



Food and Agriculture
Organization of the
United Nations

Major developments in global food markets in the aftermath of the COVID-19 pandemic

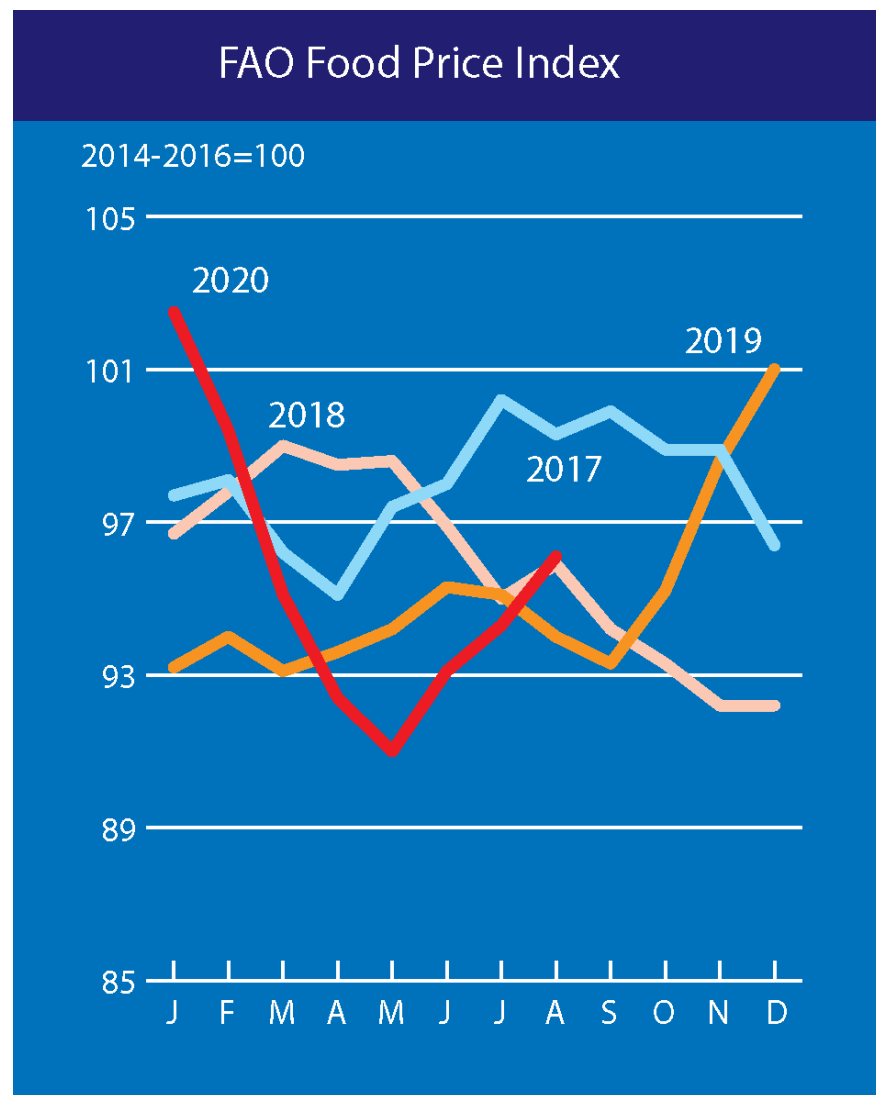
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Tuesday 22 September 2020

Presentation outline

- Developments in global food markets
- Supply chain disruptions due to COVID-19
- Policy responses to COVID-19
- Risks and uncertainties
- Lessons learned and conclusion

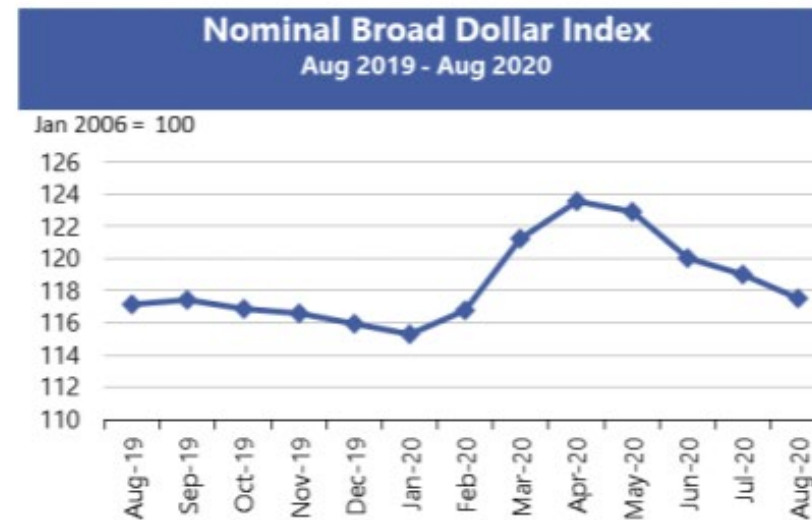
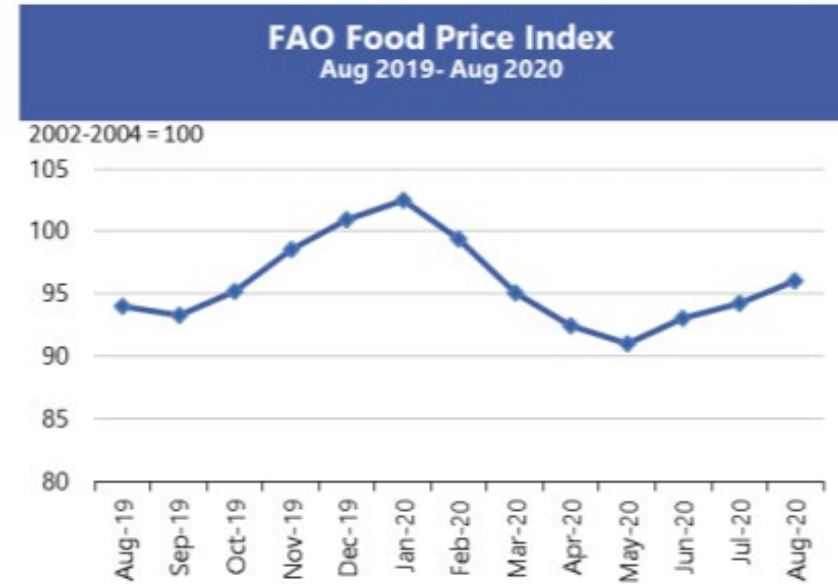
At 96 points in August, the FFPI still down 30% from its February 2011 peak



Food Prices Indices	Peak values (points)	Aug-20	Change: Aug 2020 over peak values
FAO Food Price Index	Feb-2011 138	96	-30
Cereals	Jun-2008 160	99	-38
Oils	Feb-2011 175	99	-44
Sugar	Jan-2011 183	81	-56
Meat	Aug-2014 119	93	-22
Dairy	Feb-2014 156	102	-35

The US\$ factor & food prices

- Food prices, as measured by FAO Food Price Index (FFPI), which fell during the first 5 months of the year
- By May 2020, FFPI registered a 17-month low, but food prices started to rise since June.
- Rising prices, supported by the slide in the US\$ and some rebound in demand



Source: US Federal Reserve

The US\$ factor:

April 2020

August 2020

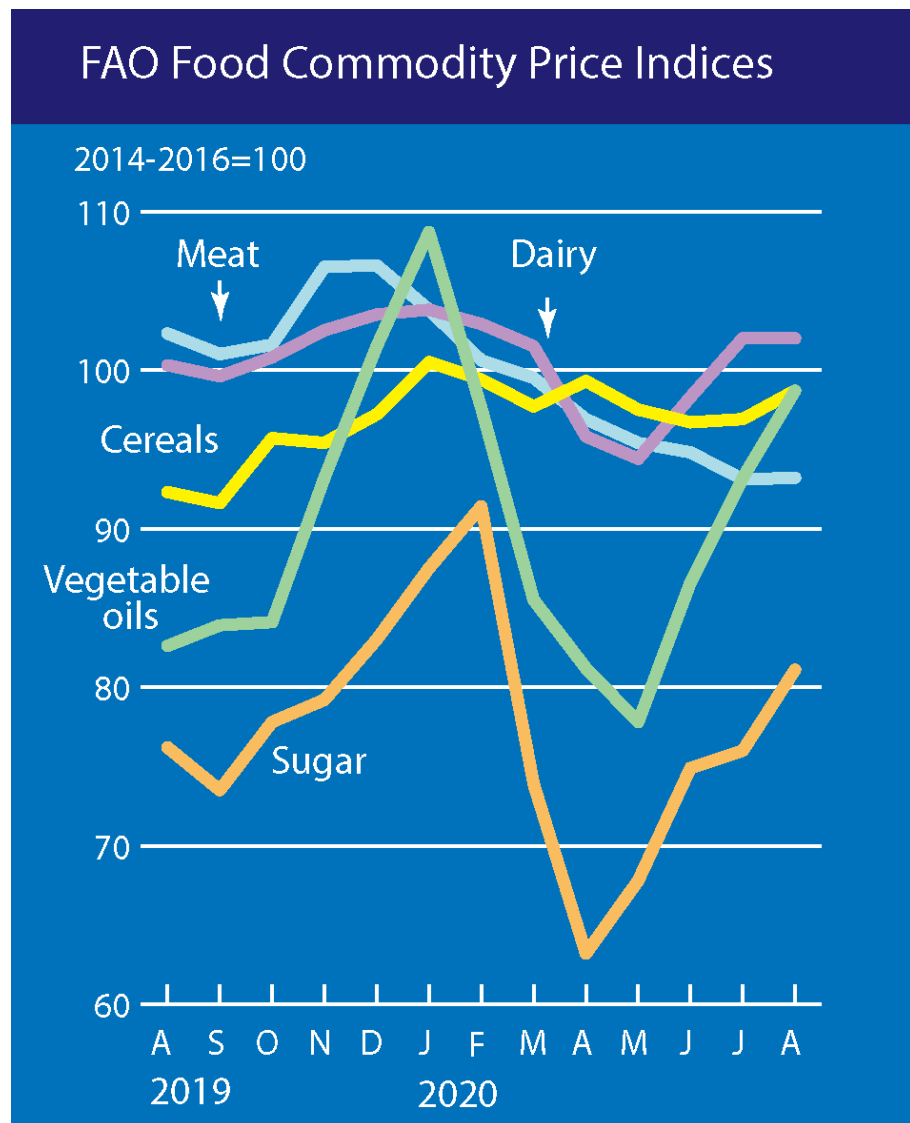
- The US\$ rally against nearly all other major currencies came to halt by May 2020.
- In recent months, the slide in the US\$ has been supportive to trade and prices.

AMIS Countries' Currencies Against US Dollar				
AMIS Countries	Currency	Apr 2020 Average	Monthly Change	Annual Change
Argentina	ARS	65.5	-3.8%	-52.2%
Australia	AUD	1.6	1.7%	-12.7%
Brazil	BRL	5.3	-8.4%	-36.2%
Canada	CAD	1.4	-0.7%	-5.0%
China	CNY	7.1	-0.7%	-5.3%
Egypt	EGP	15.7	-0.3%	8.7%
EU	EUR	0.9	-1.8%	-3.4%
India	INR	76.2	-2.2%	-9.8%
Indonesia	IDR	15,681.6	-3.0%	-11.0%
Japan	JPY	107.8	-0.1%	3.5%
Kazakhstan	KZT	432.8	-3.2%	-14.1%
Rep. Korea	KRW	1,222.0	-0.4%	-7.0%
Mexico	MXN	24.1	-8.1%	-27.3%
Nigeria	NGN	360.0	-11.2%	-17.7%
Philippines	PHP	50.6	0.7%	2.5%
Russian Fed.	RUB	74.9	-0.5%	-16.0%
Saudi Arabia	SAR	3.8	-0.1%	-0.2%
South Africa	ZAR	18.5	-11.2%	-31.2%
Thailand	THB	32.6	-1.6%	-2.4%
Turkey	TRY	6.9	-8.1%	-19.0%
UK	GBP	0.8	0.6%	-5.0%
Ukraine	UAH	27.2	-2.3%	-1.7%
Viet Nam	VND	23,476.4	-0.5%	-1.1%

AMIS Countries' Currencies Against US Dollar				
AMIS Countries	Currency	Aug 2020 Average	Monthly Change	Annual Change
Argentina	ARS	73.2	-2.5%	-39.1%
Australia	AUD	1.4	2.3%	6.0%
Brazil	BRL	5.5	-3.3%	-35.5%
Canada	CAD	1.3	2.0%	0.3%
China	CNY	6.9	1.1%	1.9%
Egypt	EGP	15.9	0.4%	3.9%
EU	EUR	0.8	3.0%	6.0%
India	INR	74.6	0.5%	-4.8%
Indonesia	IDR	14,655.7	-1.3%	-3.0%
Japan	JPY	106.0	0.6%	0.2%
Kazakhstan	KZT	419.5	-1.6%	-8.4%
Rep. Korea	KRW	1,186.2	1.0%	2.0%
Mexico	MXN	22.2	1.0%	-12.6%
Nigeria	NGN	380.7	-1.5%	-24.4%
Philippines	PHP	48.8	1.3%	6.6%
Russian Fed.	RUB	73.7	-3.2%	-12.0%
Saudi Arabia	SAR	3.8	0.0%	0.0%
South Africa	ZAR	17.2	-2.9%	-13.6%
Thailand	THB	31.2	0.7%	-1.5%
Turkey	TRY	7.3	-5.9%	-28.8%
UK	GBP	0.8	3.4%	7.5%
Ukraine	UAH	27.5	-0.5%	-9.0%
Viet Nam	VND	23,173.6	0.0%	0.1%

Source: AMIS

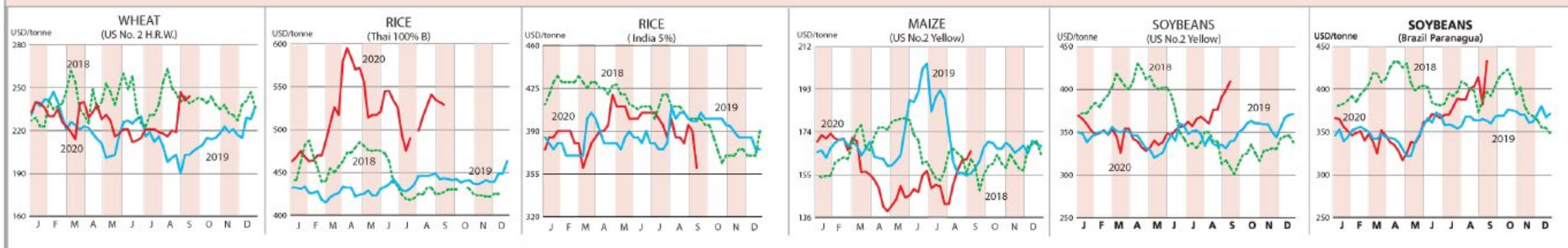
Except meat, all price indices are up from last year



