

Why the World Can't Afford Food

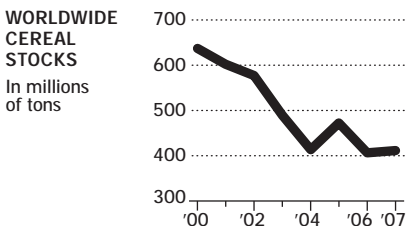
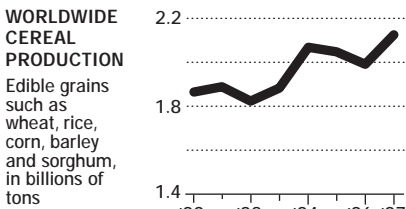
And why higher prices are here to stay

BY JACKSON DYKMAN



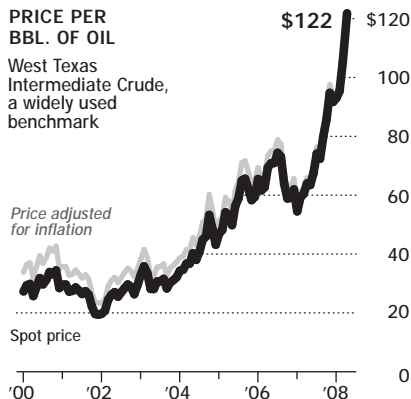
Worldwide Cereal Production

Worldwide production of cereals has not kept pace with demand as droughts and bad weather have hit key exporting regions. As stocks dwindled, some countries placed export restrictions on food to protect their own supplies. This in turn drove up prices, punishing countries—especially poor ones—that depend on imports for much of their food.



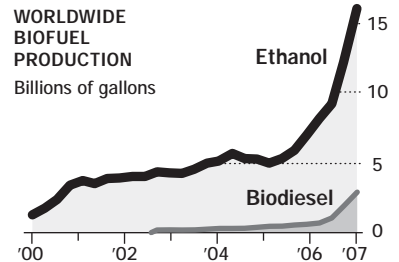
Food Costs Track Energy Costs

Food costs closely track energy costs. As the price of oil spikes, the cost of running a farm jumps too. Petroleum is a key ingredient in the making of some types of fertilizer, which is increasingly essential to agriculture in the developing world. Then there's the added cost of gas to run equipment and higher transportation expenses to get food to market.



Expensive Oil Creates Demand for Biofuels

Expensive oil creates more demand for alternatives, like biofuels made from corn or other plants. Driven by government subsidies, U.S. farmers are devoting more land to corn at the expense of other crops and turning more of the corn they grow into ethanol. It's a double whammy: both corn and grain for food become scarcer, further driving up prices.



U.S. Corn Production Used for Ethanol

