

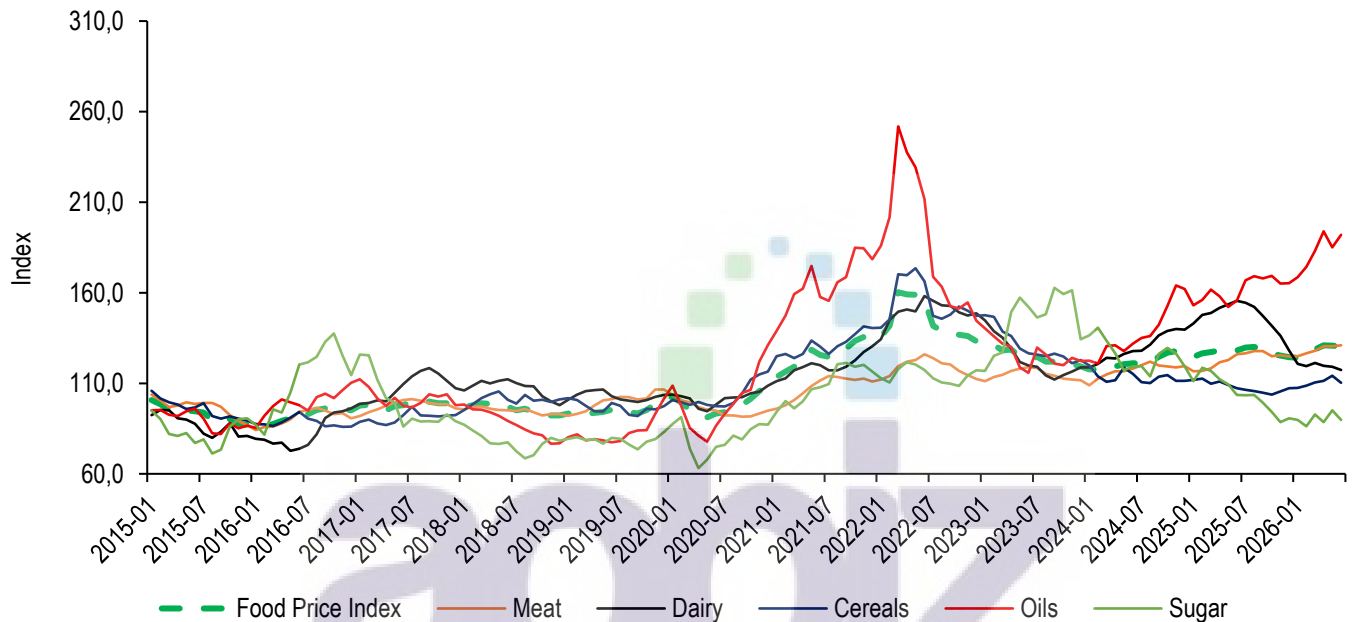
July 3, 2026

Some slight relief on global food prices

- Global food prices have slightly eased in June 2026, after an uptick over the past few months driven by concerns about the war in the Middle East and a likely drought in some parts of the world. The FAO's Global Food Price Index, a measure of the monthly change in international prices of a basket of food commodities, fell mildly by 0.3% from May, and is now at 130 points. Sugar, grains, and dairy products were the key drivers of the easing in global food prices.
- While the monthly easing is welcome, the Index remains 2% higher than a year ago. With the likely end of the U.S.-Iran war, the environment over the coming months may be much better for food prices. There were concerns that the war would start, leading to some upside pressure on global food prices. Still, the Middle East war was not going to cause as much devastation in global food prices as what we saw during the start of the Ukraine-Russia war. In fact, the FAO's Global Food Price Index is 19% below its peak reached in March 2022, when the Russia-Ukraine war started. Two major factors distinguish the Ukraine-Russia war from the war in the Middle East, shaping their impacts on agriculture and food prices in distinct ways.
- First, there are currently ample global grain supplies, which are adding significant downward pressure on prices. For example, the International Grains Council (IGC) forecasts the 2025-26 global grains and oilseed production at 2.5 billion tonnes, up 9% from a year ago. These include maize, wheat, soybean and rice, among major grains and oilseeds. These are not the only agricultural value chains that saw a robust harvest. We also saw ample harvests of various fruits and nuts across major producing countries worldwide.
- Second, the Middle East is not a major grain-producing region but an importer; therefore, a war at a time when we have ample grain supplies was unlikely to lead to an immediate notable surge in grain prices. Still, the war's impact on the fertiliser market was evident, raising concerns ahead of the 2026-27 agricultural season. The impact of the challenge, however, would have been more apparent in 2027 and into 2028. But with now a likely peace path, we may see fertiliser and oil prices continuously softening, which eases this likely risk for the 2026-27 agricultural season, although not completely, as some countries may have already imported fertiliser at high prices and would pass those costs on to farmers, who would ultimately have final decision-making on area plantings in the 2026-27 agricultural season. A decline in area planting would reduce agricultural supplies. Still, it remains too early to tell how the upcoming season would shape up globally, although the countries in the northern hemisphere have generally completed the planting season.

- In essence, the data released this morning show a slight easing in global food prices, reflecting ample supplies in the world market. But the risks for the seasons ahead remain due to a likely El Niño drought in some parts of the world. The pressures of higher input costs have eased somewhat. Ultimately, the farmers' planting decisions and the harvests of the 2026-27 production season will shape the coming year's global food prices.

Exhibit I: Global food price index



Source: FAO and Agbiz Research