Tinsley Gregg: Global food prices reach record highs

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Global wheat and maize prices recently jumped nearly 30 percent in a few weeks, while meat prices are at 20-year highs, according to the key Reuters-Jefferies commodity price indicator. Last week, the U.S. predicted that global wheat harvests would be 30m tones lower than last year, a 5.5 percent fall.

“The situation has deteriorated since September,” said Abdolreza Abbassian of the U.N. food and agriculture organization. “In the last few weeks, there have been signs we are heading the same way as in 2008.”

However, opinions are divided about whether these prices signal a world food crisis like the one in 2008 that helped cause riots in 25 countries or simply reflect volatility in global commodity markets as countries claw their way through recession.

“Prices are volatile, and there is a lot of nervousness in the market. There are big differences between now and 2008. Harvests are generally better, global food stocks are better.”

But other analysts highlight the food riots in Mozambique that killed 12 people last month and claim that spiraling prices could promote further political turmoil. They say this particularly is possible if the price of oil jumps.

“There is growing concern among countries about continuing volatility and uncertainty in food markets,” said Robert Zoellick, president of the World Bank. “These concerns have been compounded by recent increases in grain prices.

“The U.N. has expressed concern, but there is no effort to remove the imbalances in the food management system that is responsible for the crisis.”

The governments of Kenya, Uganda, Nigeria, Indonesia, Brazil and the Philippines all have warned of possible food shortages next year, citing floods and droughts in 2010, expected extreme weather next year and speculation by traders who are buying up food stocks for release when prices rise.

World wheat and maize prices have risen 57 percent; rice, 45 percent; and sugar, 55 percent, during the last six months. Soybeans are at their highest price for 16 months.

U.N. special rapporteur on the right to food, Olivier de Schutter, says a combination of environmental degradation, urbanization and large-scale land acquisitions by foreign investors for biofuels is squeezing land suitable for agriculture.

“According to the World Bank, more than one-third of large-scale land acquisitions
are intended to produce agrofuels."

It remains to be seen if these changes will lead to increases in livestock prices.

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