

Global food prices dip in May

World food commodity prices declined modestly in May for the second consecutive month, although wheat and poultry prices pushed higher, the Food and Agriculture Organization of the United Nations (FAO) has reported. The [FAO Food Price Index](#) averaged 157.4 points in May 2022, down 0.6% from April.



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The index, which tracks monthly changes in the international prices of a basket of commonly-traded food commodities, however, remained 22.8% higher than in May 2021.

The **cereal price index** increased by 2.2% from the previous month, led by wheat prices, which were up 5.6% from April and 56.2% from their corresponding value a year earlier. International wheat prices, averaging only 11% below the record high reached in March 2008, rose in response to an export ban announced by India and concerns over crop conditions in several leading exporting countries as well as reduced production prospects in Ukraine due to the war.

International rice prices also rose across the board, while coarse grain prices declined by 2.1%, with maize prices dropping by even more in step with slightly improved crop conditions in the United States of America, seasonal supplies in Argentina and the imminent start of Brazil's main maize harvest.

The **vegetable oil price index** declined by 3.5% from April, while still markedly higher than its year-earlier level. Prices dropped for palm, sunflower, soy and rapeseed oils, due in part to the removal of Indonesia's short-lived export ban on palm

oil and sluggish global import demand for soy and rapeseed oils in view of elevated costs in recent months.

"Export restrictions create market uncertainty and can result in price spikes and increased price volatility, the decrease in oilseeds prices shows how important it is when they are removed and let exports flow smoothly," said Máximo Torero Cullen, FAO chief economist.

The **dairy price index** also dropped by 3.5% month-on-month. Prices of milk powders declined the most, linked to market uncertainties from the continued Covid-19 lockdowns in China, while robust retail sales and high demand from restaurants in the Northern Hemisphere prevented cheese prices from falling significantly despite weakened global import demand. Butter prices also dropped on account of a weaker import demand amid improved exportable supplies.

The **sugar price index** declined by 1.1% from April, as a bumper crop in India buoyed global availability prospects. The weakening of the Brazilian real against the U.S. dollar, along with lower ethanol prices, also pressured world sugar prices downwards.

Meanwhile, the **meat price index** set a new all-time high, increasing by 0.6% in May even as world bovine meat prices remained stable and those of pig meat fell. The climb was driven by a steep increase in international poultry meat prices, reflecting continued supply chain disruptions in Ukraine and recent cases of avian influenza amid a surge in demand in Europe and the Middle East.

Global cereal output, consumption on course to decline

Early prospects for global cereal production in 2022 now point to a likely decrease, the first in four years, to 2,784 million tonnes, down 16 million tonnes from the record output estimated for 2021, according to FAO's latest [Cereal Supply and Demand Brief](#), also released today.

The largest decline is foreseen for maize, followed by wheat and rice, while barley and sorghum outputs will likely increase. The forecasts are based on conditions of crops already in the ground and planting intentions for those yet to be sown.

World cereal utilisation is also forecast to decline marginally in 2022/23, by around 0.1% from 2021/22 to 2,788 million tonnes, marking the first contraction in 20 years. The decline mainly stems from foreseen decreases in the feed use of wheat, coarse grains and rice, while global food consumption of cereals is expected to increase, keeping pace with world population trends.

World trade in cereals is forecast to decline by 2.6% from the 2021/22 level to 463 million tonnes, a three-year low, even as prospects for international trade of rice remain positive.

The new forecasts point to a drop in inventories, resulting in the world cereal stocks-to-use ratio dropping to 29.6% in 2022/23 from 30.5% in 2021/2022. This new level would be the lowest in nine years, but still well above the 21.4% low registered in 2007/08. A drawdown in maize inventories is expected to lead the decline, while wheat stocks are expected to increase.

FAO has also updated its estimates for global cereal output in 2021, now seen rising by 0.9% from the year before, and for cereal utilisation in 2021/2022, seen rising by 1.1%.