

# **What Drives Commodity Price Booms and Busts?**

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## **Summary**

We provide evidence on the dynamic effects of aggregate commodity demand shocks, commodity supply shocks, and storage or other commodity-specific demand shocks on real commodity prices. We analyze a new dataset of price and production levels from 1870 to 2015 for 15 grains, metals, and soft commodities, representing nearly \$2.5 trillion in annual gross value of production. We establish that commodity demand shocks strongly dominate commodity supply shocks in driving prices over a broad set of commodities and over a long period of time. Furthermore, while commodity demand shocks have increased in importance over time, commodity supply shocks have become less relevant.