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WHITE PAPER

Food Insecurity: the urgent need for a paradigm shift



stop
hunger

sodexo



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“FOOD SHOULD NEVER BE A LUXURY; IT IS A FUNDAMENTAL HUMAN RIGHT. AND YET, THIS CRISIS MAY RAPIDLY TURN INTO A FOOD CATASTROPHE OF GLOBAL PROPORTIONS.”¹

Currently, 828 million people suffer from hunger, of which 345 million face severe food insecurity and 50 million are on the verge of starvation.

Alarmingly, this toll is worsening every day. More than 65 million people are severely food insecure, compared to 2021, two and a half times more than before the start of the pandemic.

This situation is unprecedented, because of its global character of varying shock waves, depending on the regions and countries in the world. Indeed, the cost-of-living crisis has spared no country, including the most developed ones. The excessive rise in food and energy prices is pushing low-income households to precariousness, forcing them to choose between eating, heating, or health care.

The United Nations does not hesitate to qualify this crisis as: **“The greatest cost-of-living crisis in generations”**.

Food banks are also sounding the alarm. Everywhere in the world, they are facing waves of new beneficiaries, including those who have jobs, which announces the magnitude of the situation ahead.

CHAPTER 1

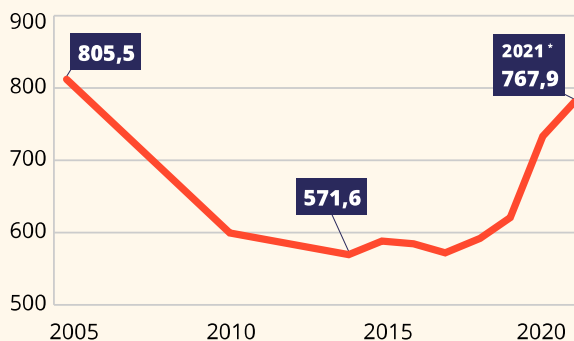
Food insecurity in the world: a chronic challenge

Hunger and food insecurity have always been a global concern with the intensity and severity varying by region. In 1990, a billion people were suffering from hunger, mainly in Africa and Southeast Asia. Famine in Ethiopia had deeply marked public opinion at that time

and pushed institutions to act. These actions, associated with global economic development, in particular that of China and India, significantly influenced the tendency. As a result, in 2015, hunger figures decreased: 571 million people were severely or moderately food insecure. The figures remain, however, unacceptable, which leads the UN to fix a sustainable development goal to eradicate hunger in the world for 2030 (**SDG2 Zero Hunger**).

In 2020, the COVID-19 pandemic destabilizes a still fragile situation, and marks a brutal step backwards.

World hunger on the rise



The number of undernourished people in the world from 2005 to 2021, in millions.

Source: FAO

Causes of hunger and food insecurity

First, food insecurity is strongly linked to a **lack of resilience concerning agricultural systems**, confronted with soil depletion challenges and climate change, but also more recently, the rise in the price of fertilizers and financial instability.

In 2020, **the WFP** (World Food Programme) warned of the reasons aggravating hunger, using the acronym **"triple C"** for:

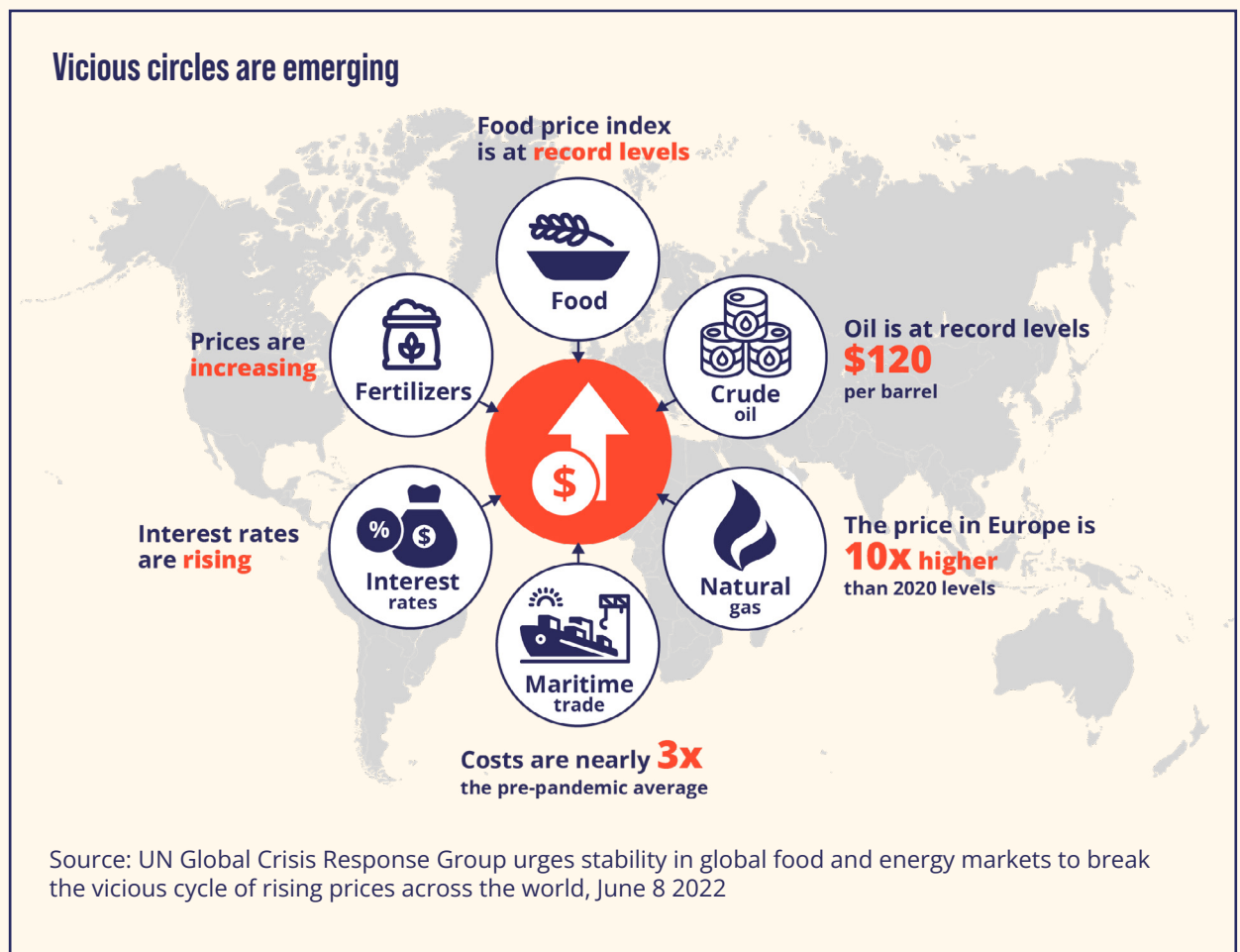
- **Conflicts** - in 2022, there were three times as much conflict in the world than in 2009,
- **COVID-19** - which has had a brutal impact on the economy and employment,
- **Climate** - many countries and regions have been impacted: Haiti, Australia, Madagascar....

The figures speak for themselves:

Around 1 in 9 people in the world suffer from hunger.

The war in Ukraine enhances the difficulty, reinforcing this state of food insecurity. Together, Russia and Ukraine provide almost 30% of the world's wheat. The blockage of Russian exports, unstable supply chains, and poor harvests in Ukraine, due to ongoing conflict, have led to unprecedented increases in the price of basic foodstuffs, energy, and fertilizers.

The WFP today evokes **"le triple F"**: **Food, Fuel, and Fertiliser** as aggravating economic causes, marking an abrupt end to the hope of improving the situation of hunger in the world.



Our world faces a global food crisis.

The sharp rise in food prices, having exceeded inflation globally in 83.1% of 166 countries², makes it increasingly difficult to access food worldwide.

The shock wave is global, and just to mention a few countries: In Brazil, hunger now affects 33 million people – 15% of the population – i.e. nearly twice as many as in 2020.

In the United States, there are 41 million Americans, i.e. nearly one in seven, facing hunger, including almost 13 million children.

In the UK, 7.3 million adults live in households that lacked food in April 2022, a very clear increase from 4.7 million adults recorded in January 2022, according to the Food Foundation.

In this context, the objective of the Sustainable Development Goal (SDG) to eradicate hunger in the world established for 2030 seems less and less attainable.

