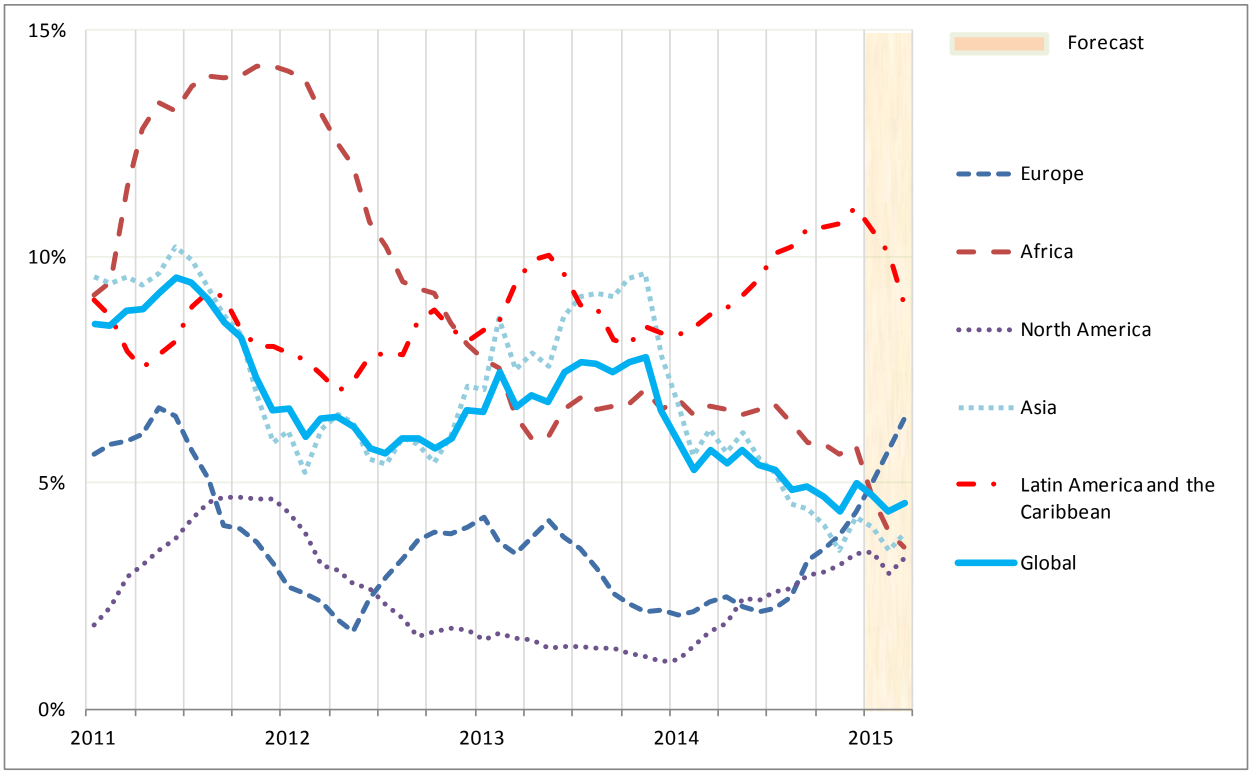
Global Overview

Annual food price inflation fell globally to 5.2% in 2014, the lowest rate in the last four years. All regions saw annual food inflation decreasing from 2011 to 2014, except Latin America and the Caribbean, where food price increase accelerated from 8.4% in 2011 to 9.7% in 2014. The most remarkable decrease was recorded in Africa, where annual food inflation halved from 12.8% in 2011 to 6.3% in 2014. In the same period, Northern America and Europe experienced the lowest food inflation rate, Latin America and Caribbean, Asia and Africa the highest (Table 1).

Within 2014, global food inflation fell from a high of 6% year-over-year in January to a low of 4.4% in November, before rising to 5% in December when food price inflation rose almost all regions, but in particular in Asia and Eastern Europe. Short term forecasts predict declining food price inflation throughout the first quarter of 2015, down to 4.6% in March 2015 (Chart 1 and Table 2).

Chart 1 Food consumer price inflation – Global and regions (y-o-y)



The recent and forecasted decline in food prices in the developing regions might be explained by global oil prices[1], which have fallen sharply over the past 10 months, and by declining commodity prices, as shown by the FAO Food Price Index[2], which fell for the twelfth consecutive month in March 2015.

[1] FAO, **http://www.fao.org/news/story/en/item/276661/icode/**, *FAO food price index declines in January, cereal output poised for record*; The Economist Intelligence Unit Press Release, *Record crop production and falling oil prices drive increased food affordability, Global food security index reveals*, 29 January 2015.

