Banks blamed for pushing up prices of food

Top financiers and politicians have accused banks, pension and hedge funds of inflating food prices around the world by speculating on commodities.

The accusation came as UK food inflation rose to 5.5%. The UN warned that farm prices had reached "danger territory" and could rise further following erratic weather in Australia, Brazil and Russia.

"There is no doubt that speculators have been behind surging prices. Prices of wheat, maize and rice have increased very significantly but this is not linked to low stock levels or harvests, but rather to traders reacting to information and speculating on the markets," said Olivier De Schutter, UN rapporteur on the right to food.

Mike Masters, US equity hedge fund head of Masters Capital Management, who testified on food price rises to the US senate in 2009, said that speculation by banks and hedge funds was driving up prices. "We first became aware of this [food speculation] in 2006. It didn't seem like a big factor then. But in 2007/8 it really spiked up. The markets are now heavily distorted by banks like Goldman, Deutsche Bank, Merrill Lynch and Barclays," he said.

The World Development Movement in London says banks and hedge funds have poured money into food futures markets in the last three years, betting on prices going ever higher and creating a dangerous bubble. "Price spikes of upwards of 70% are being led by hedge funds, investment bankers and pension funds that have poured over $200bn into food markets since the financial crisis, betting on prices going ever higher," said director Deborah Doane.

According to the UN's Food and Agriculture Organisation (FAO), food prices hit a record high in December 2010, rising above the levels touched in 2007-08, when food riots occurred in 25 countries. The UN's food price index rose to a record 214% in December. The FAO has said that the situation was "alarming".

(c) 2011 Guardian Newspapers Limited.