- **FAO Cereal Price Index** up 7% y/y with sorghum values rising the most, up over 33% from last year on strong import demand in China – see next slide.
- **FAO Vegetable Oil Price Index:** up 19% y/y and the highest since February 2020; recent strength is largely supported by firmer palm oil values on prospective production slowdowns and a rebound in import demand.
- **FAO Meat Price Index:** down 8.9% y/y with prices of poultry, pig and ovine meats all falling substantially on weak global import demand amid high export availabilities, notwithstanding reduced slaughtering and processing.
- **FAO Dairy Price Index:** up 1.7% y/y reflecting a sharp gain in skim milk powder prices from very low levels prevailed in 2019; price weakness early this year was largely due to the negative impacts of COVID-19, but recently showing resilience due to robust import demand.
- **FAO Sugar Price Index** up 6.7% y/y receiving support from lower production prospects in the EU and Thailand, the world's second largest sugar exporter; strong sugar import demand by China, driven by a sustained rise in domestic consumption, also provided support.

Most prices up from last year's levels but still below their peaks

Weekly Export Price Quotations, AMIS crops (2018-2020)



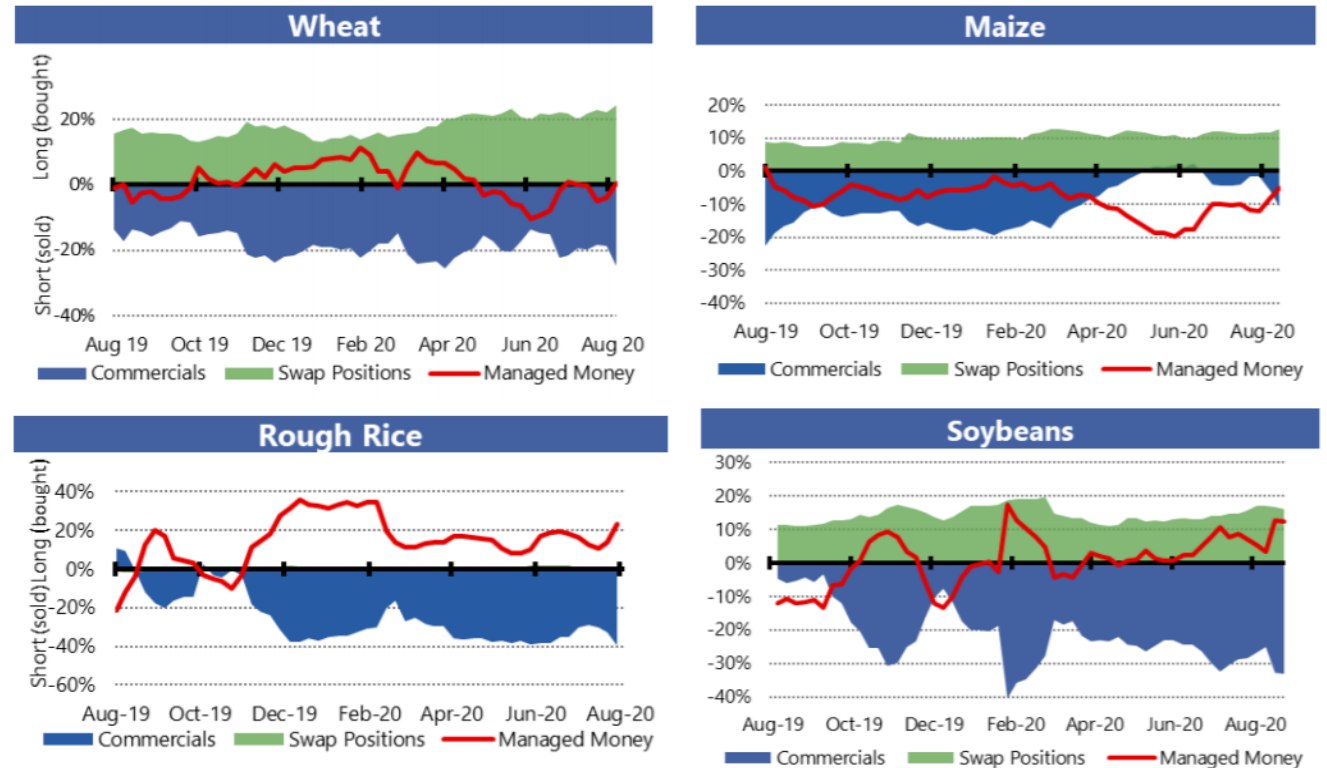
WEEKLY EXPORT PRICE QUOTATIONS, AMIS crops (USD/tonne)							
Type	Effective Date	Latest quotation (1)	One week ago (2)	One month ago* (3)	One year ago* (4)	Percentage change (1) over (2)	Percentage change (1) over (4)
Wheat (US No. 2, HRW)	15-Sep-20	244	241	220	203	1.24%	20.20%
Rice (Thai 100% B)	16-Sep-20	529	532	528	443	-0.56%	19.40%
Rice (India 5%)	18-Sep-20	360	390	385	405	-7.69%	-11.10%
Maize (US No.2, Yellow)	15-Sep-20	165	162	151	156	2.25%	6.41%
Soybean (US No.2, Yellow)	15-Sep-20	409	399	376	339	2.51%	20.65%
Soybean (Brazil, Paranagua)	15-Sep-20	433	422	401	363	2.61%	19.28%

*Corresponding week of the previous month and of the previous year

Overall, COVID-19 pandemic has had relatively little impact on investment flows on wheat, maize, rice and soybeans futures

- Movements of investment flows remained largely stable for the four crops monitored closely by AMIS.
- In recent weeks, managed money trimmed its small net short for wheat, reduced its net short in maize by half, while increasing its net long for soybeans.
- Commercials continue to maintain their standard net short positions in wheat and soybeans while reversing their temporary net long to net short in maize.