Only a coordinated and assertive effort from governments, large institutions, NGOs and the private sector could mitigate such a large-scale, unprecedented crisis scale.

"Acute food insecurity is rising fast and spreading across the world. People in the poorest countries in particular who have yet to recover from the impact of the COVID-19 pandemic are suffering from the ripple effects of ongoing conflicts, in terms of prices, food and fertilizer supplies, as well as the climate emergency. Without a massively scaled-up humanitarian response that has at its core time-sensitive and life-saving agricultural assistance, the situation will likely worsen in many countries in the coming months", said the Director General of the FAO (The Food and Agriculture Organization), QU Dongyu.

CHAPTER 2

The start of global awareness and the mobilization of public authorities

The inflationary context, which could take hold for a long time, predicts **an unprecedented worsening of global food insecurity**.

In recent years, governments have put into place initiatives to support populations. But the war in Ukraine has made the situation more complicated. Countries have had to redouble their efforts to face this challenge. France (**FARM**³) with Italy, Germany (**Global Food Security Alliance**⁴), the United States, as well as international organizations such as the **UN** et le **G7**, have all announced various initiatives, strategies and ad hoc groups to alleviate food insecurity.

The risk is now spreading. These food tensions, which until now have been mainly understood through the prism of the most vulnerable countries, are becoming more widespread given the current geopolitical, economic and climatic context.

While 10.2% of American households were food insecure in 2021, **the White House** announced in September 2022 that it would allocate \$8 billion to fight hunger in the United States⁵ with the support of companies such as Google, Warner Bros, Discovery and Sysco. **In France**, food prices have increased by 11.8% in one year⁶, forcing households to reduce their food consumption and putting the most vulnerable at greater risk⁷.

States are trying to curb, as far as possible, the inflationary shock that is becoming more widespread. For example, **the German government** announced in October support for households to pay their energy bills⁸.

A similar action announced by **the United Kingdom** will devote about 60 billion pounds to limiting the energy bills of



households and businesses⁹.

However, given the scale of the multi-faceted crisis that is materializing on a global scale, all the incentives, regulations and commitments made and implemented by governments alone will not be enough to curb the phenomenon.

The private sector, as an economic and social actor, will be expected to contribute strongly to providing answers and concrete solutions. Several voices are being raised calling for the collaborative commitment of companies.

Not to reflect on its societal role in such a context would certainly generate a major risk for organizations, leading to social demands, various attacks by third parties, a potential disengagement of employees and, ultimately, a reputational issue leading to an impact on profitability.

CHAPTER 3

The private sector is confronted by new risks

The troubled economic context, faced with all of the financial factors, presents a threat to the stability of fiscal models.

Operational risk

Businesses face **increasingly strong tension on their supply chain**¹⁰. The race for raw materials is soaring and the escalation of prices accelerating.

Private players also face **increasing difficulties to establish** their organizations or continue to work in certain countries. Furthermore, **the shortage of labor work**, added to the threat of strikes and walkouts, is a factor of risk which is likely to **destabilize the productive capacity of enterprises**¹¹. The company's value proposition can thus be largely destabilized.

Societal risk

Companies, all sectors combined, face the **increasing vulnerability of their social fabric**, under the pressure of inflation, which is affecting their purchasing power, stirring social tensions and demands, but also groups challenging the economic model (AgroParisTech students calling for "abandoning" the agri-food industry in its current model).

Employees, in search of meaning, in particular since COVID-19, are questioning the value of "Work" and are therefore **all the more attentive** to the attitudes of their employers, whether to support them in times of crisis or in commitments made in favor of a more sustainable world.



Reputational risk

Employees, but also different stakeholders (suppliers, customers, investors, media, etc.) are increasingly more attentive to the action of organizations: for instance, who is accountable to set the social example, but also the environmental commitments and tangible benefits for tomorrow's world. There is no time to postpone.

Responsibility and leading by example have become major issues for the image and reputation of a business.

