

United Nations Conference on Trade and Development

**WHAT'S NEXT FOR COMMODITY MARKETS?  
INFORMAL INTERACTIVE DIALOGUE ON COMMODITY MARKETS**

Thursday, 31 March 2022, 10:00am - 6:00pm (NY)

Trusteeship Council Chamber, United Nations Headquarters, New York (and online)

**Agricultural commodity market trends and prospects in the context of COVID-19**

By

Boubaker Ben Belhassen, Director, Markets and Trade Division  
UN Food and Agriculture Organization (FAO)

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



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# What's Next for Commodity Markets?

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**“Agricultural commodity market trends and prospects  
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## Agricultural commodities and COVID-19

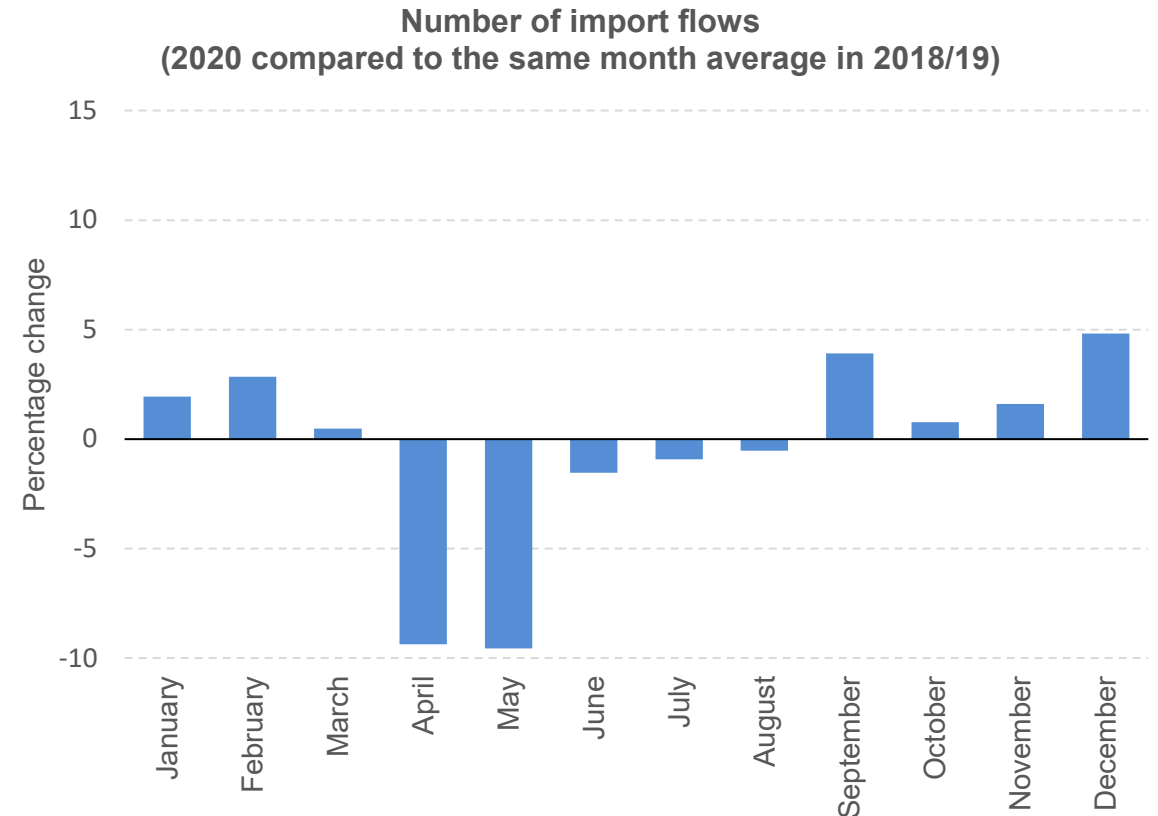
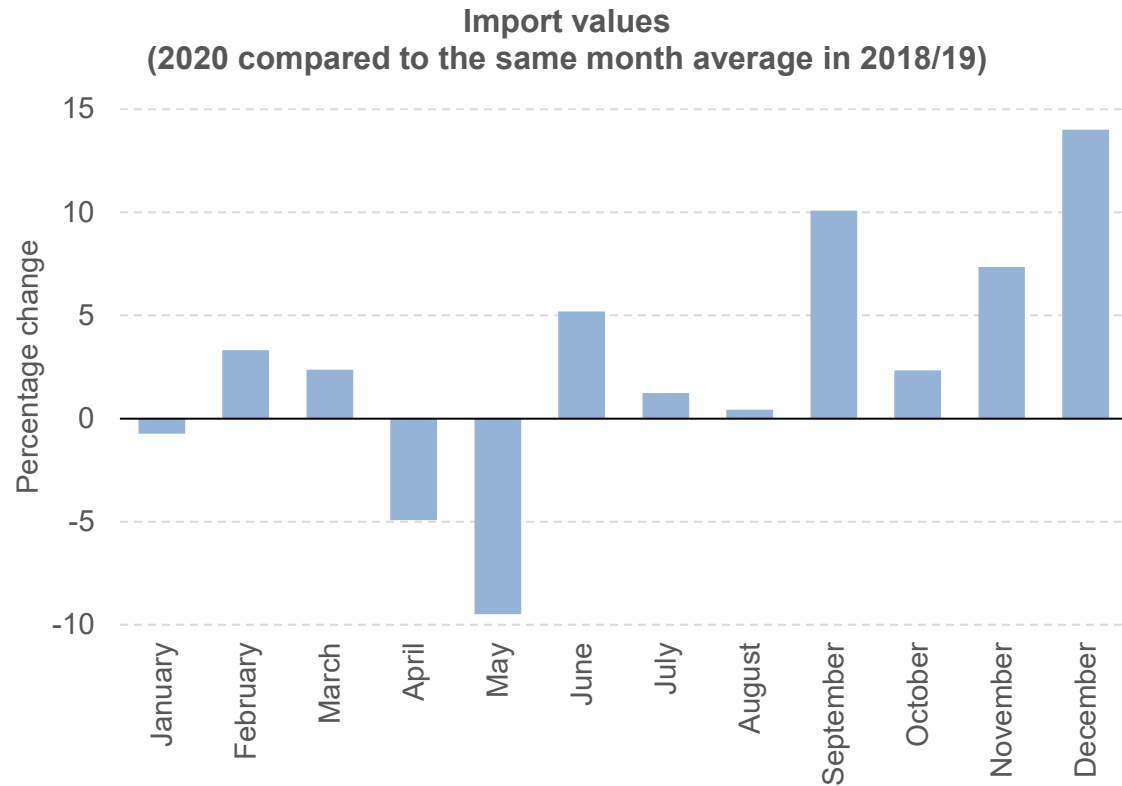
With the outbreak of the pandemic in early 2020, concerns were raised about impacts on the supply and demand sides of commodity markets.