Table 1 Annual global and regional consumer food price inflation, 2011-2014 (%)

	Food Price Inflation Rate				Coefficient of variation across countries in region			
	2011	2012	2013	2014	2011	2012	2013	2014
World	**8.5**	**6.1**	**7.2**	**5.2**	-	-	-	-
Africa	***12.8***	***10.9***	***6.7***	***6.3***	-	-	-	-
Southern Africa	7.0	7.4	5.7	7.4	23	18	13	47
Western Africa	9.1	8.4	6.7	5.6	92	87	121	226
Northern Africa	9.5	8.5	7.7	7.2	104	59	84	111
Central Africa	6.0	8.5	4.4	5.0	120	147	500	166
Eastern Africa	22.0	16.6	7.0	6.6	112	87	83	107
Latin America and the Caribbean	***8.4***	***7.9***	***8.9***	***9.7***	-	-	-	-
South America	9.5	8.4	10.5	11.9	69	100	163	176
Central America	5.9	6.9	5.5	5.3	63	76	52	37
Caribbean	7.2	6.3	5.6	4.1	80	84	111	117
Northern America	***3.7***	***2.6***	***1.4***	***2.4***	-	-	-	-
Asia	***8.9***	***6.0***	***8.5***	***5.1***	-	-	-	-
Eastern Asia	10.6	4.5	4.1	3.1	70	68	97	58
South-Eastern Asia	4.9	3.9	6.2	5.4	194	113	146	57
Western Asia	6.8	9.1	14.9	9.9	91	207	264	267
Southern Asia	8.9	8.1	13.3	6.7	51	95	96	77
Europe	***5.2***	***3.0***	***3.2***	***2.8***	-	-	-	-
Southern Europe	3.2	2.7	2.7	-0.4	85	81	91	300*
Eastern Europe	8.1	3.1	3.8	6.8	118	83	91	203
Northern Europe	5.1	3.0	3.1	0.1	72	62	81	367*
Western Europe	2.3	2.9	2.8	0.4	132	70	46	220*

Note: Annual inflation rates are based on a 12 month average of year-over-year monthly inflation.
*This CV reflects very low average inflation rates which makes country deviation in inflation rates even higher.

[2] http://www.fao.org/worldfoodsituation/foodpricesindex/en/

Table 2 Monthly global and regional consumer food price inflation (%)

	2014												2015		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan*	Feb*	Mar*
World	**6.0**	**5.3**	**5.7**	**5.4**	**5.7**	**5.4**	**5.3**	**4.9**	**4.9**	**4.7**	**4.4**	**5.0**	**4.7**	**4.4**	**4.6**
Africa	***6.8***	***6.5***	***6.7***	***6.6***	***6.5***	***6.6***	***6.7***	***6.3***	***5.9***	***5.9***	***5.6***	***5.8***	***4.7***	***3.9***	***3.6***
Southern Africa	4.3	5.3	6.8	7.6	8.6	8.6	8.5	9.0	8.2	7.5	7.3	7.0	5.8	4.5	3.2
Western Africa	5.7	5.3	5.4	5.0	5.8	5.8	6.0	5.6	5.4	5.7	5.6	5.9	5.4	6.2	4.8
Northern Africa	9.7	8.1	8.1	7.0	6.3	6.9	7.4	6.4	7.0	8.0	6.0	5.9	3.7	3.3	4.5
Central Africa	2.6	4.5	3.7	4.2	4.0	5.5	6.6	6.3	6.6	5.3	5.5	5.7	7.5	7.4	10.8
Eastern Africa	7.7	7.4	7.8	8.4	7.4	7.1	6.8	6.4	5.1	4.5	5.2	5.5	3.7	1.2	0.5
Latin America and the Caribbean	***8.3***	***8.4***	***8.7***	***8.9***	***9.2***	***9.5***	***10.1***	***10.2***	***10.6***	***10.6***	***10.7***	***11.1***	***10.6***	***10.0***	***9.0***
South America	10.0	10.3	11.2	11.7	11.8	11.9	12.3	12.2	12.7	12.6	12.7	13.3	13.0	12.5	10.7
Central America	5.2	4.9	3.6	2.9	3.7	4.8	5.7	6.1	6.4	6.7	6.5	6.7	6.0	5.5	6.2
Caribbean	2.4	2.5	2.9	3.1	3.4	3.6	4.1	4.9	5.3	5.9	6.2	4.5	3.5	2.4	0.4
Northern America	***1.1***	***1.4***	***1.7***	***1.9***	***2.4***	***2.4***	***2.6***	***2.6***	***3.0***	***3.0***	***3.2***	***3.4***	***3.5***	***3.0***	***3.3***
Asia	**6.7**	**5.6**	**6.2**	**5.7**	**6.1**	**5.5**	**5.2**	**4.5**	**4.4**	**4.1**	**3.5**	**4.3**	**4.0**	**3.5**	**3.9**
Eastern Asia	3.3	2.5	3.7	2.4	4.1	3.8	3.6	3.1	2.5	2.6	2.4	3.0	2.9	2.3	4.7
South-Eastern Asia	7.0	6.4	5.5	5.5	5.8	5.9	4.4	3.6	4.6	4.7	5.6	6.3	5.3	5.5	5.4
Western Asia	15.2	14.0	13.3	13.6	12.8	9.7	7.0	6.9	6.7	5.9	7.2	6.2	5.1	6.2	5.3
Southern Asia	9.4	7.8	8.2	8.4	7.6	6.7	7.0	6.1	6.1	5.1	3.5	4.6	4.5	3.8	2.4
Europe	***2.1***	***2.2***	***2.4***	***2.5***	***2.3***	***2.2***	***2.2***	***2.5***	***3.3***	***3.5***	***3.8***	***4.3***	***5.0***	***5.7***	***6.4***
Southern Europe	0.8	0.6	0.2	-0.2	-1.0	-1.5	-1.5	-1.4	-0.5	0.0	0.3	-0.2	-0.8	-0.6	0.0
Eastern Europe	2.9	3.5	4.7	5.6	6.2	6.3	6.5	7.1	8.4	8.7	9.6	11.6	13.9	15.7	17.1
Northern Europe	1.7	1.4	1.4	0.5	-0.3	0.2	-0.1	-0.5	-0.6	-0.6	-0.9	-0.9	-1.3	-1.4	-1.4
Western Europe	1.9	1.6	1.0	0.6	-0.1	-0.5	-0.3	-0.2	0.3	0.4	0.1	-0.4	-0.7	-0.6	-0.5