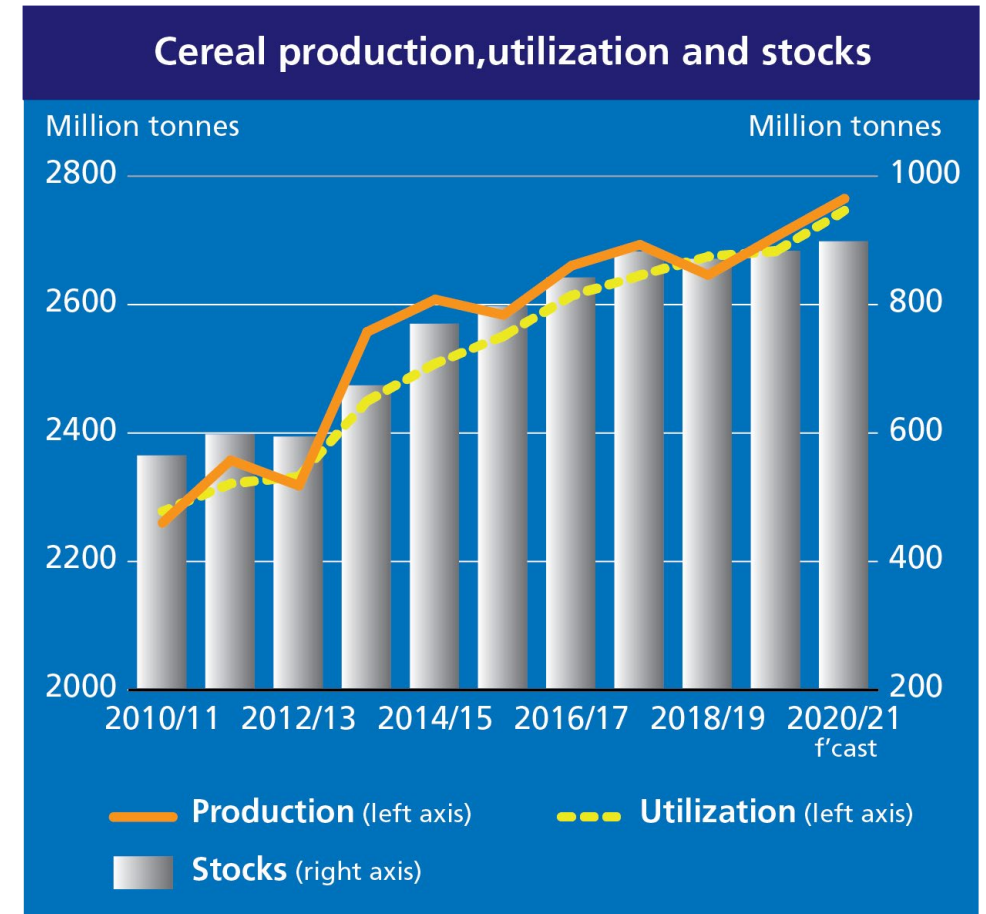
CFTC Commitments of Traders - Major Categories Net Length as percentage of Open Interest*



Source: AMIS Market Monitor, No. 81, September 2020

Cereal supply & demand outlook in 2020/21: a new record

- **Production:** heading towards another record (2 765 million tonnes), up 58 million tonnes y/y; Maize and rice outputs are forecast to reach new records, but a small production decline is expected for wheat (largely on expected reductions in the EU).
- **Utilization:** is forecast at 2 746 million tonnes, up 2.4% y/y; mostly reflecting a 3.3% rise in total utilization of coarse grains, mostly for feed, especially of maize. The recovery of industrial use, as ethanol demand regains ground, also contributes to the expansion. World rice utilization is pegged at 511 million tonnes, up 1.7% y/y, mostly on higher food intake, rising at a faster rate than the population growth aided by large supplies and food assistance programmes. But wheat utilization may rise only marginally, to 756 million tonnes, as most of the anticipated increase in food consumption could be offset by falling feed use while industrial use of wheat is likely to stagnate
- **Stocks:** by the close of the 2021 seasons are projected to increase by 1.7% y/y (895.5 million tonnes) to an all-time high. Coarse grain inventories could rise by 2.6% with maize stocks reaching a new high; wheat stocks are seen up 2% y/y (second highest on record) and rice 1% higher y/y (third highest on record).



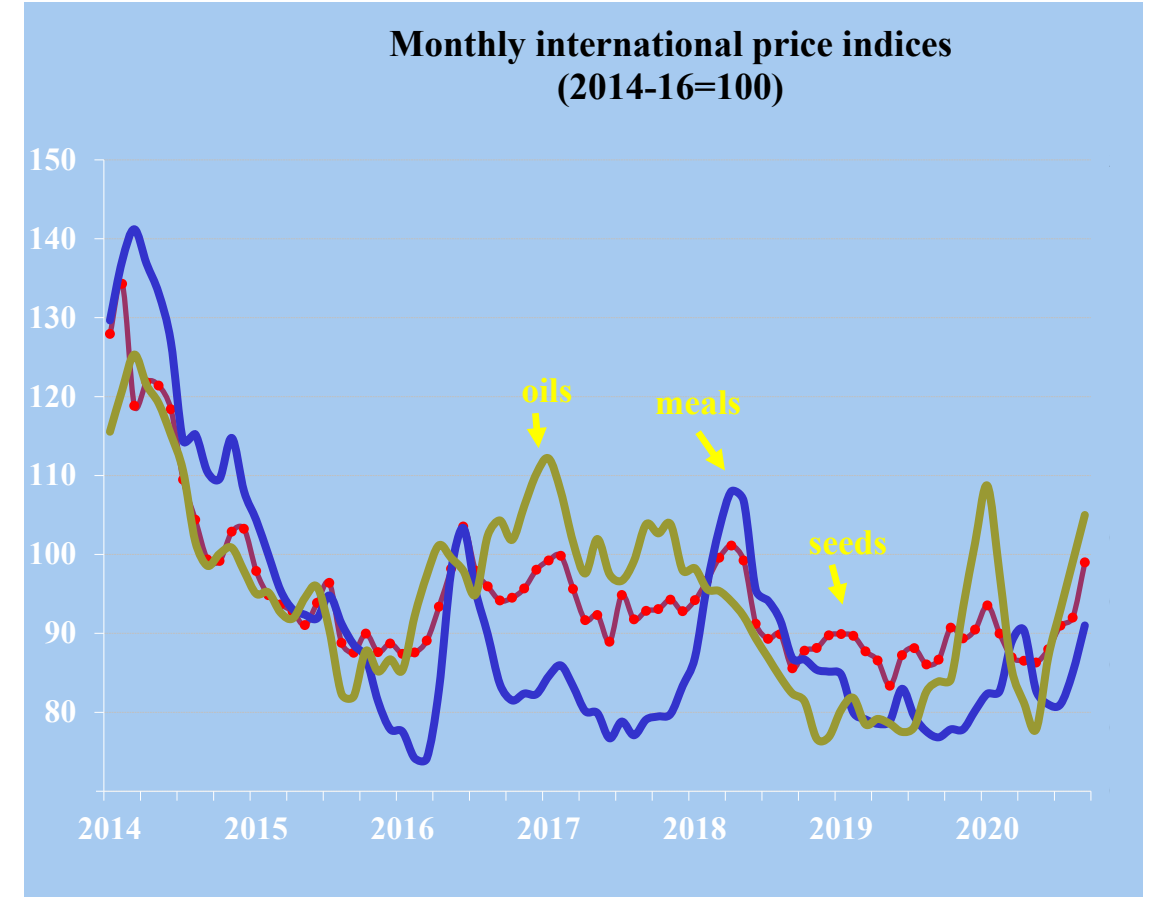
Stock-to-use ratios for cereals indicate relatively comfortable supply and demand prospects in 2020/21

	2016/17	2017/18	2018/19	2019/20 estim.	2020/21 f' cast
World stocks-to-use ratio	31.7	32.9	32.4	32.1	31.8
Major exporters' stocks-to-disappearance ratio	17.8	18.3	19.0	19.1	19.1

- **World cereal stocks-to-use ratio** at 31.8%, down slightly from last year and the lowest in four years, but still relatively high from a historical perspective.
- The **ratio of major wheat exporters' closing stocks to their total disappearance** (defined as domestic utilization plus exports) is likely to remain stable for the third consecutive season.

