FOOD PRICES SOAR
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Almost all of a sudden comes news of food-related riots in many parts of the developing world, due to the rise in prices of staple foods like rice and wheat and shortages in the market.

The food crisis is now rivalling the financial crisis and climate change as the most important problem the world has to solve. It is the most pressing, because people cannot go a few days without food, and because hungry people are showing their anger and desperation on the streets.

Last week, Haiti's capital was paralysed as demonstrators tried to storm the Presidential Palace due to rising prices of rice, beans and oil, and five died from the unrest. There were also two days of rioting in Egypt, over the doubling of food prices in a year.

Riots linked to inflation killed 40 in Cameroon in February. There have also been protests in Indonesia, the Philippines, the Ivory Coast, Mozambique, Senegal, Bolivia, Ethiopia and Madagascar.

In Thailand and Pakistan, army troops were used to prevent the seizure of food from fields and warehouses. Suddenly, many top United Nations officials are warning that rising food prices are causing public unrest and threatening political security. In Asia, shortages and rising prices of rice are most worrisome. Ironically, there was a shortage of rice even in Bangkok, due to hoarding, although Thailand is the world's top rice exporter.

There are reports of Vietnam and India taking measures to restrict rice exports to ensure local supplies. African countries that import from Thailand are asking it to guarantee that it will meet its export commitments. The Philippines, the world's top rice importer, vowed last week to be self sufficient in production by 2010. Its agriculture minister called for a meeting of Asian Ministers to discuss the food crisis.

The figures for food prices are sobering, even staggering. On April 9 the price of Thai medium quality rice traded for a record $854 a tonne, more than double the level at the end of last year. Average rice prices will rise further in 2009 and 2010, the World Bank predicts.

The rise in rice prices is due to a boom in consumption in Asia, the Middle East and West Africa, a reduction in the acreage of rice, rising fuel and fertiliser costs and the exhaustion of technological advances, according to an article in the *Financial Times*.

Other factors slowing production are water shortages in South-East Asia, Central America and West Africa, and higher labour costs in countries like Vietnam. Demand has exceeded supply in six of the last eight years and global rice stocks at their lowest level since 1976, said the Financial Times.

According to the UN Food and Agricultural Organisation, cereal prices continued to rise in the past two months. Prices of rice increased the most after export restrictions by major exporting countries. By the end of March, prices of rice and wheat were about double their levels a year earlier, and maize prices were over a third higher. The import bill for cereals for the world's poorest

countries will rise by 56% in 2007/08, after a 37% increase in 2006/07, said the FAO. World cereal stocks are expected to fall to a 25-year low of 405 million tonnes in 2007/08, down 21 million tones or 5% from the previous year.

Five major factors are widely cited for the rise in food prices:

- The rapid rise in oil and energy prices, which has increased the costs of fertiliser, operating of machinery, harvesting, storage, delivery of food;
- The increased demand for food resulting from high economic growth in countries like China and India, which also caused a change in diet towards more meat;
- Weather-related events, such as drought in Australia, leading to bad harvests;
- The shift from growing crops for food to crops for biofuels, which not only reduces food supplies but also leads to market speculation and the rise of prices; and,
- Reduced investments in agriculture worldwide in recent years, causing production to be outstripped by the rising demand.

This combination of factors means that the food price rises are not expected to be a temporary phenomenon (which would be the case for instance if they were caused mainly by drought in one or two years).

The FAO director-general Jacques Diouf said in New Delhi last week that food shortages were a structural problem and the solution needs to be structural. The high prices would not ease in the short term due to the supply-demand situation. He blamed wrong policies of the past two decades for the crisis.

Of the various factors, the one attracting most attention and criticism has been the rapid rise of production of crops for biofuels, which is diverting away from the use of the same crops for food. The *New York Times* in an editorial on the world food crisis on April 10 blamed the rich world for exacerbating the crisis by supporting the production of biofuels. It quoted IMF (International Monetary Fund) estimates that corn ethanol production in the US accounted for at least half the rise in world corn demand in each of the past three years. This elevated corn prices; feed prices rose; and so did prices of other crops (mainly soybeans) as farmers switched their fields to corn.

The US provides a subsidy of 51 cents a gallon to ethanol blenders and imposes a tariff of 54 cents a gallon on imports, while most European countries exempt biofuels from some gas taxes and impose a tariff equal to over 70 cents a gallon of imported ethanol. The *New York Times* called for an end to these government interventions, as corn ethanol does not help in reducing greenhouse gas emissions, while it adds to rising food prices.

The FAO head Jacques Diouf, who is critical of the switch of land use to biofuels, meanwhile said (without naming the US) that currently 100 million tonnes of cereal are being diverted for biofuel production in one country and the quantity is estimated to rise 12-fold by 2017.

He said the FAO is calling an emergency meeting of heads of states to discuss the overall food situation, including the impact of climate change. □□□

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