

**Seventh Multi-year Expert Meeting on
Commodities and Development**

15-16 April 2015

Geneva

Recent Developments in Global Commodity Markets

By

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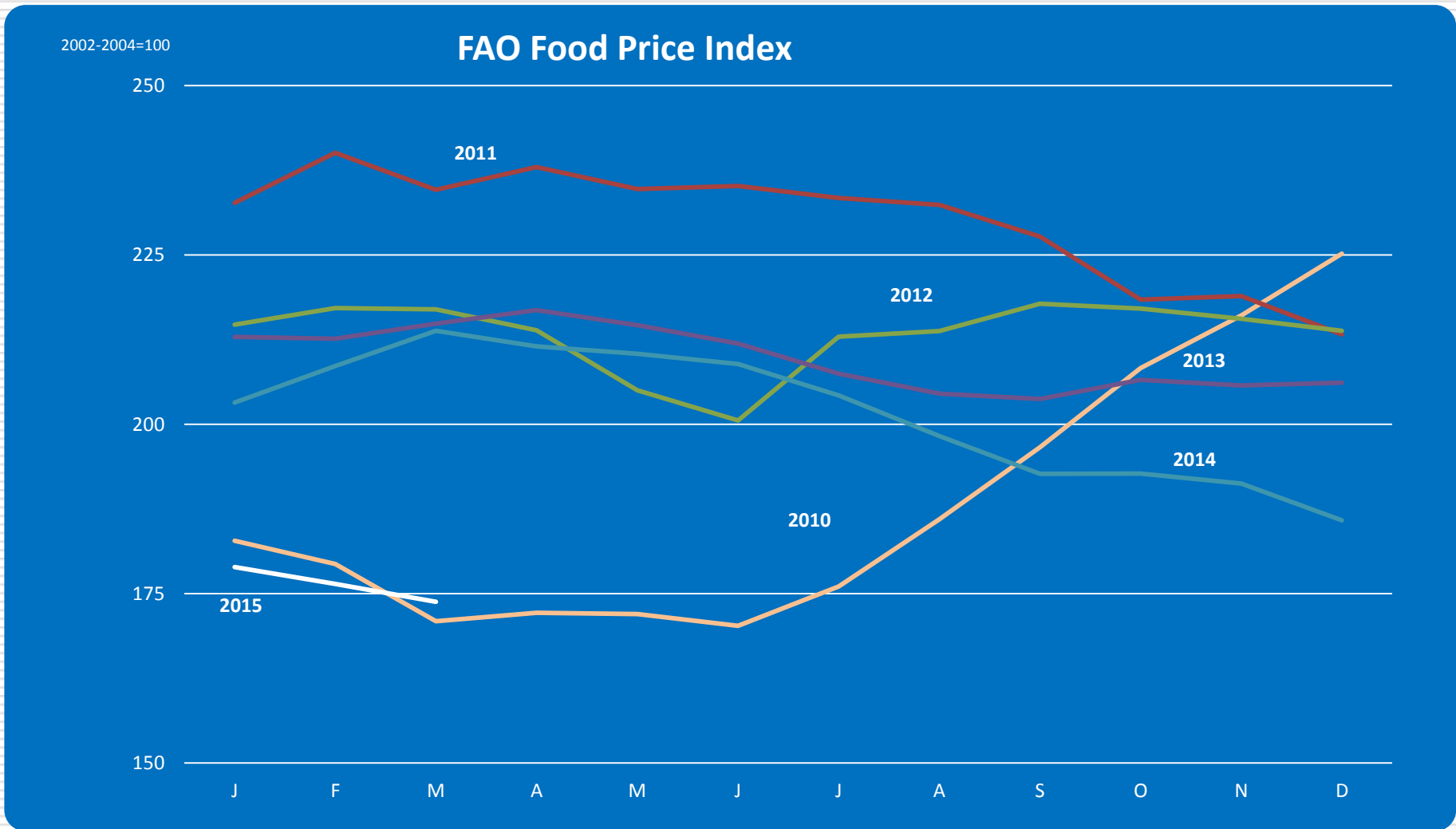
6th Annual Global Commodities Forum, April 15, 2015
Geneva



