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# COMMITTEE ON COMMODITY PROBLEMS

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**FAO FOOD PRICE INDEX**

## I. INTRODUCTION

1. The FAO Food Price Index (FFPI) 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<sup>1</sup> price indices weighted by the average export shares of each of the groups over 2014-2016. A feature article published in the June 2020 edition of the Food Outlook presents the revision of the base period for the calculation of the FFPI and the expansion of its price coverage, to be introduced from July 2020. A November 2013 article contains technical background on the previous construction of the FFPI.

2. This document presents developments in the FFPI in May 2022. The next update of the FFPI, covering the month of June, will be released on 8 July 2022.

## II. THE FFPI IN MAY 2022

3. The FAO Food Price Index\* (FFPI) averaged 157.4 points in May 2022, down 0.9 points (0.6 percent) from April, marking the second consecutive monthly decline, but remained 29.2 points (22.8 percent) above its value in the corresponding month last year. The drop in May was led by declines in the vegetable oil and dairy price indices, while the sugar price index also fell to a lesser extent. Meanwhile, cereal and meat price indices increased.

4. The FAO Cereal Price Index averaged 173.4 points in May, up 3.7 points (2.2 percent) from April and as much as 39.7 points (29.7 percent) above its May 2021 value. International wheat prices rose for a fourth consecutive month, up 5.6 percent in May, to average 56.2 percent above their value last year and only 11 percent below the record high reached in March 2008. The steep increase in wheat prices was partly in response to an export ban announced by India amidst concerns over crop conditions in several leading exporting countries, as well as reduced production prospects in Ukraine because of the war. By contrast, international coarse grain prices declined by 2.1 percent in May but remained 18.1 percent above their value a year ago. Slightly improved crop conditions in the United States of America, seasonal supplies in Argentina and the imminent start of Brazil's main maize harvest led world maize prices to decline by 3.0 percent; however, they remained 12.9 percent above their level of May 2021. Similarly, international sorghum prices also fell in May, down by 3.1 percent, while spillover from the strength in wheat markets and concerns over crop conditions in the European Union boosted barley prices by 1.9 percent. International rice prices increased for the fifth successive month in May. Quotations strengthened in all the major market segments, but monthly increases were least pronounced (2.6 percent) for the most widely traded Indica varieties, amid ample supplies, especially in India.

5. The FAO Vegetable Oil Price Index averaged 229.3 points in May, down 8.3 points (3.5 percent) month-on-month, yet remaining markedly above its year-earlier level. The monthly decline mainly reflects lower prices across palm, sunflower, soy, and rapeseed oils. International palm oil prices weakened moderately in May. Apart from demand rationing, the removal of Indonesia's short-lived export ban on palm oil alleviated the pressure on world prices, although a further price drop was contained by uncertainties over the country's export prospects. Meanwhile, world price quotations for sunflower oil fell from recent record highs, with stocks continuing to accumulate in Ukraine owing to logistical bottlenecks. International soy and rapeseed oil prices also declined somewhat in May, chiefly weighed by sluggish import demand in view of elevated costs in recent months.

6. The FAO Dairy Price Index averaged 141.6 points in May, down 5.1 points (3.5 percent) from April, marking the first decline after eight consecutive monthly increases, but still 20.5 points (16.9 percent) higher than its level in May of last year. World prices of all milk products fell, with milk powders declining the most, underpinned by lower demand, partly on market uncertainties stemming from the COVID-19 related measures in China, despite the persistent global supply tightness. Butter

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<sup>1</sup> The commodity groups covered by the FFPI are cereals, vegetable oils, meat, dairy products and sugar.

prices also dropped significantly due to weaker import demand in tandem with some improvements to supplies from Oceania and limited internal sales in Europe. Meanwhile, robust retail sales and high demand from restaurants ahead of the summer holidays in the Northern Hemisphere prevented cheese prices from falling significantly, despite weakened global import demand.

7. The FAO Meat Price Index\* averaged 122.0 points in May, up 0.6 points (0.5 percent) from April and 14.6 points (13.6 percent) from a year ago, setting a new all-time high, driven by a steep rise in world poultry meat prices, more than offsetting declines in pig and ovine meat prices. In May, poultry meat prices rose, reflecting the continued supply chain disruptions in Ukraine and recent cases of avian influenza amid a surge in demand in Europe and the Middle East. Meanwhile, international bovine meat prices remained stable, as increased supplies from Brazil and Oceania were adequate to meet persistently high global demand. By contrast, world pig meat prices fell on high export availabilities, especially in Western Europe, amid lacklustre internal demand and expectations for releasing pig meat from the European Commission's Private Storage Aid scheme. International prices of ovine meat also dropped, reflecting the impact of currency movements.

8. The FAO Sugar Price Index averaged 120.3 points in May, down 1.3 points (1.1 percent) from April, marking the first decline after sharp increases registered in the previous two months; however, it was up 13.5 points (12.6 percent) from May 2021. The recent monthly decline in international sugar price quotations was triggered by limited global import demand and good global availability prospects, mostly stemming from a bumper crop in India. Depreciation of the Brazilian real against the US dollar and lower ethanol prices also contributed to lower world sugar prices in May. However, uncertainties over the current season's outturn in Brazil, the world's largest sugar exporter, prevented more substantial price declines.

