

Global food prices up in January; cereal prices keep rising despite improved supplies – UN

2 February 2017 – Global food prices rose notably in January, led by sugar and cereals, even as markets remain well supplied, United Nations monthly figures show.

According to a press release from the Food and Agriculture Organization (FAO), the January Food Price Index – which measures the monthly change in international prices for five major food commodity groups: major cereals, vegetable oils, dairy, meat, and sugar – averaged 173.8 per cent in January, its highest value in almost two years, marking a 2.1 per cent increase from its revised December value and 16.4 per cent above the year-earlier level.

While 2016 marked the fifth consecutive year the global food price index has fallen, January marked its sixth monthly increase in a row.

Sugar prices surged 9.9 per cent in the month, driven by expectations of protracted supply tightness in Brazil, India and Thailand.

Cereal prices rose 3.4 per cent from December to a six-month high, with wheat, maize and rice values all increasing.

International prices of rice also rose, in part due to India's ongoing state procurement programme, reducing the quantities available for export.

Vegetable oil prices rose 1.8 per cent, due mostly to low global inventory levels of palm oil coupled with a slow production recovery in Southeast Asia. Soy oil prices, by contrast, eased on expectations of ample global availability.

Dairy prices remained unchanged from December, a marked departure from the 50 per cent increase it posted between May and December last year.

Meat prices were also practically unchanged, with a rise in bovine meat quotations – the result of herd rebuilding in Australia – offset by lower prices of ovine and other meats.

World cereal stocks at all-time high due to record production

Worldwide inventories of cereals are on course to reach an all-time record level by the end of seasons in 2017, according to FAO's latest Cereal Supply and Demand Brief.

Latest figures put global cereal stocks at 681 million metric tonnes, up 1.5 per cent from their December forecasted level and 3 per cent from the previous season. World wheat inventories would likely hit a new record of 245 million tonnes, marking an 8.3 per cent annual increase. Coarse grain stocks

are forecast to grow by 0.7 per cent to reach their second-highest level on record, while rice stocks are set to decline slightly although ending the season at a near-record 170 million tonnes.

FAO has also raised its estimate of global cereal output in 2016 by 15 million metric tonnes to 2,592 million tonnes, due primarily to larger-than-expected wheat harvests in Australia and Russia. For rice, excess rains over parts of Viet Nam and inadequate rainfall in Sri Lanka will likely curb rice output.