Opening Remarks on Food Prices/Pre-G-20

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Well today the World Bank is issuing the Food Price watch and that issuance underscores the need for the G20 to put food first.

The Bank’s Food Price Index shows food prices are now 29 percent higher than they were a year ago and only three percent below the peak of the last food crisis in June 2008. Clearly, this is serious cause for concern.

The key driver behind the upward spiral in the food price index has been sharp rises in the prices of wheat, maize, sugar and oils.

An unfortunate combination of weather shocks in various large wheat producing countries – followed, in some cases, in export bans – has curbed supplies of wheat and has caused prices to more than double between the lows of June last year to January of this year.

Our research shows higher global wheat prices have directly fed into sharp increases in domestic wheat prices in many countries. In just six months, prices for wheat rose by more than 50% in Kyrgyzstan; 45% in Bangladesh and 33% in Mongolia.

It’s also a matter of serious concern to see maize prices in January this year that were about 73% higher than just six months ago. In the past quarter we’ve also witnessed a 20% rise in the global price for sugar and 22% for fats and oils.

The only reprieve we have at the moment is the fact that global rice prices have not matched the dramatic rises in wheat and other prices.

Rice prices need monitoring though, given moves by some countries to significantly import more rice to boost domestic stocks. There’s also the fact that in some countries rice prices have increased in domestic markets.

Good harvests in many African countries have helped keep prices generally stable there. But there are some serious problems – in Burundi for example, people are affected by a 48% rise in bean prices – that’s an important food source. And in Cameroon bean prices were up 43%.

In short – there is no room for complacency.

Global food prices are now at dangerous levels. It is already clear recent price rises for food are causing pain and suffering to poor people around the globe.

The World Bank estimates that recent food price hikes have pushed about 44 million people into extreme poverty. That’s under a dollar and a quarter a day.

It’s poor people who are now facing incredible pressure to feed themselves and their families – as more than half of a poor family’s income goes just to buy basic foodstuffs.

High and volatile food prices are the key major challenge facing many developing countries today.
Even before these latest price hikes, there were already more than 900 million people going hungry each day.

Now with an estimated 44 million more people living in extreme poverty, it shows this year is shaping up to be a very tough year for the chronically malnourished.

We know high and volatile food prices are a potent force.

In 2008, there were food riots. While not the primary cause for the political instability we see today in the Middle East, rising prices have nevertheless been an aggravating factor that could become more serious.

Today too many people are living on the edge – the victims of rising and volatile food prices.

We need global action to help turn that around – to help small holder farmers, with seeds and fertilizer, better weather forecasting; better means to get produce to markets; also food and effective safety nets for the most vulnerable people – pregnant women and babies under two years of age.

We also need more transparency – greater public access to information on the quality and quantity of grain stocks and quick reliable means to help countries so they don’t opt for export bans or price fixing – which can only exacerbate the problem.

There is no silver bullet to resolving the potent combination of rising and volatile food prices. But food security is now a global security issue.

We need global action to ensure we do a better job of feeding the hungry before we face the future challenges of feeding the expected nine billion people in the world in 2050.

Pleased to take your questions.