

Quantitative Easing Is Causing Food Prices to Skyrocket

By [Washington's Blog](#)

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As I've previously [noted](#), interest rates have risen both times after the Fed implemented quantitative easing.

Graham Summers [points out](#) that food prices have also skyrocketed both times:

In case you've missed it, food riots are spreading throughout the developing world Already Tunisia, Algeria, Oman, and even Laos are experiencing riots and protests due to soaring food prices.

As Abdolreza Abbassian, chief economist at the UN's Food and Agriculture Organization (FAO), put it, "We are entering a danger territory."

Indeed, these situations left people literally starving... AND dead from the riots.

And why is this happening?

A perfect storm of increased demand, bad harvests from key exporters (Argentina, Russia, Australia and Canada, but most of all, the Fed's money pumping. If you don't believe me, have a look at the below chart:



[Summers shows the share price of [Elements Rogers](#) International Commodity Agriculture ETN as a proxy for food prices generally.]

As you can see, it wasn't until the Fed announced its QE lite program that agricultural commodities exploded above long-term resistance. And in case there was any doubt, QE 2 sent them absolutely stratospheric.

This isn't really unexpected.

Last November, David Einhorn [warned](#):

It is quite likely that QE2 will slow the economy by raising food and energy prices [because it is easier to generate these price increases]. [These price hikes] would act as a tax on consumers and businesses.

Also in November, Karl Denninger [wrote](#):

We have a Federal Reserve that, in the last two years, has printed and debased the currency of this nation by more than 100%, taking their balance sheet from \$800 billion to more than \$2 trillion. They now threaten, today, to do even more of that. This has resulted in insane price ramps in soft commodities

("soft commodities" means [food crops](#)).

As the [Wall Street Journal](#), [Tyler Durden](#), the [Economic Policy Journal](#) and others note, inflation in food prices isn't limited to developing nations, but is coming to the U.S.

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