

# BC30303

## Resource & Agriculture Economics

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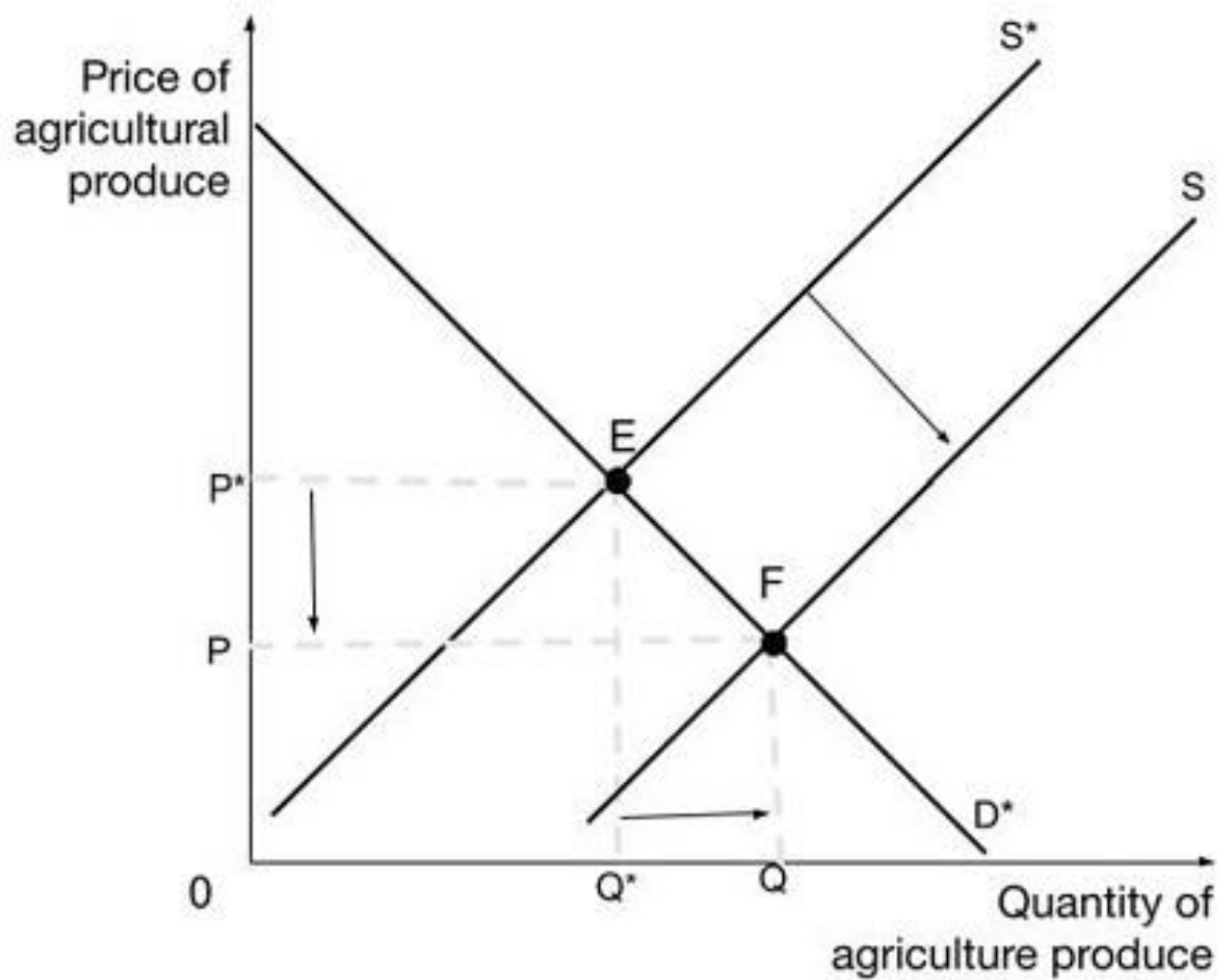








# **Fundamental Factors behind fluctuations of Agriculture Commodity Prices**



# **SUPPLY SIDE ECONOMICS**

Major global agricultural commodities is influenced by a combination of:

Supply

Demand

Geopolitical

Ennvironmental factors

## 1. Weather and Climate Conditions

- **Impact:** Weather directly affects agricultural production. Favourable conditions (adequate rainfall, mild temperatures) can boost yields, while adverse weather (droughts, floods, hurricanes) can disrupt production, reducing supply and driving prices up.
- **Example:** A drought in major grain-producing regions like the U.S. Midwest or Ukraine can lead to lower wheat or corn production, increasing global prices.

## 2. Supply Chain Dynamics

- **Impact:** Factors like transportation costs, storage capacity, labor availability, and infrastructure disruptions influence the ability to bring products to market. Delays or bottlenecks can limit supply, increasing prices.
- **Example:** Port closures due to labor strikes or geopolitical tensions can delay shipments of soybeans from Brazil or rice from India, influencing global prices.

### 3. Global Demand Trends

- **Impact:** Rising demand for agricultural products due to population growth, economic development, and changing diets can exert upward pressure on prices. Emerging markets play a critical role in demand expansion.
- **Example:** Increased demand for biofuels, which use corn and sugarcane as inputs, can drive up prices for these commodities.



#### 4. Geopolitical and Policy Factors

- **Impact:** Trade policies, export restrictions, and subsidies significantly influence agricultural commodity prices. Political instability in key producing countries can disrupt supply chains and create market uncertainty.
- **Example:** During the Russia-Ukraine conflict, disruptions in grain exports from these countries caused spikes in wheat and sunflower oil prices globally.

**Interaction of those factors above:**

Creating complex dynamics in agricultural commodity markets

Affects forecast price movements and market risks.

## **Conclusion:**

Both fundamental (as explain in detail above) plus technical analysis (explored during early weeks prior) influence the agriculture price movement in the markets;

**Fundamental** – direct affect on demand and supply

**Technical** – influence how big market players/movers manipulate price and/or markets