
Food Price Index rises in seventh consecutive month led by increasing wheat prices

02/03/2017



The UN's Food and Agriculture Organisation's (FAO) Food Price Index rose slightly in February, marking its seventh consecutive monthly rise, led by increasing wheat and maize prices.

FAO's Food Price Index is a trade-weighted index tracking international market prices of five major food commodity groups. Increases were reported for four of the five sub-indices in February.

The FAO Food Price Index averaged 175.5 points in February, its highest value in almost two years, marking a 0.5 per cent increase from its revised January value and 17.2 per cent above its February 2016 level.

The FAO Cereal Price Index rose 2.5 per cent from January, led by increasing prices for wheat, even as maize and rice prices also posted modest increases.

The FAO Meat Price Index rose 1.1 per cent, buoyed by higher bovine meat prices as ranchers in Australia rebuilt their herds. The Dairy Price Index rose slightly, led by butter and whole milk powder.

The FAO Sugar Price Index rose 0.6 per cent in February, as ongoing supply tightness in Brazil was only partly offset by expanded beet plantings in the European Union.

First forecasts for 2017

The FAO also released its first forecast of global wheat production in 2017, projecting 744.5 million tonnes, which would signal a 1.8 per cent decline from its record 2016 level.

Farmers in North America reduced plantings in favour of higher-priced crops, while winter wheat prospects are robust in Russia, the EU, China, India and Pakistan, according to the Cereal Supply and Demand Brief.

Prospects for coarse grains production, mainly maize, are generally favourable in the Southern Hemisphere, where the crop is in its final development stage. Large increases are forecast for Argentina and Brazil, while wetter conditions in most of Southern Africa point to a significant recovery from last year's drought-reduced output, although an outbreak of armyworms could limit production gains in some countries of the subregion.

'Broadly comfortable'

The global cereal supply and demand situation in 2016/17 is poised to remain "broadly comfortable" for the third consecutive season, FAO said. Total use of wheat for direct human consumption is expected to rise by 1.1 per cent in the year ahead, while feed utilization to increase by as much as 6 per cent.

Worldwide wheat inventories are anticipated to rise by 6.6 per cent, or 15 million tonnes, to nearly 240 million tonnes, led by stock build-ups in Australia, China, Russia and the U.S.

World trade in cereals in 2016/17 is forecast at 393 million tonnes, a slight drop from the previous marketing year, reflecting a sharp 4.5 per cent reduction in the trade of coarse grains even as trade in wheat is anticipated to grow by 3 per cent and that in rice at a brisk 4 per cent clip.
