



Food Prices Soaring Worldwide

By KATHERINE CORCORAN – Mar 24, 2008

MEXICO CITY (AP) — If you're seeing your grocery bill go up, you'r

From subsistence farmers eating rice in Ecuador to gourmets feasting, consumers worldwide face rising food prices in what analysts call a "Freak" weather is a factor. But so are dramatic changes in the global prices, lower food reserves and growing consumer demand in China.

The world's poorest nations still harbor the greatest hunger risk. Clashes at least two people last week, and similar food riots broke out in Burma last month.

But food protests now crop up even in Italy. And while the price of soybeans, the cost of miso is packing a hit in Japan.

"It's not likely that prices will go back to as low as we're used to," said an economist and secretary of the Intergovernmental Group for Grain and Agriculture Organization. "Currently if you're in Haiti, unless the government helps consumers, consumers have no choice but to cut consumption. It's just that's what it is."

No one knows that better than Eugene Thermilon, 30, a Haitian day laborer who can't afford pasta to feed his wife and four children since the price nearly doubled. His only meal on a recent day was two cans of corn grits.

"Their stomachs were not even full," Thermilon said, walking toward the precipice of a garbage-filled ravine. By noon the next day, he still had no dinner.

Their hunger has had a ripple effect. Haitian food vendor Fabiola Duval has many customers like Thermilon that she had to pull her daughter, Fyva, because she can't afford the \$20 monthly tuition.

Fyva was just beginning to read.

In the long term, prices are expected to stabilize. Farmers will grow more food and eventually bring prices down. Already this is happening with corn planted in the U.S., Canada and Europe in the coming year.

However, consumers still face at least 10 years of more expensive food, according to FAO projections.

Among the driving forces are petroleum prices, which increase the cost of fertilizers to transport to food processing. Rising demand for meat a

countries such as China and India is sending up the cost of grain, and demand for raw materials to make biofuels.

What's rare is that the spikes are hitting all major foods in most countries. In the U.S. last year, the highest rise since 1990, and are up again this year, according to the U.S. Department of Agriculture.

As of December, 37 countries faced food crises, and 20 had imposed controls.

For many, it's a disaster. The U.N.'s World Food Program says it's fast-tracking funding this year to feed 89 million needy people. On Monday, it appealed for step up contributions, saying its efforts otherwise have to be scaled back.

In Egypt, where bread is up 35 percent and cooking oil 26 percent, the government proposed ending food subsidies and replacing them with cash payments. The plan was put on hold after it sparked public uproar.

"A revolution of the hungry is in the offing," said Mohammed el-Askari, leader of the High Cost of Living, a protest group established to lobby against economic reforms.

In China, the price hikes are both a burden and a boon.

Per capita meat consumption has increased 150 percent since 1980. Last month, a farmer had to switch from selling auto parts to pork. The price of pork is up 50 percent the past year, yet every morning housewives and domestics still crowd into markets for more customers order choice cuts.

The 26-year-old now earns \$4,200 a month, two to three times what he earned in 2006. And it's not just pork. Beef is becoming a weekly indulgence.

"The Chinese middle class is starting to change the traditional thought of frugality to luxury," said Kevin Timberlake, who manages the U.S.-based Western Development Bank in China's Inner Mongolia.

At the same time, increased cost of food staples in China threatens to hurt the government. It has been selling grain from its reserves to hold down prices, said Jing Ulrich, an analyst for equities for JP Morgan.

"But this is not really solving the root cause of the problem," Ulrich says. "It's a supply-demand imbalance. Demand is very strong. Supply is constrained."

Chinese Premier Wen Jiabao says fighting inflation from shortages of food is a top priority. Inflation reached 7.1 percent in January, the highest in 11 years. There was a 10 percent jump in food prices.

Meanwhile, record oil prices have boosted the cost of fertilizer and fuel. Fertilizer prices are up 80 percent in 2007 over 2006. The oil spike has also turned up the pressure to switch to biofuels, which the FAO says will drive up the cost of corn,

many more years to come."

In Japan, the ethanol boom is hitting the country in mayonnaise and ingredients, as biofuels production pushes up the price of cooking oil.

A two-pound bottle of mayonnaise has risen about 10 percent in two weeks (nearly \$3), said Daishi Inoue, a cook at a Chinese restaurant.

"It's not hurting us much now," he said. "But if prices keep going up, our prices."

Miso Bank, a restaurant in Tokyo's glitzy Ginza district, specializes in soybean paste.

"We expect prices to go up in April all at once," said Miso Bank manager. "It would affect our menu. So we plan to order miso in bulk and make cuts."

Italians are feeling the pinch in pasta, with consumer groups staging protests against a food deeply intertwined with national identity. Italians eat a pound of pasta per capita a year.

The protest was symbolic because Italians typically stock up on pasta in the fall. But in the next two months pasta consumption dropped 5 percent, said Rolando Manfredini.

"The situation has gotten even worse," he said.

In decades past, farm subsidies and support programs allowed major countries to hold large surpluses, which could be tapped during food shortages to stabilize prices. Trade policies have made agricultural production much more responsive to global market conditions, putting global food reserves at their lowest in a quarter century.

Without reserves, bad weather and poor harvests have a bigger impact on prices.

"The market is extremely nervous. With the slightest news about bad harvests, prices spike," said economist Abbasian.

That means that a drought in Australia and flooding in Argentina, two major suppliers of industrial milk and butter, sent the price of butter in France up 20 percent from 2006 to 2007.

Forty percent of escargot, the snail dish, is butter.

"You can do the calculation yourself," said Romain Chapron, president of the butter union which supplies escargot. "It had a considerable effect. It forced people to raise their belts to the maximum."

The same climate crises sparked a 21 percent rise in the cost of mill flour, the cost of another famous French food item — the croissant. Panavi, a pastry shop in Paris, raised retail prices of croissants and pain au chocolat by 6 to 15 percent.

Already, there's a lot of suspicion among consumers.

"They don't understand why prices have gone up like this," said Nicc at the Federation of French Bakeries and Pastry Enterprises. "They from this. But it's not us. We're paying." Food costs worldwide spiked 2007, according to the FAO. Grains went up 42 percent, oils 50 perc

Economists say that for the short term, government bailouts will hav keep unrest at a minimum. In recent weeks, rising food prices spark nations of Burkina Faso, where mobs torched buildings, and Camer died.

But attempts to control prices in one country often have dire effects on wheat flour exports resulted in a price spike in Indonesia this year Ukraine and Russia imposed export restrictions on wheat, causing ti for importing countries. Partly because of the cost of imported wheat eating bread made from potato flour, a native crop.

"We need a response on a large scale, either the regional or interna of the environmental research organization Worldwatch Institute. "Al the world food markets that this is a global crisis."

Poorer countries can speed up the adjustment by investing in agricu farmers can turn high prices into an engine for growth.

But in countries like Burkina Faso, the crisis is immediate.

Days after the riots, Pascaline Ouedraogo wandered the market in th looking to buy meat and vegetables. She said a good meal cost 1,00 long ago. Now she needs twice that.

"The more prices go up, the less there is to meet their needs," she s secondary school. "You wonder if it's the government or the busines hikes."

Irene Belem, a 25-year-old with twins, struggles to buy milk, which h recent weeks.

"We knew we were poor before," she said, "but now it's worse than p

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