



Food and Agriculture
Organization of the
United Nations

Food Prices In Volatile World Markets

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Slowing global growth amid multiple downside risks to trade

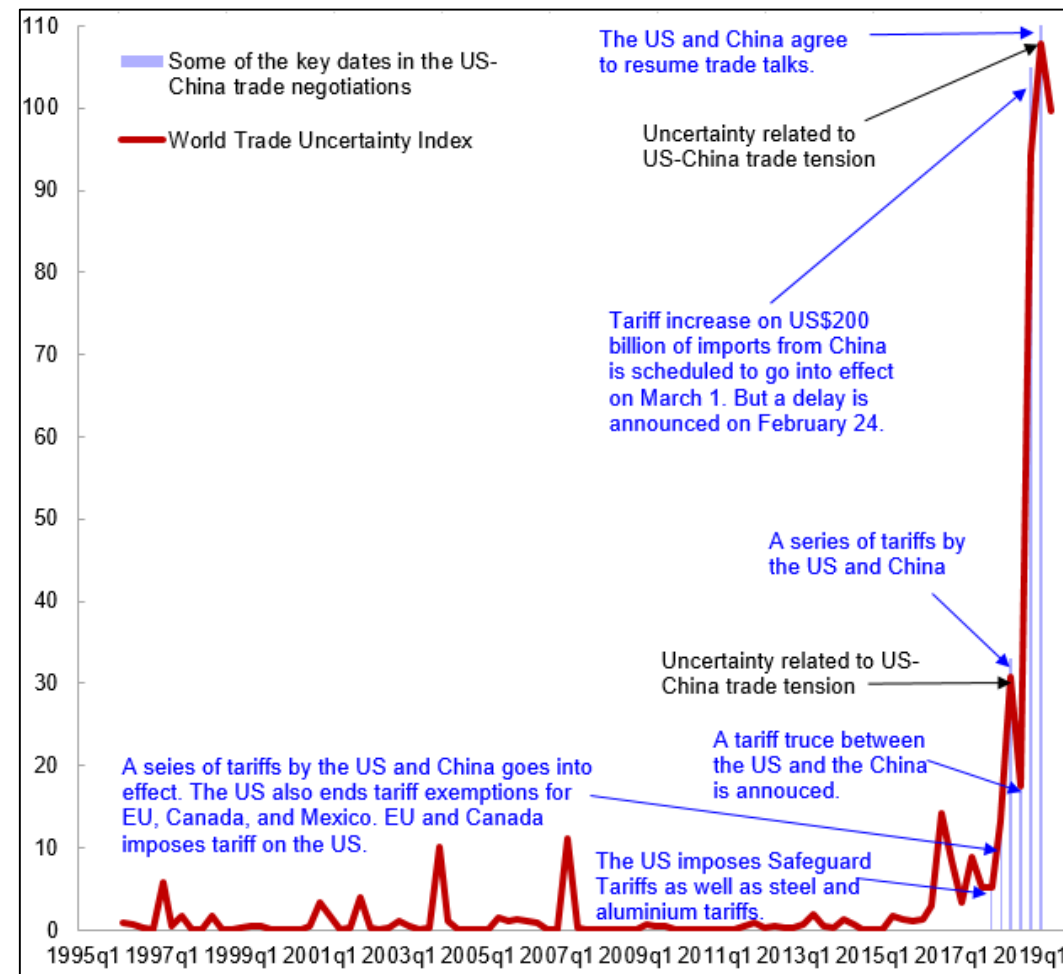
- Slow economic growth; leading economies experiencing slowdown with several countries on the edge of recession and China's growth decelerating
- Tariff escalations/barriers constraining trade growth
- Downside risks remain plenty, also for 2020:
 - continued uncertainty over US-China negotiations
 - uncertainties regarding US-EU trade
 - geopolitical tensions and volatile energy markets
 - Brexit

World Trade Uncertainty Index 1996-2019

“The darkening outlook for trade is discouraging but not unexpected”



