

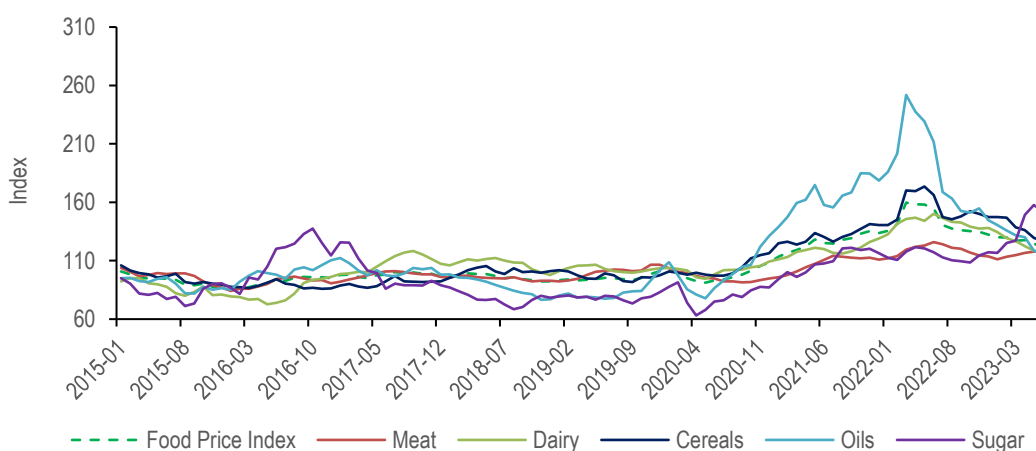
Global Food Price Index continued to moderate in June 2023

The FAO Food Price Index, a measure of the monthly change in international prices of a basket of food commodities, averaged 122 points in June 2023, down by 1% from the previous month and as much as 23% below the peak it reached in March 2022. The month-on-month decline in the index in June reflected drops in the indices for sugar, vegetable oils, cereals and dairy products.

Essentially, these commodities' price decline reflects large global supplies and the expected good crop in the upcoming 2023/24 season. In the near term, specifically on cereals and vegetable oils, the increased seasonal supplies from ongoing harvests in Argentina and Brazil have been the major factor behind the decline in prices, and the long-term production prospects for the 2023/24 season are positive and supportive of a declining trend in prices. Moreover, the large grain supplies in Russia, where the wheat export tax decreased in June, continued to weigh on prices. Regarding vegetable oils, the relatively lower global prices of palm and sunflower oils were the major drivers of the continued decline in this price index. The major driver behind the price direction of these commodities is the large global supply and the subdued demand from the specific importing regions.

These global price dynamics imply South Africa, as part of the global agricultural market, will also have a similar experience with a lag. Therefore, this continued moderation in global agricultural prices will likely persist in the domestic market, as has been the case in the past few months. In essence, this means that agricultural commodity prices will likely continue to soften from last year's levels, although not to the extent that we are back at pre-covid-19 levels. Still, this will be sufficient to moderate consumer food price inflation. We will monitor the global meat price direction, which in June remained flat, and its impact on South Africa, as this would influence the current food inflation view.

Exhibit 1: Global Food Price Index



Source: FAO and Agbiz Research

10 July 2023

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