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## UN: Food prices hit record high in February

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ROME -- Global food prices are the highest in 20 years and could increase further because of rising oil prices stemming from the unrest in Libya and the Mideast, a U.N. agency warned Thursday.

Skyrocketing food prices have been among the triggers for protests in Egypt, Tunisia and elsewhere, and raised fears of a repeat of the food price crises in 2007 and 2008.

Some experts point to key differences compared to those years: for one, the price of rice, a dominant component of regular diets in many parts of the world, is much lower today. Still, aid group Oxfam called the hike "deeply worrying."

The Food and Agriculture Organization said in a statement that its food price index was up 2.2 percent last month, the highest level since January 1990 when the agency started monitoring prices.

It also was the eighth consecutive month that food prices had risen, the Rome-based agency said. In January, the index had already registered a record peak.

The increase was driven mostly by higher prices of cereals, meat and dairy products, FAO said. Sugar was the only commodity of the groups being monitored whose price hadn't risen.

Global oil prices, which increased on concerns about the potential impact of supply disruptions following unrest in Libya, are a crucial variable.

"Unexpected oil price spikes could further exacerbate an already precarious situation in food markets," said David Hallam, director of FAO's trade and market division. "This adds even more uncertainty concerning the price outlook just as plantings for crops in some of the major growing regions are about to start."

Oil prices affect food markets in many ways, from production to transport costs. When oil prices are high, there is a bigger incentive to produce alternative fuels such as ethanol, which is made from crops such as corn. Increasing demand for alternative fuels made from crops drives up food prices.

"The longer these prices remain high, the more we have to think that it could have a spillover effect into the grain sector, especially in coming weeks and months," said Abdolreza Abbassian, senior grains economist with FAO.

Abbassian noted that compared with the crisis of 2007-2008, rice prices today are half what they were then. Global stock levels are for the most part ample compared with three years ago, he said, but they are being drawn down and could become a factor this year and next year.

"In the face of growing demand and a decline in world cereal production in 2010, global cereal stocks this year are expected to fall sharply," the agency said.

The FAO index records monthly changes in international prices of a basket of food commodities, including cereal, oils and fats and sugar.

Oxfam, the aid group, urged governments to tackle the issue together with measures that could include curbing speculation and reversing the drive for biofuels, which includes fuels like ethanol.

"Millions more people are sliding into poverty as they struggle to afford basic food supplies," said Oxfam's food policy adviser Thierry Kesteloot in a statement. "A sit-and-wait attitude among governments in the hope that there will be good harvests over the next few months means gambling with people's lives."