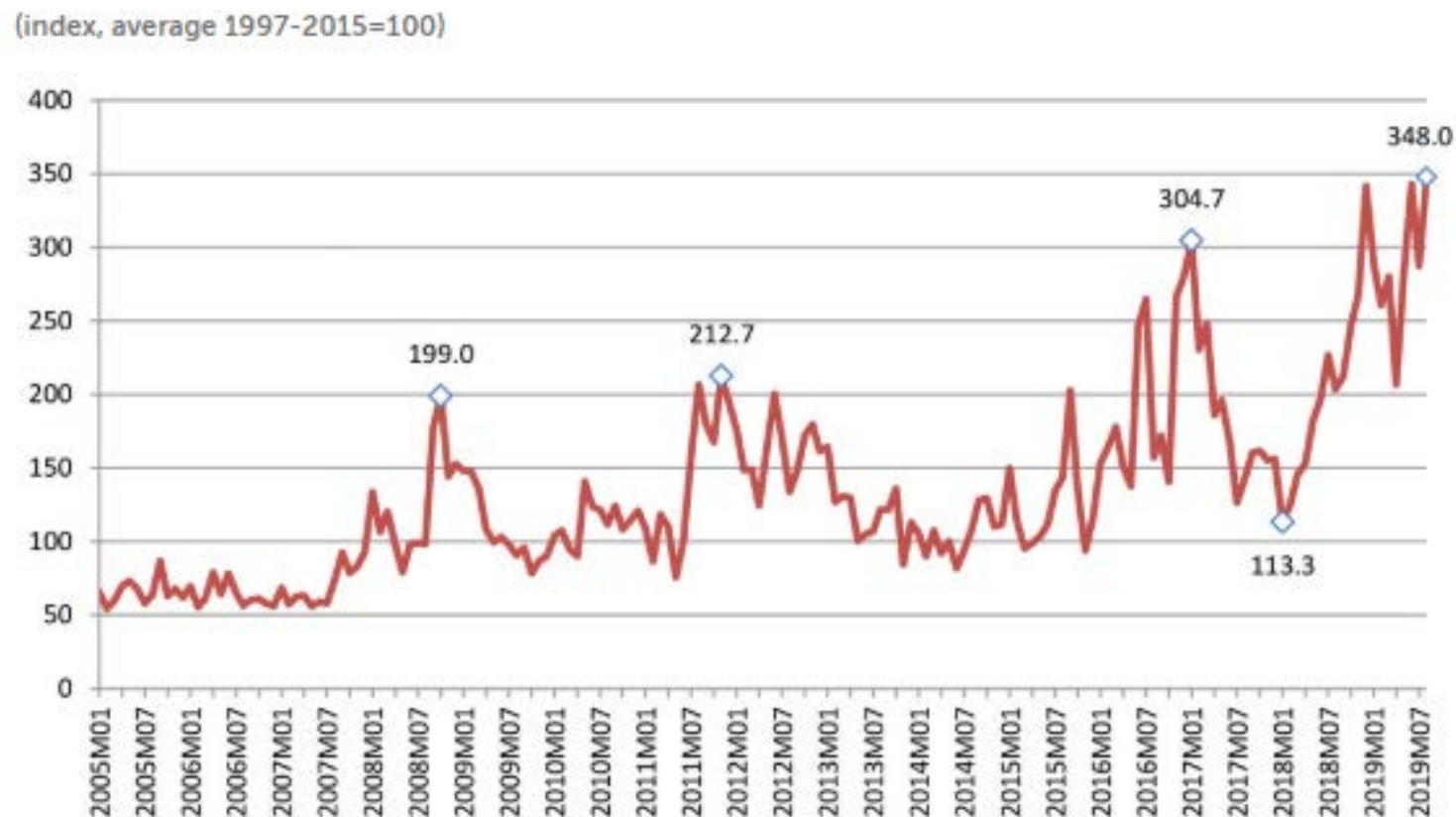
https://www.wto.org/english/news_e/pres19_e/pr840_e.htm



Ahir, H, N Bloom, and D Furceri (2018), “World Uncertainty Index”, Stanford mimeo.