**Food and Agriculture
Organization of the
United Nations**

for a world without hunger

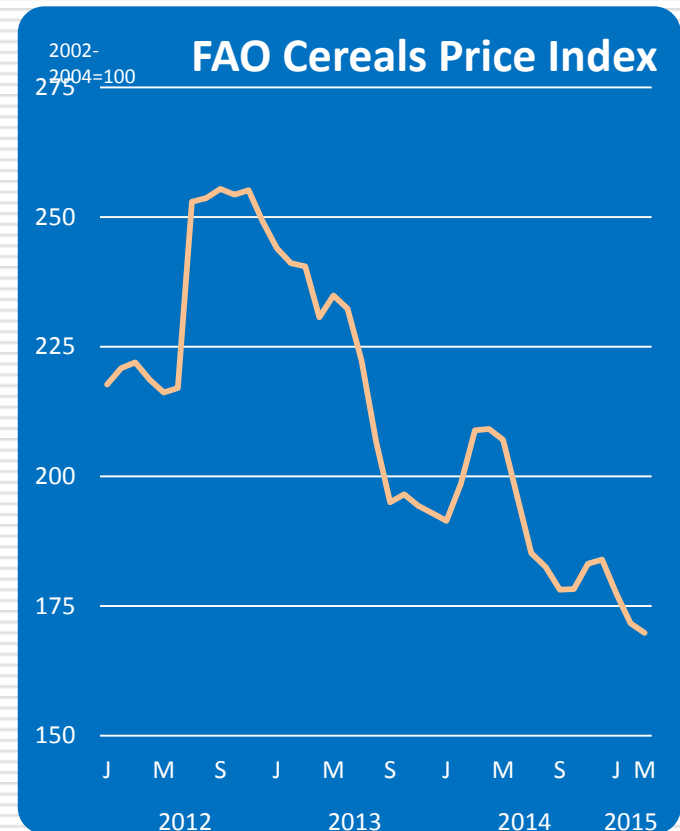
FAO Food Price Index



Cereals

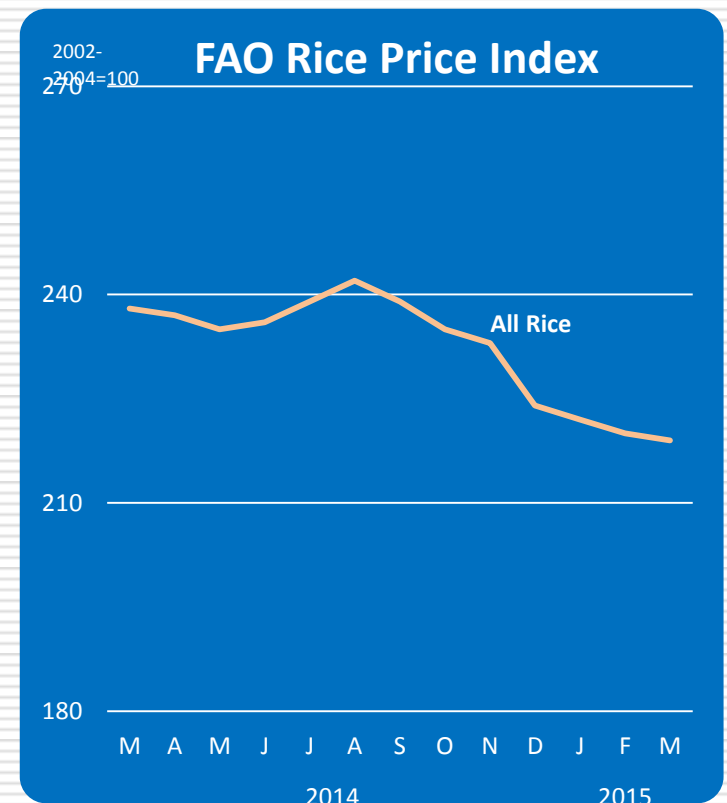
“The global cereal supply is proving to be exceptionally high this season in view of the latest upward adjustments to wheat and maize inventories.” - AMIS

- Large supplies and good prospects for upcoming crops are putting downward pressure on prices
- Production continues to outpace consumption, leading to stockbuilding
- Growing importance of exchange rates in global cereals markets
- Strong dollar is offsetting some of the decline



