

Food Price Index shows 1.3% drop for June

The UN's FAO Food Price Index has reflected a 173.7 point drop in June in international agricultural food commodity prices for the first time in 2018 - this is down by 1.3% from its level in May - as trade tensions affected markets even with global production prospects down. The decline is driven primarily by lower benchmark price quotations for wheat, maize and vegetable oils including those made from soybeans.



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The FAO Food Price Index is a measure of the monthly change in international prices of a basket of food commodities.

The FAO Cereal Price Index dropped 3.7% in the month. Despite overall worsening production prospects for the main grains, there were "relatively sharp falls" in international maize and wheat prices, reflecting heightened trade tensions. Rice prices increased. The FAO Vegetable Oil Price Index declined by 3.0% from May to reach a 29-month low. Palm, soybean and sunflower oil prices also declined.

Heightened trade tensions between the United States of America and its trading partners, particularly China, weighed particularly hard on the US origin export prices, led by soybeans, with the strength of the dollar exerting further downward pressure.

Index price results across the board:

- The FAO Dairy Price Index dropped by 0.9% as lower price quotations for cheese - reflecting greater export availabilities in the European Union and the United States of America - more than offsetting a rise in skim milk powder prices.

- The FAO Meat Price Index inched up by 0.3% from May, led by an upswing in ovine and pig meat values.
- The FAO Sugar Price Index rose by 1.2%, reversing six consecutive monthly declines, due mostly to concerns that dry weather in Brazil, the world's largest sugar producing and exporting country, would negatively affect sugarcane yields and production.

FAO expects drop in cereal output and stocks

FAO also updated its forecast for world cereal output this year, now pegged at 2,586 million tonnes, which is 64.5 million tonnes or 2.4% less than the record production of 2017.

The new forecast issued today in FAO's Cereal Supply and Demand Brief is 24 million tonnes less than projected by FAO last month, largely reflecting lower output prospects for wheat in the European Union and for wheat and coarse grains in the Russian Federation and Ukraine.

World cereal utilisation is forecast to rise to 2,641 million tonnes in 2018/19.

As utilisation is foreseen to outpace new production, global cereal stocks accumulated over the past five seasons will have to be drawn down, by around 7% from their season-opening levels. This should result in the world stocks-to-use ratio for cereals dropping to 27.7%, representing the first decrease in four years - down from 30.6% - although still well above the record low of 20.4% registered in the 2007/08 season.

The inventory drawdown is expected to be largest for maize, while rice stocks may increase for the third year in a row. World trade in cereals is expected to remain generally robust also in 2018/19, close to the near-record level of 2017/18.

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