

NJBBT Market Report July 2023

The United Nations Food and Agricultural Organization Food Price Index (FFPI) was down 1.4 percent from May, continuing the downward trend and averaging as much as 23.4 percent below the peak it reached in March 2022. The month-on-month decline in the index in June reflected drops in the indices for sugar, vegetable oils, cereals and dairy products, while the meat price index remained virtually unchanged.

Wheat: The **FAO Cereal Price Index** declined 2.1 percent from May and as much as 23.9 percent below its value a year ago. The month-on-month decline reflects a fall in the world prices of all major cereals. International coarse grain prices fell the most, down 3.4 percent since May. Among other coarse grains, world prices of barley and sorghum also declined. International wheat prices declined by 1.3 percent in June, as harvests in Northern Hemisphere countries started. Ample supplies in the Russian Federation, where also the wheat export tax decreased in the month of June, continued to weigh on prices, while improved crop conditions in the United States of America also contributed to the downward pressure on prices. There is still uncertainty surrounding the extension of the Black Sea Grain Initiative, which allowed for the export of Ukrainian grain. The pact is set to expire July 17. Reuters reports that the last 3 ships under the agreement are currently being loaded and expect to leave Odesa by July 10. Wheat futures ended the week higher following a closure in observance of the U.S. Fourth of July holiday. News surrounding the expiration of the Black Sea Grain Initiative added underlying risk into the market. July 2023 soft red winter (SRW) futures were up 11 cents on the week, closing at \$6.47/bu. Hard red winter wheat (HRW) futures were up 42 cents, at \$8.43/bu. Hard red spring (HRS) futures were up 52 cents at \$8.54/bu.

Oils: The **FAO Vegetable Oil Price Index** was down (2.4 percent) from May and marking the lowest level since November 2020. The continued decline of the index was driven by lower world prices of palm and sunflower oils, more than offsetting higher soy and rapeseed oil quotations. International palm oil prices dropped for the second consecutive month in June, mainly reflecting prospects of seasonally higher outputs from leading producing countries that coincided with lingering subdued global import demand. Meanwhile, world prices of sunflower oil also continued to fall amid ample global exportable supplies. By contrast, international soy oil prices rebounded from the previous month, largely underpinned by concerns over excessive dryness in pockets of major growing regions in the United States of America. Similarly, world rapeseed oil prices recovered moderately on unfavorable weather conditions in parts of Canada and Europe.

Sugar: The **FAO Sugar Price Index** was down 3.2 percent from May, marking the first decline after four consecutive monthly increases. International sugar quotations remained, however, 29.7 percent above their levels in the same month last year. The June decline in international sugar prices was mainly triggered by the good progress of the 2023/24 sugarcane harvest in Brazil and a sluggish global import demand, particularly from China, the world's second largest importer of sugar. However, concerns over the potential impact of the El Niño phenomenon on the 2023/24 sugarcane crops, along with the strengthening of the Brazilian real against the United States dollar, limited the declines in world sugar prices

Dairy: The **FAO Dairy Price Index** was down 0.8 percent from May and 22.2 percent below its corresponding value a year ago. The decline in June was again led by lower international cheese prices, reflecting ample export availabilities, especially in Western Europe, where milk production tracked seasonally higher, while retail sales were somewhat subdued. Meanwhile, whole milk powder prices fell slightly on lower import purchases by North Asian buyers and increased supplies, especially from New Zealand. By contrast, world butter prices rose, driven by active demand for spot supplies, mainly from the Middle East, and increased internal retail sales in Western Europe. Skim milk prices increased slightly on higher import purchases to meet short-term needs amid concerns over supplies in the months ahead during the seasonally declining production phase in Western Europe.

(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)