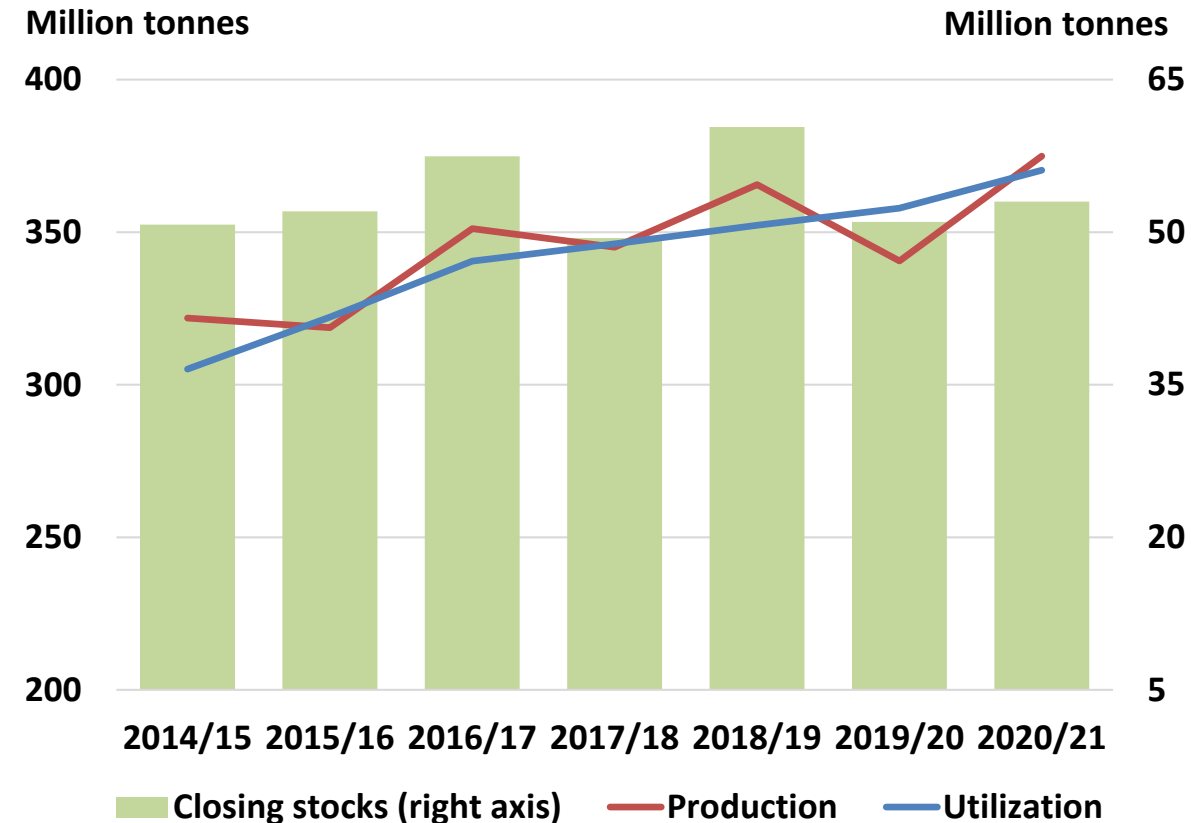
Price developments in the oilseed sector

- In 2019/20, FAO's oilseed and oilmeal price indices recovered from multi-year lows, mainly reflecting a recent rebound of China's import demand for US soybeans, thanks to the recovery in pig herds in China after ASF.
- The price index for vegetable oils saw important swings: after a period where tightening supplies and robust demand supported prices, COVID-19 related lockdowns undermined demand, depressing prices. The recent rebound in prices mainly reflects concerns over below-potential global palm oil production.



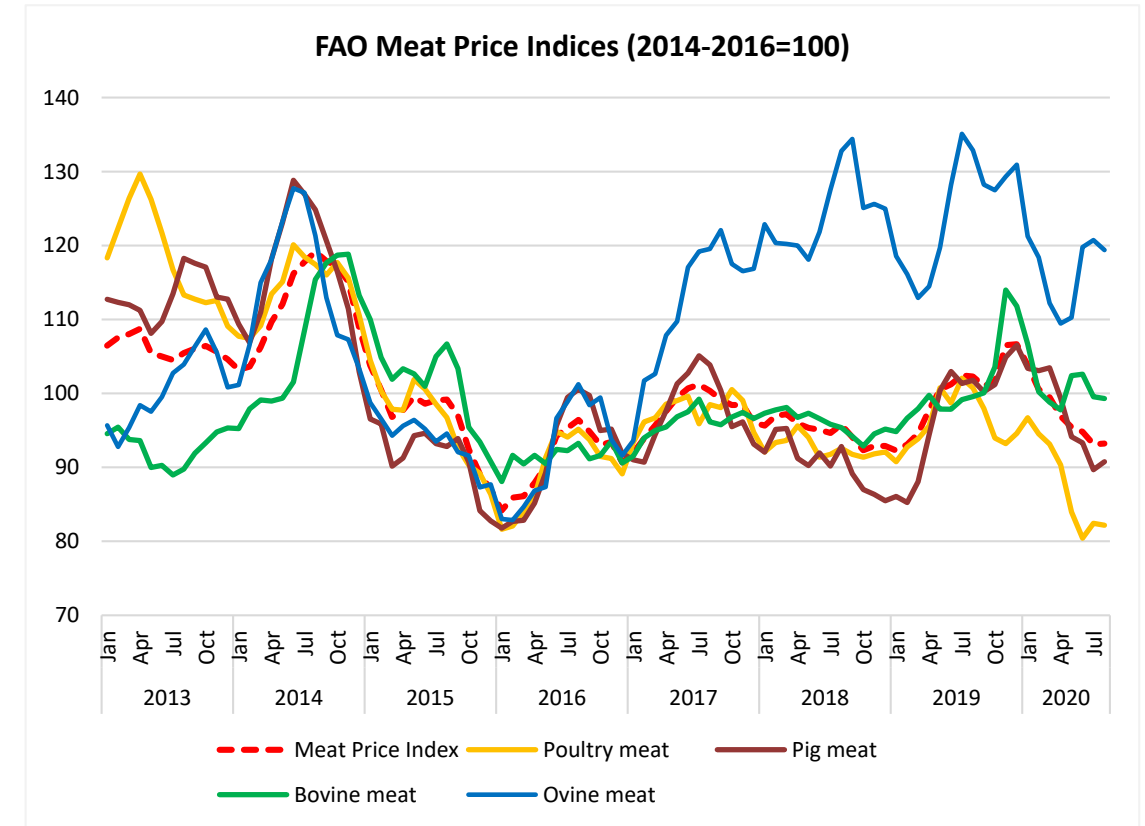
Global soybean supply and demand

- Global soybean production in 2019/20 to decline from the preceding season's record, mainly reflecting reduced yields as well as smaller harvested areas in the United States of America.
- Growth of global utilization in 2019/20 to remain at a below-average rate, following prolonged impact of ASF, as well as depressed biodiesel demand in the aftermath of COVID-19 related lockdowns.
- Global trade in 2019/20 to rebound, potentially reaching a record high, underpinned by revived import demand from China.
- With global utilization surpassing production, world ending stocks in 2019/20 are set to retreat markedly.
- Tentative forecasts for 2020/21 point to excess global soybean production relative to demand, entailing a potential rise in global ending stocks.



