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# The Financialization of the Food Commodities Market and its Impact on Food Prices

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## Abstract

From 2006 to 2011 the international prices of food commodities experienced two consecutive surges during which prices more than doubled. Several fundamental factors of demand and supply play a role in the price formation of commodities but recently also financial and index-related investments in commodity markets captured the world's attention. This study empirically examines the possible impact of speculative activity on the commodity spot prices for corn, wheat and soybeans using time series analysis. We use weekly data over the period 2003-2011. First, we describe the food commodity market and the involved traders. Second, we determine variables associated with speculative activity and perform rolling Granger causality tests to uncover causal implications on the spot prices. The results provide evidence that the impact of financial and index-related activities may have been substantial in the sense that they helped to explain the changes in food prices.

## Information

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