As responsible investors who recognize the power of capital markets to influence people’s lives, ICCR members carefully scrutinize the social impact of all the assets in their portfolios. And as fiduciaries, accountable to their respective clients and communities, ICCR members are also responsible for ensuring a healthy return on their investments. We know these two goals are not mutually exclusive. In fact, there is strong evidence that “social investments” that focus on long term, sustainable profitability often outperform traditional portfolios which may lack environmental, social and governance criteria.

ICCR members apply the same degree of scrutiny when evaluating the potential impacts of various markets and asset classes as they look to diversify their portfolios and, in the course of their evaluations, food commodities markets have surfaced as a potential red flag for responsible investors. ICCR members are concerned about reports that over-speculation or excessive hedging in food commodities markets may create global food price bubbles as these price spikes have been linked to growing food insecurity that keeps millions of people from escaping poverty.

In the search for higher returns, the participation of institutional investors in commodity markets has grown markedly in recent years. Many of these investments are geared toward people betting on commodities prices rising over time. No one is arguing that the original purpose of the commodities futures markets isn’t valid and necessary, but we are concerned about the participation of parties that have no use for the product being traded.

Additionally, there is strong evidence that the food bubbles of 2007/2008 and 2010/2011 were caused by the excessive speculation in food commodities markets spurred by both financial deregulation and the growth of biofuels. ICCR members are known for seeing ahead of the curve, particularly when it comes to high risk speculative financial instruments that are wealth-generating vehicles without any underlying social value. As many investors are simply unaware of the potential pitfalls, we are attempting to build awareness in the investment community about the social risks of these markets by providing practical guidance to ensure their investments remain responsible. ICCR members, such as Mercy Investment Services and the Maryknoll Sisters put this awareness into practice by adopting a screen to avoid investments in food commodities.

At bottom, this is about food, and in order to feed the over 9 million people on our planet expected by 2050, we need to do everything within our power to make it accessible and affordable. Excessive financial speculation in food commodities markets is literally gambling with hunger and with people’s lives.

Cathy Rowan
Corporate Responsibility Coordinator
Maryknoll Sisters