Note: monthly inflation rates are year-over-year inflation rates.

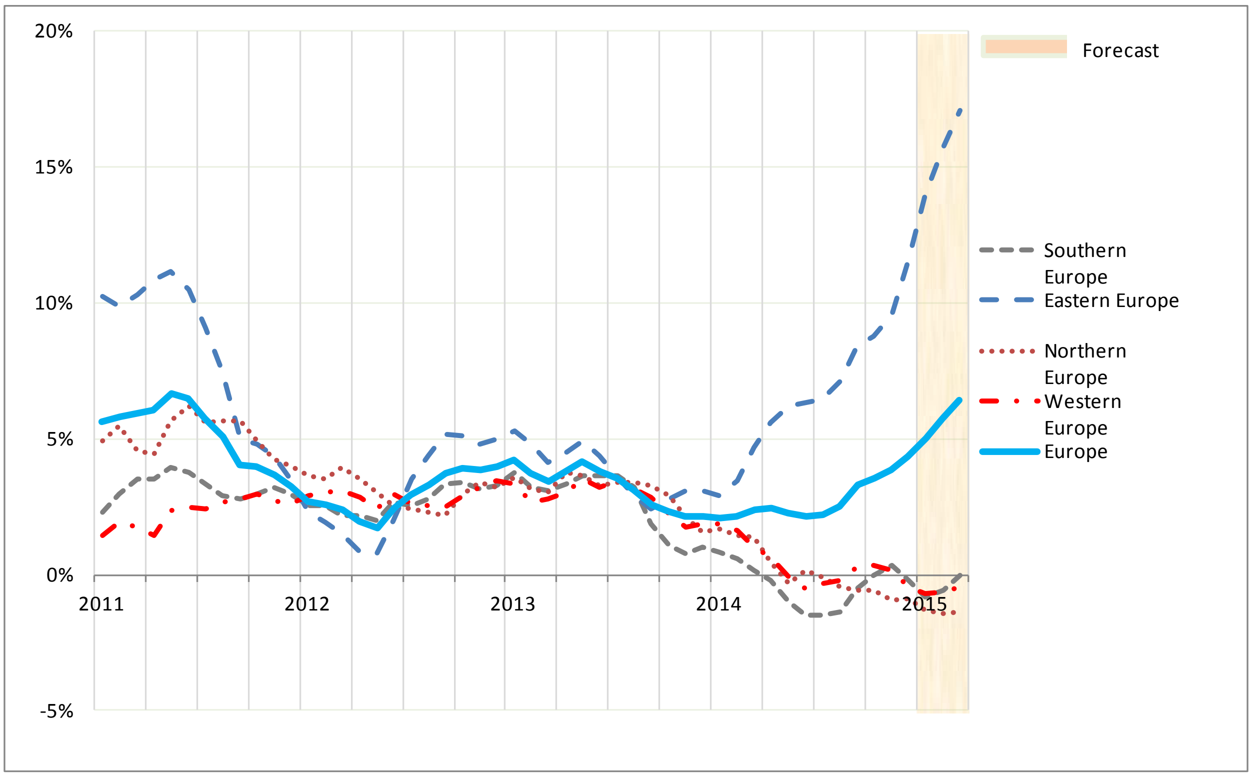
* Forecasts

Regional focus: Europe

In Europe, annual food inflation fell constantly during the last four year, to a low of 2.8% in 2014. All sub regions experienced a contraction, but the most significant reduction was recorded in Northern Europe, where the pace of food inflation slowed down from 5.1% in 2011 to almost zero in 2014 (Table 1).

During 2014, the region experienced a doubling of food inflation from 2.1% to 4.3% and inflation is expected to further increase in the first quarter 2015 up to 6.4%. This increase was largely driven by the upward pressure coming from Eastern Europe, in particular the Russian Federation and the Ukraine, due to conflicts, political tensions and import restrictions[3]. In Eastern Europe food inflation rose from 2.9% in January to 11.6% in December 2014, with forecasts predicting a continued increase up to 17.1% in March 2015. However consumers in other sub regions in Europe experienced steady or in some cases declining food prices (Table 2 and Chart 2).

Chart 2: Food consumer price inflation – Europe and sub-regions (y-o-y)



[3] The Guardian, http://www.theguardian.com/business/2014/mar/03/ukraine-crisis-crimea-hits-price-wheat-corn, *Ukraine crisis sends wheat and corn prices soaring.*

Regional focus: Northern America

In Northern America annual food inflation fell between 2011 and 2013, rising in 2014 reaching 2.4% (Table 1).

