

Global food commodity prices drop in November

According to the latest Food and Agriculture Organisation (FAO) [Food Price Index](#), global commodity prices saw a decline in November 2018; led by a marked drop in palm oil and other vegetable oils. The index averaged 160.8 points for the month of November, down 1.3% from October and 8.5% from 2017.



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The index, an indicator of the monthly change in international prices of a basket of food commodities, is now at its lowest level since May 2016.

The **vegetable oil price** hit a 12-year low, declining 5.7% from October. Large palm oil inventories and abundant supplies of soy and sunflower oils fuelled the decline.

The **cereal price**, covering wheat, coarse grains and rice, dropped 1.1% during the month, reflecting large export supplies of wheat, intensified export competition for maize and new crop arrivals of rice.

The **dairy price** declined for the sixth consecutive month, falling 3.3% from October, as large stocks and increased availability of export supplies - especially from New Zealand - led to lower price quotations for butter, cheese and whole milk powder.

The **sugar price** defied the downward trend, rising 4.4% in the month. The increase was mostly due to a significant

production decrease expected in Brazil, which has also lowered the share of sugarcane used to produce sugar to 35.8% from almost half a year ago.

The **meat price came** in marginally lower, with only bovine meat prices rising during the month.

Updated forecasts for cereals output and trade

FAO also released a new [Cereal Supply and Demand Brief](#), marking down its forecast for world cereal production in 2018 to 2,595 million tonnes, some 2.4% below the record high reached last year.

The new forecast figures do not incorporate recent and significant historical revisions made by China to its grain production estimates, for maize in particular, which are under review by FAO with an eye to updated assessments early next year.

World rice production this year remains on course to reach a new high of 513 million tonnes, representing a 1.3% increase from 2017. By contrast, FAO lowered its forecast for global wheat output to 725.1 million tonnes due to smaller-than-earlier expected harvests in Turkey and the Russian Federation. The projection for world production of coarse grains was also lowered, to 1,357 million tonnes, due to downward revisions to barley and sorghum outputs.

FAO expects greater planting of winter wheat crops in the northern hemisphere as well as higher maize production in much of the southern hemisphere, although the prospects of a possible El Nino event impair the outlook in South Africa and neighbouring countries.

World cereal utilization during the 2018/19 season is expected to rise by 1.3% to 2,649 million tonnes, led by stronger feed and industrial uses of maize.

World cereal stocks are forecast to stand at 762 million tonnes by the close of seasons in 2019, some 6.5% below their all-time high opening levels. Maize inventories are anticipated to contract by 14%, while wheat stocks should decline by at least 12%. World rice stocks, by contrast, are expected to increase by 2.7% to hit an historical high of 177 million tonnes.

International trade in cereals is still forecast to contract in 2018/19, though the decline, estimated at 1.1%, is smaller than it was anticipated in November.

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