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# THE FAO FOOD PRICE INDEX

AN INTERNATIONAL FOOD PRICE METRIC

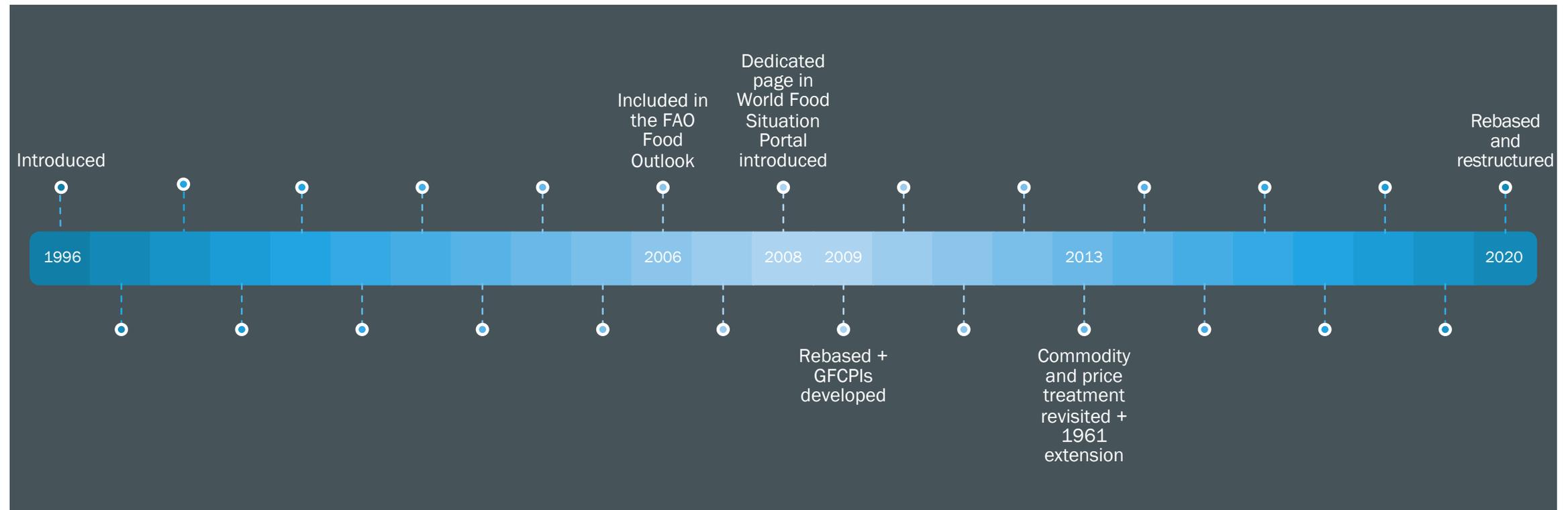
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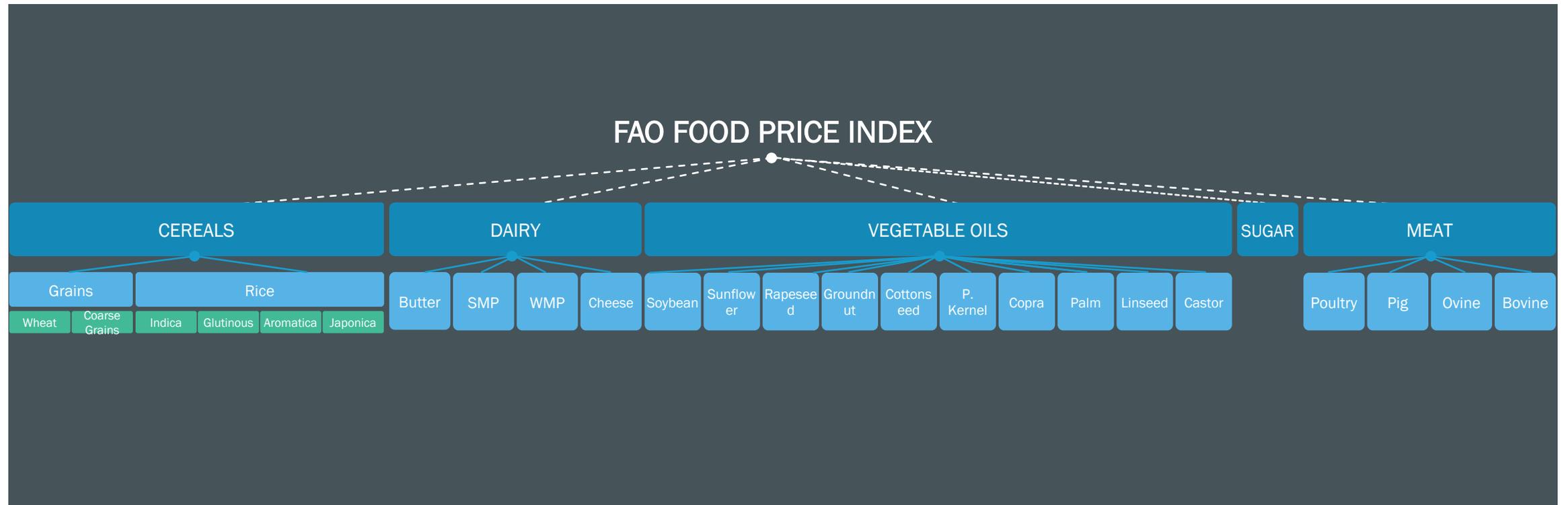
# FAO FOOD PRICE INDEX (FFPI)