Food inflation has risen since December 2013 pushed by droughts on one side, and a strong economic recovery on the other. According to USDA – ERS[4], the most notable annual inflation increases were recorded for retail beef and veal, pork, eggs, fish and seafood, dairy, and fresh fruit which experienced above-average price increases; alternatively, some other experienced below-average inflation or, in some cases, even deflation. In 2014, prices fell for fresh vegetables, sugars and sweets, and nonalcoholic beverages. Forecasts for the first quarter of 2015 predict a contraction in February (3%) followed by a further recovery in March (3.3%) (Table 2 and Chart 1).

Regional focus: Latin America and the Caribbean

In Latin America annual food inflation rose in the last four years, from 8.4% in 2011 to 9.7% in 2014. The main driver of this increase was South America, where food inflation increased by 2.4 percentage point in the same period (Table 1).

Latin American consumers experienced a constant rise in food inflation throughout 2014, from 8.3% in January to 11.1% in December, driven largely by trends in South and Central America. A gradual inversion of this tendency is expected for the first quarter of 2015 in almost all sub-regions except Central America; in the Caribbean, consumers benefitted from a reduced food inflation already in December 2014, when food price growth has slowed down from 6.2% to 4.5% (Table 2 and Chart 3).

A double-digit food inflation rate in Argentina and soaring food consumer prices in Venezuela are behind the upward pressure on the regional average.

In Argentina, 2014 food inflation increased at 19.3% on average. After the peso was devaluated by 23% in January, prices have exploded, with food prices following the same trend as general inflation. Additionally, rigid foreign exchange controls made scarce not only US dollars, but also imported food items[5].

In Venezuela, consumers suffered from hyperinflation, and some analysts attributed the surge of food inflation to chronic shortages resulting from multiple elements, like over-reliance on imports, lack of production, problems in the supply chain, price controls, the lack of US dollars and the impact of other government policies[6].

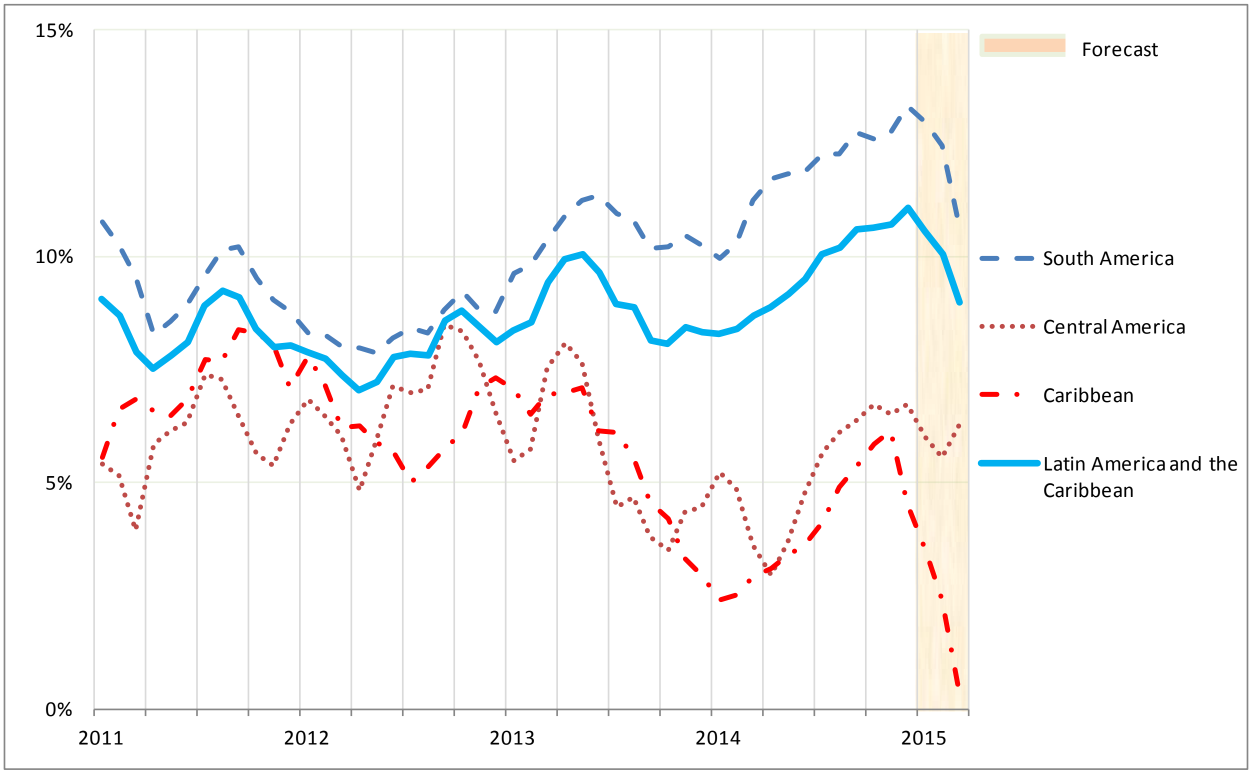
[4] USD – ERS, The Food Price Outlook 2015, http://www.ers.usda.gov/data-products/food-price-outlook/summary-findings.aspx

[5] Deutsche Welle (DW), http://www.dw.de/argentina-struggling-again-with-inflation/a-17429229, *Argentina struggling – again – with inflation*.