*\* Unlike for other commodity groups, most prices utilized in the calculation of the FAO Meat Price Index are not available when the FAO Food Price Index is computed and published; therefore, the value of the Meat Price Index for the most recent months is derived from a mixture of projected and observed prices. This can, at times, require significant revisions in the final value of the FAO Meat Price Index which could in turn influence the value of the FAO Food Price Index.*

FAO food price index							
	Food Price Index <sup>1</sup>	Meat <sup>2</sup>	Dairy <sup>3</sup>	Cereals <sup>4</sup>	Vegetables Oils <sup>5</sup>	Sugar <sup>6</sup>	
2004	65.6	67.6	69.8	64.0	69.6	44.3	
2005	67.4	71.8	77.2	60.8	64.4	61.2	
2006	72.6	70.5	73.1	71.2	70.5	91.4	
2007	94.3	76.9	122.4	100.9	107.3	62.4	
2008	117.5	90.2	132.3	137.6	141.1	79.2	
2009	91.7	81.2	91.4	97.2	94.4	112.2	
2010	106.7	91.0	111.9	107.5	122.0	131.7	
2011	131.9	105.3	129.9	142.2	156.5	160.9	
2012	122.8	105.0	111.7	137.4	138.3	133.3	
2013	120.1	106.2	140.9	129.1	119.5	109.5	
2014	115.0	112.2	130.2	115.8	110.6	105.2	
2015	93.0	96.7	87.1	95.9	89.9	83.2	
2016	91.9	91.0	82.6	88.3	99.4	111.6	
2017	98.0	97.7	108.0	91.0	101.9	99.1	
2018	95.9	94.9	107.3	100.8	87.8	77.4	
2019	95.1	100.0	102.8	96.6	83.2	78.6	
2020	98.1	95.5	101.8	103.1	99.4	79.5	
2021	125.7	107.7	119.1	131.2	164.9	109.3	
2021	May	128.1	107.4	121.1	133.7	174.9	106.8
	June	125.3	110.7	119.9	130.3	157.7	107.7
	July	124.6	114.1	116.7	126.3	155.5	109.6
	August	128.0	113.4	116.2	130.4	165.9	120.5
	September	129.2	112.7	118.1	132.8	168.6	121.2
	October	133.2	112.0	121.5	137.1	184.8	119.1
	November	135.3	112.5	126.0	141.4	184.6	120.2
	December	133.7	111.0	129.0	140.5	178.5	116.4
2022	January	135.6	112.1	132.6	140.6	185.9	112.7
	February	141.1	113.4	141.5	145.3	201.7	110.5
	March	159.7	119.3	145.8	170.1	251.8	117.9
	April	158.3	121.4	146.7	169.7	237.5	121.5
	May	157.4	122.0	141.6	173.4	229.3	120.3

**1 Food Price Index:** Consists of the average of 5 commodity group price indices mentioned above, weighted with the average export shares of each of the groups for 2014-2016; in total 95 price quotations considered by FAO commodity specialists as representing the international prices of the food commodities are included in the overall index. Each sub-index is a weighted average of the price relatives of the commodities included in the group, with the base period price consisting of the averages for the years 2014-2016.

**2 Meat Price Index:** Based on 35 average export unit values/market prices of four meat types (bovine, pig, poultry and ovine) from 10 representative markets. Within each meat type, export unit values/prices are weighted by the trade shares of their respective markets, while the meat types are weighted by their average global export trade shares for 2014-2016. Quotations for the two most recent months may consist of estimates and be subject to revision.

**3 Dairy Price Index:** Computed using 8 price quotations of four dairy products (butter, cheese, SMP and WMP) from two representative markets. Within each dairy product, prices are weighted by the trade shares of their respective markets, while the dairy products are weighted by their average export shares for 2014-2016.

**4 Cereals Price Index:** Compiled using the International Grains Council (IGC) wheat price index (an average of 10 different wheat price quotations), the IGC maize price index (an average of 4 different maize price quotations), the IGC barley price index (an average of 5 different barley price quotations), 1 sorghum export quotation and the FAO All Rice Price Index. The FAO All Rice Price Index is based on 21 rice export quotations, combined into four groups consisting of Indica, Aromatic, Japonica and Glutinous rice varieties. Within each varietal group, a simple average of the relative prices of appropriate quotations is calculated; then the average relative prices of each of the four rice varieties are combined by weighting them with their (fixed) trade shares for 2014-2016. The Cereal Price Index combines the relative prices of sorghum, the IGC wheat, maize and barley price indices (re-based to 2014-2016) and the FAO All Rice Price Index by weighting each commodity with its average export trade share for 2014-2016.

**5 Vegetable Oil Price Index:** Consists of an average of 10 different oils weighted with average export trade shares of each oil product for 2014-2016.

**6 Sugar Price Index:** Index form of the International Sugar Agreement prices with 2014-2016 as base.