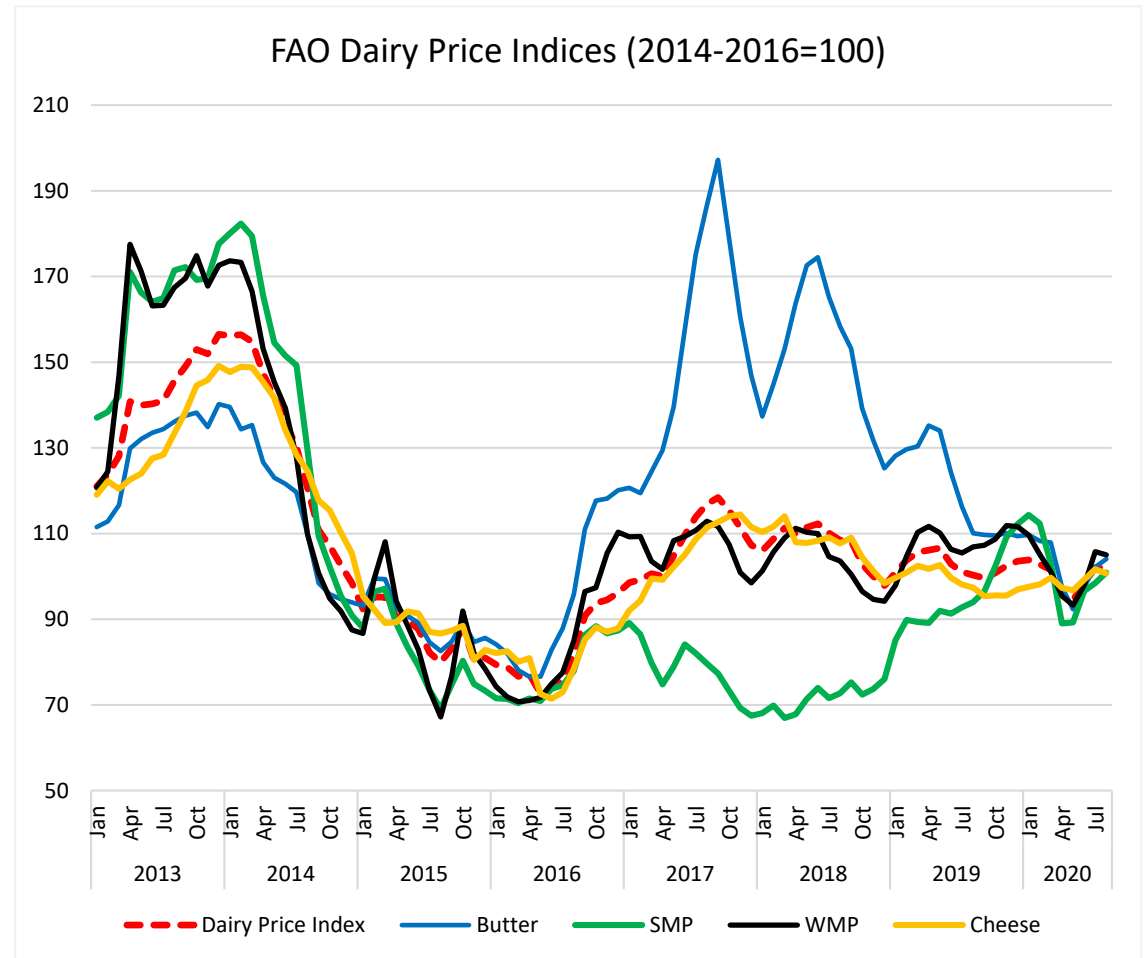
Price developments in the meat sector

- From January to August 2020, the FAO Meat Price Index fell by 10.2%, reflecting weak prices across all meat types (poultry: -15%; pig meat: -12.2%; bovine meat: -6.9%; and ovine: -1.5%).
- Much of the decline is attributable to the negative effects of COVID-19 on global demand, while export availabilities increased, notwithstanding delays in slaughtering and processing activities.
- Meat import demand fell due to reduced incomes, loss of food services sales, and logistical and transport constraints.
- Reduced sales in the food services sector led to increased export availabilities in key exporting countries.
- Looking ahead, global imports continue to be driven by the large supply gap in China, caused by the African Swine Fever virus and China's reactions to the detection of new cases in exporting countries.
- Herd rebuilding in Oceania and voluntary cut back on production elsewhere (e.g., poultry in Brazil) are likely to counterbalance price weakness somewhat.



Price developments in the dairy sector

- Dairy prices fell from February to May in 2020, driven by negative impacts of COVID-19 on global demand, coupled with a rise in export availabilities due to declined food services sales in exporting countries.
- Since June, global demand for dairy products began stabilizing while supplies in Europe began seasonally sliding, which help prices to recover.
- Much of the price recovery in June and July was due to increase in prices for butter and milk powders, mostly driven by robust import demand, especially from Asia, amid a seasonal decline in production in Europe.
- Looking ahead, eventual size of export availabilities from Oceania in the new production season is a key factor that will drive market prices in the next few months.



Summary: food markets in 2020/21

- Similar to the situation during the second half of the 2019/20 season, food markets are expected to confront important uncertainties beyond their own fundamentals also in 2020/21.
- Macro economic concerns, in particular weak economic growth prospects, developments in energy and currency markets, along with continuing trade tensions, not to mention uncertainties associated with African swine fever and the desert locust, constitute major challenges to overcome.
- However, current prospects continue to point to generally well supplied markets, at least for most basic foodstuffs.
- ... *resulting* in prices to remain generally stable, albeit mostly at higher levels than in the previous season.

Supply chain disruptions during COVID-19

- **Shortages in agricultural labour** due to restrictions on travel and movement of people (especially migrant workers)
- Transport restrictions, impeding **farmers' access to input and output markets**
- **Lower capacity utilization of processing facilities**, shutdowns and part closures (including due to limited capacity for food safety inspection)
- **International distribution and logistics disruptions**