[6] Aljazeera, http://www.aljazeera.com/indepth/features/2014/03/hoarding-causing-venezuela-food-shortages-20143210236836920.html, I*s hoarding causing Venezuela food shortages?*

In Brazil, one of the main drivers in South America accounting for more than 50% of the regional average, consumer food inflation remained high but constant throughout 2014, and food prices rose at an average rate of 8%.

Chart 3: Food consumer price inflation – Latin America and sub-regions (y-o-y)



In Central America food inflation was mostly shaped by price dynamics in Mexico, the most significant country in the region. Food inflation first slowed down from 5% in January to 2% in April, then accelerated to 7% in December, likely driven by the introduction of a tax on "junk food" and sugary products as part of Mexico's anti-obesity and revenue raising campaign[7].

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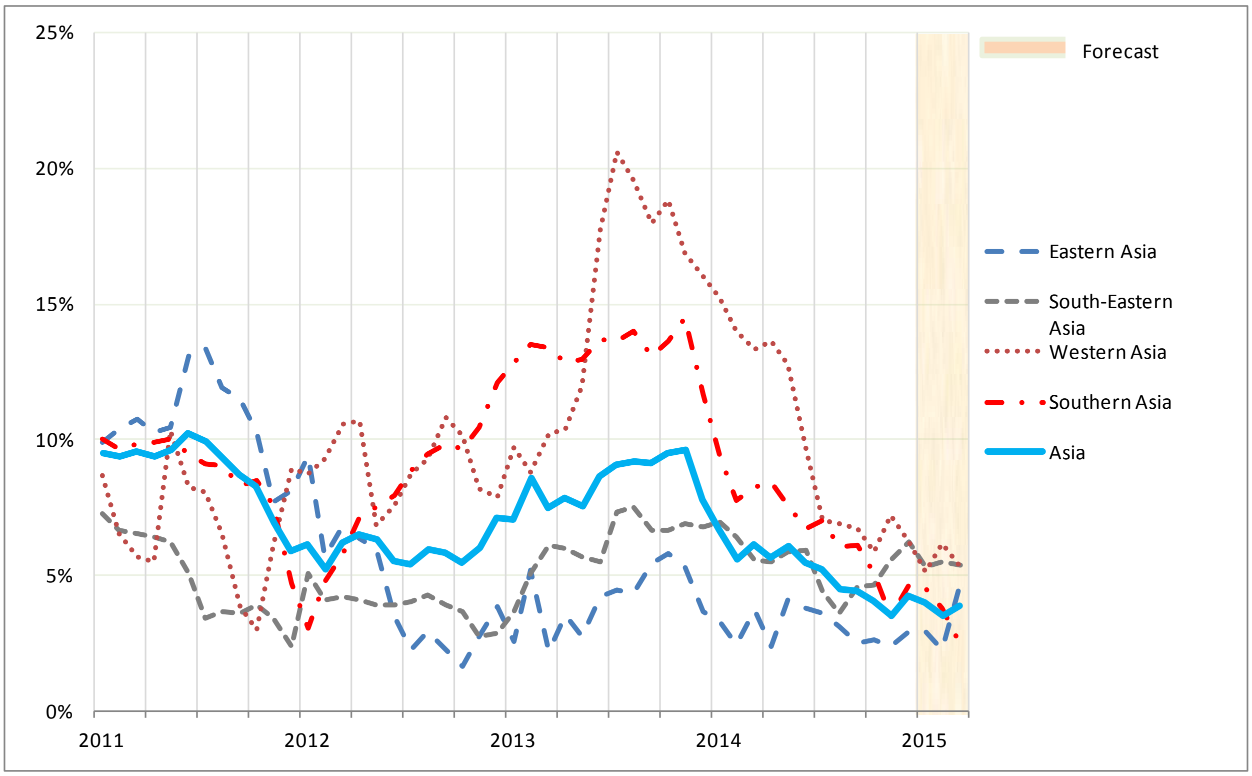
[7] USDA, http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Mexican%20Junk%20Food%20Tax_Mexico%20ATO_Mexico_4-9-2014.pdf, *The Junk Food Tax in Mexico*;
The Wall Street Journal, http://www.wsj.com/articles/mexican-inflation-ends-2014-above-central-banks-target-1420727839, *Mexican inflation ends 2014 above central bank's target.*

Regional focus: Asia

In 2014 annual food inflation in Asia fell to 5.1%, 4.8 percentage points lower than 2011. Eastern Asia, where food inflation in 2014 was less than one third of its level in 2011 (3.1% versus 10.6%), recorded the most remarkable contraction (Table 1).

Asian consumers experienced a slowdown in food inflation almost continuously since the end of 2013 from a peak of 9.6% in November 2013 to a low of 3.5% in November 2014 before rising to 4.3% in December 2014. The contraction in food inflation up to November was common to all Asian sub-regions: more pronounced for Western and Southern Asia, and weaker for Eastern and South-Eastern Asia. Asia expects to see food price inflation stable around 4% in the first quarter of 2015 (Table 2 and Chart 4).

