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THE RISKS OF A GLOBAL FOOD CRISIS ARE FALLING*

By Marcello Minenna

After months of uninterrupted increases in food prices, some good news are coming in. In July 2022, the benchmark index of the Food and Agriculture Organization (FAO, Food Price Index FPI) - which tracks prices on the main world markets - lost 13%, after a few months around the maximum values reached in March 2022.

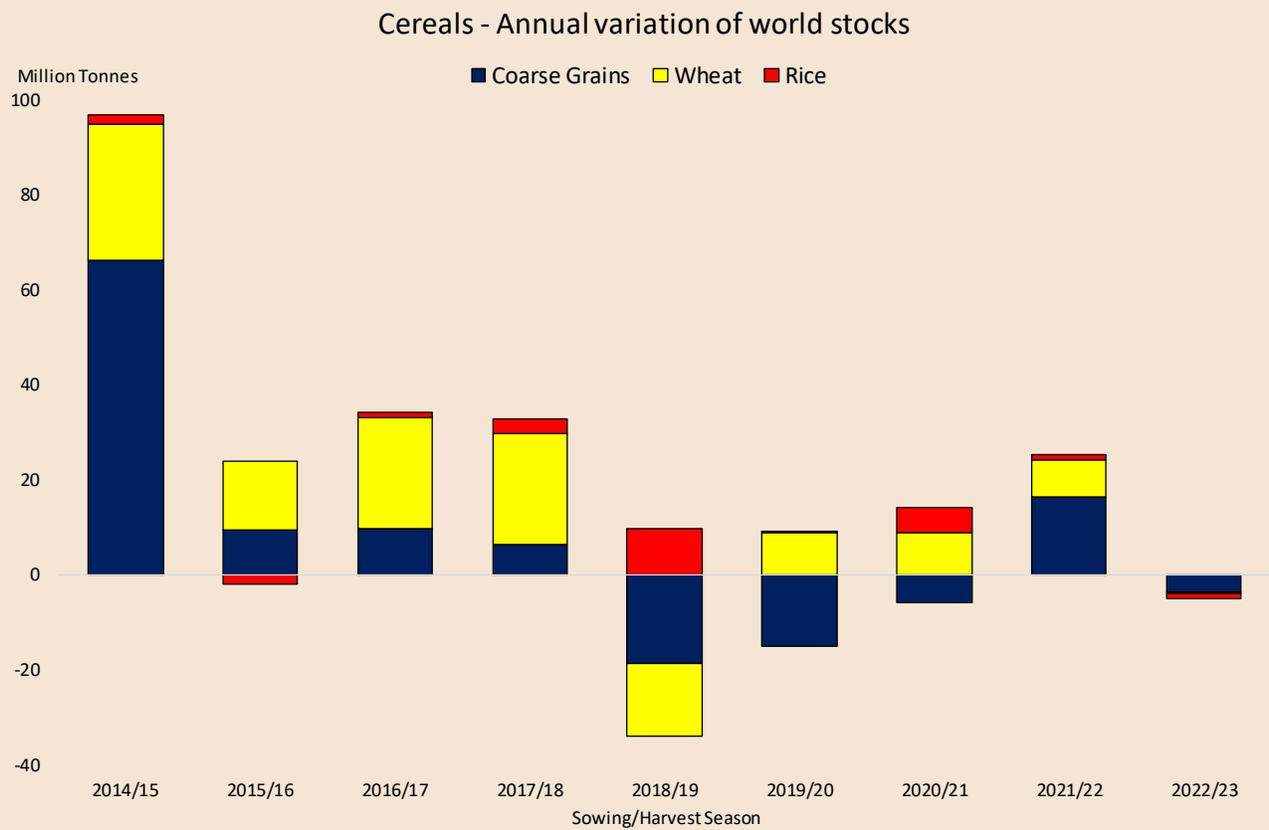
The jump in prices with the explosion of the Russian-Ukrainian war that had caused fear of triggering of a serious global humanitarian crisis seems to have been quickly reabsorbed. Prices obviously remain close to the peaks experienced during the hard crises of the recent past. But there are reasons to believe that the worst is behind us, also having considered that the agreement between Russia, Turkey and Ukraine under the aegis of the United Nations that allows the sea transit of grain shipments is finally operational.

Vegetable oils, palm, soybean, rapeseed and sunflower oils experienced the greatest decline. International prices of palm, soybean and rapeseed oil declined mainly due to weak global demand and the prospects for large supplies from Indonesia, the world's largest exporter. In the case of sunflower oil, international prices have fallen despite continuing logistical uncertainties in the Black Sea.

* The complete version (in Italian) has been published on the website:
<https://www.ilsole24ore.com/art/commodity-speranza-fao-AEOr8fuB>

On the international cereals market, thanks to a joint international effort to unblock the main Ukrainian ports of the Black Sea, wheat prices fell by almost 20% in July 2022. By mid-August 2022, 12 ships had already departed from Ukrainian ports.

Compared to the pessimistic assessments of a few months ago that were heavy-handed on the global impact of the war, FAO sees a substantial holding of the main cereals' global reserve stocks. Modest contractions are expected for coarse grains and rice stocks, while wheat reserves are expected to remain broadly constant.



The impact of the war appears in all gravity if we look at the amount of cereals traded on international markets. World trade in cereals in 2022/23 stood at 468 million tons, down by 11.4 million tons (-2.4%) compared to the volumes of 2021/22. Much of the decline is concentrated - unsurprisingly - on Ukrainian

coarse grains (maize and barley, blue bars), while the traded stocks of rice are unchanged at 53.4 million tons, red bars).

Export restrictions have made the situation worse. According to the data collected by the World Bank and the Global Trade Alert (an independent monitoring system of the governments trade policies), 74 measures to limit the export of food goods were announced / implemented from January to June 2022; 2 out of 3 are total export bans, the rest are licensing requirements or export quotas.

The World Bank has estimated that the measures on rice, wheat and soybean oil have led to price increases estimated at 12.3%, 8.9% and 14%, respectively.

Recent developments on the agri-food markets bode well for a rapid resolution of the current state of crisis. The decline in the prices of these commodities should add to that of metals and oil, contributing to a reduction in inflationary pressures on a global scale. However, persistent non-collaborative trade policies over time could nullify these unexpected improvements.

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