

The New York Times Reprints

This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers [here](#) or use the "Reprints" tool that appears next to any article. Visit www.nytreprints.com for samples and additional information. [Order a reprint of this article now.](#)

PRINTER-FRIENDLY FORMAT
SPONSORED BY

October 15

September 3, 2010

U.N. Raises Concerns as Global Food Prices Jump

By NEIL MacFARQUHAR

UNITED NATIONS — With memories still fresh of food riots set off by spiking prices just two years ago, agricultural experts on Friday cast a wary eye on the steep rise in the cost of wheat prompted by a Russian export ban and the questions looming over harvests in other parts of the world because of drought or flooding.

Food prices rose 5 percent globally during August, according to the United Nations, spurred mostly by the higher cost of wheat, and the first signs of unrest erupted as 10 people died in Mozambique during clashes ignited partly by a 30 percent leap in the cost of bread.

“You are dealing with an unstable situation,” said Abdolreza Abbassian, an economist at the United Nation’s Food and Agriculture Organization in Rome.

“People still remember what happened a few years ago, so it is a combination of psychology and the expectation that worse may come,” he added. “There are critical months ahead.”

The F.A.O. has called a special session of grain experts from around the world on Sept. 24 to address the supply question. Given that the fields stretching out from the Black Sea have been the main source of a huge leap in wheat trade over the past decade, the fluctuating weather patterns and unstable harvests there will have to be addressed, he said.

It is an issue not limited to Russia alone. Harvest forecasts in Germany and Canada are clouded by wet weather and flooding, while crops in Argentina will suffer from drought, as could Australia’s, according to agricultural experts. The bump in prices because of the uncertainty about future supplies means the poor in some areas of the world will face higher bread prices in the coming months.

Food prices are still some 30 percent below the 2008 levels, Mr. Abbassian said, when a tripling in the price of rice among other staples led to food riots in about a dozen countries and helped topple at least one government.

The wheat crop this year globally is also the third highest on record, according to the F.A.O., but the sudden supply interruptions make the markets jittery. In June, Russia was predicting a loss of just a few million metric tons due to hot weather, but by August it announced it would lose about one-fifth of its crop. Wheat prices more than doubled in that period.

“There are reasons to be watching this and to be concerned because regionally there will be supply challenges,” said Justin P. Gilpin, the head of the Kansas Wheat Commission. “There is uncertainty in the marketplace.”

A decade ago, the area around the Black Sea — mainly Russia, Ukraine and Kazakhstan — used to supply just about 4 percent of the wheat traded internationally. But most of the growth in demand globally has been supplied from there, and the region now produces about 30 percent of the wheat traded internationally, said Mr. Abbassian. This is the first time a supply crisis has originated from that area, he noted.

In early August, Russia [announced an export ban](#) that it would review at the end of the year, but Prime Minister [Vladimir V. Putin](#) announced Thursday that [the ban on grain exports would extend into 2011](#). The price of wheat jumped again, and that has had a spillover effect into other grains like corn and soybeans. The forecast for the global rice harvest has also dropped, although it is still expected to be higher than in 2009 and should be a record, the F.A.O. said.

“If you look at the numbers globally, the Americans, the Europeans and the Australians can make up the supply,” Mr. Abbassian said of the wheat harvest, playing down the chances of repeating the 2008 crisis. “There is no reason for this hype, but once the psychological thing sets in it is hard to change that perception, especially if Russia keeps sending bad news.”

After two days of rioting set off by price increases for bread and utilities like electricity and water, the streets in Maputo, the capital of Mozambique, were largely calm on Friday. But 10 people had been killed and 300 injured, Health Minister Ivo Garrido told a news conference, local news agencies reported. Price increases have been much sharper in Mozambique than in most of the world because the government kept prices artificially low before elections last year, some analysts said.

As with any commodity, questions of wheat shortages spur speculation and hoarding, and experts suggest both are at play in the current market. They believe more money is washing through the commodity market for wheat because with interest rates so low and the stock market so volatile, investors are putting their money in the [Chicago Board of Trade](#).

But the world also has to come to grips with changing weather patterns due to [climate change](#), argued Prof. Per Pinstrup-Anderson, an expert in international agriculture at [Cornell University](#).

“We are going to have much bigger fluctuations in weather and therefore the food supply than we had in the past, so we are going to have to learn how to cope with fluctuating food prices,” Professor Pinstrup-Anderson said.

Barry Bearak contributed reporting from Johannesburg.