- On the supply side, concerns related to primary production and farmers' access to markets, and disruptions to processing, trade, as well as international and national logistics systems.
- Concerns were high mainly for labour-intensive sectors, given the restrictions placed on the movement of people and travel (migrant workers).
- On the demand side, concerns emanated from the expected rise in unemployment and loss of incomes due to the pandemic, particularly for poor people who spend a large share of their incomes on food.
- Concerns about macroeconomic factors, in particular swings in exchange rates and debt, and their impacts on the capacity of low-income countries to pay for their food import needs.
- And there were also concerns about country reactions in terms of trade policy.

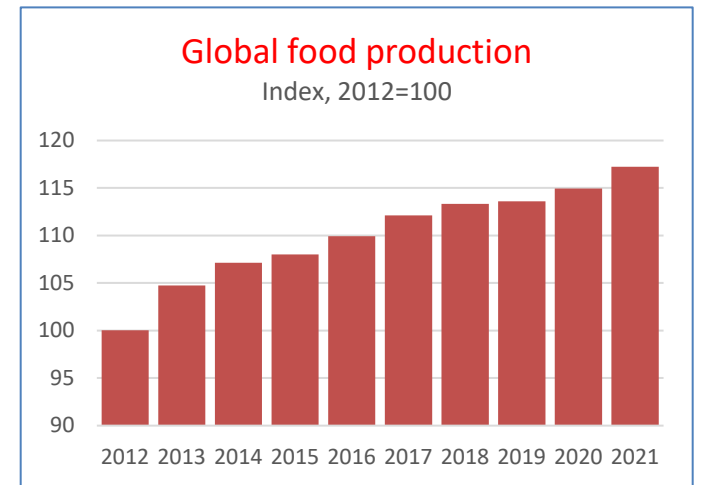
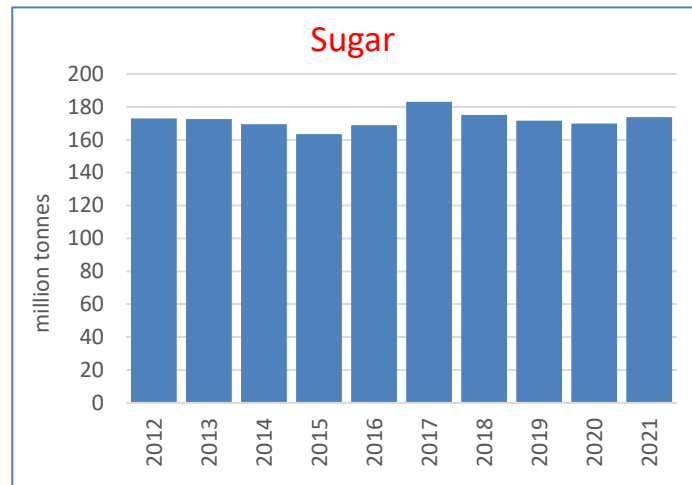
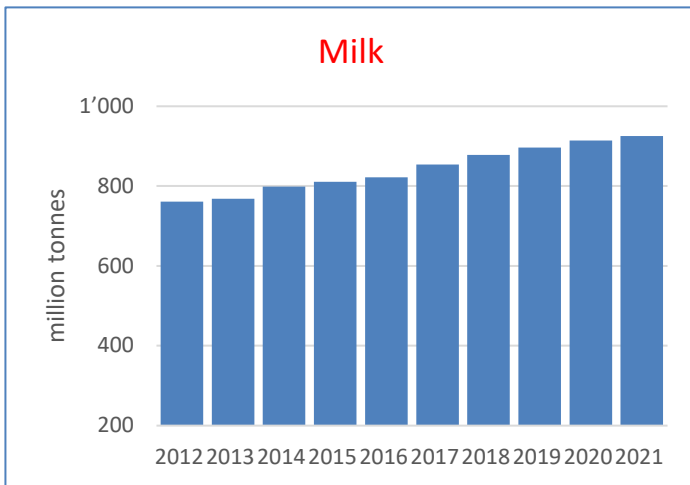
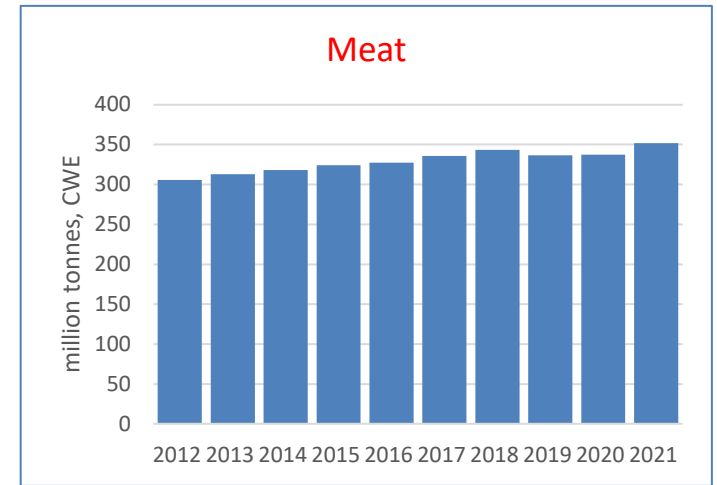
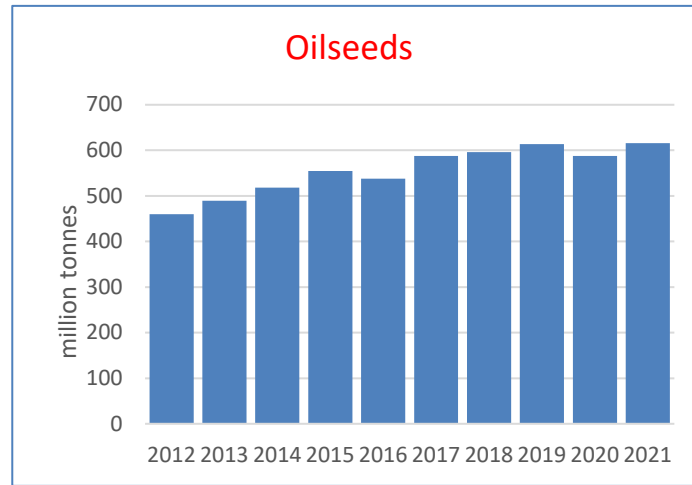
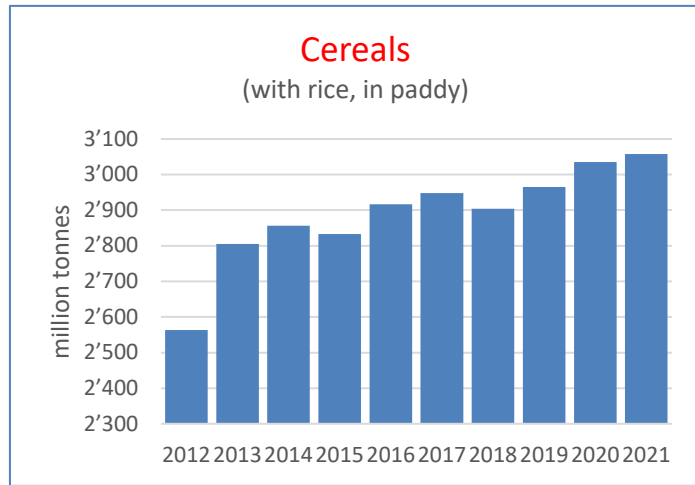