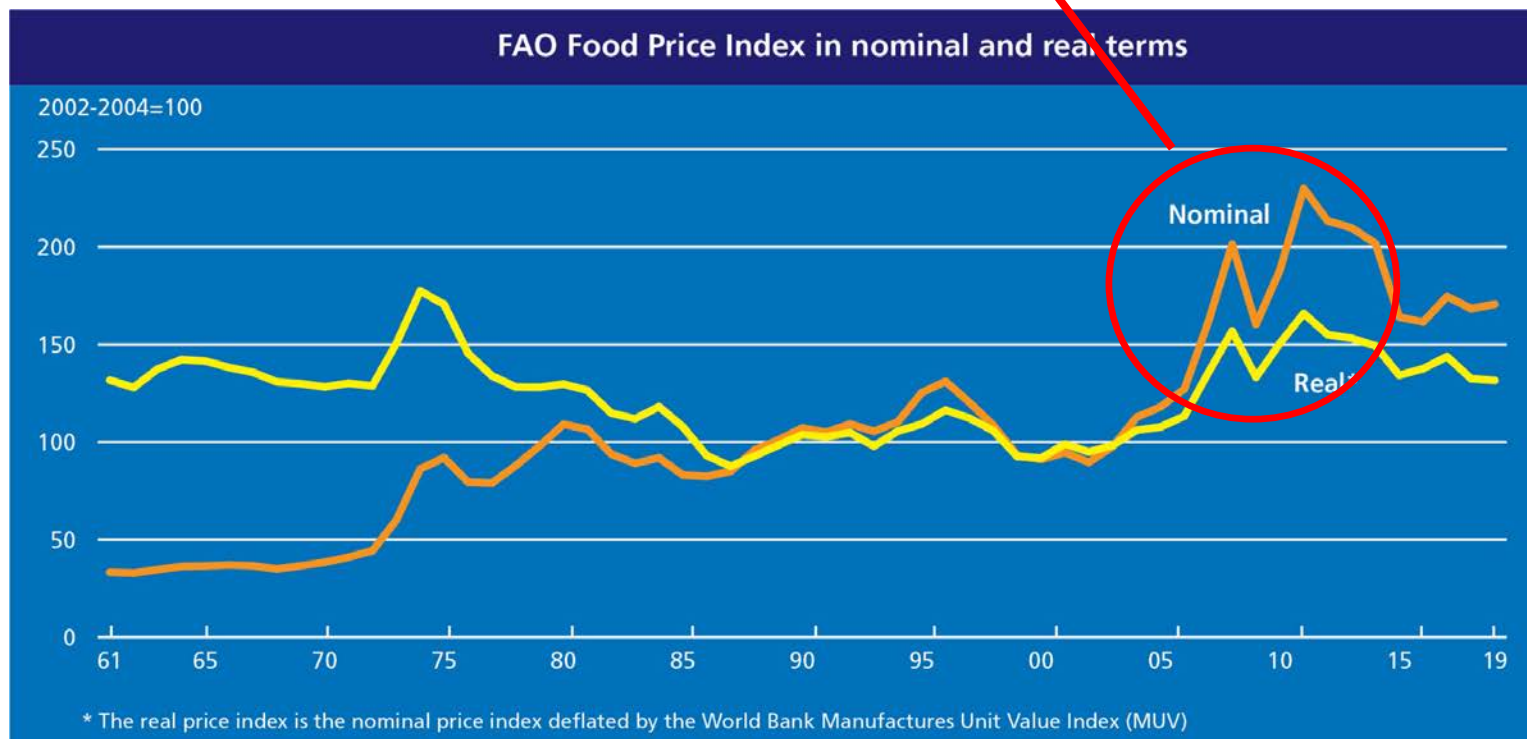
Global economic policy uncertainty

“Since 2008, economic policy uncertainty has averaged about twice the level of the previous 23 years”



