

NJBBT Market Report August 2023

The **FAO Food Price Index*** (FFPI) increased by 1.3 percent from June but remained 11.8 percent below its value in the corresponding month last year. The FFPI's rebound in July was led by a solid rise in the vegetable oils price index, partially offset by a significant decline in the sugar price index, together with small decreases in the price indices for cereals, dairy and meat.

Wheat: The **FAO Cereal Price Index** decreased 0.5 percent from June and 14.5 percent below a year ago. This month's slight decline stems from a fall in international coarse grain prices, which declined by 4.8 percent from June. By contrast, international wheat prices rose by 1.6 percent, marking their first month-on-month increase in nine months, mainly driven by the uncertainty over Ukraine's exports following the decision taken by the Russian Federation to terminate the implementation of the Black Sea Grain Initiative and the subsequent damage to Ukraine's port infrastructure on both the Black Sea and the Danube River. Coupled with Ukraine's ability to use sea drones to further disrupt shipping in the Black Sea, expect continued uncertainty leading to upward price pressure. Continued dry conditions in Canada and the United States of America also added pressure on prices.

Oils: The **FAO Vegetable Oil Price Index** increased 12.1 percent from June, marking the first increase after seven months of consecutive declines. This pronounced increase in July was driven by higher world quotations across sunflower, palm, soy, and rapeseed oils. International sunflower oil prices rebounded by more than 15 percent month-on-month, primarily underpinned by renewed uncertainties surrounding the exportable supplies out of the Black Sea region after the decision taken by the Russian Federation to terminate the implementation of the Black Sea Grain Initiative. In the meantime, world palm oil prices also rose markedly, reflecting prospects of subdued production growth in leading producing countries. As for soy and rapeseed oils, international prices increased on continuing concerns over the production outlooks of soybeans in the United States of America and rapeseed in Canada, respectively. Rising world crude oil quotations also lent support to vegetable oil prices.

Sugar: The **FAO Sugar Price Index** decreased 3.9 percent from June, marking the second consecutive monthly decline, but remaining 29.6 percent above its level in the same month last year. The good progress of the 2023/24 sugarcane harvest in Brazil, and improved rains benefiting soil moisture conditions across most growing areas in India, weighed on world sugar prices in July. Additional downward pressure on prices was exerted by sluggish import demand from Indonesia and China, the world's largest sugar importers. However, persistent concerns over the potential impact of the El Niño phenomenon on the 2023/24 sugarcane crops, particularly in Thailand, along with higher international crude oil prices, reined in the declines in world sugar prices.

Dairy: The **FAO Dairy Price Index** decreased 0.4 percent from June, marking the seventh consecutive monthly decline, and standing 20.6 percent below its value in the same month last year. The decline in July was led by lower quotations for skim milk powder and butter. By contrast, whole milk powder prices recovered slightly, mostly influenced by exchange rate movements. Following five months of steep declines, world cheese prices recovered slightly.

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