

The Star : Soaring food costs

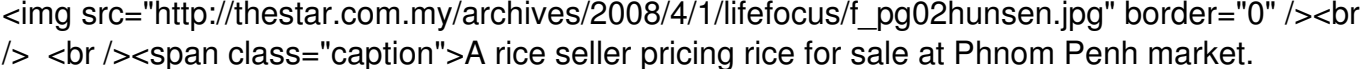
Written by Administrator

Thursday, 10 September 2009 11:41 -

From rice in Peru to miso in Japan, food prices are rising. By KATHERINE CORCORAN.

Food is increasingly getting beyond reach for the poorest nations as consumers worldwide grapple with the spike in prices of basic commodities.

IF YOU'RE seeing your grocery bill go up, you're not alone. From subsistence farmers eating rice in Ecuador to gourmets feasting on escargot in France, consumers worldwide face rising food prices in what analysts call a perfect storm of conditions.



Freak weather is a factor. But so are dramatic changes in the global economy, including higher oil prices, lower food reserves and growing consumer demand in China and India.

The world's poorest nations still harbour the greatest hunger risk. Clashes over bread in Egypt killed at least two people recently, and similar food riots broke out in Burkina Faso and Cameroon earlier this month.

But food protests now crop up even in Italy. And while the price of spaghetti has doubled in Haiti, the cost of miso is packing a hit in Japan.

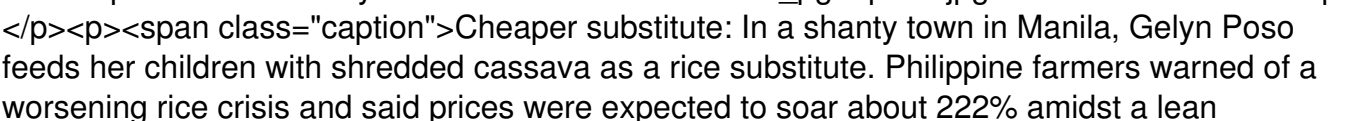
It's not likely that prices will go back to as low as we're used to, said Abdolreza Abbassian, economist and secretary of the Intergovernmental Group for Grains for the United Nations Food and Agriculture Organisation (FAO).

Currently if you're in Haiti, unless the government is subsidising consumers, consumers have no choice but to cut consumption. It's a very brutal scenario, but that's what it is.

No one knows that better than Eugene Thermilon, 30, a Haitian day labourer who can no longer afford pasta to feed his wife and four children since the price nearly doubled to the local equivalent of US\$0.57 (RM1.85) a bag. Their only meal on a recent day was two cans of corn grits.

Their stomachs were not even full, Thermilon said, walking toward his pink concrete house on the precipice of a garbage-filled ravine. By noon the next day, he still had nothing to feed them for dinner.

Their hunger has had a ripple effect. Haitian food vendor Fabiola Duran Estime, 31, has lost so many customers like Thermilon that she had to pull her daughter, Fyva, out of kindergarten because she can't afford the US\$20 (RM65) monthly tuition.



In the long term, prices are expected to stabilise. Farmers will grow more grain for both fuel and food and eventually bring prices down. Already this is happening with wheat, with more crops to be planted in the United States, Canada and Europe in the coming year.

However, consumers still face at least 10 years of more expensive food, according to preliminary FAO projections.

Among the driving forces are petroleum prices, which increase the cost of everything from fertilisers to transport to food processing. Rising demand for meat and dairy in rapidly developing countries such as China and India is sending up the cost of grain, used for cattle feed, as is the demand for raw materials to make biofuels.

What's rare is that the spikes are hitting all major foods in most countries at once. Food prices rose 4% in the United States last year, the highest rise since

The Star : Soaring food costs

Written by Administrator

Thursday, 10 September 2009 11:41 -

1990, and are expected to climb as much again this year, according to the US Department of Agriculture.

As of last December, 37 countries faced food crises, and 20 had imposed some sort of food-price controls.

For many, it's a disaster. The United Nations World Food Programme says it's facing a US\$500mil (RM1.6bil) shortfall in funding this year to feed 89 million needy people.

In Egypt, where bread is up 35% and cooking oil 26%, the government recently proposed ending food subsidies and replacing them with cash payouts to the needy. But the plan was put on hold after it sparked public uproar.

A revolution of the hungry is in the offing, said Mohammed el-Askalani of Citizens Against the High Cost of Living, a protest group established to lobby against ending the subsidies.

In China, the price hikes are both a burden and a boon. Per capita meat consumption has increased 150% since 1980, so Zhou Jian decided six months ago to switch from selling auto parts to pork. The price of pork has jumped 58% in the past year, yet every morning housewives and domestics still crowd his Shanghai shop, and more customers order choice cuts.

At the same time, increased cost of food staples in China threatens to wreak havoc. Beijing has been selling grain from its reserves to hold down prices, said Jing Ulrich, chairwoman of China equities for JP Morgan.

But this is not really solving the root cause of the problem, Ulrich said. The cause of the problem is a supply-demand imbalance. Demand is very strong. Supply is constrained. It is as simple as that.

Chinese Premier Wen Jiabao says fighting inflation from shortages of key foods is a top economic priority. Inflation reached 7.1% in January, the highest in 11 years, led by an 18.2% jump in food prices.

Meanwhile, record oil prices have boosted the cost of fertiliser and freight for bulk commodities up 80% in 2007 over 2006. The oil spike has also turned up the pressure for countries to switch to biofuels, which the FAO says will drive up the cost of corn, sugar and soybeans for many more years to come.

In Japan, the ethanol boom is hitting the country in mayonnaise and miso, two important culinary ingredients, as biofuel production pushes up the price of cooking oil and soybeans.

Italians are feeling the pinch in pasta, with consumer groups staging a one-day strike last September against a food deeply intertwined with national identity.

In decades past, farm subsidies and support programmes allowed major grain exporting countries to hold large surpluses, which could be tapped during food shortages to keep prices down. But new liberal trade policies have made agricultural production much more responsive to market demands putting global food reserves at their lowest in a quarter century.

Without reserves, bad weather and poor harvests now have a bigger impact on prices.

The market is extremely nervous. With the slightest news about bad weather, the market reacts, said economist Abbassian.

That means that a drought in Australia and flooding in Argentina, two of the world's largest suppliers of industrial milk and butter, sent the price of butter in France soaring 37% from 2006 to 2007.

Food costs worldwide spiked 23% from 2006 to 2007, according to the FAO. Grains went up 42%, oils 50% and dairy 80%.

Economists say that for the short term, government bailouts will have to be part

The Star : Soaring food costs

Written by Administrator

Thursday, 10 September 2009 11:41 -

of the answer to keep unrest at a minimum. In recent weeks, rising food prices sparked riots in the West African nations of Burkina Faso, where mobs torched buildings, and Cameroon, where at least four people died.

But attempts to control prices in one country often have dire effects elsewhere. China's restrictions on wheat flour exports resulted in a price spike in Indonesia earlier this year, according to the FAO.

Ukraine and Russia imposed export restrictions on wheat, causing tight supplies and higher prices for importing countries. Partly because of the cost of imported wheat, Peru's military has begun eating bread made from potato flour, a native crop.

Poorer countries can speed up the adjustment by investing in agriculture, experts say. If they do, farmers can turn high prices into an engine for growth. ◆ AP