

Relentless rise in food costs

Countries act to ease the plight of lower income

IT IS not just Singaporeans who are striving to cope with global price rises – particularly of food – with several countries yesterday unveiling a range of measures to mitigate the impact on their populations.

Malaysia's Mr Abdullah Ahmad Badawi announced, as one of the priorities of his second term as prime minister, measures to alleviate the burdens faced by lower-income Malaysians.

In addition, the government would also review the implementation of economic plans to ensure that benefits reached those who needed them the most, even as it continues to work on narrowing the income gaps between and within ethnic groups.

Mr Abdullah's other priorities include drastically reducing crime and fighting corruption, issues that had "resonated with voters", he said yesterday at the Invest Malaysia 2008 conference.

South Korea, on its part, will cut import tariffs on four products and exempt duties on 69 others – including grain and industrial raw materials – to help ease price pressures amid surging global costs for oil and commodities.

The Ministry of Strategy and Finance yesterday said that tariffs on petrol, kerosene, diesel and heavy oil would be cut to 1 per cent from the current 3 per cent each, with effect from Tuesday.

The government also plans to increase low-tariff imports of 14 items, such as corn and soybeans.

The moves are expected to help lower consumer and import prices by about 0.1 per cent and 0.27 per cent respectively, the ministry said.

South Korea's consumer price inflation rate, year-on-year, stood at 3.6 per cent in February – above the central bank's target band of 2.5 per cent to

3.5 per cent for the third month in a row.

In the Middle East, Bahrain has called on the Gulf Cooperation Council to buy food in bulk to bring down prices for consumers in the region.

The grouping comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Bahrain Chamber of Commerce and Industry chairman, Dr Esam Fakhro, said the proposal was still in its early stages.

"The bloc would fight a potentially disastrous inflation that is threatening the region's economies," said Dr Fakhro in a report in the *Trade Arabia News Service*.

From Haiti to France, Ecuador to Japan, consumers are now facing spiralling

food prices in what analysts have called a "perfect storm" of conditions.

Freak weather is a factor, as are dramatic changes in the global economy, including higher oil prices – which increases the cost of everything from fertiliser to transport and food processing – as well as rapidly growing consumer demand in China and India for meat and dairy products.

The bad news? Consumers still face at least 10 years of more expensive food, according to early projections by the UN Food and Agriculture Organisation.

Its statistics showed that food costs worldwide spiked by 23 per cent from 2006 to 2007 – grains went up by 42 per cent, oils about 50 per cent and dairy by some 80 per cent.

However, what is rare is that the spikes are hitting all major foods in most countries at the same time.

Food prices rose 4 per cent in the United States last year, the highest rise since 1990.

In Singapore, food inflation was 4.1 per cent in the second half of last year.

In China, inflation reached 7.1 per cent in January, the country's highest in 11 years, led by an 18.2-per-cent jump in food prices.

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IS THIS THE START OF A GLOBAL FOOD CRISIS?

• As of December, 37 countries faced food crises, and 20 had imposed some sort of food-price controls.

The United Nation's World Food Programme is facing a US\$500 million (\$690 million) shortfall in funding this year, to feed 89 million needy people.

• In Egypt, where the price of bread is up 35 per cent and cooking oil prices have risen by 26 per cent, clashes over bread killed at least two people last week.

Similar food riots broke out in Burkina Faso, Cameroon earlier this month. Protests are even cropping up in Italy.

• Record oil prices boosted the cost of fertiliser and freight for bulk commodities up 80 per cent last year.

The oil spike has also turned up the pressure for countries to switch to biofuels, which the UN Food and Agriculture Organisation said would drive up the cost of corn, sugar and soybeans "for many more years to come".

• Attempts to control prices in one country have had dire effects elsewhere.

China's curbs on wheat flour exports resulted in a price spike in Indonesia earlier this year. When Ukraine and Russia imposed export restrictions on wheat, this led to higher prices for importing countries.

"All countries are tied enough to the world food markets that this is a global crisis," said Mr Brian Halweil of the Worldwatch Institute.

