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SUMMARY

The allocation of food commodities to non-food end uses is increasing and broadening. Some of these alternative demands, such as for fuel and sweetener substitutes, are creations of possibly transient policy. But the key one, for animal feed, is an outgrowth of successful economic growth in middle and high income countries. This increasing substitution in end uses has contributed to highly correlated international food price movements, especially among the commodities used as feed.

Over time, as incomes grow, processing technologies change, international price shocks occur (especially for energy), and government macro and commodity policies react to all of these events, substitutions in non-food end uses could accelerate. As a result, food commodity prices on world markets might well become increasingly linked, thereby constraining the scope for domestic agricultural trade policy.

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