

Food price jump blamed on speculation

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By Frank Jordans, Associated Press Writer | April 28, 2008

GENEVA –U.N. officials on Monday blamed market speculation for the recent jump in global food prices and called for a concerted effort to ensure that the world's poor can afford to eat.

"We have enough food on this planet today to feed everyone," the head of the U.N. Environment Program, Achim Steiner, told The Associated Press in a telephone interview.

But "the way that markets and supplies are currently being influenced by perceptions of future markets is distorting access to that food."

"Real people and real lives are being affected by a dimension that is essentially speculative," said Steiner, noting that millions have found themselves unable to pay for food since prices began to rise steeply at the start of the year.

Last week, the World Food Program asked for an additional \$755 million to fill the hole in its budget caused by rising prices and growing reliance on food aid among the world's poor.

Steiner's comments were echoed by the U.N.'s right-to-food advocate, who said high food prices are destabilizing the world.

Jean Ziegler told reporters at the U.N.'s European headquarters in Geneva on Monday that the "daily massacre of hunger" was being worsened by private equity companies seeking to profit from price swings on the international commodities markets.

A U.S. government regulator last week rejected the idea that speculative trading is the primary culprit behind surging prices of corn, wheat and other crops.

Bart Chilton, a commissioner with the U.S. Commodity Futures Trading Commission, said commodities markets were functioning properly, and that shrunken harvests, smaller grain inventories and the declining value of the dollar were the reason for the all-time price highs.

But over the weekend Vietnam moved to curtail speculative buying of rice after consumers were panicked into buying up stocks.

State media quoted Prime Minister Nguyen Tan Dung on Sunday as insisting that supplies in Vietnam — the world's second-largest rice exporter after Thailand — were "completely adequate" for domestic consumption. But Dung warned that any organizations and individuals speculating in the commodity would be "severely punished."

U.N. Secretary-General Ban Ki-moon has called the heads of all the global body's major agencies for a meeting this week in the Swiss capital, Bern, to discuss the food crisis. Other senior figures including World Bank President Robert Zoellick and the director-general of the World Trade Organization, Pascal Lamy, are also attending the closed-door gathering.

Steiner said underlying problems in global food production needed to be addressed.

Governments should resist giving in to panic about short-term price increases, he said, and instead consider medium- and long-term solutions to the problem of feeding a world population already numbering some 6.5 billion and expected to hit 9 billion by 2050.

"What we would clearly not welcome is a simple ratcheting up of the production machine without any consideration of the consequences," said Steiner.

The U.N. Environment Program estimates that 70-80 percent of the world's water consumption goes toward agriculture, yet 40-60 percent of that water never actually reaches the fields.

Likewise, over-reliance on fertilizers boosts production in the short term but depletes the soil in the long run, according to UNEP.

"Sustainable agriculture will cost us a little bit more but will actually allow us to feed a lot more people," said Steiner.

He said market corrections will eventually cause the speculation bubble to burst, but governments should consider the current situation a warning of what might come unless farming and consumption patterns are changed.

"The footprint of a Western consumer today on the planet is simply many times that of a person living in a developing country," said Steiner.

"We need to think in medium- to long-term responses, but not forgetting that we have a real situation right now with tens of millions of people essentially being priced out of feeding themselves."

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