

Agencies See Decade of High Food Prices

By [CAROLINE HENSHAW](#)

LONDON—Food prices will be up to 30% higher on average over the next decade as slowing grains production fails to keep pace with rising demand, the Organization for Economic Cooperation and Development said Friday.

Price volatility, which has plagued agricultural markets in recent years, is also set to become commonplace as lower output gradually erodes world stocks, the OECD said in a joint report with the United Nations' Food and Agriculture Organization.

And with climate change expected to make yields vary far more wildly from year to year and world stocks expected to fall, the report said that feeding the world's almost one billion hungry people will become harder in the future.

"A slow-growing supply set against expected high demand underlies the projection of high and more volatile agricultural commodity prices," said the report.

Ministers from the Group of 20 industrialized and developing nations are expected to announce next week plans to create a global database on food production and stocks, to mirror existing schemes in oil markets.

The OECD and the FAO backed the need for improving transparency through better forecasting, but stopped short of arguing that financial investors were responsible for driving up food prices in the long term.

"High levels of speculative activity in futures markets may amplify price movements in the short term although there is no conclusive evidence of longer-term systemic effects on volatility," they said.

Instead, they argue that the rise in prices is likely to be driven by an increasing imbalance in fundamentals. A forecast 30% increase in the price of poultry and 20% increase in pig meat, for example, is down to growing consumption among the developing world's rapidly expanding middle class, they said.

Rising demand from biofuels and the increased use of grains for feed are also expected to push up cereals prices by a fifth as production growth slows to 1.7% a year due to stagnating yields in the developed world, down from 2.6% over the previous decade.

Wheat yields are predicted to increase only 0.8% a year, leaving production and consumption on an even keel at 746 million metric tons. Production of rice, the staple grain consumed in Asia, is expected to increase to 528 million tons by 2020, a rate of only 1.3% a year.

"Weather-related crop yield variations are expected to become an even more critical driver of price volatility in the future," the report said.

Yet the bodies shied away from predicting any shortfall in output of major grains, forecasting that global coarse-grain production will rise 18% by 2020 to 1.321 billion tons by 2020, the same pace as consumption.

They said that any slowdown in output in the developed world is likely to be made up for by rising production in emerging countries, particularly in Latin America and Eastern Europe.

"The projections confirm the continuation of the gradual shift in agricultural market share from developed to developing countries," they said.

Still, they noted that external influences, such as oil and the movement of currencies, will have a growing influence on food prices and are likely to drive volatility in the markets in the years ahead. By 2020 biofuels are projected to absorb 13% of global production of coarse grains, primarily corn, 15% of vegetable oil and some 30% of sugar.

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