

How Has the COVID-19 Pandemic's Economic Fallout Impacted Food Security in Low-Income Countries?

An Undergraduate Briefing Paper

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Introduction

The COVID-19 pandemic's impact on food security has been gaining increased attention as its effects are being felt around the globe. The purpose of this briefing paper is to examine the impacts that the COVID-19 pandemic has had on food security in the form of severe losses of income and remittances, supply chain disruptions, and rising food prices. Furthermore, it will address how these effects have played out in low-income countries and recommend potential policy options and future research questions on food security.

Background

Food security essentially means having access to sufficient amounts of affordable and nutritious food on a consistent and stable basis.¹ Current Food and Agriculture Organization (FAO) estimates show that 8.9 percent of the world population, or approximately 690 million people, are experiencing hunger.² The FAO also estimates that 2 billion people around the world did not have regular access to “safe, nutritious, and sufficient food” in 2019, with close to 750 million people experiencing severe food insecurity. Additionally, the Global Report on Food Crises 2020 reported that as of September, an additional 101 million people in 27 countries were classified at a crisis level of food insecurity due to COVID-19.³

During the onset of the pandemic in the first few months of 2020, several countries including the United States, the UK, and India, introduced export restrictions mainly on food and medical supplies. While these measures initially sparked concerns over global food security, they have nearly all been lifted. Although it will take time to fully understand the comprehensive impacts of the COVID-19 pandemic, the economic disruptions caused by lockdowns, increased unemployment, and general losses of income and remittances have already had severe impacts on the livelihoods of billions of people worldwide. As the majority of countries across the world implemented lockdowns and imposed social distancing restrictions at the beginning of 2020, global trade and economic activity declined substantially. Economic forecasts have projected that global GDP will contract by 4-5% in 2020, which could mark the most severe recession in decades.⁵ Additionally, the World Trade Organization (WTO) has estimated that global merchandise trade in 2020 will see a 9.2% decline and slow significantly well into 2021.⁶ These estimates were made prior to many countries re-entering lockdowns at the beginning of November, and as global COVID-19 cases continue to rise, further restriction measures imposed in Q4 of 2020 could have significant impacts on economies around the world.

Analysis

Remittances

When considering food security in the context of a household, access to food is typically a result of having some form of income. In most poor countries, people spend more than half of their income on food.⁴ The effects of a declining global economy and country-wide lockdowns have been seen through high unemployment levels across the globe, resulting in losses of household income and a fall in remittances. Remittances are money transfers from foreign workers to their families or other individuals in their home countries, and are a major source of income for one in nine people globally.⁷

In April of 2020, the World Bank estimated that remittance flows to low- and middle-income countries would fall 20 percent, to \$445 billion, compared to \$554 billion in 2019.⁸ Although these predictions made sense at the time, it appears that despite remittances falling significantly in March and April, and fluctuating since, they have been more resilient than expected. This resilience likely stems from the many migrant workers who work in jobs considered essential during COVID-19, such as health care, food processing, and agriculture. For example, a recent article published in the *Journal on Migration and Human Security* found that “sixty-nine percent of all immigrants in the U.S. labor force and 74 percent of undocumented workers are essential workers, compared to 65 percent of the native-born labor force.”⁹ Migrant workers may have also benefitted from stimulus packages, when eligible, although it is difficult to determine the exact extent that these financial-aid packages have influenced remittances. It is also important to consider the personal resilience of migrant workers and their commitment to maintaining remittances. It is possible that these individuals are absorbing economic shocks themselves in order to continue supporting their family members in their home countries. That being said, this is only a hypothesis, however, it would be interesting to see further research that examines the personal determination of migrant workers to support their families despite economic shocks.