Investment risk

Investors, echoing the expectations of their principals, are concerned about increasing the long-term resilience of the agri-food system:

- Larry Finck, President of **BlackRock**, thus declared on July 16, 2022, to the Financial Times that *"we don't talk enough about food"* and that it was a necessity to worry more about food prices than those of oil, emphasizing the extent of the associated geopolitical risk to food security.
- Arnaud Tellier, Chairman of **BNP Paribas** Wealth Management for Asia Pacific made agri-food security the priority for 2022, calling for the orientation of investments of companies to fight against food waste, develop agricultural technologies or work on improving fertilizers.
- Jay Collins, Vice-President of **Citigroup** Capital Market and Advisory at Reuters Global Markets Forum in Davos said: *"It's very important for the leaders of the world to sit at the table with calm and talk about how we will manage trade and food and investment"*.

From now on, companies that do not take these issues into serious account risk seeing their investment circumstances slow down substantially.

CHAPTER 4

Business mobilization must speed up

In recent weeks, several business leaders across the board of the agri-food sector value chain have taken alarmist positions about the scale of the crisis affecting both developed countries, as well as the most fragile:

- Florian Delmas, President of **Andros**, system status alert French food industry at Choiseul Magazine¹², stated, *"Our French agriculture and agri-food system is going bankrupt, and we prefer to look elsewhere"*.
- John Allan, Chairman of **Tesco PLC**, picked up by several media (Bloomberg, Guardian, Evening Standard), said on May 20, 2022 *"We are seeing real food poverty for the first time in a generation"*.
- Erik Fyrwald, President of **Syngenta**, declared in the Wall Street Journal on June 29, 2022: *"We actually have two crises... the food security crisis and the climate crisis."* He added that *"Rising food prices are very serious."*
- Alan Jope, Managing Director of **Unilever**, picked up by Reuters, said on June 21, 2022, that the crisis *"is probably going to carry on being our norm for some time. We're in the foothills of a very substantial global food crisis, we haven't yet really seen the full impact of that and the mother of all crisis is of course the climate emergency."*

Despite this first window of awareness, it is now becoming essential to accelerate in order to move, collectively, towards a sustainable and responsible transformation of economic models.

In terms of liability, some companies have also taken some measures to support their employees in the face of the cost-of-living crisis intensifying their efforts against food insecurity, amongst external communities.





For example:

- In 2021, the **LVMH Group** launched a solidarity fund of 30 million euros for its employees.
- **PepsiCo** and the **PepsiCo Foundation** announced on July 5, 2022, an expansion of their global efforts to progress food security. They partner with the World Food Programme (WFP), CARE and other local organizations to increase the productivity of 3.5 million small farmers in Africa, Middle East, Latin America and Asia.
- **Bayer**, in May 2022, signed the undertaking of the private sector in favor of the fight against hunger (Zero Hunger Private Sector Pledge) with a pledge of \$160 million to help end world hunger, particularly in Asia, Africa and Latin America.
- **Kellogg's** is increasing its actions, including the launch of the Better Days program, which aims to supply 375 million people in need with food donations by the end of 2030.

In conclusion

Food insecurity, a major concern for decades for countries in the south, is extending to the most developed countries, as global crises multiply with the pandemic and war in Ukraine.

Individually, organizations certainly cannot take responsibility for the failures of the external environment. But they can at their level and in their field of activity, implement measures to reduce the consequences of this accumulation of crises on their ecosystem.

The private sector can demonstrate pragmatism and initiative. Businesses could thus demonstrate that their usefulness often goes far beyond their economic contribution, through the strengthening of their social and environmental responsibility policy, investing more in philanthropy and sustainable actions to support the associative world.

Some key hunger figures

The UN has set a goal to eradicate world hunger by 2030.

Yet today about **1 in 9 people** in the world suffer from hunger.

828 million people suffer from severe or moderate food insecurity.

50 million of them are on the brink of starvation.

Source: WFP



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Acknowledgements

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About Stop Hunger

Stop Hunger is the unique philanthropic cause of Sodexo, working for a world without hunger. Initiated in the United States in 1996 by Sodexo employees, the movement has grown considerably. Thanks to Sodexo, today Stop Hunger is present in 60 countries, working hand in hand with more than 300 NGOs.

www.stop-hunger.org



About Sodexo

Created in 1966 in Marseilles by Pierre Bellon, Sodexo is the world leader in services to improve the Quality of Life, an essential factor in the performance of individuals and organizations. Present in 53 countries, the 422,000 Group employees serve 100 million consumers every day with a unique offer of On-Site Services and Benefits & Rewards Services.

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