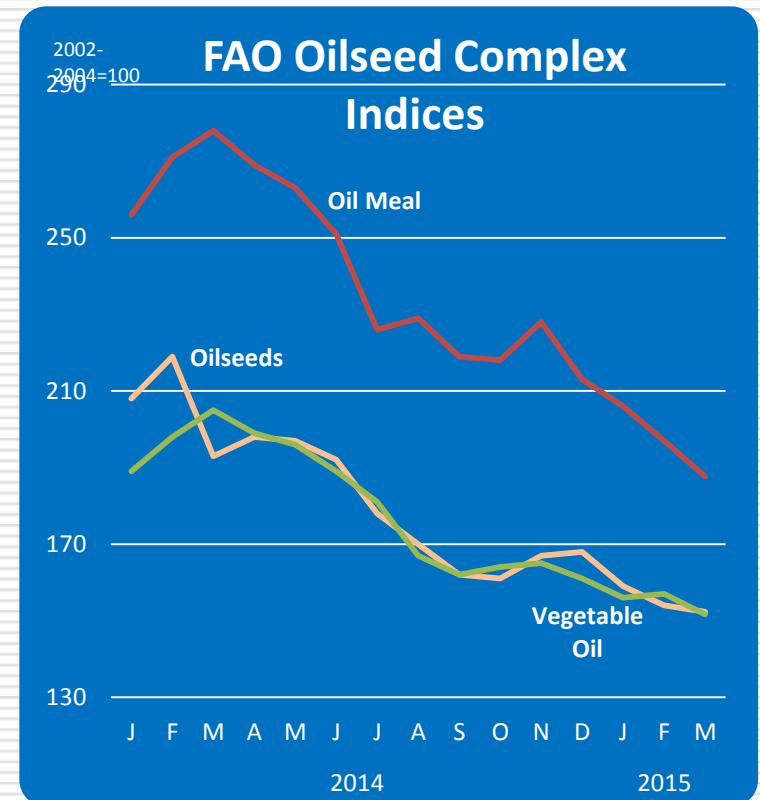
Rice

- The FAO all-rice price index declined from mid-2014 on large global supplies
- Production in 2014 to decline slightly from the previous year - the first since 2009
- Global rice utilization will surpass production, leading to a decline in stocks from record levels – the first time in a decade
- The declining value of the CFA could be an important driver in 2015, as it hinders the ability of West Africa to import



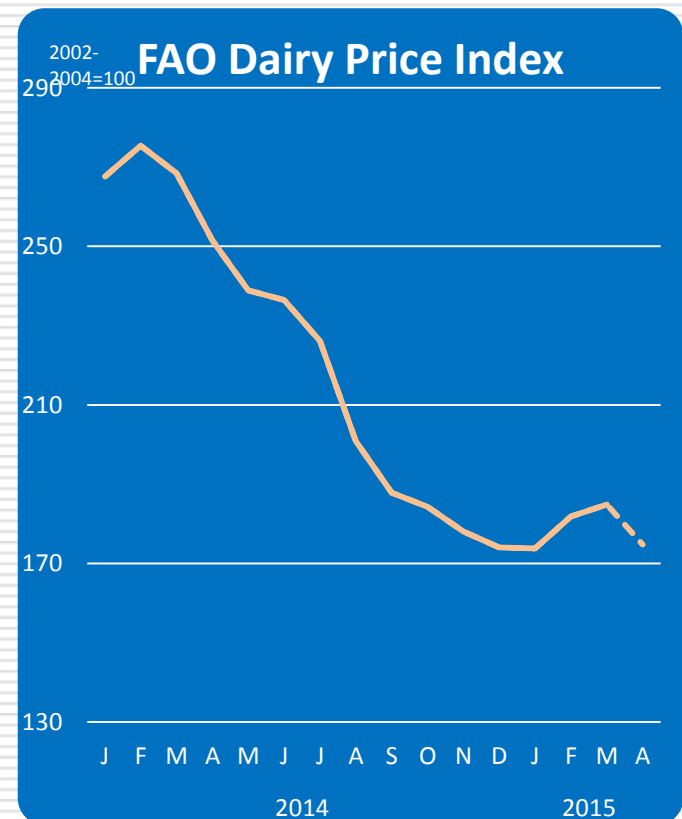
Oilseeds

- Prices are at multi-year lows for the entire oilseed complex – both production and stocks are up
- Oilseed production in 2014/15 is forecast at a record, driven by increased soy production
- Both North and South America report record soy crops - steadily rising demand for meal for feed is driving the expansion in soy
- Oils - demand growth remains subdued due, in part, to stalled biofuel demand