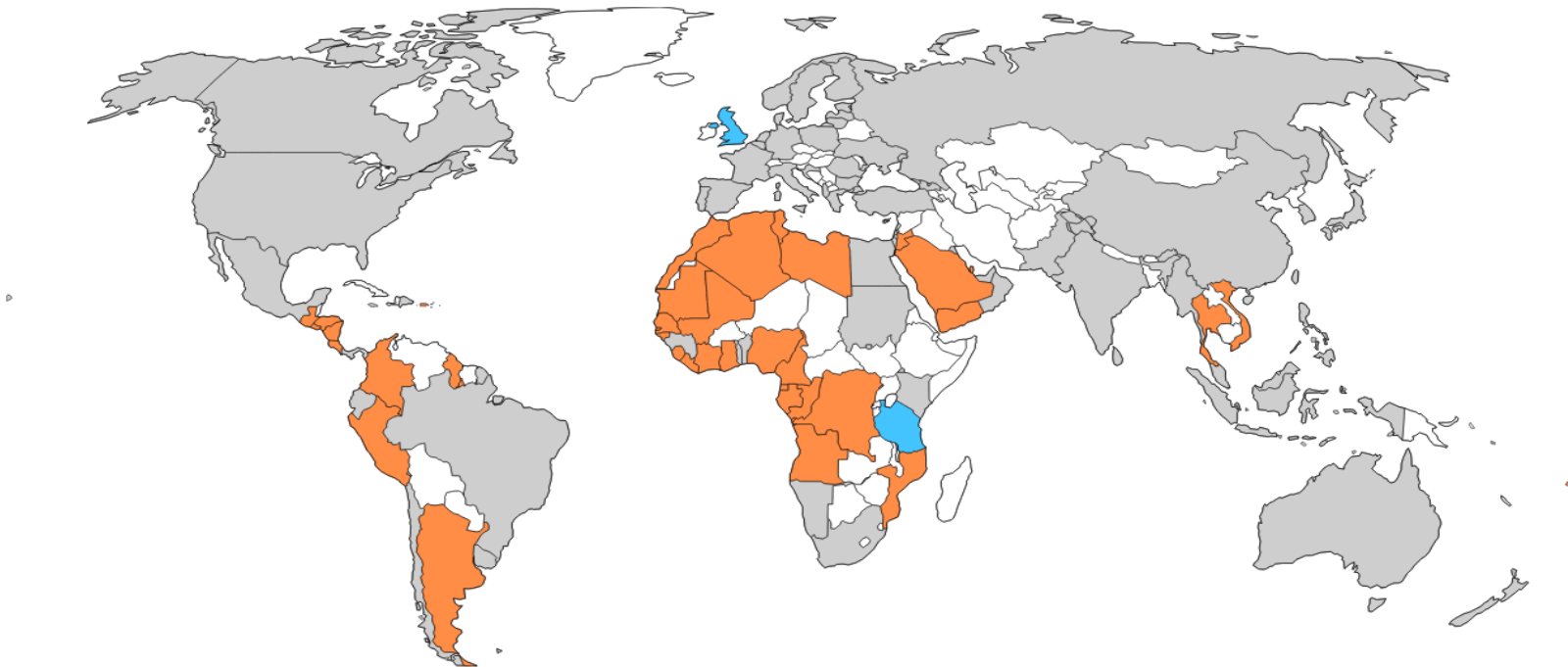


Disruptions to marine transportation

Closed Due to Covid

More than 120 countries and territories have stopped or limited access to ships for seafarer crew changes to prevent the spread of coronavirus

■ Do not allow crew change ■ Allow crew change with conditions ■ Allow crew change



Source: Wilhelmsen Ships Service AS
Note: Data as of Sept. 17, 2020

Source: Bloomberg (21 September 2020)

Bloomberg

Policy responses during COVID-19

TRADE RESTRICTIONS

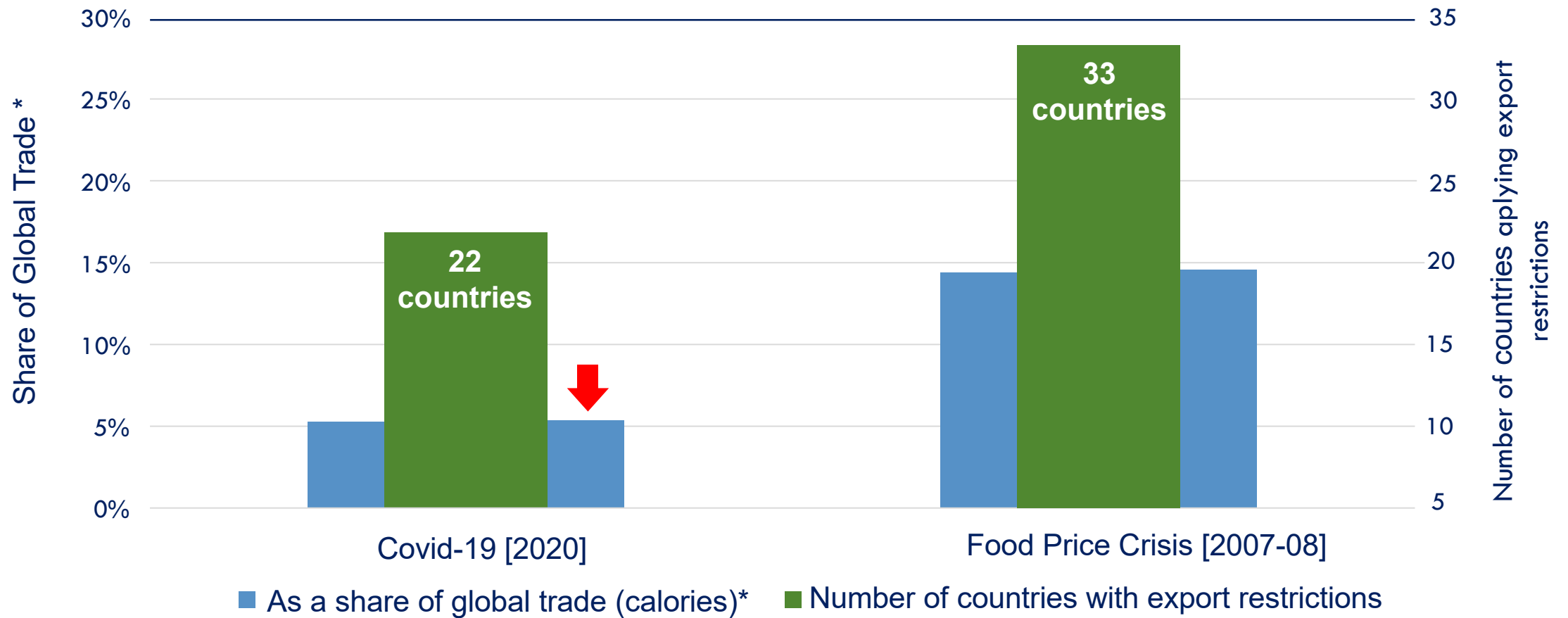
✓ A **limited number of countries** imposed trade related restrictions (very few import restrictions)

✓ Many of the export bans have been transformed into **export quotas**, and most of them have been already **repealed**

✓ Most export restrictions were introduced by countries in **Eastern Europe** and **Central Asia**

✓ **Import** restrictions mainly addressed trade of **live animals** (concerns about virus transmission in animals)

Export restrictions, less in number and duration than 2007-08



Source: Laborde (2020), IFPRI

Note: *Global trade is defined on non-intra EU trade flows, and for unprocessed food products, excluding sugar.

Policy responses during COVID-19

MEASURES TO ENCOURAGE IMPORTS

✓ Several countries **lowered import barriers**, mainly in the form of suspending import tariffs and in limited cases, raising TRQs

✓ Selected countries also **lowered Technical Barriers to Trade (TBT)** measures to facilitate availability of critical food items

✓ **Most measures are temporary**, put in place in March/April lasting at most until the end of 2020

Policy responses during COVID-19

DOMESTIC MARKET CONTROLS

✓ Food reserves and domestic price control measures are **being adopted in all developing country regions**

✓ To ensure national food availability, **several countries have increased domestic food procurement targets**, while others have increased imports to build **national reserves**

✓ To manage consumer prices and ensure access by the poor, several countries are implementing **ceiling prices on basic food items** while others are **expanding use of food distribution programmes**

Medium-term risks due to COVID-19

SUPPLY

Production: social distancing affecting labor intensive forms of production

Logistics: Transport restrictions and quarantine

Restriction on the movement of people: severe impact on migrant workers

Existing crisis: topping-up effect in different countries stemming from pre-existing problems (locusts in East Africa, South Asia; African swine fever, etc.)

