

Effects of the Global Financial Crisis and Food Price Hikes of 2007/2008 on the Food Security of Poor Urban Households

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The financial crisis of 2007/2008 had far-reaching impacts on developing countries, especially in cities which are more directly embedded in the global economy. Declining economic activity, negative effects on the terms of trade with the rich world and consequent job losses, as well as reduced remittances from family members working abroad, disproportionately affected urban households (Natali 2009).

In 2009 the International Development Research Centre (IDRC), UN-HABITAT and the RUA Foundation agreed to cooperate in a study whose aims were to:

- generate data that can help determine:
 - o the extent to which the financial crisis and rising food prices impact on malnutrition levels in cities, and
 - o the way national and local policy and institutional contexts have been mitigating or exacerbating problems of food insecurity;
- provide local actors with valuable information for the design of adequate policies and programmes to counteract the effects of the financial and food crises.

Background

The recent financial crisis came at a time when most countries were struggling with the impacts of sharply rising food and fuel prices. Despite the decline in international cereal export prices from their peaks in the first half of 2008, improved cereal production in 2008 and policy responses by governments, food prices have remained at high levels in many developing and low-income, food-deficit countries compared to midway through the decade. As of December 2008, the World Bank estimates that the high food and fuel prices alone have increased the number of extremely poor in the world by at least 100 million (Baker, 2008, Cohen and Garret, 2009). In most cases, domestic food prices remained higher after the peak in 2008 and subsequent price spikes occurred in late 2010 and early 2011 with food prices now above the peak level of 2008. According to a recent report by OXFAM (Hossain and Green 2011) the recent price hikes had

more uneven effects than during the financial and food crises of 2008, especially adversely affecting badly those that had been already hit by the 2008 crises.

Although hunger is most often associated with low agricultural output, drought and famine in rural areas, UN-HABITAT studies (see for example UN-HABITAT, 2003) have shown that hunger is not always related to food production or availability; rather, in urban areas, other factors, such as low and irregular income, inadequate access to basic services and poor living conditions, play more significant roles. Among those at greatest risk are the urban poor, because they are dependent on the market to access food and the share of food in their total expenditures is much higher than that of wealthier populations. Food represents about 10-20 percent of consumer spending in industrialised nations, but as much as 50-80 percent among the urban poor in developing countries (as was confirmed by the study results summarised below).

Study design

As part of the joint RUA/UN-HABITAT/IDRC study, a nutrition survey was undertaken. The survey was designed by UN-HABITAT in 2009, and pre-tested in Nairobi. RUA Foundation coordinated the implementation of five case studies in 2009 and 2010 (see box for the cities) and the production and publication of the final report (synthesis report and five case reports; accessible at www.ruaf.org). The study was made possible by a financial grant from IDRC.

The five cities and lead researchers

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- *Colombo, Sri Lanka: Sunethra Atukorala, Faculty of Medicine, University of Colombo*
- *Kitwe, Zambia: Jacob P. Mwitwa, School of Natural Resources, Copperbelt University*
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Four types of data were collected:

- *Anthropometric measurements indicating the nutritional status of children under six years of age and fertile women (between the ages of 15 and 49 years).* Three standard indices of physical growth were used to describe the nutritional status of the young children: height-for-age (stunting), weight-for-height (wasting) and weight-for-age (underweight) were calculated and compared to a standard reference population. The body mass index (BMI), a simple index of weight for height, was used as the standard measure of underweight, overweight and obesity in the adult women. Two neighbourhoods were selected: one slum area (poor-poor) and one (slightly) better off area (poor-middle income). In each neighbourhood 300 households were included in the sample. In autumn 2009, about eighteen months after the onset of the financial and food price crises, anthropometric measurements were taken of the different sample populations of children and women.
- *Anthropometric data reported from earlier studies.* To understand the extent to which nutritional status of children and/or women had worsened since the financial and food price crises began, primary anthropometric data were compared – as far as possible – with earlier nutritional assessments, e.g. Demographic and Health Surveys (DHS) or Multiple Key Indicators Cluster Surveys (MICS) as have been implemented in most countries since the nineties.
- *Data on the current livelihood assets, food intake and coping strategies of poor and middle-income households in the two areas, in response to the crises.* This information was obtained by interviewing the mother or other primary caretaker in these 600 (300 + 300) households, including a 24-hour recall of food consumed.
- *Data on the economic, policy and institutional context affecting urban food security (measures taken before and during/after the crises).* This information was collected through a review of policy documents and interviews with experts. The following questions guided the analysis of the policy responses to the crises in each city/country:
 - o Are there policies in place which are designed to mitigate adverse consequences of rising hunger levels? Since when have they been in place? Are these national and/or city policies?
 - o What kind of policy responses to the financial and food crisis are in place and what has been their impact, effectiveness and sustainability?
 - o Have there been conflicts (labour, violent) that have motivated a policy response with regard to food in this city?
 - o How have prices of essential food items fluctuated in the last two years in this city and what political events, market forces and/or policies have influenced the fluctuations? What should/could be done to reduce this fluctuation and rising food prices?
- Focus Group Discussions with local informants (e.g. local community leaders and health workers) were organised in each of the two neighbourhoods to obtain the informants' *perceptions regarding the impacts of the financial crises on household livelihoods, coping strategies adopted by poor households in response to the crises and the effects of governmental responses to the crises.*



Main findings

In all five cities the prices of key food commodities were much higher in late 2009 than they had been in 2007 (in many cases by more than 100 percent), but not all had remained as high as during the peak in 2008.

