

Food prices remain steady but vigilance still needed, UN agency warns



Photo: FAO/G. Napolitano

6 September 2012 – The United Nations today reported that global food prices remained steady in August, but warned that the international community should continue to be vigilant and seek to prevent sharp price increases.

“This is reassuring. Although we should remain vigilant, current prices do not justify talk of a world food crisis, but the international community can and should move to calm markets further,” the Director-General of the Food and Agriculture Organization ([FAO](#)), José Graziano da Silva, [told](#) a news briefing on the agency’s Food Price Index at FAO’s headquarters in Rome.

In July, the FAO Food Price Index spiked six per cent after three months of decline. According to FAO, the rise in prices was partly caused by the severe deterioration of maize crop prospects in

the United States, following extensive drought damage, which pushed up maize prices by almost 23 per cent.

The Index measures the monthly change in international prices of a basket of 55 food commodities, including meat, dairy, sugar, and cereals. It averaged 213 points in August, unchanged from July – while still high, the Index currently stands 25 points below its peak of 238 points in February 2011, and is 18 points below its level during this time last year.

The agency lowered its forecast for 2012 to 2,295 million tonnes down 52 million tonnes, or 2.2 per cent, from the record in 2011. This forecast largely reflects the worsening of maize production prospects in the United States because of widespread and severe drought.

In its [Cereal Supply and Demand Brief](#), FAO also confirmed that there will be a significant tightening in the demand and supply balance for cereals, and warned global production will not be sufficient to fully cover this demand during the 2012/2013 season.

Meat prices, particularly those of poultry and pig, rose in August after three consecutive months of decline. Dairy prices also experienced a slight increase from July, sustained by the rising prices of skim milk powder, butter and whole milk powder.

Sugar prices however, fell by 8.5 per cent from July, reflecting an improved production outlook and more favourable weather conditions in Brazil, the world's largest sugar exporter, and recovering monsoon rains in India. In contrast, prices for oils and fats remained relatively unchanged, FAO said in a news release.

Earlier this week, the heads of the UN World Food Programme ([WFP](#)) and the International Fund for Agricultural Development ([IFAD](#)), Ertharin Cousins and Kanayo F. Nwanze, respectively, joined Mr. Graziano da Silva in calling for coordinated international action to prevent rising food prices from hurting tens of millions of people over the coming months. "The current situation in world food markets, characterized by sharp increases in maize, wheat and soybean prices, has raised fears of a repeat of the 2007-2008 world food crisis. But swift, coordinated international action can stop that from happening," they said in a joint statement.

The UN officials stressed that to prevent a food crisis it is necessary to address both immediate and long-term issues. In the short-term, they stated that there must be a coordinated response by food producers to deal with spikes in prices, and an improvement in the transparency of global markets.

In the long-term, the trio noted that policies should focus on issues such as the increasing global population and climate change, which has led to droughts and floods in many countries, affecting food production.

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