It now appears that, according to updated estimates by the World Bank, global remittances are projected to fall by 7 percent in 2020 and a further 7.5 percent in 2021 due to COVID-19.¹⁰ This is expected to lead to an increase in food insecurity and poverty in vulnerable regions of the world, especially Sub-Saharan Africa. On a global scale, remittances have taken a substantial hit in 2020, and the long-term effects of the pandemic on this form of income might not become apparent until later in 2021. However, these projections become drastically different when looking at current remittances in the context of Africa, where one out of five people sends or receives remittances.¹¹ In 2020 alone, as a result of the pandemic’s economic fallout, remittance inflows to Africa are expected to decline by 21 percent, erasing six years of productive progress.¹² This is very concerning, considering that nearly three-quarters of money from remittances is put towards essential items, such as purchasing food and paying medical expenses.¹³ Furthermore, with half of remittances going to rural areas, where three quarters of the world’s food insecure population lives, this decline in remittances could have drastic negative effects on food security.¹⁴

Income Loss

Recent research indicates that income has declined even more sharply than remittances. The International Labour Organization (ILO) has estimated that, due to losses of working hours as a result of the COVID-19 pandemic, global labor income declined by U.S.\$3.5 trillion in the first three quarters of 2020 compared with the same period in 2019, (excluding income support provided by governments).¹⁵ At the beginning of the pandemic, this was already being seen in surveys conducted across 20 African countries by the Partnership for Evidence-Based Response to COVID-19 (PERC) which found that on average, if faced with a 14-day stay-at-home order, survey respondents would run out of money in 12 days and food in 10 days, with the lowest-income households expecting to run out of both within a week.¹⁶ In an effort to curb pandemic-induced income shocks, many higher-income countries implemented domestic fiscal stimulus packages, however, many low-income countries with limited resources weren't able to provide as much financial aid to those in need. According to the ILO, the amount of fiscal support measures in low income countries equates to less than 1 percent of the total value of measures introduced in high-income countries.¹⁷ Moreover, for developing countries to achieve the same ratio of financial support to working hours lost as high-income countries, they would need to invest an additional U.S.\$982 billion.¹⁸ Recent data published by the World Bank estimates that “the COVID-19 pandemic is likely to push between 88 and 115 million people into extreme poverty in 2020, setting back poverty reduction goals by around three years.”¹⁹ Facing losses in income and an extreme rise in poverty, many individuals will not have adequate resources to buy necessary food, and will likely switch to cheaper sources of calories when they can afford food, which could result in malnutrition and sharp increases in food insecurity.

Supply Chain Disruptions

A supply chain, both on a domestic and international level, entails all of the processes and activities necessary in order for a product or service to get from its original state to the consumer.²⁰ In the realm of food and agriculture, supply chains include the producer or farmer of the original product, the consumer, and every entity in between. As the pandemic became more severe and countries began imposing lockdowns, many governments undertook a variety of measures to ensure domestic food security, and overall, their supply chains appeared to maintain stability. For example, in March the United States increased funding and flexibility for their Supplemental Nutrition Assistance Program (SNAP), which provides low-income families with financial assistance to purchase food.²¹ Other measures included imposing food export restrictions, which were announced by 22 countries earlier in the year.²² Researchers at the International Food Policy Research Institute (IFPRI) have found that this stability was mainly seen in wealthier countries with capital-intensive and highly mechanized supply chains for staple crops such as wheat, maize, and soybeans, due to their ability to continue with very few disruptions.²³ In addition, these supply chains are typically less labor intensive and inherently allow for more feasible social distancing which furthers their ability to remain operational.²⁴

In low-income countries, domestic supply chains have been affected more substantially and are more vulnerable to the continued economic fallout of COVID-19. Food production in poorer countries is more reliant on labor-intensive processes and therefore, domestic supply chains in low-income countries have been affected by frequent disruptions due to labor shortages, disease-

mitigation measures, as well as transportation and logistics disruptions.²⁵ On a global level, food supply chains have mostly held up despite concerns that large-scale disruptions could result in food shortages. The immediate risks to food security that have arisen due to the pandemic are at the country level, with domestic supply chains in low- and middle-income countries being the most vulnerable to shocks affecting food production. Finally, it is important to mention that the economic impacts and disruptions of the COVID-19 pandemic have coincided with a devastating locust outbreak that has been severely impacting food production throughout the Horn of Africa and many Sub-Saharan African countries that have already been struggling with severe food security. This infestation has destroyed hundreds of thousands of hectares of productive land and it is expected to continue.

