

The other global crisis: rush to biofuels is driving up price of food

By Paul Vallely
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The world's most powerful finance ministers and central bankers are meeting in Washington tomorrow; but as they preoccupy themselves with the global credit crunch, another crisis, far more grave, is facing the world's poorest people.

A dramatic rise in the worldwide cost of food is provoking riots throughout the Third World where millions more of the world's most vulnerable people are facing starvation as food shortages grow and cereal prices soar. It threatens to become the biggest crisis of the 21st century.

This week crowds of hungry demonstrators in Haiti stormed the presidential palace in the capital, Port-au-Prince, in protests over food prices. And a crisis gripped the Philippines as massive queues formed to buy rice from government stocks.

There have been riots in Niger, Senegal, Cameroon and Burkina Faso and protests in Mauritania, Ivory Coast, Egypt and Morocco. Mexico has had "tortilla riots" and, in Yemen, children have marched to draw attention to their hunger.

The global price of wheat has risen by 130 per cent in the past year. Rice has rocketed by 74 per cent in the same period. It went up by more than 10 per cent in a single day last Friday – to an all-time high as African and Asian importers competed for the diminishing supply on international markets in an attempt to head off the mounting social unrest. The International Rice Research Institute warned yesterday that prices will keep going up.

The buffers stocks of staple foods that governments once held are being steadily exhausted.

Rising prices have triggered a food crisis in 36 countries, says the UN Food and Agriculture Organisation. The hike in prices means the World Food Programme is cutting food handout rations to some 73 million people in 78 countries. The threat of malnutrition on a massive scale is looming.

The impact is beginning to be felt in the rich world, too. More expensive wheat has caused large rises in the cost of pasta and bread in Italy where consumer groups staged a one-day strike that brought pasta consumption down 5 per cent. The price of miso, a fermented rice and barley mixture, is up in Japan. France and Australia have launched national inquiries into rising food prices and are pressing food producers and supermarkets to absorb price rises. In Britain, the price of bread is rising in line with the cost of wheat.

Governments have begun to negotiate secretive barter arrangements as the price of agricultural commodities leap to record highs. Ukraine and Libya are close to a deal on wheat. Egypt and Syria have signed a rice-for-wheat swap. The Philippines has just failed in a rice deal with Vietnam.

All across the world, cereals, meat, eggs and dairy products are becoming dearer. "Food prices are now rising at rates that few of us can ever have seen before in our lifetimes," said John Powell of the World Food Programme. Prices are likely to remain high for at least 10 years, the Food and Agriculture Organisation is projecting.

A complex interaction of factors has provoked the panic among dealers in international food markets.

Diets are changing radically in nations such as China, India, Brazil and Russia, where economic growth has boosted meat consumption. In China, it is up by 150 per cent since 1980. In India, it has risen by 40 per cent in the past 15 years. The demand for meat from across all developing countries has doubled since 1980.

Because cattle and chickens are fed on corn – it takes 8kg of grain to produce 1kg of beef – the price has risen.

The new market for biofuels has raised grain prices. Corn is being used to produce energy and the market is anticipating hugely increased production in the coming decade. George Bush wants 15 per cent of American cars to run on biofuels by 2017, which will mean trebling maize production. Europe has a set a transport fuels target of 5.75 per cent from biofuels by 2010. As a result, the price of corn has begun to track that of oil quite closely.

The soaring cost of oil, which last week topped \$105 (£53) a barrel for the first time, has another impact. It increases the price of fertiliser, and also the costs of food processing and transport.

Climate change is taking its toll. Droughts and floods are affecting harvests.

Floods in central China this year displaced millions of people and devastated rice and corn crops. Overall China's grain harvest has fallen by 10 per cent over the past seven years. Last year, Australia experienced its worst drought for more than a century, causing the wheat harvest to fall by 60 per cent. The UK wheat harvest is expected to be 10 per cent down this year, partly because of the flooding.

Worldwide, an area of fertile soil the size of Ukraine is lost every year because of drought, deforestation and

climate instability.

There is also increasing demand from a rising world population which is expected to grow from 6.2 billion today to 9.5 billion by 2050. The World Bank predicts global demand for food will double by 2030.

Government policies do not help: the rich world subsidises agriculture not to feed the world but to enrich its farmers.

There is an increasing recognition of the gravity of all of this among the leaders of the industrialised world. On Thursday, Gordon Brown called on the Japanese Prime Minister, Yasuo Fukuda, the current chairman of the G8, to devise an international plan to deal with rising food prices with the World Bank, the IMF and the UN.

There is increasing concern about the rush to biofuels. Britain's new chief scientist, Professor John Beddington, has said cutting down rainforest to produce biofuel crops was "profoundly stupid". It was, he said, "very hard to imagine how we can see a world growing enough crops to produce renewable energy and, at the same time, meet the enormous increase in the demand for food".

Lennart Båge, the president of the UN's International Fund for Agricultural Development, suggested that those opposed to GM crops should take another look at the productivity gains they can unleash and bring changes as massive as the "green revolution" of the 1960s, when crop yields in India and other developing nations jumped because of better seeds, fertilisers and improved irrigation.

That change brought down food prices, freeing millions from hunger. If world leaders cannot come up with something similar again, the food riots could spread across the globe.

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