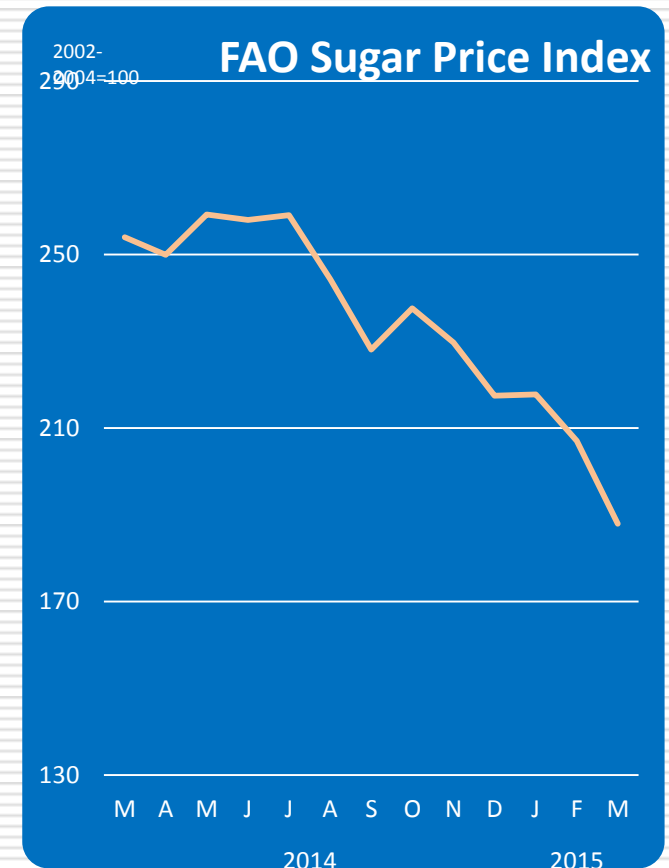
Dairy

- Prices down from historic highs - ample world supplies in 2014 and a slackening in the pace of import demand from China
- Russian import ban in August compounded difficulties, especially for cheese
- Dairy Price Index may decline in April, following modest rises in February and March
 - Oceania (in terms of exportable supplies and progress of milk production in China (in terms of driving import demand))
- No significant increase in EU milk production in 2015 is expected from the elimination of quotas



