bangladesh, India, Laos and Nepal.

“Rising food prices are adding to inflationary pressures across the Asia-Pacific region. They are seen as a key downside risk to sustaining recovery in 2011. More startlingly high food prices in 2010 have kept 19.4 million people in poverty in the region, people who otherwise would have been out of poverty today,” **says** the study by ESCAP's Macroeconomic Policy and Development Division.

Bad weather in key food-producing countries, increasing use of crops as biofuels and speculation in commodity markets have added to a long-term decline in agriculture investment and affected global food supplies, according to the study, which examines the underlying causes of inflation in the region and its wider impact, and suggests short-, medium and long-term policy responses for governments and central banks.

The study analyses different scenarios for the year ahead for inflation presently forecast at 4.6 per cent for developing ESCAP economies. Under those scenarios, higher food and rising oil prices may slow down poverty reduction efforts even further, affecting from 10 to 42 million additional people.

Policy responses to high food prices over the short term include mild monetary tightening by the central bank. Other short-term measures include lower tax and tariff rates, freer imports and bigger food stocks to lessen the impact of temporary supply shocks.

“Strengthening social protection programmes including food safety nets and food vouchers or other such measures are critical to protect the poor and vulnerable people who are most severely affected from soaring food prices,” said Noeleen Heyzer, the ESCAP Executive Secretary.

The study also underlines the importance of regional cooperation through pooling buffer stocks of food, adding that over the medium and longer terms, reversing the neglect of agriculture in public policy and overseas aid priorities is vital.

Given the role of speculative activity in exaggerating food and oil price shocks driven by massive liquidity injections in the developed countries, the ESCAP study recommends the regulation of such activity, including position limits, rather than an outright ban.

According to the assessment, the single most important policy initiative for developing countries in the region is to give priority to boosting the agriculture sector.

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