

## High commodity prices are a long term phenomenon

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Anyone investing in commodities in recent months has made attractive gains, as they have benefited from soaring raw material prices worldwide. The scale of the price hikes in agricultural goods raises the question of whether such increases can be sustained over the long run. In their latest report, experts in the Sustainability Research department of Bank Sarasin & Co. Ltd come to the conclusion that commodity price trends are mainly long-term in nature, essentially dominated by growing shortages of agricultural products, with short-term speculation only playing a secondary role.

In their latest publication, Bank Sarasin's sustainability experts examine the consequences of rocketing commodity prices for investors. As market leader in sustainable investments, Bank Sarasin currently recommends steering clear of investments in wheat and corn, as these are crucial for the security of food supply in many countries. Steep price increases in wheat and corn have direct social consequences for feeding the poorer sections of the world's population. At the same time, socio-economic conditions in many developing countries are becoming tougher due to their dependence on imports.

### Price increase in agricultural products mainly down to fundamental factors

Sarasin's research shows that the current bubble in commodity prices is mainly attributable to fundamental supply and demand factors. The population boom and rising standards of living in emerging economies are strong drivers here. Other factors include the current rise in production costs, growing demand for bio fuels and a higher incidence of crop failure. Many factors also seem to indicate that "financial speculation" only plays a minor role in the price hikes seen in recent months and is only responsible for short-term price swings.

### Selective approach needed to long-term investment in commodities

Bank Sarasin thinks the outlook for long-term investments in commodities is attractive. From a sustainability perspective, rising prices are good news as they accelerated the development of farming. A differentiated approach has to be taken to current commodity prices, however, as both the scale of the rises and their consequences differ from one commodity to the next.

The research undertaken by Bank Sarasin's Sustainability Research team also looks at investments in energy and metals. In addition, Bank Sarasin is currently examining the feasibility of a comprehensive sustainability rating system for commodities.

Copies of the report on commodity investments are available in both German and English from:

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