



## Vrushalis BTN Certification

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### A historical look at soybean price increases: What happened since the year 2000?

Agriculture and food manufacturing are important sectors in the U.S. economy, making up approximately 2.0 percent of U.S. gross domestic product in 2018.<sup>1</sup> Soybeans, with its ever growing list of uses, ranging from products intended for human and animal consumption to industrial products such as bio-diesel, paint, and plastics, has become one of the most valuable agricultural commodities in the United States.

Data from the U.S. Bureau of Labor Statistics (BLS) [Producer Price Index](#) (PPI) program show an overall increase in [soybean](#) prices over the past 20 years. From January 1999 to December 2018, prices increased by 61.7

percent. This **Beyond the Numbers** article will focus on three periods (2003–04, 2006–08 and 2012–14) and examine the irregularities in the supply and demand for soybeans within each period. Each time frame includes various causes for the surge in the prices of soybeans.

## First spike, 2003–04

From 1999 through 2002, soybean prices fluctuated within a moderately narrow range. However, as seen in Chart 1, the price of soybeans rose sharply in 2003 and continued unabated through May 2004. As a perishable commodity, soybean prices historically increase in response to tightening supplies from unforeseen factors such as extreme weather or rising demand from domestic or foreign buyers.<sup>2</sup>

In 2003, bad weather and pests had an impact on soybean harvests. Although spring provided excellent growing conditions, a summer drought in the Midwestern farm belt affected the soybean crop, reducing yield. As a result, the total soybean harvest for 2003 was 2.418 billion bushels, falling 576 million bushels short of May estimates by the United States Department of Agriculture (USDA).<sup>3</sup>



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