# Agrifood trade in the face of the pandemic

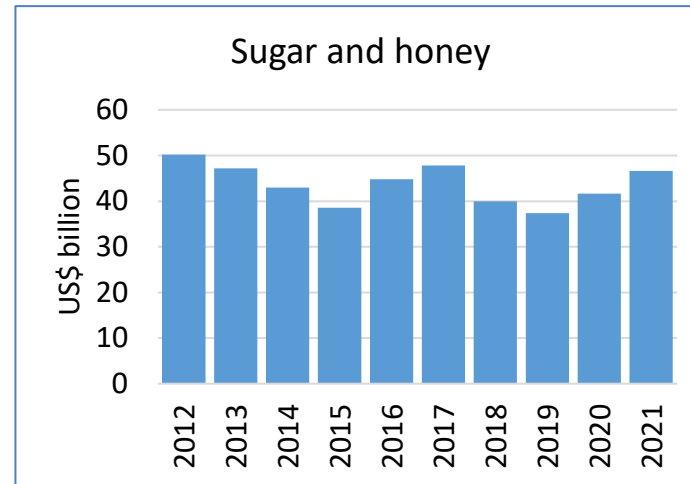
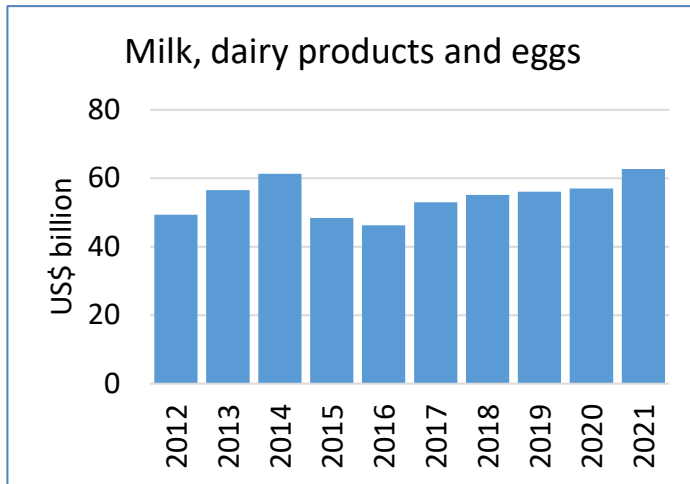
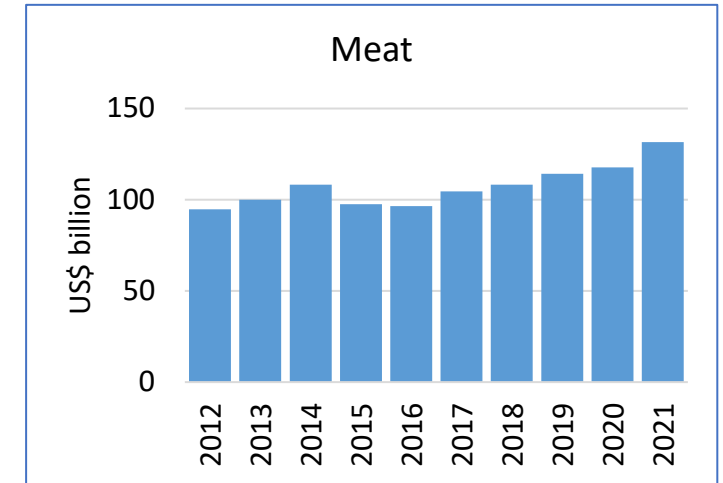
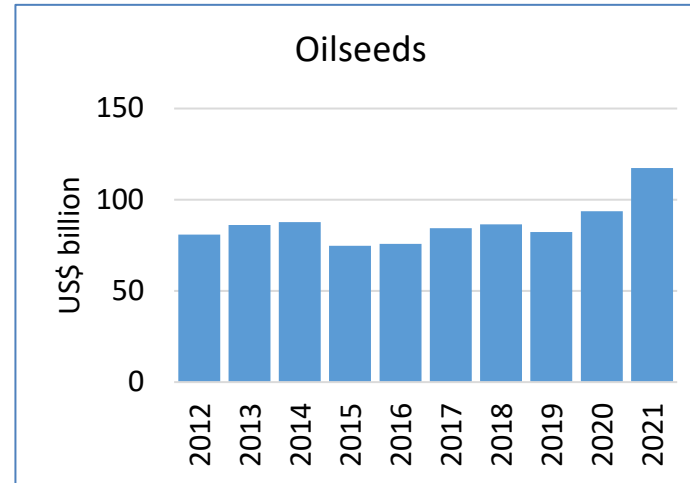
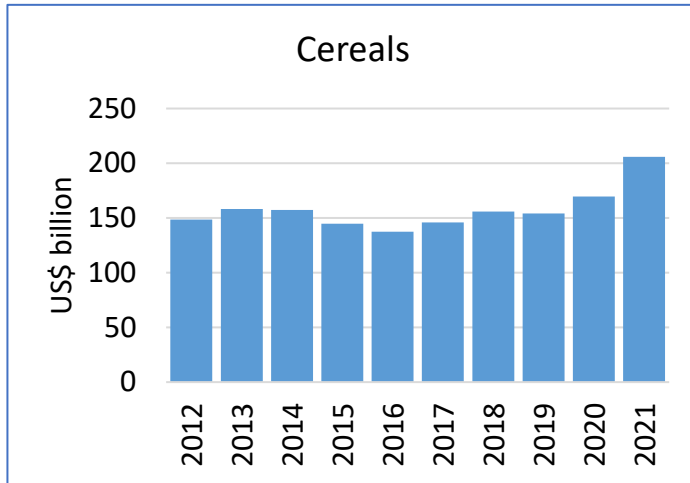
*COVID-19 and the measures taken by governments to contain its spread caused short-term disruptions to agrifood trade*



