THE FACTS BEHIND FOOD PRICES

WEATHER

Drought, flooding and freezing reduce supply, which can cause dramatic price increases in essential crops. The 2012 U.S. drought, which was the most widespread in more than half a century, negatively impacted the production of key grains like corn and soybeans, resulting in record prices in those commodities.

GLOBAL DEMAND

A growing middle class in China and India means increased demand for meat and grains. The U.N. estimates 50 percent more food will need to be produced by 2030 to meet growing global demand with world population expected to reach 9 billion by 2050.

BIOFUEL POLICY

Due to U.S. mandates, 40.6 percent of the corn crop – or 5 billion bushels – are used for ethanol, diminishing supply for other uses.

LIMITED FARMLAND

Farmland is being lost at an alarming rate due to development and other factors; at the same time, food prices increase as more farmland is devoted to non-food items.

MACROECONOMIC FACTORS

A strong U.S. dollar, relative to European and other currencies, has a dramatic effect on all commodity prices. For example, in 2012, economic woes in Europe and slowing growth in China have played a significant role in commodity markets.

GOVERNMENT POLICY

Government policies, such as tariffs to support domestic production, reduce competition, limit supplies available for international trade and impact prices; Russia's ban on wheat exports reduced global trade supplies by 15 million metric tons in 2010/11.

DISEASE

Diseases and infestations cause shortages in grains and livestock, which reduce food supply; on average, roughly 35 percent of global crop production falls prey to diseases and pests.

ENERGY COSTS

High oil prices drive up the costs of bringing food to market; these costs are passed along to consumers.

GEOPOLITICAL CONFLICTS

Political unrest can disrupt productivity, impacting supply and commodity pricing; in 2012, wheat prices spiked as a direct result of protests in Egypt, one of the world's biggest wheat importers.

DECLINING GRAIN RESERVES

Grain stocks-to-usage ratios were at record low levels in 2012, meaning grain inventories decreased globally as we used more grains to meet rising demand.