

THE CAUSES OF THE FOOD PRICE CRISIS: METHODOLOGICAL BACKGROUND

Analytical approach

Supply, demand, trade and price variables for 14 agricultural commodities and their products are analysed over the 1995-2007 period. This period was chosen because it is the first period after the 1973 oil crisis during which the long-term declining trend in agricultural prices is reversed. This period is characterised by 4 distinct sub-periods:

- 1995-97 high prices: mainly due to supply failures, ending with the SE Asian crisis
- 1998-01 low prices: strong supply response (partly linked to increased US subsidies)
- 2002-2005 high prices: a combination of factors, including the impact of low prices
- 2006-2007 exceptionally high prices: multiple causes are the focus of this analysis

The aim of the analysis is to identify the extent to which the recent price hike is explained by supply and/or demand factors. Tables and graphs include annual data, the annual rate of change over the whole period, averages during each sub-period, and graphs based on 3-year moving averages to smoothen out annual sharp annual variations.

Commodities analysed

- Wheat, maize, rice
- Sugar, cotton
- Soybeans & products, rape seed & products, sunflower seed & products, palm oil
- Beef, sheep meat, pork and poultry
- Milk and dairy products (butter, skimmed milk and whole milk powder, cheese)

Countries/regions analysed

- World totals
- EU, US, China, India (in all commodities)
- Other major exporters (depending on commodity)
- Other major importers (depending on commodity)

Variables

- Area, yields and production
- Total consumption and its components (food, feed, other)
- Ending stocks and prices
- Net trade (exports-imports)