# Global food production held up well throughout the pandemic



## And trade too...



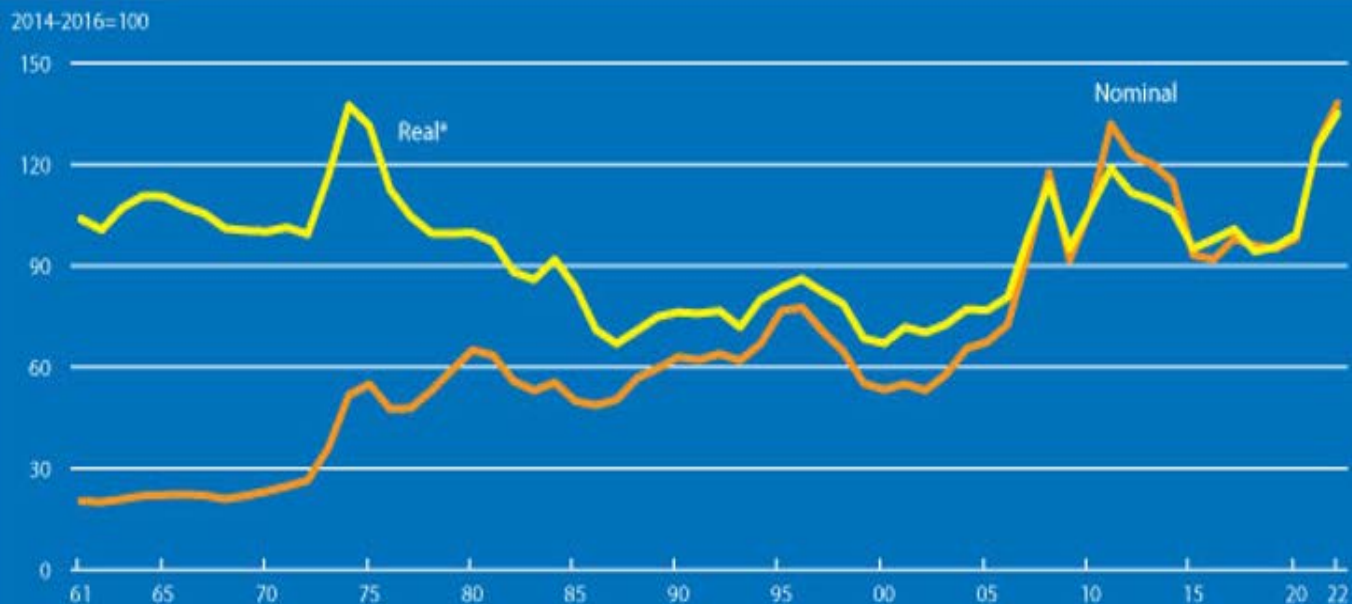
Source: FAO, TDM. The graphs present the value of trade in nominal US dollars.



# Trends in international food prices

*FAO Food Price Index reached an all-time high in February 2022 (in nominal terms)*

