

Global food prices drop amid coronavirus outbreak

The Food and Agriculture Organisation's (FAO) latest food price index has reflected a decline in global food prices in February for the first time in four months - averaging at 180.5 points, down by 1.0% from January but still 8.1% higher than a year earlier. This is due to the sharp fall in the export prices of vegetable oils, partly driven by coronavirus (COVID-19) outbreak fears.



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The price index tracks monthly changes in the international prices of commonly-traded food commodities

The **vegetable oil index** declined 10.3% from January, with international palm oil prices falling by even more on account of higher-than-expected output in Malaysia, a temporary drop in India's import demand and concerns over the spread of COVID-19.

The **cereal price index** declined by 0.9 in February. Wheat prices were lower, reflecting well-supplied markets, while maize prices retreated as demand from the livestock feed sector dipped amid expectations of a weakening global economy. By contrast, international rice prices rose, buoyed by strong demand from Far Eastern and East African buyers.

The **meat price index** was down by 2.0% from January, influenced by reduced imports by China impacted by delays in cargo handling in ports. Drought-induced slaughter in New Zealand exerted further pressure on ovine meat price quotations, while poultry meat prices were affected by lower imports by Asia.

The **dairy price index** rose 4.6%, led by surging price quotations for cheese, partly linked to reduced milk output in Australia. Milk powders, by contrast, dipped as logistical bottlenecks slowed purchases by China, the world's largest milk powder importer.

The **sugar price index** rose 4.5% amid prospects of lower production in India as well as in Thailand, combined with a strong global import demand.

World cereal production estimates revised upwards

FAO also issued a new Cereal Supply and Demand Brief, raising its estimates for 2019 world cereal production to 2,719 million tonnes due to higher maize outputs in West Africa and Ukraine.

The brief offers a preliminary forecast of 763 million tonnes for 2020 worldwide wheat production - very close to the near-record level of 2019 - and indicates that coarse grain output in 2020 will likely be strong in Argentina, Brazil and South Africa.

World cereal utilisation in the 2019/20 cycle is now forecast to reach a record level of 2,721 million tonnes, driven by higher food, feed and industrial usages.

FAO raised its forecast for world cereal stocks at the close of the 2020 seasons to nearly 866 million tonnes, resulting in the global cereals stock-to-use ratio staying at a comfortable level of 30.9%.

FAO also forecasts world trade in cereals to rise by 2.3% to 420 million tonnes in 2019/20, the second-highest level on record, with wheat shipments accounting for more than half of the expected increase.

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