Market Report Week of March 29, 2023

The war in Ukraine continues, but some bumper crops have reduced the impact on prices.

The United Nations FAO Food Price Index dropped again in February, albeit only marginally.

**Wheat**:  After falling for three consecutive months, international wheat prices rose marginally (0.3 percent) in February. The slightly firmer tone mostly reflected ongoing concerns over dry conditions in key production areas of Hard Red Winter wheat in the United States of America, and robust demand for supplies from Australia, while strong competition among exporters helped to cap price gains.  General Mills Foodservice reports wheat was higher earlier in the month as there were concerns that the Grain Corridor deal would not be renewed between Russia and Ukraine, but the UN stepped in and insisted on a 120-day extension.

**Oils**: The **FAO Vegetable Oil Price Index** was down 3.2 percent from January and marking the lowest level since the beginning of 2021. The continued weakness of the index was driven by lower world prices across palm, soy, sunflower seed and rapeseed oils. International palm oil prices dropped for the third consecutive month in February, chiefly weighed by lingering sluggish global import demand, despite seasonally lower production from major growing regions in Southeast Asia. Meanwhile, world soy oil prices also continued to decline, underpinned by softened purchases from key importing countries and prospects of rising outputs from South America. As for sunflower and rapeseed oils, world quotations remained on a downward trajectory, depressed by their abundant global exportable availabilities. Wall Street Journal reports that soybean futures have been affected by the federal Environmental Protection Agency’s change in policy regarding biomass-based diesel fuels. The EPA is mandating less use of biomass fuels through 2025 than the market had anticipated, thereby reducing demand.

**Sugar:** The FAO Sugar Price Index was up 6.9 percent from January, reaching the highest level since February 2017. The February rebound was mostly related to the downward revision to the 2022/23 sugar production forecast in India, which dampened export prospects for the current season. Concerns over lower export availabilities from India amid strong global import demand lent additional support to world sugar prices. However, the good harvest progress in Thailand and abundant precipitation in the key growing areas of Brazil prevented a larger monthly price increase. The decline in international crude oil price quotations and ethanol prices in Brazil also contributed to limit the upward pressure on world sugar prices.

 **Dairy:** The **FAO Dairy Price Index** was down 2.7 percent from January and standing 7.2 percent below the corresponding month last year. In February, the decline in the index was driven by lower prices across all dairy products, with the steepest falls in butter and skim milk powder (SMP). The continued weakness in global import demand, especially for near-term deliveries underpinned the price declines, despite a noticeable increase in purchases in recent weeks by North Asia. In addition, increased exportable supplies, including inventories of butter, cheese and SMP, in Western Europe, where seasonal milk deliveries in recent months have tracked above their corresponding monthly averages, also weighed on global export prices.

(This report is based on reporting of the Food and Agriculture Organization of the United Nations, US Wheat Council, General Mills Foodservice as well as other relevant sources.)