

World Food Prices Slid in September on Slump in Grain Prices, FAO says

World food prices fell 2 percent in September after grain prices slumped on concern demand will be hurt by an economic slowdown and on higher-than-expected stocks of corn and wheat in the U.S., the biggest shipper.

An index of 55 food commodities fell to 225 points in September from 229.5 points in August, the United Nation's Rome-based Food and Agriculture Organization said. The gauge reached a record 237.7 points in February.

Corn futures in Chicago had the biggest monthly slide in at least 50 years last month, dragging down other grains and taking the pressure off rising living costs across the world. China's consumer price index probably rose 4.5 percent in the fourth quarter, down from 5 percent in the third quarter, according to the median of nine estimates compiled by Bloomberg News.

"The only reason prices are coming down is the economic slowdown," Abdolreza Abbassian, a senior economist at the FAO, said by phone before the report. "If we get more bad demand news, I wouldn't be surprised to see prices go lower."

The global economy will expand 4 percent this year and next, the International Monetary Fund said Sept. 20, cutting its June forecasts of 4.3 percent in 2011 and 4.5 percent in 2012.

Stocks and commodities dropped last month on a possible Greek default and a spreading debt crisis in Europe. The MSCI Index of stocks fell 9.7 percent in September and the S&P GSCI Index of commodities dropped 12 percent.

Corn Supplies

U.S. supplies of corn were an estimated 1.128 billion bushels on Sept. 1, the Department of Agriculture said Sept. 30, about 20 percent more than the average prediction of 24 analysts in a Bloomberg survey and signaling slower demand for grain used in animal feed and fuel.

"The key to the falling prices is what's happening on the demand side," the FAO's Abbassian said.

Corn dropped 23 percent on the Chicago Board of Trade in September, the biggest monthly decline in records going back to 1959. Wheat plunged 23 percent in the month, the biggest such drop since March 1974.

The price slide may attract buyers, according to Abbassian. Countries will spend a record \$1.29 trillion on food imports in 2011, 21 percent more than in 2010, the FAO estimates.

‘Buy Now’

“A lot of people will say this is an opportunity so they’re going to buy now,” Abbassian said. “All you need is a couple million tons of purchases and that puts the market back up. The upside can be very fast.”

The price of corn in Chicago is still 24 percent higher than a year earlier and rough rice has advanced 27 percent. Wheat has dropped 4.8 percent in the period.

Higher food costs have sent “tens of millions of people” into poverty since late 2010, and the world’s hungry people may soon exceed 1 billion again, Oxfam International said Aug. 3. The number of malnourished people in the world fell last year to 925 million from 1.02 billion in 2009, according to the FAO.

World food output will have to rise 70 percent by 2050 as the global population climbs to 9.2 billion from an estimated 6.9 billion in 2010, the FAO estimates. The price of staple foods including corn will more than double in two decades without action, Oxfam said in May.

Growth in agricultural output will slow to 1.7 percent a year through 2020, compared with 2.6 percent in the previous decade, the FAO and the Paris-based Organization for Economic Cooperation and Development said in a report in June.

The FAO, set up in 1945 as a specialized UN agency, says it leads international efforts to defeat hunger and helps developing countries improve farming. Its mandate includes lifting nutrition levels and agricultural productivity.

bloomberg