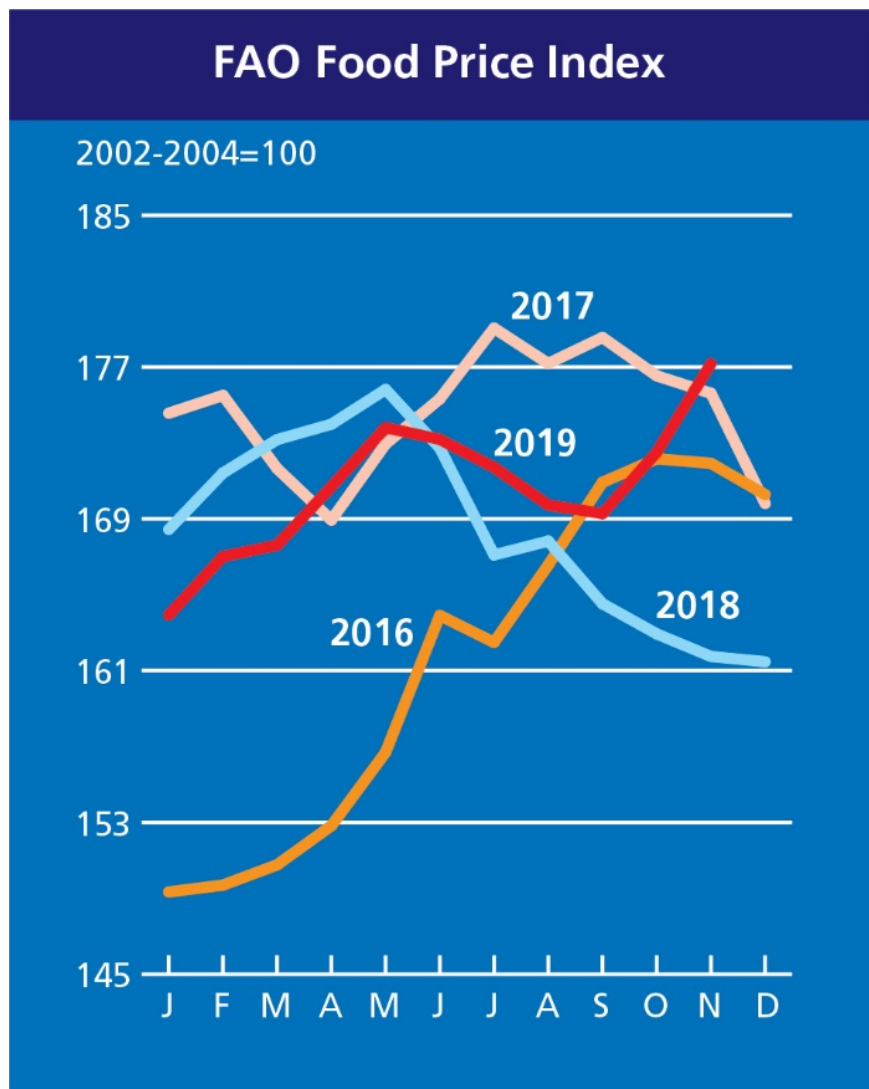
Source: PolicyUncertainty.com.

Food Prices





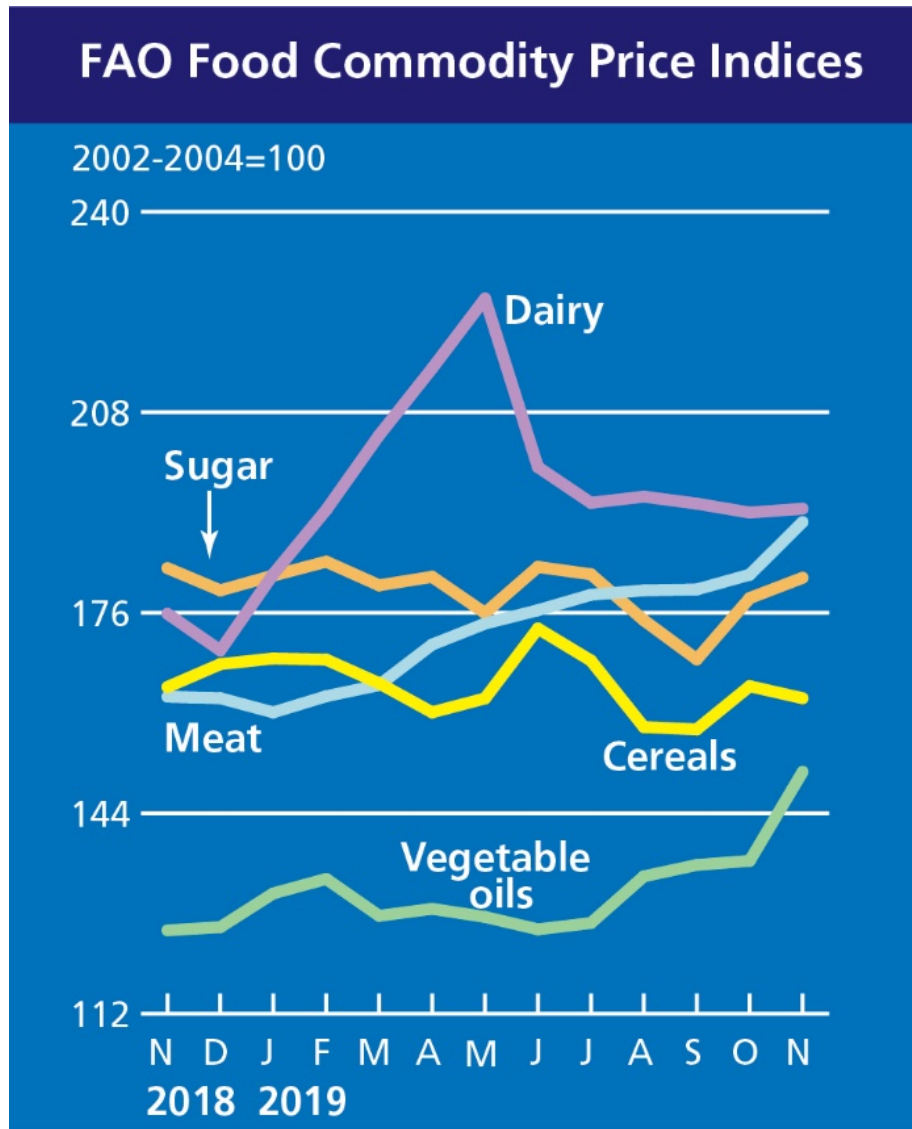
The FAO's Food Price Index is at its highest level since September 2017 but below its 2011 peak



