Anatomy of a Global Food Price Spike

Both long- and short-term supply and demand factors played a role:

- Slowing growth in global agricultural production
- Rising fuel prices and production costs
- Poor weather

Supply Factors
- Reduced stockholding of grains and oilseeds
- Depreciating dollar and rising foreign reserves

Demand Factors
- Faster income growth in developing and former centrally planned countries during 1990-2007
- Prices did not increase significantly until 2006, indicating that stockholders now preferred to hold smaller stocks. But, low stocks created an environment for price volatility when supply and demand shocks occurred during 2006-2008.

Depreciating U.S. dollar strengthens foreign demand during 2002-08

For more information, see the ERS Website:
Agricultural Baseline Projections, www.ers.usda.gov/Briefing/Baseline/

ERS provides the primary economic analysis behind USDA’s forecasts for agricultural products in U.S. and global markets. ERS analyzes short-term market developments, and develops long-term projections for global supply and demand for major commodities. ERS also conducts research on key developments in U.S. and global agricultural markets.