Rising Food Prices

While it appears that global food stores of staples such as rice, wheat, and maize are healthy and have maintained stable levels, the distribution and accessibility of these commodities and other essential staples are threatened by rising food prices. The FAO Food Price Index (FFPI) averaged 105.0 points in November 2020, which is 6.5 percent higher than November of 2019, and represents the sixth consecutive monthly increase in 2020.²⁶ The FFPI is calculated by taking the average prices of five food commodity groups (cereals, vegetable oils, sugar, meat, and dairy products) and weighting them with their average export shares from 2014-2016 on a monthly basis. Recent rising food prices can be attributed to a variety of factors across the five commodity sectors, including increases in palm oil prices due to declines in world inventory and increased wheat export prices resulting from reduced harvest prospects in Argentina. These price increases do not appear to be directly associated with the economic shocks of COVID-19. However, with food prices rising on a global scale, individuals in low-income countries are at an increased risk of severe food insecurity. According to the Global Report on Food Crises 2020, rising prices of staple foods have played a role in millions of increased food insecurity cases throughout more than 14 African countries.²⁷ These price increases, combined with income losses, are reducing household purchasing power and restricting access to adequate diets.²⁸ Additionally, according to a recent World Food Programme (WFP) report, “Food insecurity is expected to increase because of COVID-19 and related containment measures, as the widespread loss of income sources coincides with rising food prices.”²⁹ It is unclear how a continued rise in food prices will play out as the year comes to an end, however, it is apparent that combined with the other economic shocks of COVID-19 it will threaten food security across the globe with further negative impacts in low-income countries.

Outlook

Food security and pandemics are both multifaceted issues that can be difficult to fully grasp. With current data, we are beginning to see the negative effects of COVID-19 on global food security through losses of income and remittances and supply chain disruptions. Moreover, as economic shocks coincide with rising food prices across the globe, many individuals, especially in low-income countries, are at an increased risk of food insecurity. These issues have had a disproportionate impact on low-income and low-middle income countries, while the global outlook has remained somewhat optimistic despite significant setbacks. Additionally, the most substantial impacts are being seen in low- and middle-income regions at the country-level,

especially throughout Sub-Saharan Africa. It may take a longer period of time to see the true impacts of this crisis on food security, however, there are things that can be done now to help mitigate adverse effects to come.

The United States should prioritize cooperative partnerships to address this situation. The Feed the Future Initiative, a partnership between the United States and food-insecure countries around the world which was launched in response to the 2008 financial crisis, is a good example. This partnership has improved food security in many countries including Bangladesh, Ethiopia, and Kenya by creating new opportunities for agricultural production, improving access to markets, and providing funding for education and policy development.³⁰ Regional bodies and the private sector should also consider creating new initiatives to address food security and build on existing frameworks. Grow Africa and Grow Asia are two examples of successful partnerships between regional bodies and the private sector. These initiatives combine bottom-up and multi-level approaches to help facilitate agricultural growth and develop agribusiness partnerships. Additionally, income-support programs, like we have seen in many high-income countries, are needed on a larger-scale in more low-income countries. This will be a challenge for these governments but food security can be improved and strengthened through creating policies that include social protections, such as financial support and food distribution programs, for unemployed workers and families that have been affected by the pandemic. In order to fund initiatives in low-income countries, international organizations and financial institutions such as the International Monetary Fund, World Bank, and United Nations must set aside additional resources to address these circumstances. In addition, higher income countries must prioritize development assistance to ensure that individuals in low-income countries can have protection against economic shocks resulting from COVID-19. Furthermore, food supply chains, both on a global and domestic level, need to be treated as essential services and need to be backed by health and safety protocols, even during lockdowns. Finally, as remittance flows trend downward globally and decline drastically in some regions (Sub-Saharan Africa), extra care and attention must be focused on safeguarding this source of income against future economic shocks as it plays a vital role in securing livelihoods around the world.

This is not a comprehensive list of all of the recommendations needed to safeguard food security, however, these recommendations could be useful going forward as governments start paying more attention to this issue. Additionally, I encourage further research of the COVID-19—Food Security nexus, especially regarding Sub-Saharan Africa, as the economic impacts of the pandemic continue to become apparent. As a final note, throughout the course of my research for this report, I have recognized the need for literature that compares global food security after COVID-19 with food insecurity data following the 2008 financial crisis. Comparing food security during and after these two economic crises could help increase our knowledge of food security and how global economic shocks affect it. This research could further our understanding of the larger economic impacts of COVID-19 and aid in policy making to help safeguard food security in the future.

Endnotes

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