DEMAND

Recession: The IMF projects a recession of 3.0 percent and the World Bank of 5.2 percent in 2020, with significant impact on incomes and consumer spending

Change in consumption patterns: increase in both staple food and ready-to-eat food that can be stored

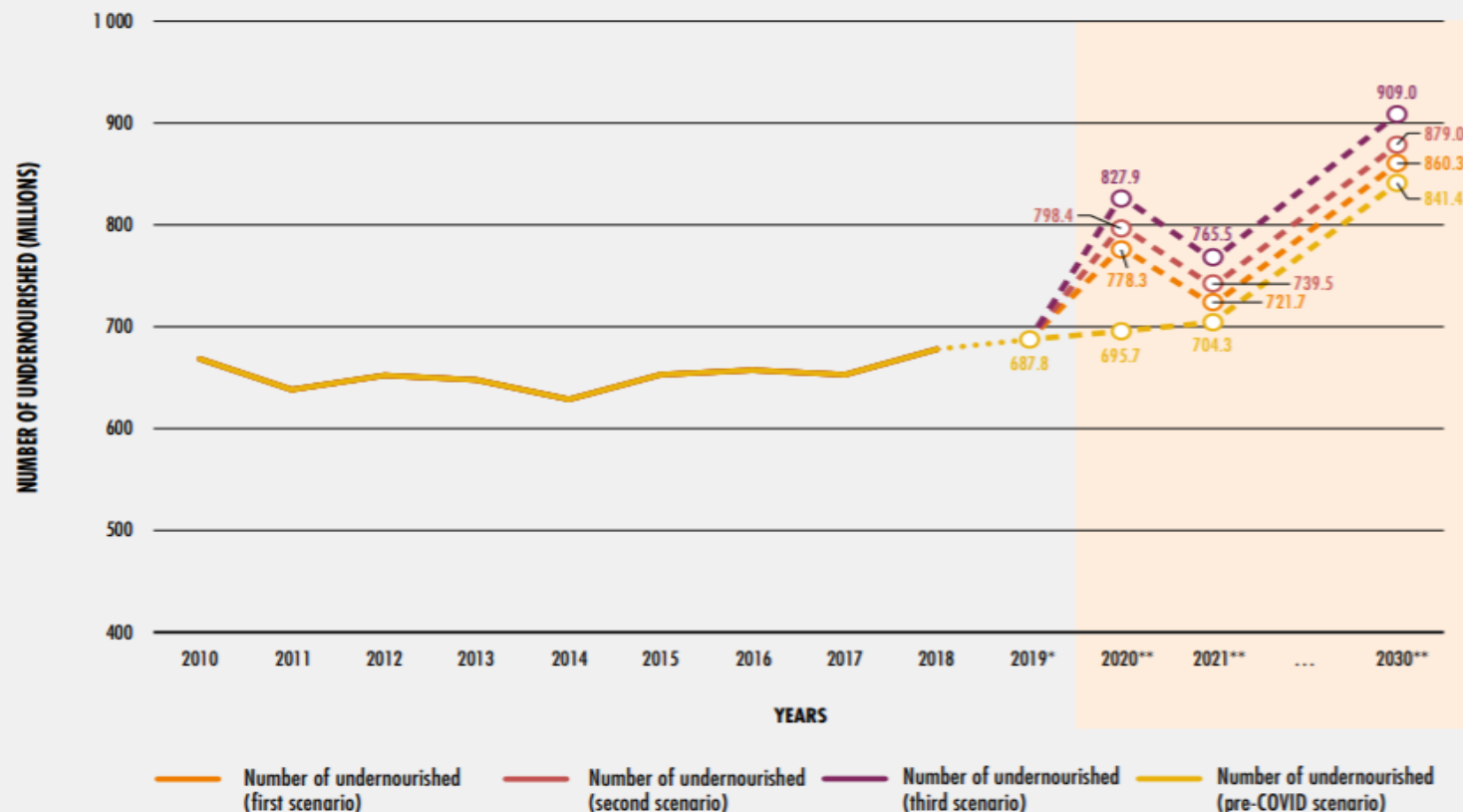
Shift in purchasing modalities: lower restaurant traffic, increased e-commerce deliveries (as evidenced in many countries), and rise in food consumption at home



- Reduction in commodity prices **weakens exporting countries' trade position**, thus **impacting employment**, and **driving fiscal revenue down (commodity dependence)**
- Prolonged crises makes it **difficult to continue consumer and producer support measures**; policy makers may resort to more frequent market interventions and trade policy responses
- Possible **problems for countries with high import-dependency** and low possibility to substitute with regional production in the medium run (generally low levels of intra-regional trade in developing regions)

Medium-term risks: COVID-19 and hunger

HOW THE COVID-19 PANDEMIC MAY AFFECT HUNGER IN THE WORLD: THREE SCENARIOS



NOTES: The shaded area represents the projections for the longer period from 2019 to the 2030 target year.
SOURCE: FAO.

• First scenario:

- World economic growth to be -4.9 percent in 2020 and +5.4 percent in 2021.
- **+ 83 million undernourished in 2020.**

• Second scenario:

- World economic growth to be -7.0 percent in 2020 and +3.3 percent in 2021.
- **+ 103 million undernourished in 2020.**

• Third scenario:

- World economic growth to be -10 percent in 2020 and +0.3 percent in 2021.
- **+ 132 million undernourished in 2020.**

FAO's COVID-19 Response and Recovery Programme



Global Humanitarian Response Plan:

Addressing the impacts of COVID-19 and safeguarding livelihoods in food-crisis contexts



Data for Decision-making:

Ensuring quality data and analysis for effective policy support to food-systems and Zero Hunger



Economic Inclusion and Social Protection to Reduce Poverty:

Pro-poor COVID-19 responses for an inclusive post-pandemic economic recovery



Trade and Food Safety Standards:

Facilitating and accelerating food and agricultural trade during COVID-19 and beyond



Boosting Smallholder Resilience for Recovery:

Protecting the most vulnerable, promoting economic recovery and enhancing risk management capacities



Preventing the Next Zoonotic Pandemic:

Strengthening and extending the One Health approach to avert animal-origin pandemics



Food Systems Transformation:

Building back better during response and recovery



Lessons learned from COVID-19

- Urgent need to accelerate food and agricultural systems transformation: “business-as-usual” scenario is not an option.
- Digital technologies and innovations hold enormous potential to improve the functioning of food and agricultural markets and supply chains.
- International trade helps to manage risks associated with shocks and contribute to enhancing resilience of markets.
- Last but not least, COVID-19 has highlighted the critical importance of international collaboration and coordination (rather than pursuing in-ward looking policies and self-sufficiency objectives).
- Market transparency, market transparency, market transparency!!

More on global food and agricultural markets:

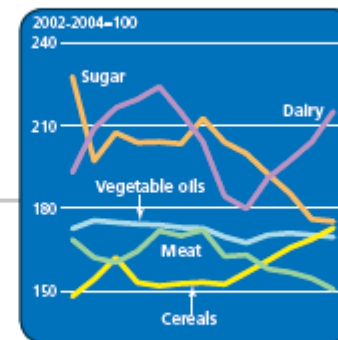
GLOBAL COMMODITY MARKETS



Commodity Markets Analysis



Medium-term outlook



FAO Food Price Indices



G20-Agricultural Market Information System (AMIS)



FAO's [World Food Situation Portal](#) serves as the main digital gateway to food market assessments, including the [FAO Food Outlook](#), the [FAO Food Price Index](#) as well as a host of links and Commodity-specific bulletins/link, including: the [FAO Cereal Supply and Demand Brief](#), the [FAO Dairy Market Review](#), the [FAO Meat Market Review](#), the [FAO Rice Market Monitor](#), the [FAO Rice Price Update](#), the [Monthly News Report on Grains](#) and the [Oilcrops Monthly Price and Policy Update](#). Up-to-date information on policy developments is also published on a regular basis through the [Commodity Policy Developments](#) tool.