Chart 4: Food consumer price inflation – Asia and sub-regions (y-o-y)



Part of this decline in food inflation is due to the fall in agricultural commodity prices; however, region and country-specific factors are significant in explaining food inflation trends. Slowing food prices in China and India, the main drivers in Eastern and Southern Asia, help explain the overall rate of food inflation in the region.

China's consumer inflation remained near a five-year low in December 2014, ending at 1.5%; the inflation numbers point to weak domestic demand across the country with food inflation following the same trend as general inflation: throughout 2014, food prices rose at an average pace of 3.1%, compared to 4.7% for the same period of 2013[8].

In India, food inflation at the end of 2014 was almost one third of its 2013 rate (4% versus 11.6%) reaching in November 2014 a multi-year low (2.9%), dragged down by lower vegetable prices. Food prices have been at the core of India's struggle in the past two years to beat low growth and high inflation, economists have stated that the country needs to follow a credible inflation strategy, beyond short-term improvisation, fixing a supply chain controlled by middlemen and boosting farm productivity to prevent recurring food price shocks[9].

In Western Asia food inflation fell constantly throughout 2014 reaching 6.2% in December with a long decline starting in July 2013 when the food inflation rate was at 20.6%. Food inflation is expected to further slowdown in March 2015, down to a 5.3%. In Turkey, the most populous country in the region, food inflation remained at over 10% levels, which fuelled general inflation. Food inflation in Saudi Arabia slowed throughout 2014, and became almost nil or even negative for Jordan and Israel.

In South-Eastern Asia food inflation halved from January to August 2014 (from 7% to 3.6%), and then picked up again and ended the year at 6.3%. In Indonesia, food inflation fell until August 2014, began to climb again in September, primarily due to soaring chili and rice prices. In the Philippines, food inflation was driven mostly by the increase of rice price, a staple food for low income families, resulting from the persistent effects of Typhoon Yolanda and causing an increase in poverty.

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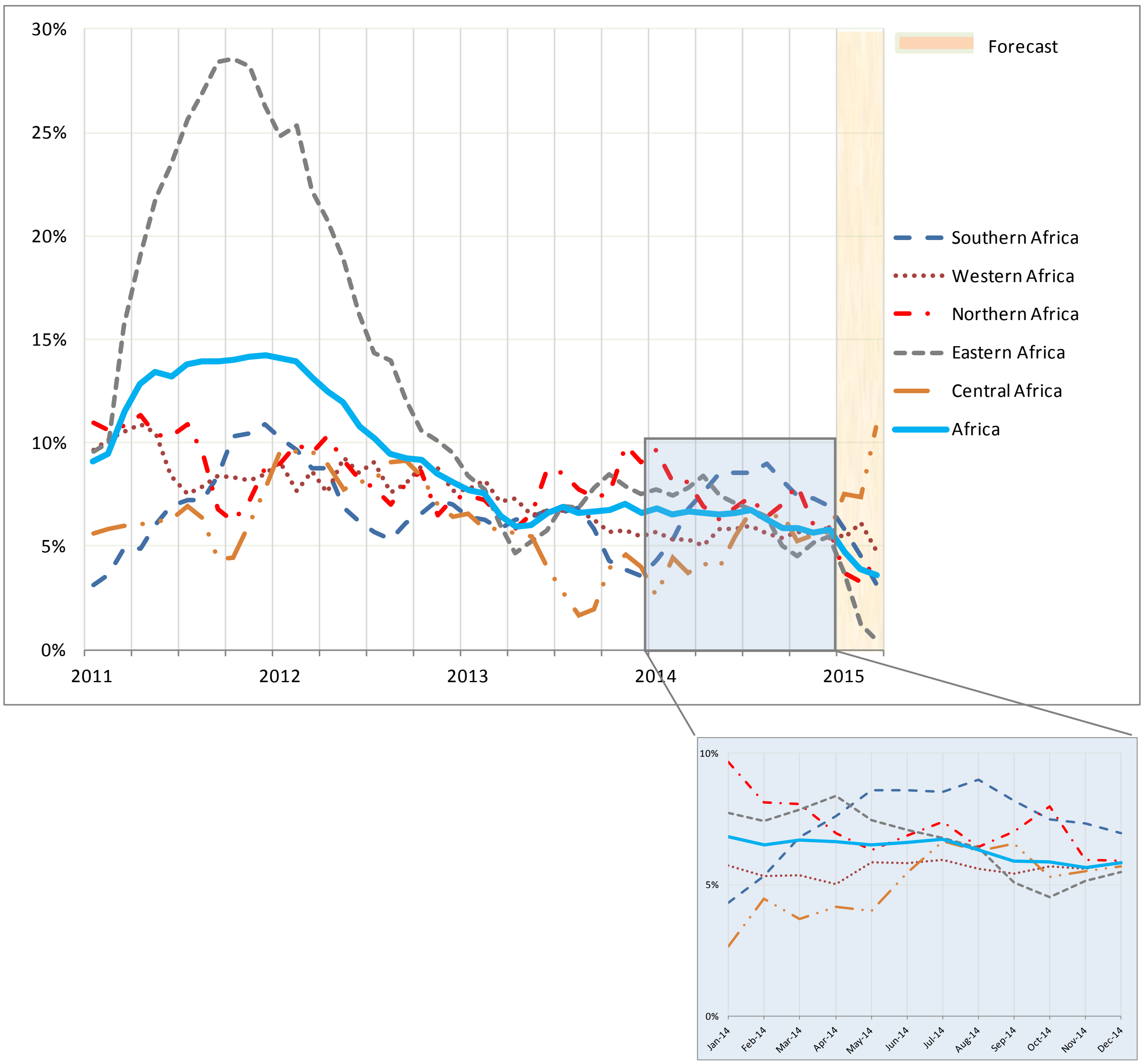
[8] BBC, http://www.bbc.com/news/business-30738406, *China's inflation rate rises to 1.5% in December.*