Food Price Indices	Peak values (points)	Nov 2019	Change: Nov 2019 over peak values
			%
<i>FAO Food Price Index</i>	Feb 2011 240	177	-26
<i>Cereals</i>	Jun 2008 268	162	-39
<i>Oils</i>	Feb 2011 287	151	-48
<i>Sugar</i>	Jan 2011 420	182	-57
<i>Meat</i>	Aug 2014 212	191	-10
<i>Dairy</i>	Feb 2014 275	193	-30

- at 177 points in November, the FFPI still down 26% from its February 2011 peak
- with the exception of meat, all FAO Food price indices remain significantly below their peak values

Most indices are up from last year (November 2019)



- **FAO Vegetable Oil Price Index:** up 20% y/y and the highest since May 2018; recent strength is largely supported by firmer palm oil values on strong import demand and production slowdowns.
- **FAO Meat Price Index:** up 17% y/y with November pointing to the largest m/m increase since May 2009; prices of all meat types have been on the rise, bovine in particular on tightening export availabilities against strong import demand from China.
- **FAO Dairy Price Index:** up 9.5% y/y with price quotations of skim & whole milk powders rising the most in recent weeks due to tight spot supplies while cheese values fell for a third consecutive month on large availabilities.
- **FAO Sugar Price Index:** down marginally (0.8%) y/y but recently receiving some support from expectation of production setbacks and firmer demand
- **FAO Cereal Price Index:** down 1% y/y and remain under pressure because of large export supplies; rice prices have fallen to six-month lows.

China internal pork prices have been normalizing in Q4

Average lean hog carcass price reported by Beijing Xinfadi wholesale market, 2018-19



OECD-FAO Agricultural 10-year Outlook 2019-2028

Prices

- real prices for most commodities to decline
- productivity to stay ahead of demand growth
- prices are subject to volatility

Production

- output of main commodities up 15% by 2028
- productivity increases dominate growth
- global agricultural land use largely unchanged

