

FAO Food Price Index declines by 13.7% in 2023

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The benchmark for world food commodity prices declined in December compared to the previous month, with the sharpest drop in international sugar quotations, the Food and Agriculture Organization of the United Nations (FAO) reported.

The FAO Food Price Index, which tracks monthly changes in the international prices of a set of globally traded food commodities, averaged 118.5 points in December, down 1.5 per cent from November and down 10.1 per cent from December 2022.

For 2023 as a whole, the index was 13.7 per cent lower than the average value over the preceding year, with only the international sugar price index higher over the period.

The FAO Cereal Price Index increased 1.5 per cent from November, as wheat, maize, rice, and barley prices all rose, partly reflecting logistical disruptions that hindered shipments from major exporting countries. For the year as a whole, the index was 15.4 per cent below the 2022 average, reflecting well-supplied global markets, although FAO's All Rice Price Index (part of the FAO Cereal Price Index) registered a 21 per cent increase, largely owing to concerns about the impact of El Niño on rice production and in the aftermath of export restrictions imposed by India.

The FAO Vegetable Oil Price Index by contrast, declined by 1.4 per cent from November, reflecting subdued purchases of palm, soy, rapeseed, and sunflower seed oil, with soy oil in particular impacted by a slowdown in demand from the biodiesel sector as well as improving weather conditions in major growing areas of Brazil. For 2023 as a whole, this index was 32.7 per cent below the previous year's level.

The FAO Sugar Price Index declined 16.6 per cent from November, hitting a nine-month low although still up 14.9 per cent from December 2022. The plunge in sugar quotations was mainly driven by the strong pace of production in Brazil, along with the reduced use of sugarcane for ethanol production in India.

The FAO Meat Price Index dipped 1.0 per cent from November, reaching a level 1.8 per cent below that of December 2022, impacted by persistent weak import demand from Asia for pig meat. Regional buying interest also slowed for bovine and poultry meat despite ample exportable supplies in large producing regions. Ovine meat prices by contrast rose ahead of the holidays.

Bucking the trend, the FAO Dairy Price Index^Â increased by 1.6 per cent from November, although still standing 16.1 per cent below its December 2022 value. The monthly increase was led by higher price quotations for butter and cheese, underpinned by strong internal sales in Western Europe ahead of the holiday season. At the same time, strong global import demand led international whole milk powders to rise.