A global indicator of the state of global food markets, with a 25 year+ history. It measures international price movements of a basket of food commodities over time, in nominal and real terms.

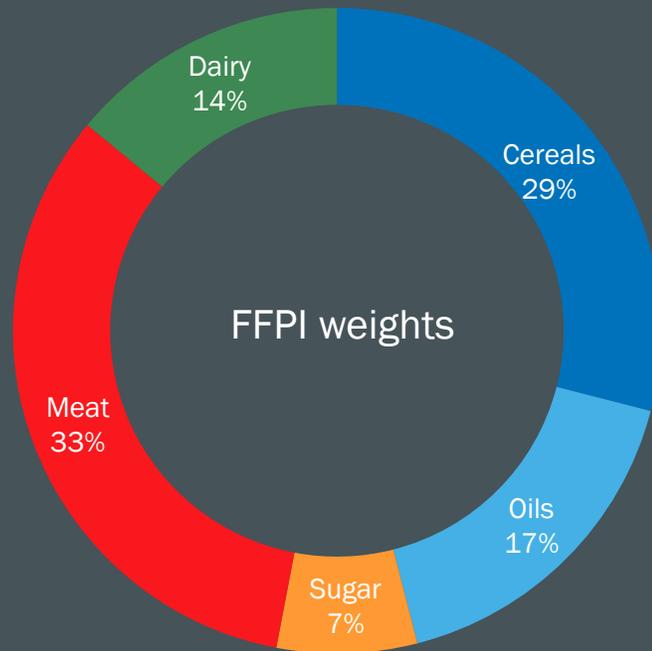


# COMMODITY COVERAGE

Encompasses 24 basic food commodities that are globally traded. These commodities are grouped into five major groups (cereals, dairy products, vegetable oils, sugar and meat), for which a respective price index is calculated.



## DATA SOURCES AND CONSTRUCTION



- **Aggregation:** The five commodity group price indices are combined by weighting them with the average export shares of each of the groups for 2014-2016. These trade weights are sourced from the FAOSTAT database.
- **Prices:** In total 95 commodity quotations (export, spot, prices), all expressed in terms of US Dollars, are included in the FFPI. These quotations are considered by FAO commodity specialists as representative international prices of the food commodities in question and sourced from various institutions, including international organizations, national statistical offices, customs administrations and industry associations. Considerable efforts are put into ensuring the completeness and comparability of underlying price data.
- **Base period:** 2014-2016.
- **Index form:** Laspeyres.
- **Frequency and span:** Monthly from January 1990 and annual from 1961 onwards.
- **Deflator:** World Bank's Manufactures Unit Value Index (MUV).
- **Review/quality assessment:** FAO commodity specialists regularly review underlying series in order to ensure the plausibility and representativeness of data, as well as the soundness of processing methods used. Broader methodological reviews of components and weights are also undertaken to assess whether they are still representative of the structure of global food trade and to identify potential improvements.

