

# International Price Monitoring Newsletter

N° 11 – November 2011



European Commission  
Agriculture and  
Rural Development

## Commodity markets

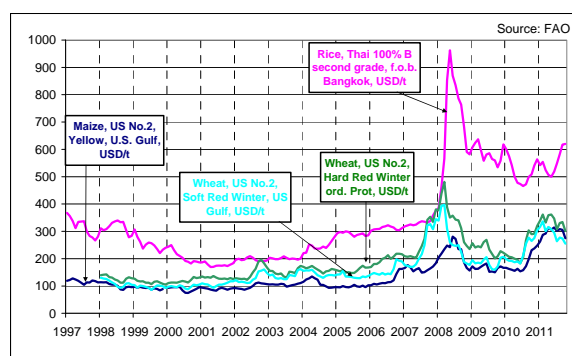
In October 2011 prices of agricultural commodities followed in this newsletter either remained relatively stable or decreased. Although rice price increased as a result of Thai floods, the increase was smaller than increases in previous months. Global macroeconomic uncertainty remains at play although many underlying market fundamentals support price easing. Stable or lessening prices fed into declining nominal food price indices (albeit high by historical comparison), especially as heavily traded commodities such as sugar declined.

### Grains

A general decline in world grain prices (except rice) that started in September spilled over into the first week of October but stabilized thereafter together with harvest estimations for the Northern hemisphere. Better than expected maize harvest in Europe pushed its price in October 10% below of September average. This decline was helped by further reductions in US maize use and exports and despite disappointing yields and lower production estimations. Wheat prices, despite finished harvests in Europe and North America, also declined sharply and reached 1-year lows. The main reasons for this decline include weak maize market, end of export tax regime in Ukraine and improved harvest prospects in Argentina and Australia following favourable weather. Rice

prices increased again last month and reached a 2.5-year high as flooding in Thailand threatened to spread into neighbouring rice production regions, namely Vietnam (world's second biggest rice exporter after Thailand).

### Grains



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[http://ec.europa.eu/agriculture/analysis/tradepol/commodityprices/index\\_en.htm](http://ec.europa.eu/agriculture/analysis/tradepol/commodityprices/index_en.htm)

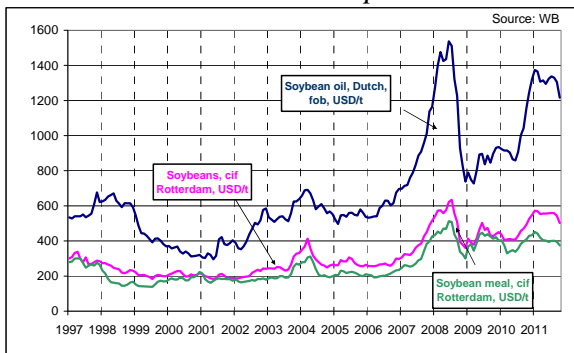
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## Oilseeds

The prices of the soybean complex continued their decrease which started approximately in July 2011 although October brought about rather significant downward adjustments, at least in absolute terms. Compared to September 2011, soybean price lost almost 8% settling at 502 USD/t, vegetable oil price 7% settling at 1216 USD/t, and meal price 5% settling at 374 USD/t. Soybean market appears to be well supplied and favourable weather conditions prevail in the southern hemisphere where currently planting is underway. China's imports slowed down somehow in October partially due to release of government stocks in an effort to cool domestic prices as well as negative crushing margins but this slowdown is expected to be temporary.

