

Case Study on Global Food Outlook 2016

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ABSTRACT

Global food commodities markets are stable. Market seems will remain positive for 2016–2017. The food import bill of world is set to decline in 2016 because of lower global prices and freights compared to last year. Some segments of food were analyzed below with respects to production, supply and price.

Keywords: *Export, global prices, market, products*

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INTRODUCTION

Meat and Meat Products

World meat production is expected to reach at 321 million tons in 2016–2017. Poultry may register growth, followed by bovine and ovine meat, while pig meat output could decline. Global meat trade is expected to grow at 2.8 percent to 30.6 million tonnes. United States, Brazil, the EU, India and the Russian Federation have increased production. China, Australia and South Africa saw reduced production.

Poultry meat trade is going to reach at 12.7 million tonnes in 2016, a rise of 3.5 percent. Saudi Arabia, South Africa, Japan, Viet Nam, Cuba and the United Arab Emirates have increased import demand. Brazil, the United States and Thailand are prominent suppliers of the rising demand [1].

Pigmeat exchange could encounter a moment year of development, expanding by 4.4 percent to 7.5 million tons. Bringing in nations should build their buys, including Mexico, China, the Russian Federation, the United States, Japan, the Republic of Korea and Australia. Exports will develop in the United States, Canada, the EU and Brazil.

Fares of cow-like meat could ascend by 1.3 percent to 9.3 million tons, following a decrease of 5.0 percent in 2015. Demand is developing in China, Malaysia, the Islamic Republic of Iran and the Republic of Korea and a restricted recuperation in buys by the Russian Federation are required to be the principle drivers of extension in ox-like meat exchange 2016.

FAO Meat Price Index in July 2016

Average prices for meat have continued on surge. In June it is 158.3 and in July it is 159 points. This is because of Brazil recorded strong surge in sales of poultry meat from Japan and Saudi Arabia. Chicken prices are overall increased by 10% since January 2016. EU is emerged as largest exporters of pigmeat. Generally, lower feed prices over the period encouraged meat production in many countries although in some region climatic setback in particular drought affected beef and sheep meat production while in others animal diseases depressed pigmeat and poultry output.

In terms of global trade expansion bovine meat, pigmeat and poultry are expected to see growth.

Dairy and Dairy Products

International dairy product prices remained declined during the first five months of 2016, because of low import demand and enough export availability. Milk production continues to increase in many countries. World milk production will be at 816 million tonnes in 2016–2017. Milk production will increase in Europe, Asia and the Americas, but anticipated to decrease in Africa and Oceania. During the first part of 2016, export availability was generally in excess of demand, resulting in the accumulation of stocks of some products in several exporting countries. While from January to May 2016 prices of butter and cheese fell by more than those of milk powders, the largest decline since 2014 was in the prices of milk powders. Low international prices for dairy products are expected to revive world demand, which could boost trade in dairy products by 1.5 percent to 73.2 million tonnes of milk in 2016 [2].

The main drivers for expected rise in trade for 2016 are a continued expansion of purchases in Asia, including by Viet Nam, Bangladesh, Sri Lanka and the Republic of Korea, with a limited recovery in import demand expected in China, and, in the other regions, greater deliveries to the Russian Federation, the United States and Algeria. Nigeria, Venezuela, Saudi Arabia, Yemen and Brazil are predicted to reduce imports.

The FAO Dairy Price Index found the middle value of 154.6 focuses in August, up 12.3 focuses (8.6 percent) from July and around 14 percent from a year ago. Costs ascended for all the dairy products that make the Index, specifically for cheddar, entire drain powder and spread. The most recent increment affirmed a remarkable change in advertise assessment, as falling milk generation in the EU, combined with an unexceptional opening to the dairy year in Oceania, indicated more tightly send out supply

prospects than had been before foreseen. Skimmed drain powder citations were quieted, upheld by huge EU mediation stocks, which were viewed as a potential future wellspring of supply.

Sugar Outlook

Global sugar production can reach at 210MT by 2025 at 2.1% growth rate. More production is possible in countries producing sugarcane rather than sugar beet, and the main driver of output growth is area expansion, notably in Brazil, even though yield improvements are foreseen for sugar crops and sugar processing in some other producing countries (India and Thailand).

