

# THE FACTS BEHIND FOOD PRICES



## GLOBAL SUPPLY

As more countries emerge as large producers of crops, global supply has an impact on food prices. Regardless of domestic supply, diminished soybean production in Brazil or increased wheat harvests in the Black Sea will drive global food prices.



## WEATHER

Drought, flooding and freezing reduce supply, which can negatively impact the production of key grains like corn and soybeans and cause dramatic price increases in essential crops.



## EXPORT DEMAND

The U.N. estimates 50 percent more food will need to be produced by 2030 to meet growing global demand. A growing middle class in populous countries like China and India means diets will change, with increased demand for meat and grains.



## PLANTED & HARVESTED ACREAGE

Farmland is being lost at an alarming rate due to development and other factors. Additionally, farmers need to allocate their limited acres to a variety of crops, meaning pricing relationships between grains will change over time.



## CURRENCY FLUCTUATIONS

The strength of the U.S. dollar, relative to other currencies, has an impact on all commodity prices. Raw materials are almost always priced in U.S. dollars, so a producer often needs to adjust prices based on production costs in local currency.



## ANIMAL PROTEIN DEMAND

Domestically, per capita consumption of meats like beef has begun to decrease while consumption of plant-based proteins has increased. Downturns in animal consumption trends mean less demand for feed grain inputs, leading to lower grain prices.



## INTERNATIONAL TRADE RELATIONSHIPS

Government policies, such as tariffs to support domestic production, can reduce competition, limit supplies available for international trade and impact prices.



## DISEASE

Diseases and infestations can cause shortages in grains, which reduce food supply for livestock. Diseases can also negatively impact livestock, resulting in lower demand for feed grain.



## TRANSPORTATION

High oil prices can drive up the costs of bringing food to market and these costs are passed along to consumers. Transportation shortages can also raise food prices.



## GEOPOLITICAL CONFLICTS

Political unrest can disrupt productivity, impacting supply and commodity pricing.



## DOMESTIC OLD-CROP AVAILABILITY

Grain inventories are decreasing globally as more grains are used to meet rising demand. A limited supply in store translates to higher prices.



## BIOFUELS POLICY

Due to U.S. mandates, approximately 40 percent of the U.S. corn crop is used for ethanol, and about 8 billion pounds of soybean oil is used for biofuel production, diminishing supply for other uses.