FAO Food Price Index in nominal and real terms



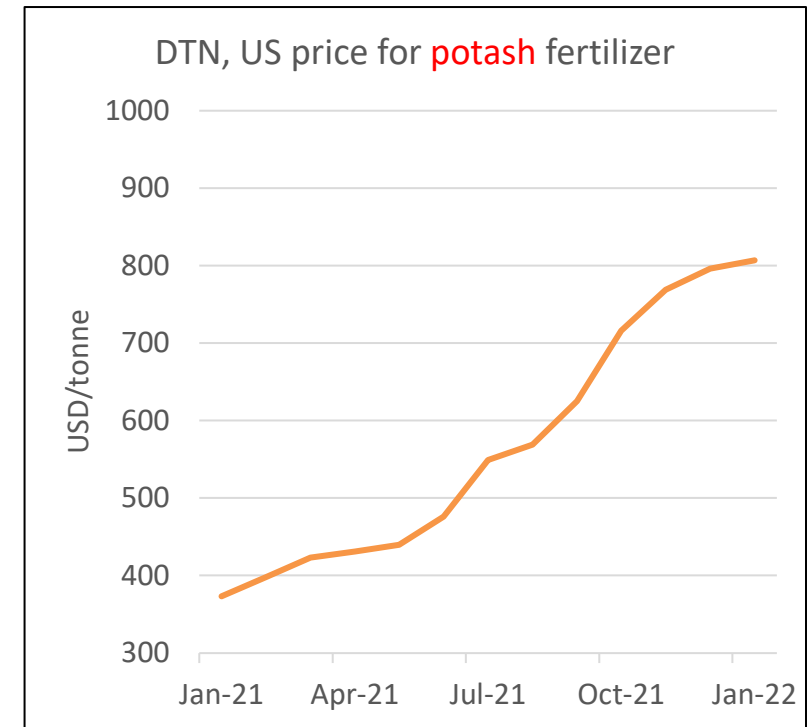
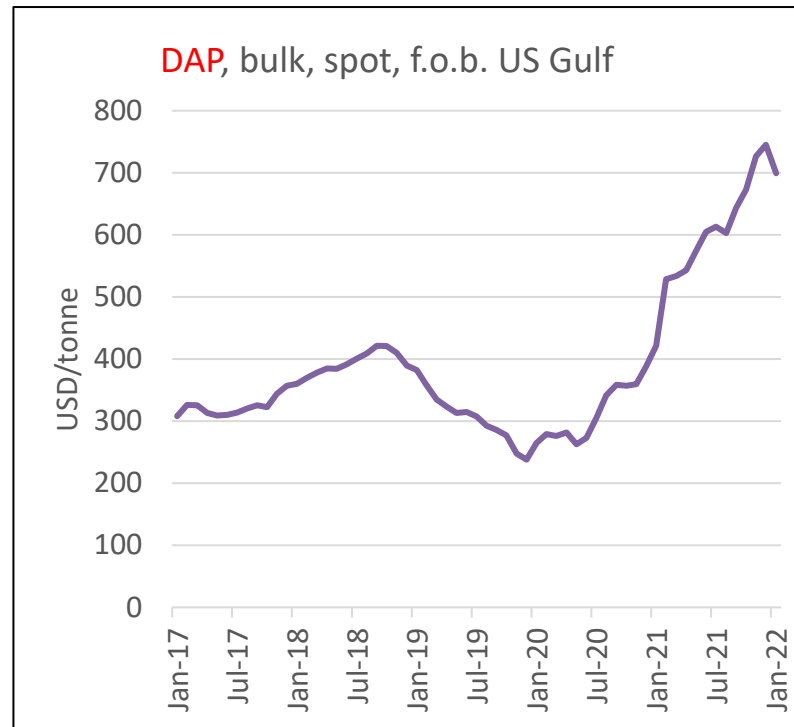
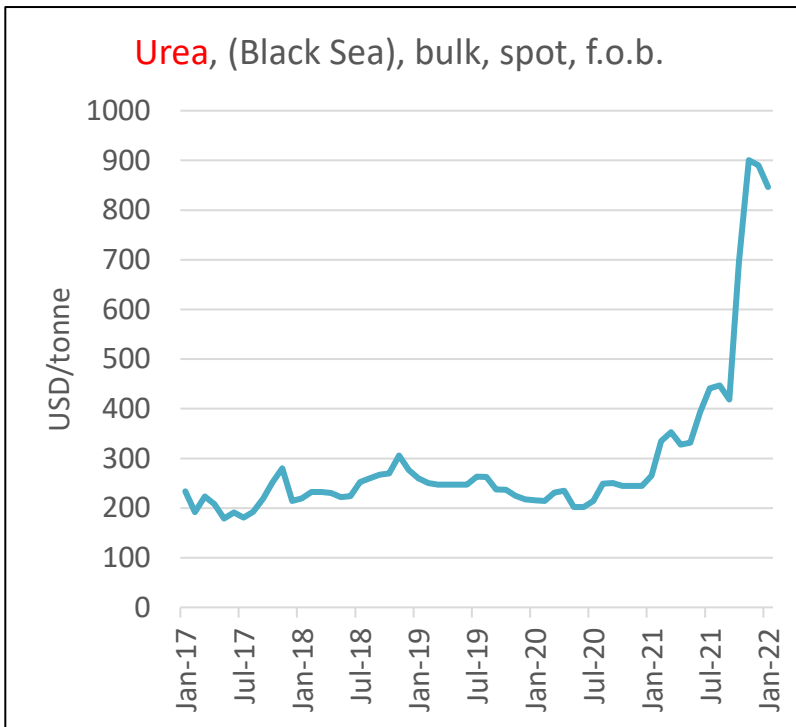
\* The real price index is the nominal price index deflated by the World Bank Manufactures Unit Value Index (MUV)

| FAO FOOD PRICE INDICES | PEAK VALUES | FEB-22 | CHANGE |        |         |       |                         |
|------------------------|-------------|--------|--------|--------|---------|-------|-------------------------|
|                        |             |        | Date   | Points | m/m     | y/y   | Feb-22 over peak values |
|                        |             |        |        |        | Percent |       |                         |
| FAO Food Price Index   | Feb-11      | 137.6  | 140.7  | 3.9    | 20.7    | 2.3   |                         |
| Cereals                | Mar-08      | 163.3  | 144.8  | 3.0    | 14.8    | -11.3 |                         |
| Vegetable Oils         | Jun-08      | 178.2  | 201.7  | 8.5    | 36.8    | 13.2  |                         |
| Sugar                  | Jan-11      | 183.2  | 110.6  | -1.9   | 10.4    | -39.6 |                         |
| Meat                   | Aug-14      | 119.2  | 112.8  | 1.1    | 15.3    | -5.4  |                         |
| Dairy                  | Dec-13      | 156.5  | 141.1  | 6.4    | 24.8    | -9.8  |                         |