Australia, European Union, and Thailand are expected to export more at the event of more demand of sugar. Brazil will remain the world's major producer and exporter, but lose market share at the start of the period, opting for more profitable ethanol production in the short-term.

India Sugar Outlook

India was estimated to produce 28 million tonnes (MT) in the 2015-16 sugar season starting from October to September. However, till March end, Indian sugar mills have produced 23.7 million tonnes, down 1.1 million tonnes from last year. As on March 31, out of 366 sugar mills only 215 mills were operating, with adverse implications for overall sugar production. Maharashtra (largest producing State) has produced 8.2 MT against last year's 9.36 MT. Karnataka has produced only 4.01 MT against 4.24 MT last year.

According to revised government estimates and ISMA, sugar production for the current year will be 25.6 and 26 MT, respectively, compared to 28.3 MT produced in 2014–2015 ISMA estimates that sugar stocks at the end of sugar season 2015–2016 will be 7.5 MT compared to 9.1 MT a year back.

Besides production deficit, things started looking brighter for sugar export as

international sugar prices soared by over \$50/tones. The Maharashtra government has waived the 3 percent tax on cane purchase for mills that are able to export 12 percent of their sugar output in the October 2015–September 2016 period. The prospect of sugar exports in the near future is dark. India may cross 2MT export in current year or even low.

The FAO sugar price index averaged 285.6 points in August, up 6.9 points (2.5 percent) from July, reaching its highest level since October 2012 and as much as 75 percent above the corresponding period last year. The latest surge in sugar prices was largely on account of a continuous strengthening of the Brazilian currency (real), which appreciated by another 2 percent against the US dollar in August. Expectations of a significant deficit in global markets in 2016/2017 and prospects of reduced inventories in Asia also underpinned international sugar quotations [3].

What FAO Meat Price Index Means and Indicates?

Meat Price Index

Registered from normal costs of four sorts of meat, weighted by world normal fare exchange shares for 2002–2004. Wares incorporate two poultry items, three ox-like meat items, three pig meat items, and one ovine meat item [4]. There are 27 price quotations in total used in the calculation of the index. Where more than one quotation exists for a given meat type, a simple average is used. Prices for the two most recent months may be estimates and subject to revision.

The FAO meat price index helps in understanding global market for all stakeholders who are involved in the trade of all category of meat. FAO food price index is global indicator of food production, changes in food prices and

trade happening. FAO Meat price index is an important constituent of global food price index.

How Milk Price Index Is Calculated and What It Indicates?

Consists of butter, SMP, WMP, and cheese price quotations; the average is weighted by world average export trade shares for 2002–2004. It indicates International dairy product prices remained declined during the first five months of 2016, because of low import demand and enough export availability. Milk production continues to increase in many countries. World milk production will be at 816 million tonnes in 2016–2017. Milk production will increase in Europe, Asia and the Americas, but anticipated to decrease in Africa and Oceania. During the first part of 2016, export availability was generally in excess of demand, resulting in the accumulation of stocks of some products in several exporting countries. While from January to May 2016 prices of butter and cheese fell by more than those of milk powders, the largest decline since 2014 was in the prices of milk powders. Low international prices for dairy products are expected to revive world demand, which could boost trade in dairy products by 1.5 percent to 73.2 million tonnes of milk in 2016.

How Sugar Price Index Is Calculated and What It Indicates?

Index form of the International Sugar Agreement prices with 2002–2004 as base. Besides production deficit, things started looking brighter for sugar export as international sugar prices soared by over \$50/tones. The Maharashtra government has waived the 3 percent tax on cane purchase for mills that are able to export 12 percent of their sugar output in the October 2015–September 2016 period. The prospect of sugar exports in the near future is dark. India may cross 2 MT export in current year or even low [5].

CONCLUSION

The case study is based on secondary data available on FAO and other websites.

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 6 commodity group price indices (meat, dairy, cereals, oils and fats, and sugar) weighted with the average export shares of each of the groups for 2002-2004; in total 55 commodity quotations considered by FAO. Commodity specialists as representing the international prices of the food commodities noted are included in the overall index. It represents the market dynamics in world food situation.

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