**Global Food Prices Continue to Rise**

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| *As both climate change and population growth continue to increase, there is reason to believe that food commodity prices will be both higher and more volatile in the decades to come.* |  |  |  |  |  |
| **BY SOPHIE WENZLAU** | APRIL 11, 2013 | | | | | |
| Continuing a decade-long increase, global food prices rose 2.7 percent in 2012, reaching levels not seen since the 1960s and 1970s but still well below the price spike of 1974. Between 2000 and 2012, the World Bank global food price index increased 104.5 percent, at an average annual rate of 6.5 percent.  The price increases reverse a previous trend when real prices of food commodities declined at an average annual rate of 0.6 percent from 1960 to 1999, approaching historic lows. The sustained price decline can be attributed to farmers’ success in keeping crop yields ahead of rising worldwide food demand. Although the global population grew by 3.8 billion or 122.9 percent between 1961 and 2010, net per capita food production increased by 49 percent over this period. Advances in crop breeding and an expansion of agricultural land drove this rise in production, as farmers cultivated an additional 434 million hectares between 1961 and 2010.  Food price volatility has increased dramatically since 2006. According to the United Nations Food and Agriculture Organization (FAO), the standard deviation—or measurement of variation from the average—for food prices between 1990 and 1999 was 7.7 index points, but it increased to 22.4 index points in the 2000–12 period.  http://i50.tinypic.com/2u5s3zt.png  Although food price volatility has increased in the last decade, it is not a new phenomenon. According to World Bank data, the standard deviation for food prices in 1960–99 was 11.9 index points higher than in 2000–12. Some price volatility is inherent in agricultural commodities markets, as they are strongly influenced by weather shocks. But the recent upward trend in food prices and volatility can be traced to additional factors including climate change, policies promoting the use of biofuels, rising energy and fertilizer prices, poor harvests, national export restrictions, rising global food demand, and low food stocks.  Perhaps most significant has been an increase in biofuels production in the last decade. Between 2000 and 2011, global biofuels production increased more than 500 percent, due in part to higher oil prices and the adoption of biofuel mandates in the United States and European Union (EU). According to a 2012 study by the University of Bonn’s Center for Development Research, if biofuel production continues to expand according to current plans, the price of feedstock crops (particularly maize, oilseed crops, and sugar cane) will increase more than 11 percent by 2020.  Large-scale imports of agricultural commodities in 2007–08 and 2011 were important factors in the global food price spikes in those years. High Chinese imports of soybeans, for instance, contributed to the 2011 spike. National export restrictions, including taxes and bans, also drove up food prices; policies enacted in 2007–08 in response to the price spike generated panic in net-food importing countries and raised grain prices by as much as 30 percent, according to some estimates.  In the last few decades, periods in which the cereals stock-to-use ratio (the level of carryover reserves of cereals as a percentage of total annual use) was near its minimum have correlated with a high price of calories from food commodities. When food stocks are high, shocks can be absorbed more easily than when stocks are low or nonexistent. The world stock-to-use ratio for calories from wheat, maize, and rice was lower in the last decade than in the two preceding decades, which may be a main reason for higher global food prices.  Rising energy and fertilizer prices drove up food prices as well, by adding to production, processing, transportation, and storage costs. According to the World Bank commodity price index, the average price of energy during 2000–12 was 183.6 percent higher than the average price during 1990–99, while the average price of fertilizer increased 104.8 percent in the same period.  There is reason to believe that food commodity prices will be both higher and more volatile in the decades to come. As climate change increases the incidence of extreme weather events, production shocks will become more frequent. Food prices will also likely be driven up by population growth, increasing global affluence, stronger linkages between agriculture and energy markets, and natural resource constraints. According to the FAO, although high food prices tend to aggravate poverty, food insecurity, and malnutrition, they also represent an opportunity to catalyze long-term investment in agriculture, which could boost resilience to climate change and augment global food security.  Read the [full report](http://vitalsigns.worldwatch.org/vs-trend/global-food-prices-continue-rise) at [*Vital Signs Online*](http://vitalsigns.worldwatch.org/)***.***  [***Sophie Wenzlau***](http://www.worldwatch.org/users/sophie-wenzlau) *is a Food and Agriculture Staff Researcher at the Worldwatch Institute* | | | | | |