All households in this study were overwhelmingly dependent on purchased food as their main source of food security. For a majority of the city populations, in both the poorer neighbourhoods and the better-off areas, food accounted for half or more of all expenditures. Although the households' own food production was underreported because of the way the survey was set up (no specific questions were asked on this topic), it does not appear to play a major role in the sites selected, with the exception of Kitwe, where the important consumption of leafy vegetables derived primarily from own production

Consumption data based on 24-hour recall revealed that the diets of the urban poor have quite low levels of diversity and involve limited consumption of leafy vegetables, legumes or beta-carotene-rich vegetables and fruits. Consumption of fats, sugars and (low-quality) processed foods is widespread, however, as is the presence of animal source foods (ASFs) in the diets, especially in the Latin American cities and in Sri Lanka. The combination in several cases of presence of ASFs in the diet with child malnutrition (see below) suggests that portion sizes of these ASFs were very small, but the survey was unfortunately unable to measure this variable.

The collected anthropometric data showed disturbingly high levels of stunting (chronic malnutrition) and wasting (acute malnutrition) among children in both the lowest income and the poor-middle income populations especially in Kitwe (Zambia), Colombo (Sri Lanka) and Accra (Ghana). In addition to underweight, incidences of overweight and obesity were found, especially among fertile women but also in some categories of children due to widespread consumption of fats, sugars and cheap processed foods. This finding indicates a double burden of malnutrition among the urban poor and the need for intensive nutrition education.

Food accounted for more than 50 percent of all household expenditures of the urban poor and middle-income households. In Kitwe, Accra and Colombo some 20-30 percent of the households in the low-income areas spend almost 100 percent of their available income on food. As a consequence,

variations in income or food prices directly translate into rising rates of malnutrition in poor-income urban areas (as is confirmed by the collected anthropometric data; see below). Low household income levels limiting access to food is the main cause of food insecurity, not the food availability as such.

The study shows how the differential availability of household assets influences income generation and the capacity of households to ensure food security and cope with stresses and shocks. Households that have a high proportion of non-producing members (the young and/or the old), as in Kitwe, are particularly vulnerable as greater demands are placed on each income source. Many households in other cities, however, had access to more than one income source, with nearly 20 percent of households in the better-off areas of Colombo reporting three or more sources of income.

Comparison of the anthropometric data collected in this study with nutrition assessments from 2008 and earlier showed that the nutritional status of the urban poor has deteriorated under the impact of the financial crisis and high food prices and in the context of limited access to employment, high living costs and dependence on purchased food. Cutting down on the costs of food was the most important coping strategy applied by the poor urban households in response to the food and financial crises. The households often reduced both the quantity of food consumed (e.g. fewer meals a day and smaller portions) and the quality of the food consumed (e.g. eliminating consumption of higher value wheat and rice as complementary staples in Colombo and Accra respectively in favour of increasing consumption of the cheaper basic staples, or shifting to cheaper cuts of meat, as in Rosario). There appeared to be limited knowledge among these households about opportunities for reducing the costs of food without reducing its nutritional content, for example by reducing consumption of relatively expensive ASFs and replacing them with legumes and leafy vegetables.

The assessment of policies on food security that had been implemented either prior to or in response to the crises, supports the view that policies and social protection mechanisms in place before a crisis strikes, as in the case of Rosario, are more effective than those hurriedly implemented during a crisis. In part this is because the latter often result in poor targeting and unfair distribution of benefits, a criticism levelled at some of the measures taken in Accra.

Time-bound income transfers for the very poor, as used in Rosario, seem to be an effective mechanism to provide the most needy households access to enough nutritious food during a period of crisis, and this is advocated by several authors (eg Cohan and Garrett 2009). However, social protection programmes, also introduced in Rosario seem to cultivate a culture of dependency and inhibit local-level initiatives (e.g. local rearing of animals, vegetable gardens, joint purchase of nutritious food, community kitchens). Targeting the extremely vulnerable proved to be difficult in

urban areas, where there is considerable fluidity of residence, high variability of socio-economic indicators within “types of neighbourhoods” and limited clustering of food insecurity indicators.

Recommendations

- Effective food security policies and social protection mechanisms have to be in place before a crisis strikes.
- Nutrition interventions are urgently needed, especially in low-income areas, to show the population possibilities to reduce the costs of food without reducing its nutritional content.
- However, nutrition interventions need to be part of broader policies on urban food systems which make nutritious foods available (or improve access to nutritious food) in low-income settlements and facilitate access to natural resources and technical knowledge so increased numbers of people can use their own food production to contribute to household food security.

More information is available at www.ruaf.org or from the authors.

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