Rio+20: Why is the cost of food rising? - ITV News

12:01am, Fri 22 Jun 2012 Clegg's Rio+20 water pledge
Rio+20: Why is the cost of food rising?

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Livestock is responsible for 18% of greenhouse gas emissions, according to the FAO. 
_Credit: ITV News_

Between 2007 and 2008 the cost of basic foods food prices rose by up to 80%.

The price of wheat shot up by 90% and the price of maize shot up by 80%, only to fall rapidly again in the second half of 2008, and only to spike again in 2011, and into 2012.

![FAO graph showing food prices](http://www.itv.com/news/2012-06-22/rio-20-why-is-the-cost-of-food-rising/)

The FAO graph shows the hike in food prices from 2007 - 2008 and from 2010 - 2011 
_Credit: FAO_

Increasing food prices hit vulnerable, _food insecure_ countries the hardest: after 2008 millions of people in sub-Saharan Africa and parts of South East Asia where pushed into extreme poverty and hunger. Farmers are particularly vulnerable as volatile markets make it increasingly difficult for them to plan.
Experts from the FAO and campaigners are increasingly recognising the role of financial speculation as a key factor in food price rises.

Farmers in Niger are vulnerable to food price rises, as Niger is one the most food insecure regions of the world. *Credit: The United Nations.*

Since food markets were liberalised more than 12 years ago there has been an influx of purely financial players who have no interest in actually buying food, but trade and profit from changes in food prices.

In 2003 this market was worth £3 billion, in 2008 it was worth more than £55 billion. Olivier De Schutter, the United Nations Special Rapporteur on the Right to Food explains:

> What we are seeing now is that these financial markets have developed massively with the arrival of these new financial investors, who are purely interested in the short-term monetary gain and are not really interested in the physical thing – they never actually buy the ton of wheat or maize; they only buy a promise to buy or to sell.

> The result of this financialisation of the commodities market is that the prices of the products respond increasingly to a purely speculative logic. This explains why in very short periods of time we see prices spiking or bubbles exploding, because prices are less and less determined by the real match between supply and demand.

– **Olivier De Schutter**
Agricultural markets have grown from being worth £3 billion in 2003 to more than £55 billion in 2008.

Banks including Goldman Sachs and Barclays have created funds that allow investors to speculate on the price of key food crops. It has generated huge profits for those involved, campaigners say Goldman Sachs is estimated to have made more than $1 billion in 2009 alone and Barclays as much as £340 million a year from trading food commodities. Barclays Capital says:

Barclays offers an extensive platform of commodity risk management and financial services solutions across a broad spectrum of agricultural products. We provide competitive pricing and liquidity to corporations, funds and investors along with innovative hedging strategies and market insight.

The UN is calling for greater regulation to prevent excessive speculation driving up food prices artificially.

Europe is due to pass legislation to apply limits to the type of speculation that can occur in food crops and campaigners are hoping that the final resolutions agreed at Rio+20 will include plans to curb this type of market activity. Heidi Chow from the World Development Movement told ITV New urgent action is needed.

Speculation on food in financial markets has been a key driver of high food prices. Preventing future food price hikes is not an impossible task. The European parliament is on the verge of a key vote which could introduce new rules to curb speculation on food in commodity markets.

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