

Rising prices, disrupted markets, grave consequences: research results of Deutsche Bank and Allianz on the effects of excessive agricultural speculation

1. Deutsche Bank Research



„However, sometimes exaggerated market positions can temporarily distort the normal functioning of the market – and this may have serious consequences for farmers and consumers. There may be grave consequences if speculators drive prices to a level that is no longer in harmony with the fundamentals.”

Source: Deutsche Bank Research: Steigende Lebensmittelpreise – strukturell oder temporär? – Kurzfristige Einflussfaktoren, Trends und Implikationen (March 2011), page.7/8

Link: http://www.dbresearch.de/PROD/DBR_INTERNET_DE-PROD/PROD000000000271533.pdf

Translation by foodwatch; original quote in German language: „In manchen Zeiten können übertriebene Marktpositionen allerdings das normale Funktionieren des Markts vorübergehend verzerren – und dies kann möglicherweise ernsthafte Konsequenzen für Bauern und Verbraucher haben. Wenn Spekulanten die Preise auf ein Niveau treiben, das nicht mehr mit den Fundamentaldaten im Einklang steht, kann dies schwere Folgen haben.“



“As discussed [...], price increases are driven by supply-demand factors (population, income, productivity, energy prices, policy responses) but in some instances speculation might have added to the price movement.”

Source: Deutsche Bank Research: Talking point – Food prices on the rise: weather events exacerbate a tight supply-demand balance (January 2011), page 2

Link: http://www.dbresearch.de/PROD/DBR_INTERNET_DE-PROD/PROD000000000268155.pdf



„This brings of course the possibility of positions distorting the normal functioning of the market, for instance due to their sheer size. Such speculation can have grave consequences for farmers and consumers and is, in principle, unacceptable.

All in all, it is important for the good functioning of the food chain that commodity derivatives keep serving their initial purpose of price discovery and hedging, to cope with price volatility. We advocate more transparency in general. More regulation in the derivatives market overall will be helpful in avoiding excesses.”

Source: Deutsche Bank Research: Risk management in agriculture – Towards market solutions in the EU (September 2010), page 21/22

Link: http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD000000000262553.PDF



“Speculation has also contributed to price increases.”

Source: Deutsche Bank Research: The global food equation – Food security in an environment of increasing scarcity (September 2009), page 22

Link: http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD000000000247631.PDF

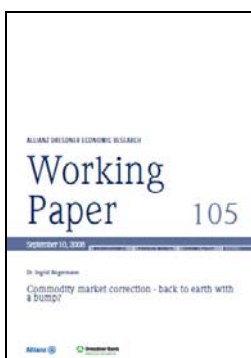
2. Allianz Research



“However, taking into consideration the huge influx of funds and non-traditional participants into commodity markets, it cannot be totally dismissed, that speculation at least supports excessive price developments, and this in both directions. Even if speculative capital flows were not necessarily the trigger for the price movements seen in 2007 and 2008, it seems reasonable that at least they enforced price trends.”

Source: Allianz Research: Kathrin Brandmeir, Arne Holzhausen, Gabriele Steck; Is speculation to blame für rising food prices? – A compilation of facts & findings – Allianz Working Paper (June 2012) – previously unpublished, marked as “for internal use only – confidential”, page 11

Link: published by foodwatch: <http://bit.ly/YrmWUg>



“The price spikes on agricultural markets were not sparked off but were compounded by speculative factors, particularly given the relative tightness of the markets.”

Source: Dr. Ingrid Angermann: Sommodity market correction – back to earth with a bump? – Allianz Dresdner Economic Research: Working Paper 105 (September 2008), page 14

Link: https://www.allianz.com/v_1339498744000/media/current/en/images/wp_rohstoffe_sep08_engl.pdf