[9] Reuters, http://www.reuters.com/article/2014/10/14/india-economy-wpi-idUSL3N0S927F20141014, *Tamer Indian food prices send inflation to multi-year low.*

Regional focus: Africa

In Africa, annual food inflation rate halved in the last four years, from 12.8% in 2011 to 6.3% in 2014. Food inflation contracted in all sub regions except Southern Africa, where from 2011 to 2014 it has increased of 0.4 percentage points. The most noticeable decrease was recorded in Eastern Africa, the main driver of the region, where food inflation reduced of two thirds from 22% in 2011 to 6.6% in 2014 (Table 1).

Chart 5: Food consumer price inflation – Africa and sub-regions (y-o-y)



Throughout 2014, African consumers also benefitted from a downward inflation trend from 6.8% in January 2012 to 5.8% in December. Forecasts predict this downward trend to continue for the next three months, falling to 3.6% in March 2015 (Table 2 and Chart 5).

The main drivers of this reduction are Eastern Africa, the most populous sub region, and Northern Africa, the sub region where the contraction in food inflation was more pronounced, from 9.7% in January to 5.9% in December.

In Eastern Africa food inflation contracted from 7.7% to 5.5% throughout 2014, mainly driven by what happened in Uganda where food inflation went from 11% in January to a negative -2% in December, pulling down the Ugandan inflation rate. The increase in food harvests on the market and the declining fuel prices caused a drop in the prices of several agricultural commodities (in particular of Irish potatoes, pineapples, sweet potatoes, plantains, milk, sugar, bananas, cassava, and other food)[10].

In Northern Africa food inflation decreased but remained above 5% at the end of the year. In Egypt, one of the main driver accounting for about 42% of the regional average, consumers experienced throughout 2014 a significant decrease in food inflation rate from 19% in January to 8% in December 2014. Food inflation was still high at the end of the year, but the sharp fall helped also reduce the general inflation rate, to which the food contributes by about 40%.

In Western Africa, food inflation fluctuated over 6%, mainly driven by Nigeria where food inflation was high but stable around 9% throughout 2014.

In Southern and Central Africa food inflation increased, in the latter almost doubled from 2.6% to 5.7%.

In South Africa, the most populous country in Southern Africa, during 2014 consumers saw food inflation accelerate from 4% in January to 7% in December, reaching a peak of 9% from May to September. A significant portion of the rise in food prices can be attributed to a spike in the prices of maize, a critical piece of the agricultural and economic production in South Africa. The failure of both subsistence and commercial agriculture, and the failure of government intervention strategies to bolster food production contributed as well to the surge of food inflation during 2014[11].

In Central Africa, the increase in food inflation was mainly driven by Central African Republic, where due to significant declines in agricultural production food prices increased on average by 26% from February to June 2014.

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[10] The Indipendent, Kampala, http://www.independent.co.ug/business/business-news/9134-food-prices-push-annual-inflation-down-to-49, *Food prices push annual inflation down to 4.9%*;
http://allafrica.com/stories/201501052336.html, *Uganda: Food price push December inflation down to 1.8 percent*;
http://www.independent.co.ug/business/business-news/9676-ugandas-year-on-year-inflation-down-to-13-, *Uganda's year-on-year inflation down to 1.3%;*
New Vision, Uganda's Leading Daily http://www.newvision.co.ug/news/664347-january-inflation-down-to-1-3.html, *The purchasing power of the shilling is up. Recent data from the Uganda Bureau of Statistics (UBOS) indicates that year-on-year inflation dropped to 1.3% at the end of January*.

[11] Market Realist, http://marketrealist.com/2014/12/food-inflation-key-economic-indicator-south-african-economy/, *Food inflation is key indicator of economy in South Africa*.

Agricultural commodity prices and consumer food price inflation

A comparison of the historical trend of the agricultural commodity prices inflation measured by the FPI[12] against the food price inflation measured by the global food CPI confirms that the FPI could be a leading indicator of future consumer food price inflation (Chart 6). The FPI and the global food CPI have indeed moved in the same general direction since the end of the year 2001, with the food CPI usually lagging behind the FPI. This is particularly noticeable for peaks and troughs, such as during the food price crisis of 2007-08, and the sharp decline in food prices of 2009.

