

NJBBT Market Report September 2023

The FAO Food Price Index was down 2.1 percent from July, reversing the rebound registered last month and pushing the index as much as 24.0 percent below its peak reached in March 2022. The drop reflected declines in the price indices for dairy products, vegetable oils, meat and cereals, while the sugar price index increased moderately.

Wheat: The FAO Cereal Price Index was down 0.7 percent from July and 14.1 percent below its value a year ago. International wheat prices fell by 3.8 percent, mostly reflecting higher seasonal availability from ongoing harvests in several leading exporters in the northern hemisphere. However, General Mills Foodservice reports in its September 7 bulletin that wheat prices are higher on the week as Russia attacked Danube facilities in Ukraine near the Romanian border along with attacks on Kiev. Also supporting wheat prices are harvest disruptions in Russia and concerns about Australia's crop from El Nino conditions. Spring Wheat harvest this week came in at 74% complete, ahead of analysts' predictions and ahead of last year's pace of 68% but behind the five-year average of 77%. Winter Wheat planting, just starting to get underway at 1%, which is slow compared to last year's pace and the five-year average of 3%. The market is concerned that the Fed will initiate additional interest rate hikes later this year. This would strengthen the dollar making grain exports more uncompetitive in the world market. International coarse grain prices also declined in August by 3.4 percent. Maize prices fell for the seventh consecutive month, hitting their lowest value since September 2020, underpinned by ample global supplies from a record harvest in Brazil and the start of the harvest in the United States of America. Among other coarse grains, world prices of sorghum declined in August, pressured by the start of the harvest in the United States of America, the world's largest sorghum exporter, while world barley prices firmed slightly.

Oils: The FAO oil price index was down 3.1 percent month-on-month after a short-lived increase in July. The decline reflected lower world prices across palm, sunflower, soy and rapeseed oils. International palm oil prices fell moderately in August, mainly underpinned by subdued global import purchases as well as seasonally rising outputs in leading producing countries in Southeast Asia. In the meantime, world prices of sunflower oil declined by nearly 8 percent from the previous month amid weakening import demand that coincided with abundant offers from major exporters. As for soy and rapeseed oils, world prices dropped due to improving soybean crop conditions in the United States of America and ample global exportable supplies, respectively.

Sugar: The FAO Sugar Price Index was up 1.3 percent from July and as much as 34.1 percent from its level in the same month last year. The increase in world sugar prices was mainly triggered by heightened concerns over the impact of the El Niño weather phenomenon on global production prospects. In India, below-average rains in August were detrimental to sugarcane crop development, while persistent dry weather conditions in Thailand are expected to negatively affect the 2023/24 sugar production. In Brazil, rains hampered field operations in some areas; however, the large crop currently being harvested limited the upward pressure on world sugar prices. The weakening of the Brazilian Real against the United States dollar and lower ethanol prices also contributed to curbing the rise in world sugar prices.

Dairy: The FAO Dairy Price Index was down 4.0 percent from July, marking the eighth consecutive monthly decline, and as much as 22.4 percent below its corresponding value last year. In August, international prices across all dairy products declined, with whole milk powder prices falling the most, influenced by abundant supplies amid seasonally rising production, together with a slowdown in the pace of imports by China, although import volumes remained relatively high. Skim milk powder prices

fell to their lowest level since mid-2020 due to subdued import demand and the lackluster market activities associated with the summer holidays in Europe. Moreover, international butter and cheese prices dropped, reflecting similar factors coupled with steady production schedules.

(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)