# DISSEMINATION



- **Schedule:** Figures are calculated and published based on a pre-established monthly release schedule (with releases normally falling on the first Thursday of every month). The time lag between the reference period and computation is kept to a minimum, with indices for the most part updated and released a week after the closure of the latest month.
- **Web:** Monthly updates of the Indices in tabular and graphical form are released to the wide public through a dedicated web page of the FAO World Food Situation Portal (<http://www.fao.org/worldfoodsituation/foodpricesindex/en/>), alongside a summary note describing key monthly price developments.
- **Media:** Press releases are generally issued by the FAO Media Relations office, in conjunction with the monthly publication of the FAO Food Price Index.
- **Publications:** The FAO Food Price Index and Commodity Price Indices are reported twice a year in the Food Outlook (<http://www.fao.org/giews/reports/food-outlook/en/>), a biannual publication focusing on developments affecting global food and feed markets.
- **Commodity bulletins:** Individual Commodity Price Indices and sub-indices are also reported in product-specific publications, such as the monthly FAO Rice Price Update, the FAO Rice Market Monitor and the Oilcrops Monthly Price and Policy Update. Links to these bulletins can be found in the FAO World Food Situation Portal (<http://www.fao.org/worldfoodsituation/en/>).

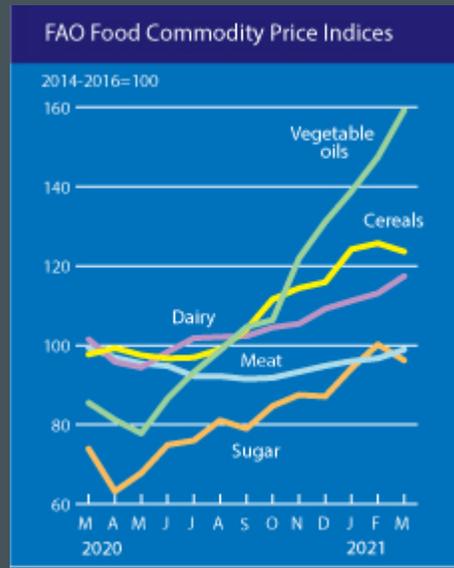
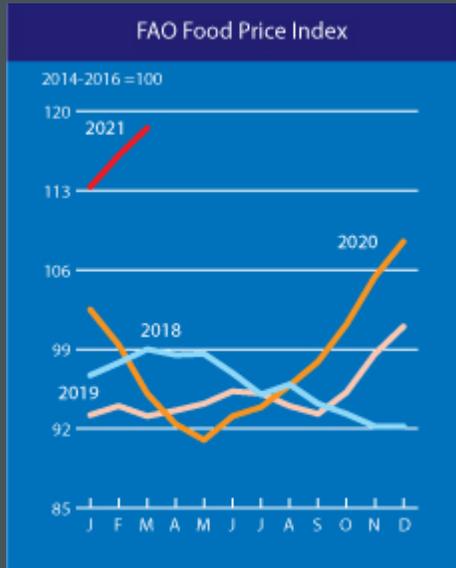
# LIMITATIONS



- **Data lags:** Inevitable lag times in data reporting from originating institutions may occur. When this is the case and a specific quotation is unavailable for a given month, indices are computed using estimates derived by FAO commodity specialists. This implies that datapoints for some most recent months may be subject to revision.
- **Commodity coverage:** The FFPI encompasses the major basic food commodity groups that are globally traded. Lack of readily available and regularly updated export quotations for other food products have limited efforts to expand its composition to other food groups.
- **Price transmission:** The FFPI measures changes in international (export) quotations. Whether or not changes in global prices are transmitted to national level consumer prices depends on individual market circumstances of the country and commodity in question.
- **Food security implications:** The structure of global commodity exports, upon which the FFPI is anchored, may not reflect the composition of imports by developing countries. The FAO Global Food Consumption Price Indices (GFCPIs) were developed to address these concerns. The GFCPIs assess international food price developments by weighing the individual commodity groups using their specific contribution to average caloric and protein intake, rather than their share in overall food export value. The GFCPIs are reported twice a year in the Food Outlook (<http://www.fao.org/giews/reports/food-outlook/en/>).

