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UNEP chief blames speculators for ‘food price crisis’

UNEP chief says recent food crisis was a factor of “price” speculation, not shortages.



by **Hugh Wheelan** | September 11th, 2008

Achim Steiner, executive director of the United Nations Environment Programme (UNEP) and a board member of the United Nations Principles for Responsible Investment, has added to the controversial debate about whether investors and speculators were responsible for recent hikes in food costs in developing countries by blaming a “food price crisis”.

Speaking at the Sustainability Forum in Zurich, Switzerland, Steiner said the scarcity of food in some developing countries had little to do with a lack of production: “Last week, the US announced a record harvest of wheat. Some people had a bull run on soft commodities prices, but what price is that to people at the bottom of the pyramid? Markets are good at recognising opportunities, but what markets do not do is provide long term radar functions.” Steiner suggested that investment markets should be regulated to protect issues of public importance, based on what he called ‘public choice’. “The futures market is affecting prices on the ground. Investment decisions can lead to spikes, for example, in the price of oil by 10% in 24 hours.”

Commodities prices have recently slumped after a two-year bull run, which also saw extreme rises in soft commodities prices that led to food riots in some countries.

Institutional investors, including pension funds, have been major investors in commodities futures as portfolio diversifiers.

In June this year, the US Homeland Security and Governmental Affairs Committee, blamed pension funds for price spikes in commodities markets and proposed barring schemes with more than \$500m (€323m) in assets from investing in US agricultural and energy commodities in a dramatic bid to lower food and energy prices. The committee said assets allocated to commodity indices by “index speculators”, which it noted were predominantly pension funds, sovereign wealth funds, and university endowments, had grown from \$13bn five years ago to \$260bn. It said aggregate commodity prices had increased during the same period by more than at any other recorded period in US history. The proposed bill, the Commodity Speculation Reform Act of 2008, has yet to be heard by the US Senate.