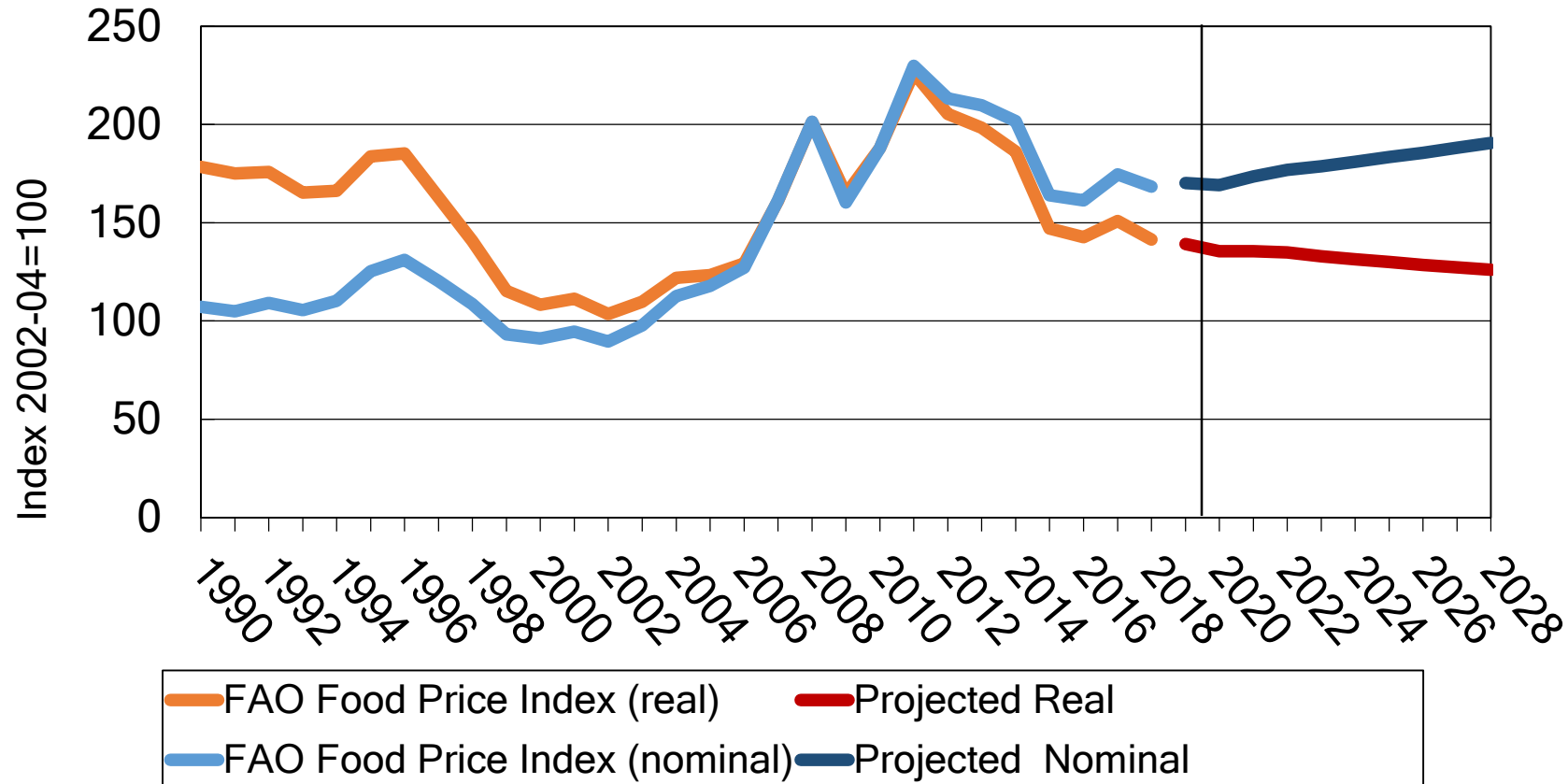
Consumption

- strong demand growth from Africa and Asia
- higher consumption of dairy, sugar and fats
- more crops drawn into feed, biofuel saturated

Trade

- trade important for food security and livelihoods
- Black Sea region and South America expand export shares
- China's imports stagnant, but at a high level

The FAO Food Price Index to 2028



supply and demand fundamentals keep real international reference price trends slightly declining

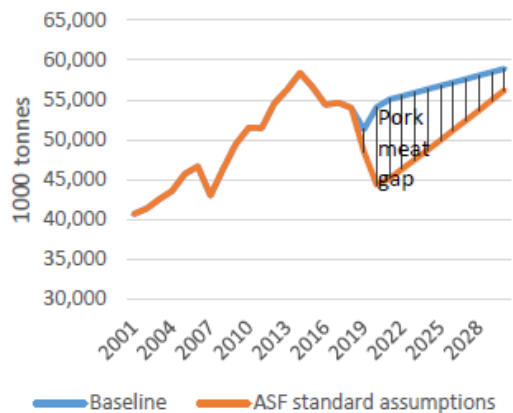
the additional resources can be mobilized at lower prices

most food commodity prices follow similar trends due to substitutability and complementarities

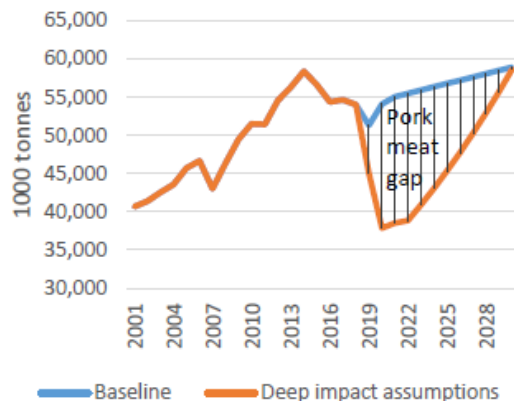


African Swine Fever: A global factor affecting agricultural markets over the medium term (Aglink-Cosimo model)

