

The recent increase in global food prices has once again set off alarm signals in developing countries, especially in South Asia, where food inflation has been a major problem for some years now. This edition of MacroScan assesses the extent to which South Asian countries are vulnerable to the latest global price surge.

The current food price surge is raising the spectre of a renewed and possible even more ferocious global food crisis, with significant increases in food insecurity in the poorest countries. But this time, there are some dissenting voices, including those who argue that possibly the earlier recent bout of food price increases (which occurred over 2006-08) did not have as bad an impact on hunger and undernutrition as was earlier believed. Indeed, it is being argued by some that the extent of hunger in the developing world may actually have come down significantly even during that period of dramatic food price increase.

Most estimates of increasing hunger are based on simulation exercises that take note of global food price increases and assume that these will lead to domestic increases in food price which will in turn affect food consumption, especially of poorer families. Against this, it is argued that such exercises do not take account of increasing money incomes and people's choices about what to consume.

A recent paper by Mr Derek Headey ("**Was the global food crisis really a crisis? Simulations versus self-reporting**", IFPRI Working Paper No 1087, 2011, available at

<http://www.ifpri.org/publication/was-global-food-crisis-really-crisis>

) argues that global self-reported food insecurity fell from 2005 to 2008, with the number ranging anywhere between 60 million to 250 million. This is based on calculations using a Gallup World Poll of self-reported food insecurity. According to Mr Headey, "These results are clearly driven by rapid economic growth and very limited food price inflation in the world's most populous countries, particularly China and India." This idea has also been taken up by others such as Mr Dani Rodrik.

Of course, there are significant problems with using self-reporting of hunger at the best of times. The Gallup Poll asks the question: "Have you or your family had any trouble affording sufficient food in the last 12 months?" The percentage of respondents who answer yes to this question is taken as a measure of national food insecurity.

## Global Food Price Rises

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