

FAO Food Price Index remains unchanged for August

The recently released Food and Agriculture Organisation (FAO) [Food Price Index](#) reflects a stable month for August, as cereal prices recovered while vegetable oils and sugar declined. The index averaged 167.6 points, unchanged from the revised July estimate and 5.4% below its level in August 2017.



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The **cereal price index** rose 4.0% during the month, with wheat prices rising twice as much due to deteriorating crop prospects in the European Union and the Russian Federation. International maize quotations rose by more than 3.0% while rice prices eased during the month.

The **vegetable oil index** declined 2.6% from July, nearing a three-year low as palm, soy and sunflower oil quotations all fell amid favourable production trends and, in the case of palm oil, weak global import demand.

The **dairy price index** posted its third consecutive monthly decline in August, falling 1.5% amid relatively thin seasonal volumes. While droughts may adversely affect milk production growth in parts of Europe and Australia, New Zealand's output prospects are improving.

The **sugar price index** dropped 5.4% from July to reach the lowest level in a decade, due largely to the continued depreciation of the currencies of major exporters Brazil and India.

The **meat price index** was broadly unchanged on the month, as pigmeat and ovine meat quotations rose on strong import interests from China, offsetting declining poultry and bovine meat prices, with the latter under pressure by high export availabilities from the United States of America.

New forecasts for worldwide cereal production

FAO now forecasts global cereal production in 2018 to reach 2,587 million tonnes, a small upward revision from July but a three-year low and 2.4% below last year's record high level.

The latest [Cereal Supply and Demand Brief](#) cut by a notable 14 million tonnes the world wheat production forecast for this year, which now stands at almost 722 million tonnes, the smallest crop since 2013. Dry and hot weather intensified yield reductions around Europe. However, worldwide production of coarse grains was revised up by 15 million tonnes since July, with improved outlooks for maize in China, Ukraine and the United States of America, more than offsetting expected output reductions in the European Union and the Russian Federation. FAO now expects 2018 coarse grain output to be nearly 1,354 million tonnes, some 2.6% below the level of 2017.

Meanwhile, world rice production is expected to rise by 1.3% from the previous year and reach a new record of almost 512 million tonnes, buoyed by larger output recoveries in Bangladesh and Viet Nam and stronger area rebounds in Sri Lanka and the United States.

FAO raised its forecast for world cereal utilisation to 2,648 million tonnes, largely due to greater use of maize for feed and industrial use and the robust rice harvest. Cereal stocks are also being reduced - especially in China, the European Union and the Russian Federation, and the global cereal stock-to-use ratio is expected to slide to 27.3%, a five-year low.

The forecast for world trade in cereals over the 2018/2019 season has been revised up to nearly 414 million tonnes, about 1.5% below the previous year's record high.

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