# What about fertilizer prices?

Prices of N, P and K fertilizers have also risen... reflecting higher energy prices



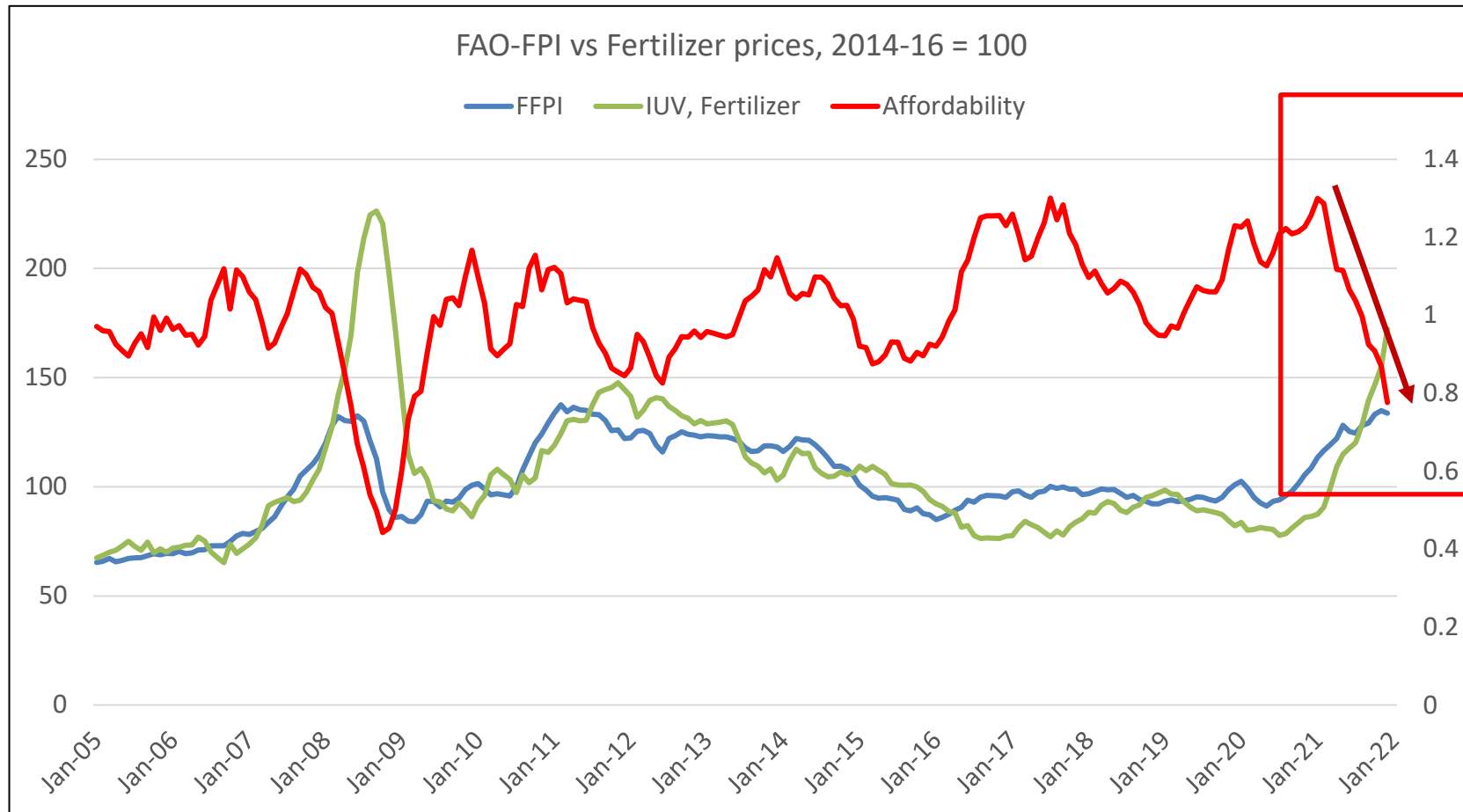
Source: Index Mundi: <https://www.dtnpf.com/agriculture/web/ag/crops/article/2022/01/19/fertilizer-prices-continue-mostly>





# What impact of rising fertilizer prices?

*Compared to output prices, affordability of fertilizers is precipitously falling*