### Oilseed complex

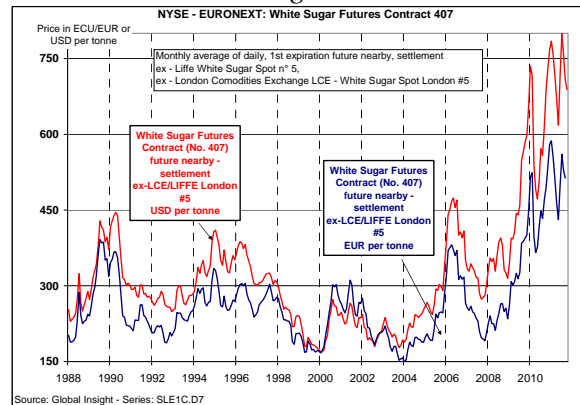


## Sugar

Compared to previous developments on the sugar market, in October 2011 average sugar price underwent relatively minor adjustment of 3%, decreasing to 688 USD/t. The world sugar supply and demand fundamentals remain bearish. Sugarcane crush is underway in India although the decision to allow exports is yet to be made by the government. As expected, lower than last year production in Brazil is likely to be balanced out by solid production in Russia and EU owing to favourable weather conditions in autumn. Previous worries about flooded Thai sugar cane are subsiding although delays in sugar production are possible. Global

macroeconomic uncertainty is likely to impact demand and put additional downward pressure on prices.

### Sugar



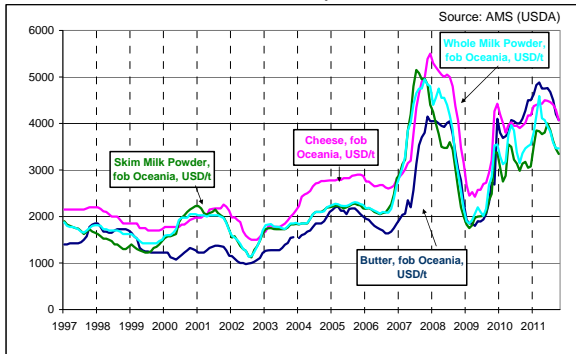
## Dairy

In October 2011, international dairy product prices (FOB export Oceania) weakened from the previous month levels. The average prices (monthly averages) stood at 4075 USD/t for butter, 4070 USD/t for cheese (cheddar), 3350 USD/t for SMP and 3465 USD/t for WMP. This way, the downward trend in global dairy price developments that started across the whole basket of products in early summer continued.

The price declines occurred in an environment of good milk production, stronger than expected, in all of the major exporting countries. In Oceania, October milk supplies were at or approaching their seasonal peak. This season's output has been running well above year ago levels (in both New Zealand and Australia) and production (despite a little disruption in processing caused by a gas pipe leak in New Zealand) has been plentiful. At the same time, import demand from the major players (Russia, China) that was very strong in the beginning of the year, eased over the summer months.



## Dairy

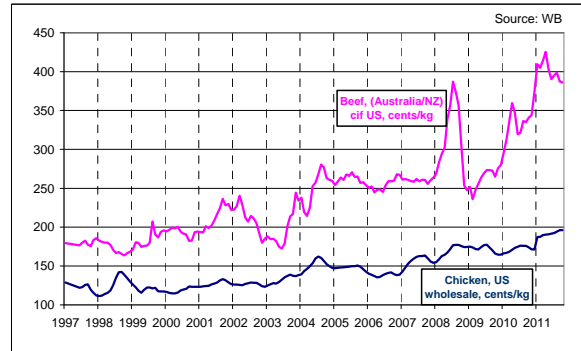


## Meats

Although in October meat prices underwent only minor adjustments, owing to lingering conditions of relative supply shortage on the world markets meat prices remain elevated. In October 2011, the reference broiler price (US

wholesale) rested at its September 2011 level of 1962 USD/t. This price is about 15% higher compared to December 2010. In the beef sector, the reference beef price (Australia/NZ cif US) in October averaged 3861 USD/t, a minor decrease from 3875 USD/t in September.

## Meats



## Price indices still lingering on high levels

After hitting a record level of 237.7 in February 2011, the FAO Food Price index<sup>1</sup> finally reached levels observed at the peak of the 2007/08 food crisis in June 2008, settling at 216 in October 2011 although clearly remains high by historical standards. Given easing prices all commodity indices except meat (which remained stable) recorded double digit decreases.