# RECENT TRENDS

Following ten months of steady gains, in March 2021, the FFPI stood at its highest levels since June 2014 and 25 percent above its year-earlier value. Prices of vegetable oils and cereals have driven much of the increase since last year, although prices of all commodity groups represented in the Index have risen, with the exception of meat. Still, by March 2021, all commodity price indices remained below their historical peaks.



| Index      | Peak Date: Value | Mar-21 Value | Mar-21 / peak values |
|------------|------------------|--------------|----------------------|
|            | points           |              | %                    |
| FFPI       | Feb-11: 138      | 119          | -14%                 |
| Cereals PI | Mar-08: 163      | 124          | -24%                 |
| Oils PI    | Jun-08: 178      | 159          | -11%                 |
| Sugar PI   | Jan-11: 183      | 96           | -47%                 |
| Meat PI    | Aug-14: 119      | 99           | -17%                 |
| Dairy PI   | Feb-14: 156      | 117          | -25%                 |

# OVER THE PAST DECADE

Did food prices go up or down in 2011-2020 compared to 2001-2010?

| FAO Food Price Indices    |                  |                  |                   |                     |                  |                   |
|---------------------------|------------------|------------------|-------------------|---------------------|------------------|-------------------|
| 2014-2016=100, real terms |                  |                  |                   |                     |                  |                   |
| Year                      | Food Price Index | Meat Price Index | Dairy Price Index | Cereals Price Index | Oils Price Index | Sugar Price Index |
| 2001                      | 71.8             | 80.6             | 79.5              | 67.7                | 55.5             | 69.8              |
| 2002                      | 70.2             | 72.9             | 60.9              | 73.5                | 72.9             | 56.4              |
| 2003                      | 72.6             | 73.3             | 68.5              | 74.6                | 78.6             | 55.1              |
| 2004                      | 77.1             | 79.5             | 82.2              | 75.3                | 81.9             | 52.2              |
| 2005                      | 76.8             | 81.9             | 88.1              | 69.3                | 73.4             | 69.8              |
| 2006                      | 80.7             | 78.4             | 81.3              | 79.2                | 78.4             | 101.7             |
| 2007                      | 98.8             | 80.6             | 128.3             | 105.8               | 112.4            | 65.4              |
| 2008                      | 114.3            | 87.7             | 128.7             | 133.9               | 137.2            | 77.0              |
| 2009                      | 95.1             | 84.2             | 94.8              | 100.8               | 97.9             | 116.4             |
| 2010                      | 106.8            | 91.0             | 111.9             | 107.5               | 121.9            | 131.8             |
| 2011                      | 118.8            | 94.9             | 117.0             | 128.1               | 140.9            | 145.0             |
| 2012                      | 111.5            | 95.3             | 101.3             | 124.7               | 125.5            | 121.0             |
| 2013                      | 109.5            | 96.8             | 128.4             | 117.7               | 108.9            | 99.8              |
| 2014                      | 106.3            | 103.8            | 120.4             | 107.1               | 102.2            | 97.2              |
| 2015                      | 95.1             | 98.9             | 89.1              | 98.0                | 92.0             | 85.0              |
| 2016                      | 97.8             | 96.8             | 87.9              | 93.9                | 105.8            | 118.7             |
| 2017                      | 100.8            | 100.5            | 111.0             | 93.5                | 104.7            | 101.9             |
| 2018                      | 94.2             | 93.3             | 105.4             | 98.9                | 86.3             | 76.1              |
| 2019                      | 95.6             | 100.6            | 103.4             | 96.9                | 83.7             | 79.1              |
| 2020                      | 99.1             | 96.6             | 102.9             | 103.8               | 100.5            | 80.4              |

Baseline period, FFPI Avg: 86.4 points

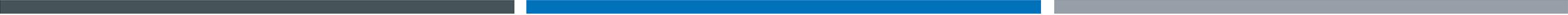
Period of wagger FFPI Avg: 102.9 points

Stan Becker: **UP**

David Lam: **DOWN**

Calculation of amount owed by Professor Lam to Professor Becker for wagger on food prices

| Food group   | Ratio of food prices 2011-2020 to prices 2001-2010 | (Ratio -1) * \$200 (\$ amount) |
|--------------|--|--------------------------------|
| meat         | 1.21   | 42                             |
| dairy        | 1.15   | 30                             |
| cereal       | 1.20   | 40                             |
| oil          | 1.15   | 30                             |
| sugar        | 1.26   | 52                             |
| <b>Total</b> |  | <b>\$194</b>                   |



# Thank You

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