Source: FAO, TDM, author's calculations



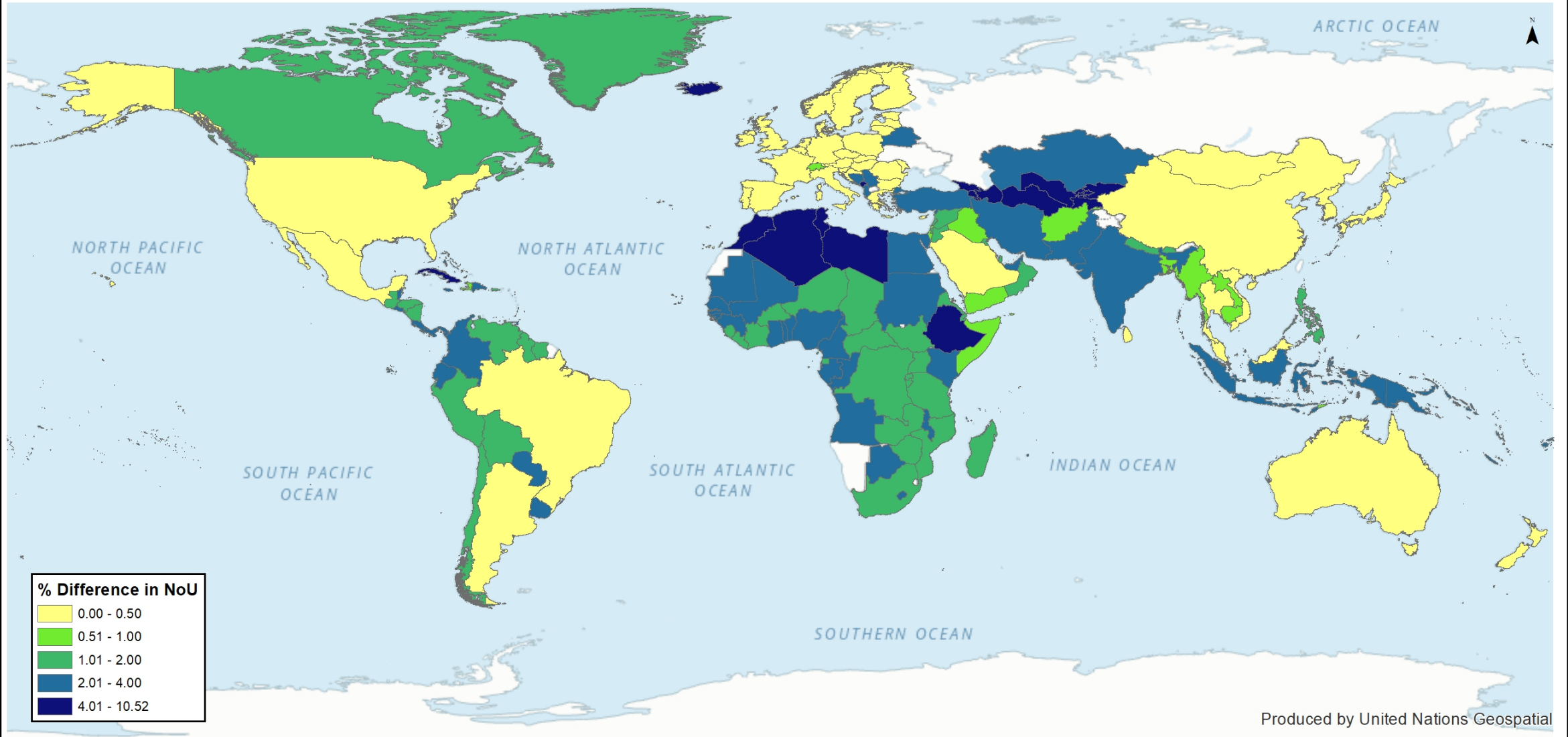
# The new factor in world agricultural markets

*The conflict in Ukraine... and possible impacts on agricultural commodity markets and food security*

- The Russian Federation and Ukraine are major producers of agricultural commodities in the world.
- They are important players in all three markets of concern: food, fuel and fertilizers.
- They account for about 30% of world wheat exports, 10% of maize exports and 70% of sunflower oil exports.
- In 2021, Russia was the world's top exporter of nitrogen fertilizers, the 2<sup>nd</sup> leading supplier of potassium fertilizers, and the 3<sup>rd</sup> largest exporter of phosphorous fertilizers.
- Some 50 countries depend on Russia and Ukraine for 30% or more of their wheat supplies, many of them belong to the groups of LDCs or LIFDCs.
- Many European and Central Asian countries rely on Russia for over 50% of their fertilizer supplies.
- Supply chain and logistical disruptions to Ukrainian and Russian grain and oilseed production and processing and restrictions on Russian exports will have significant food security consequences.
- FAO's simulations show that because of the conflict, international food and feed prices could rise by 8 to 22% above their baseline levels.



### Global food security risks 2022-23: severe scenario





## Policy recommendations:

1. Keep markets and trade open for food, fuel and fertilizers
2. Avoid ad hoc policy reactions, export restrictions only exacerbate the situation
3. Strengthen market transparency and policy dialogue, provide timely and credible information – the G20 Agricultural Market Information System (AMIS)
4. Diversify food supplies, in terms of import sources and local production to increase resilience to shocks
5. Support vulnerable groups, scale up humanitarian assistance



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# THANK YOU

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