

Biofuels behind food price rises

LONDON: Biofuels have forced global food prices up by 75 per cent — far more than previously estimated — according to a confidential World Bank report.

The assessment is based on a detailed analysis by Don Mitchell, an internationally respected economist at the global financial body, the *Guardian* newspaper reported yesterday.

The figure contradicts US government estimates that plant-derived fuels have contributed less than 3 per cent to food price increases, the newspaper said.

It will add to pressure on governments in Washington and Europe, which have turned to biofuels to reduce emissions of greenhouse gases and their dependence on imported oil.

The *Guardian* said senior development sources believed the report, completed in April, had not been published so as to avoid embarrassing US President George W. Bush.

“It would put the World Bank in a political hotspot with the White House,” said one source.

Leaders of the G8 leading industrial countries meet next week in Japan, where they will discuss the food crisis and come under intense lobbying from campaigners calling for a moratorium on the use of plant-derived fuels.

Rising food prices have pushed 100 million people worldwide below the poverty line, according to the World Bank, and have

sparked riots from Bangladesh to Egypt.

Mr Bush has linked higher food prices to higher demand from India and China, but the World Bank study said: “Rapid income growth in developing countries has not led to large increases in global grain consumption and was not a major factor responsible for the large price increases.”

Even successive droughts in Australia have had a marginal impact. Instead, the report said the EU and US drive for biofuels has had the biggest impact on food supply and prices.

“Without the increase in biofuels, global wheat and maize stocks would not have declined appreciably and price increases due to other factors would have been moderate,” the report said.

The basket of food prices examined in the study rose by 140 per cent between 2002 and February this year. The report estimated that higher energy and fertiliser prices accounted for an increase of only 15 per cent, while biofuels have been responsible for a 75 per cent jump over that period.

It said production of biofuels had distorted food markets by diverting grain away from food for fuel, by encouraging farmers to set land aside for biofuels and by sparking speculation in grains, driving prices higher.

Reuters