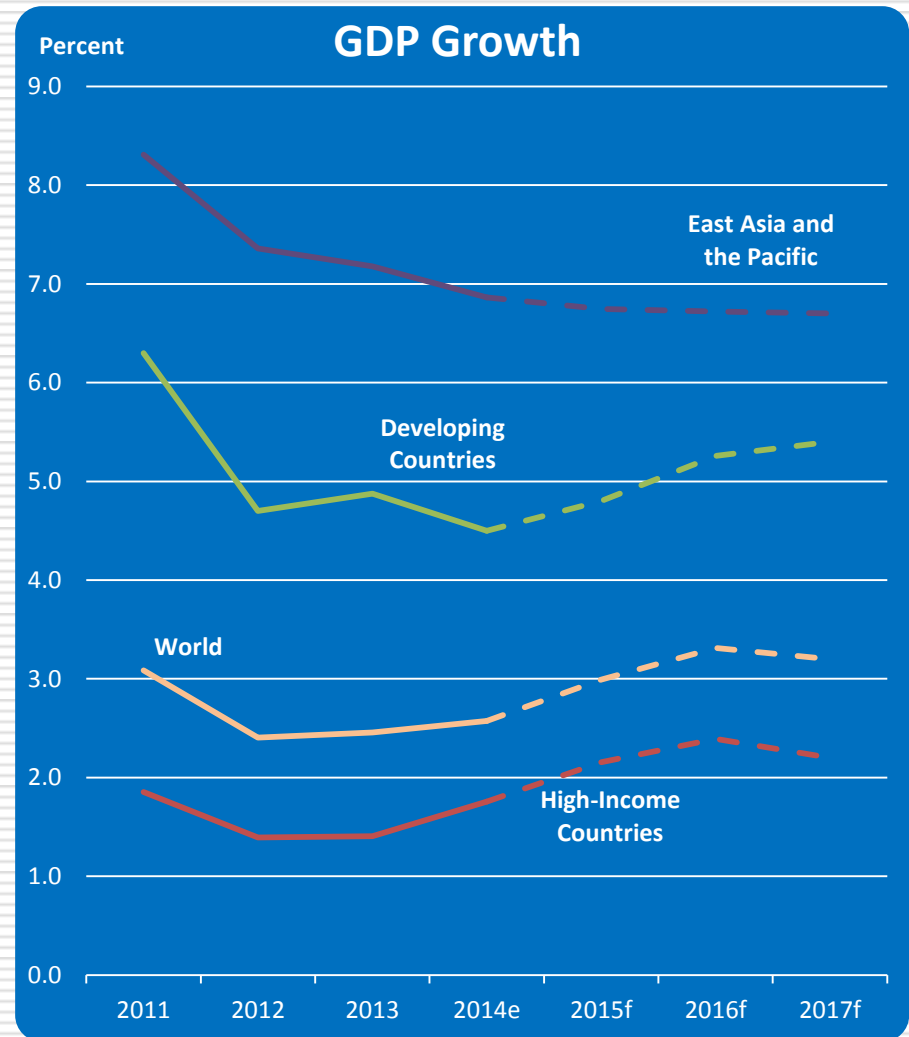
Sugar

- Sugar prices have been declining since 2011 - world sugar stocks are estimated at near record levels
- Despite declining output from large exporters, prices will likely continue to face downward pressure due to large inventories
- Other factors have exacerbated the fall in prices (weak Brazilian real, various policy measures)
- Not yet any upward price effect from higher blending mandate for Brazilian ethanol, or from early indications of lower global production in 2015/16



Economic growth

- Global growth is expected to rise through 2016
- High-income and developing countries alike are expected to see higher growth in 2015 and 2016
- Growth in East Asia has slowed, but is expected to remain flat around 7%



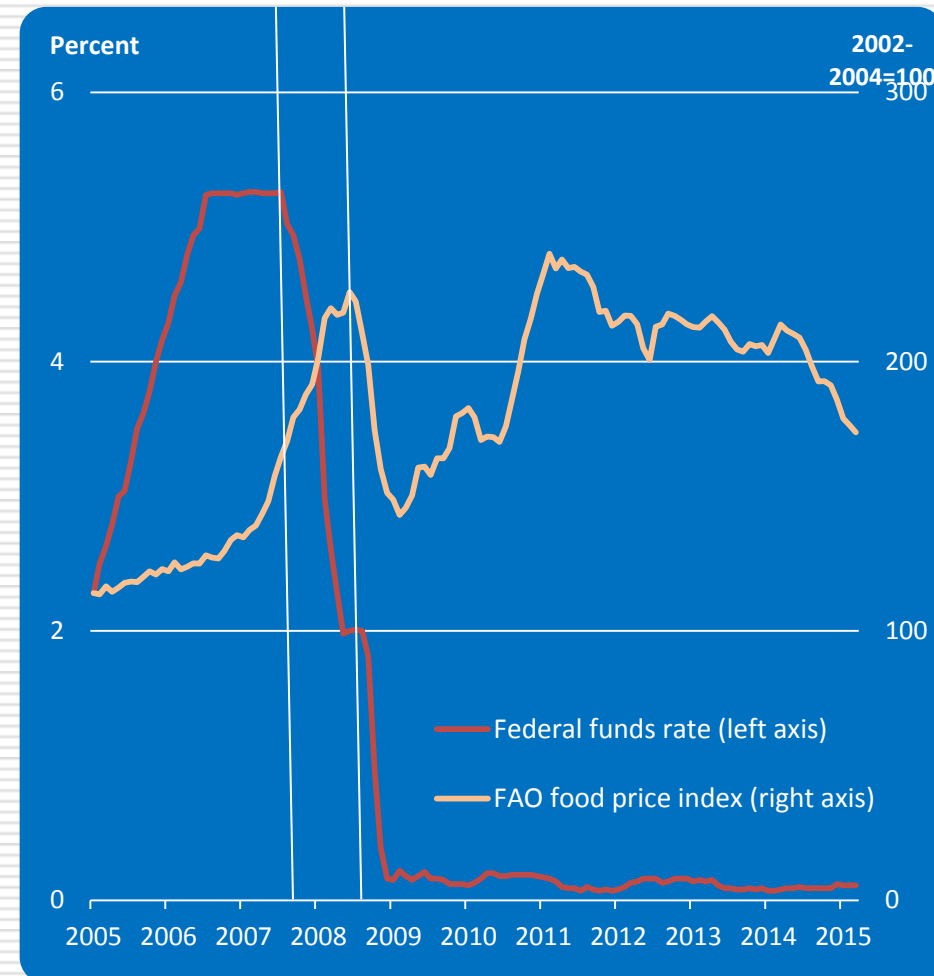
Exchange rates

- ❑ U.S. Dollar to Euro exchange rate is at a level not seen in over a decade
- ❑ Value of the Euro driven lower by quantitative easing
- ❑ U.S. dollar appreciation driven by relatively stronger economy



Money

- Monetary expansion (contraction) triggers expectations for
 - increased (decreased) inflation rate - investors to move away from (towards) liquid assets towards (away) commodities
 - interest rates fall (increase), increasing (weakening) the incentive to hold inventories
- The role of money in affecting food prices is not quite clear
- Not easy to explain the recent negative trend in food prices in terms of interest rates – but announcements may have weight



Thank you