Chart 6: The global food CPI and the FPI

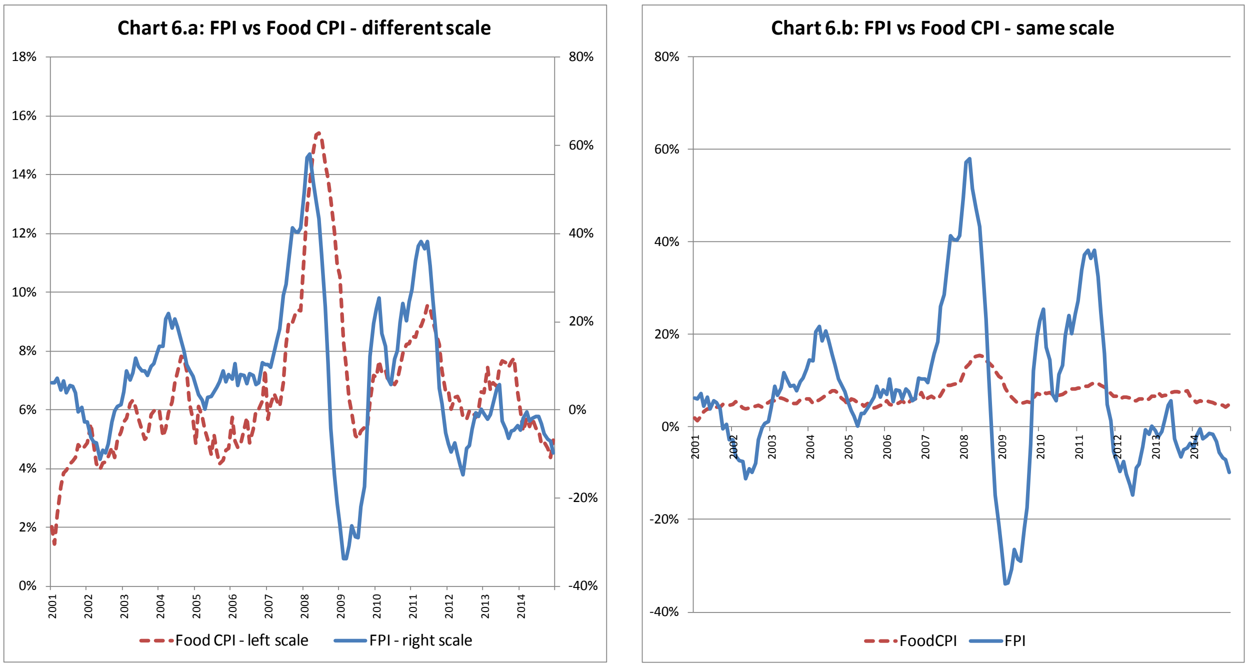

Chart 6 provides a comparison of the two indicators; in Chart 6.a the use of different measurement scales highlights that the two indices move in the same direction, however when looking at the same measurement scale (Chart 6.b), it is clear that the volatility in the FPI is not fully transmitted to the global food CPI.

Several factors may explain the limited price transmission from international markets to the domestic economy, including public policy, such as border measures or interventions on domestic markets in terms of price controls and subsidies that can insulate local prices from world markets. Other factors include: changes in exchange rates, transport costs, market imperfections other than the domestic market structure, and the length of the value-chain.

[12] The FAO Food Price Index is a measure of the monthly change in international prices of a basket of food commodities. It consists of the average of five commodity group price indices, weighted with the average export shares of each of the groups for 2002-2004.

Box 1 Data revisions

- With this release, a number of countries has been added to the computation of global, regional and sub-regional Food CPIs: Azerbaijan for Western Asia, Mozambique for Eastern Africa, Bahamas for Latin America and Caribbean and Guyana for South America.

Definitions and Acknowledgements

FAO's Global and Regional Food Consumer Price Indices (CPI) measure food inflation for a group of countries at different geographical scales: sub-regional (e.g. South America), regional (e.g. Americas) and global (all countries). The Global Food CPI covers approximately 150 countries worldwide representing more than 90% of the world population . Unless otherwise stated, monthly inflation rates represent annual year-over-year inflation.

Aggregation uses population weights, which may better reflect the impact of food inflation on consumers than Gross Domestic Product (GDP) weights . The use of GDP weights also gives higher to countries less exposed to food insecurity, as consumers in countries with higher GDP tend to be richer, spend a lower proportion of their income on food, and benefit from an economic environment characterized by lower and less volatile consumer price inflation.

The sources of official country CPIs includes the International Labour Organization (ILO), the UN Statistics Division and websites of national statistical offices or central banks. We gratefully acknowledge the Statistics Division of the ILO for their methodological and technical guidance on the compilation of global and regional food inflation indices. In 2015 the IMF will take over from the ILO the responsibility for compiling an international database of official national CPIs, as per an agreement between the IMF, the ILO and FAO.

Global and regional food CPIs should be interpreted with caution due to conceptual and methodological differences across countries in the compilation of their official CPIs.

Next Release

Country Consumer Food Price Indices are updated every month on FAOSTAT, while Regional and Global indices are updated every quarter. The next release presenting global and regional trends will be on October 31th, 2015.

Contact information

For more information, or to enquire about concepts, methods or data quality, contact the Price Statistics Team of FAO's Statistics Division (Price-Statistics@fao.org / +39 0657052553)