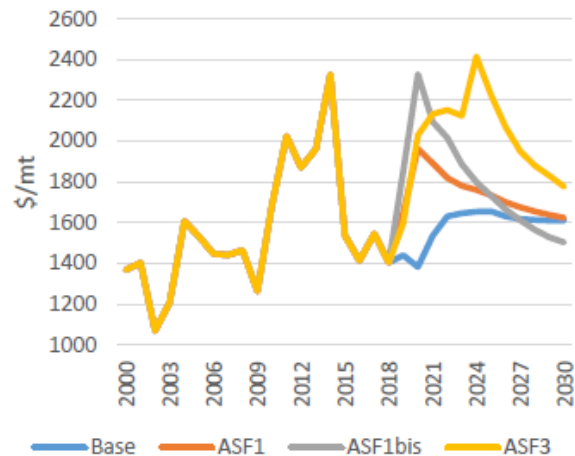
ASF in China, first scenario, trajectory and **pork** protein gap



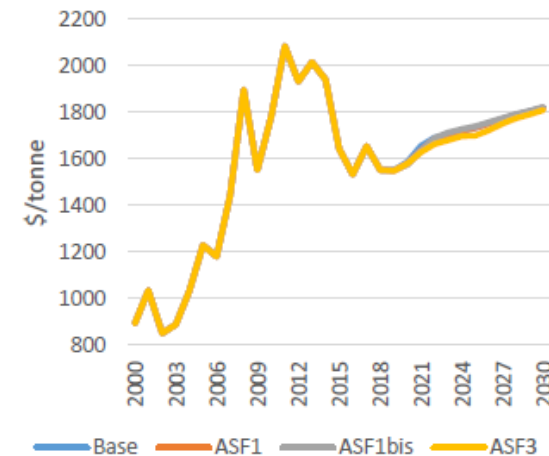
ASF in China, deep impact, trajectory and **pork** protein gap



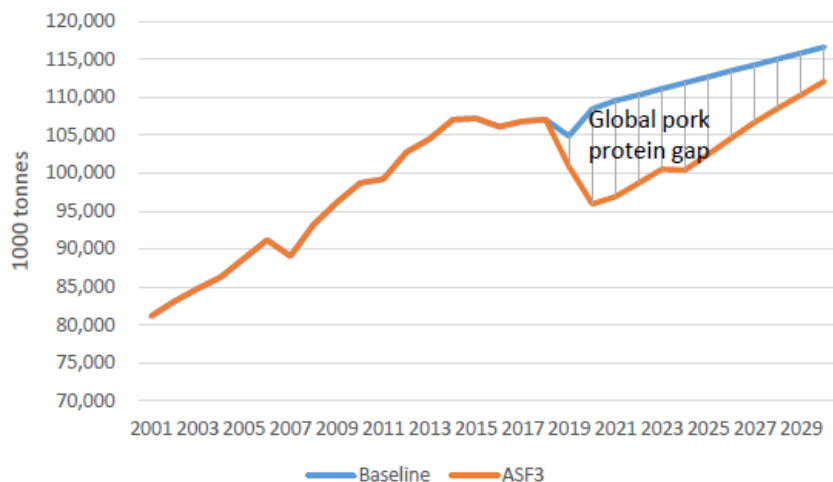
Pacific Pork Price



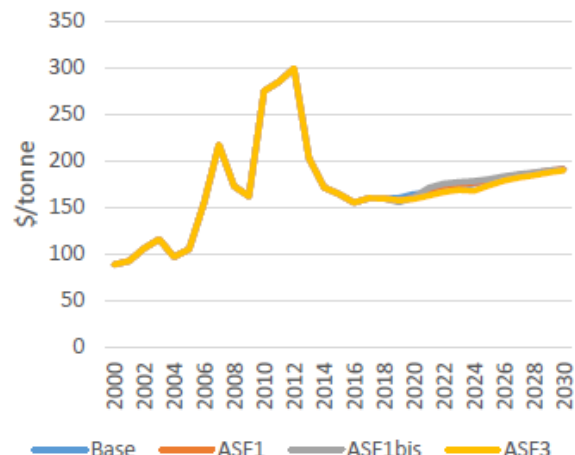
World Poultry Price



Scenario 3: Pig meat production: Global impacts



World Maize Price



World Soybean Price

