

Global Food Price Index rebounded slightly in April due to rising meat prices

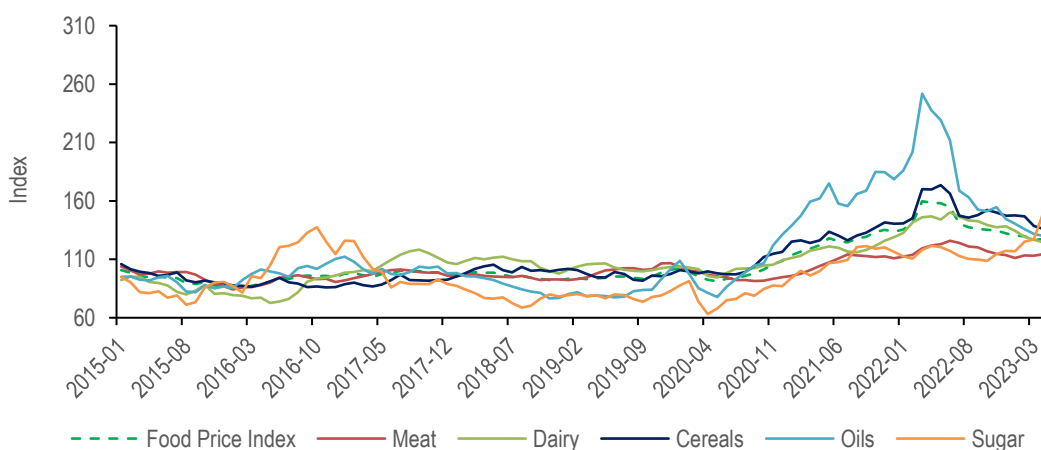
The FAO Food Price Index, a measure of the monthly change in international prices of a basket of food commodities, rebounded by 1% in April 2023 from March to 127 points. This uptick is due to the increases in the sugar and meat prices. Meanwhile, the cereals, dairy and vegetable oil prices continued to drop.

The price surge in sugar reflects the concerns about the tight global supplies in the 2022/23 season. This uptick is caused by the downward revisions to the sugar production forecasts for India and China, along with lower-than-earlier-expected outputs in Thailand and the European Union. Moreover, the meat price index increase was underpinned by the firm demand in Asian countries for pork. The pork supply limitations in several leading exporters due to high production costs and animal health issues also increased prices. Additionally, the solid Asian demand extended to poultry meat; hence the price rebounded following nine months of continuous declines. The supply limitations arising from widespread avian influenza outbreaks in various regions also increased the price.

Still, the FAO Food Price Index is 20% lower than in April 2022, primarily driven by the softening prices of the cereals, dairy and vegetable oil price indices. These price trends will likely overshadow the impact of the rising sugar and meat prices in the near to medium term and thus keep the headline global food price index at relatively lower levels compared to a year ago.

As stated, South Africa is part of the global agricultural market. Therefore, this anticipated price trend will likely be a reality also in the domestic market. In essence, this means that agricultural commodity prices will likely continue to soften from last year's levels, although not to the extent that we are back at pre-covid-19 levels. Still, this will be sufficient to moderate consumer food price inflation. We will monitor the global meat price direction and its impact on South Africa, as this would influence the current food inflation view.

Exhibit 1: Global Food Price Index



Source: FAO and Agbiz Research

09 May 2023

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