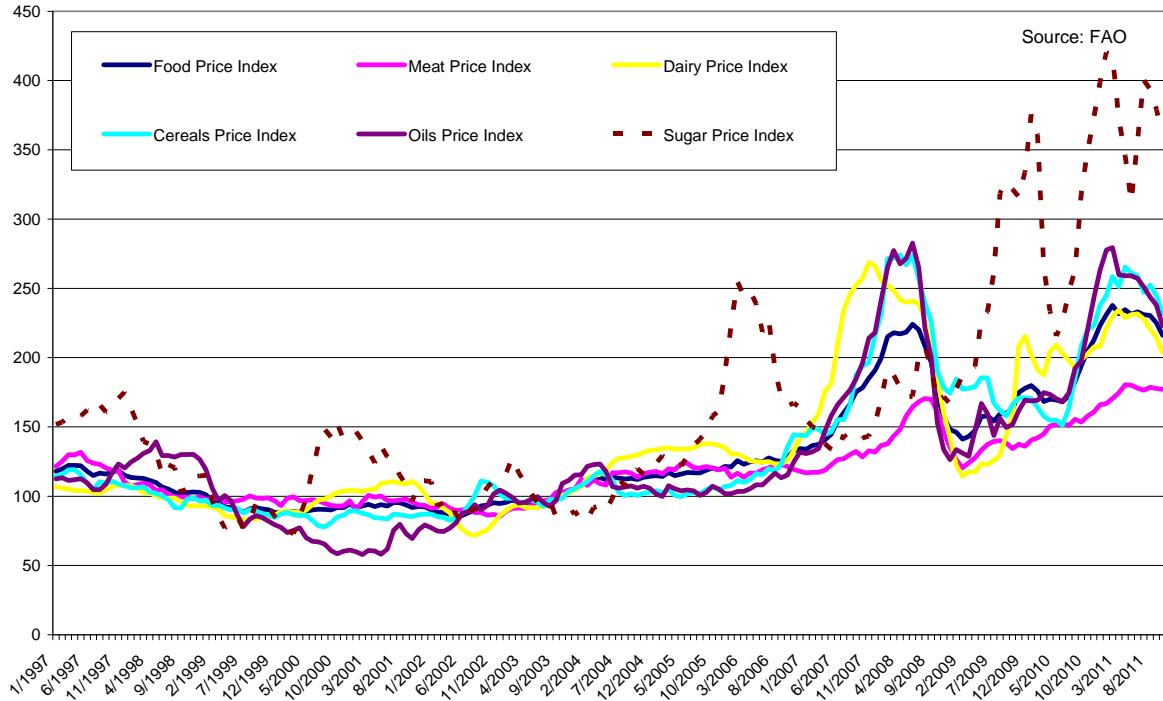
The World Bank food price index, which has a different composition, follows a similar pattern, peaking at around 292.6 in June 2006 and February 2011. In October 2011 it further eased to 262.26<sup>2</sup>.

<sup>1</sup> Although the FAO Global Food Consumption Price Index which tracks changes in the cost of the global food basket is a better indicator of the impact of changing prices on food security, the FAO Food Price Index is the most quoted in the press even if as a trade weighted average price index it does not properly reflect the average food basket of consumers. It consists of the average of 6 commodity group nominal price indices (meat, dairy, cereals, oils and fats, and sugar) weighted by the average export shares of each of these groups for 2002 – 2004. As a trade weighted index the FAO index does not reflect the average food basket of consumers since heavily traded products (e.g. sugar which experienced the biggest hikes) are overrepresented and domestically consumed products (like cereals) are underrepresented. Note that this newsletter uses World Bank meat prices as a reference.

<sup>2</sup> The World Bank calculates commodity price indices for low and middle income countries (2000=100; 2002-2004 weights). The agriculture index includes beverages, food and agricultural raw materials. The food index includes fats and oils, grains and other food items.



### FAO Monthly Food Price Indices, 2002 – 2004 = 100



### World Bank Commodity Price Indices for Low and Middle Income Countries (2000=100)

