

## **One trillion food import bill as prices rise**

### **International community must be aware of possibility of even higher food prices in 2011**

International food import bills could pass the one trillion dollar mark in 2010 with prices in most commodities up sharply from 2009, FAO said today.

In the latest edition of its Food Outlook report, the agency also issued a warning to the international community to prepare for harder times ahead unless production of major food crops increases significantly in 2011.

Food import bills for the world's poorest countries are predicted to rise 11 percent in 2010 and by 20 percent for low-income food-deficit countries.

This means, by passing a trillion dollars, the global import food bill will likely rise to a level not seen since food prices peaked at record levels in 2008.

“With the pressure on world prices of most commodities not abating, the international community must remain vigilant against further supply shocks in 2011 and be prepared,” FAO said.

### **Weather partly to blame**

Contrary to earlier predictions, world cereal production is now forecast to contract by two percent rather than to expand by 1.2 percent as anticipated in June. Unexpected supply shortfalls due to unfavourable weather events were responsible for this change in direction, according to the report.

Global cereal stocks are forecast to decline sharply and Food Outlook makes a strong call for production to be stepped up to replenish inventories. World cereals stocks are anticipated to shrink by seven percent according to FAO, with barley plunging 35 percent, maize 12 percent and wheat 10 percent.

Only rice reserves are foreseen to increase, by six percent according to the report.

### **Consumers to pay**

“Given the expectation of falling global inventories, the size of next year's crops will be critical in setting the tone for stability in international markets,” FAO said. “For major cereals, production must expand substantially to meet utilization and to reconstitute world reserves, and farmers are likely to respond to the prevailing prices by expanding plantings.

“Cereals however may not be the only crops farmers will be trying to produce more of, as rising prices have also made other commodities attractive to grow, from soybeans to sugar and cotton.

This could limit individual crop production responses to levels that would be insufficient to alleviate market tightness. Against this backdrop, consumers may have little choice but to pay higher prices for their food,” FAO warned.

Price increases, seen for most agricultural commodities over the past six months, are the result of a combination of factors, especially unexpected supply shortfalls due to unfavourable weather events, policy responses by some of the exporting countries, and fluctuations in currency markets.

International prices could rise even more if production next year does not increase significantly – especially in **maize**, **soybean**, and wheat, FAO said in its report.

Even the price of rice – the supply of which according to FAO is more adequate than other cereals – may be affected if prices of other major food crops continue climbing.

### **Sugar at 30-year highs**

**Sugar** was an important reason for the rise in the price of the global food basket in recent months. According to FAO, sugar prices, which recently surpassed 30-year highs, remain elevated and extremely volatile.

In the **oilseeds** sector, firm prices reflect relatively slow growth in world production failing to keep pace with fast expanding demand, the report states.

**Meat** prices have also risen but the increase has been far more contained so far. In the **dairy** sector, butter has already hit an all time high. Prices of internationally traded **cassava** have also soared to a record level this year with production in 2010 now forecast to decline for the first time in 15 years.

### **Fish prices recover**

**Fish** also registered large price gains, showing a strong recovery after sharp falls since the end of 2008. That is mostly because aquaculture producers responded to low prices by cutting stocks, which affected production.

Strong demand in both developing and developed countries continues to underpin fish prices, FAO said.