Central America has experienced a significant increase in food prices, particularly among poor households. The average price of food rose by 33.5% during the same period. In Nicaragua, the food price index for the food basket in Guatemala rose by 22.1%; in Honduras by 12.8%; and in El Salvador, by 17.1% in urban areas and by 17.2% in rural areas (Graph 2). In Nicaragua, the food price index increased by 33.5% during the same period. The purchasing power among poor households in Central America has broken down during this period, in the absence of substantive adjustments in minimum wages. For example, the minimum wage
in Nicaragua, in April 2008, covered less than 25% of the cost of the basic food basket for the urban and 11% of that of a rural household.

There are various groups in whose food consumption and nutritional intake is put at risk by the current price rise, especially the urban poor, subsistence farmers, day laborers and non-farming rural poor. Most of these families purchase over 80% of their food requirements, while food expenses represent a major proportion of overall household spending: over 55% among the poorest. This illustrates the high market dependence and extremely limited adjustment margin of poor households.

One of the main coping strategies among the poorest strata of affected population is changing diets and reducing food consumption. According to recent field analysis, it is estimated that among poorest families, food consumption has reduced up to 26% in Nicaragua, from 9 to 13% in El Salvador, 8% in Honduras and 6% in Guatemala. Even if households can partly compensate by buying less expensive food, the reduction in both the quality and quantity of their nutritional intake contributes to creating a major risk of under-nutrition. This risk is particularly severe among children under 5, pregnant women and mothers who are breastfeeding. According to recent analysis in El Salvador, 87% of poor households have reduced both the quality and quantity of their diet. While potential coping strategies include out-migration, selling of household assets and other goods, focus groups indicate that food reduction is the most common response.

Despite the significant advances in recent decades, under-nutrition is still a wide-ranging problem in Central America. According to FAO (2002-2004 estimates), of a total population of 32.8 million in the four poorest countries of the region (El Salvador, Guatemala, Honduras and Nicaragua), approximately 6.8 million people suffer from undernourishment (insufficient caloric intake), that is to say 20.8% of the population. Over one third of the population, 11.3 million people, is highly vulnerable to food insecurity. Rural areas present the highest poverty and vulnerability rates. For example, in Guatemala and Honduras, 60% of the rural population is poor, with 36-38% living in extreme poverty.

The increase in food prices could dramatically affect this situation, deepening the situation of food insecurity and reversing many years of anti-poverty progress. Based on household surveys from El Salvador and Guatemala, it is estimated that the number of people living in extreme poverty has increased by 6.5% (92,000 persons in El Salvador and 74,000 in Guatemala) during 2007, due to the rise in food costs reducing households’ relative income (Graph 3). During the same period, some 104,000 “new poor” appeared in El Salvador and 229,000 in Guatemala. Depending on market prices, new increases may be recorded in 2008. According to a recent World Bank study, in Nicaragua the number of poor people in the urban and rural areas may have risen by 10.5% and 4.2%, respectively, during 2005-2007, in view of the increased cost of the basic food basket.

To confront the challenges associated to the price rise, most governments in the region have announced initial measures regarding markets and production, such as (a) establishing tax free wheat flour import quotas, (b) implementing seed and fertilizer distribution programmes, and, in certain cases, (d) limiting exports of food commodities. Additional measures have been announced to mitigate the impact on poor households, including the establishment of subsidies, the expansion of programmes such as school feeding, conditional cash transfers, and food security and nutritional interventions. However, given the long term nature of the phenomenon, it will be critical for Governments to consider the overall sustainability of such measures in the medium to long term.

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