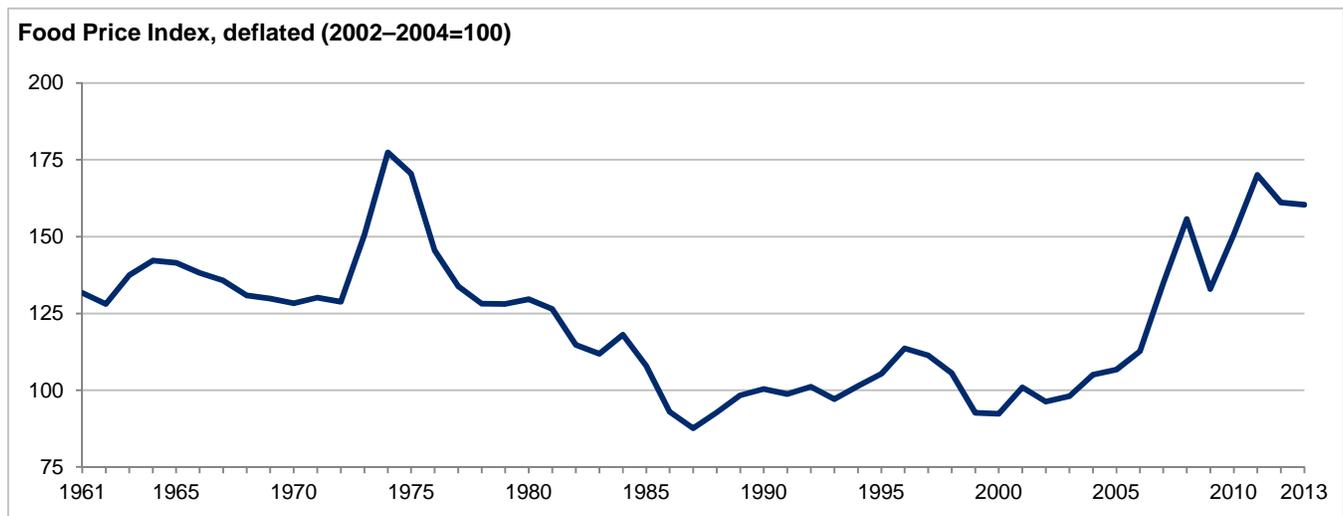


The UN Food and Agricultural Organization (FAO) introduced a few changes to its monthly FAO Food Price Index (FFPI) in the November 2013 edition. The FFPI tracks global changes in cereal, meat, dairy, oil, and sugar prices to create an overall food price index and five sub-indices. The index and sub-indices each have a nominal and deflated (constant price) version. For the November update, the overall FFPI was extended back to 1961 and there were slight changes to the composition of commodities and the method by which the FFPI is calculated.



The extension of the FFPI back to 1961 allows a longer-term look at food price changes. Deflated food prices declined significantly from their peak in 1974 to their trough in 1987, but otherwise have generally been holding steady or increasing over time. Previously, the index included prices since 1990, which was close to the low point, and as a result only showed an upward trend. The deflated index has increased 60 percent since 1990 but only 22 percent since 1961.

This update also saw changes to the commodity mix, affecting four of the five sub-indices:

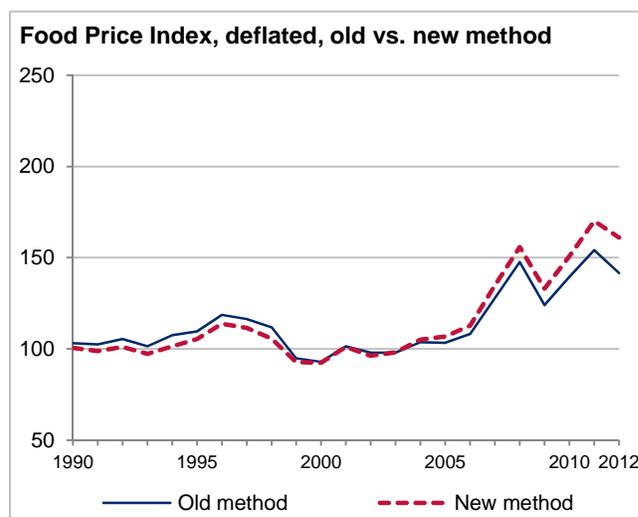
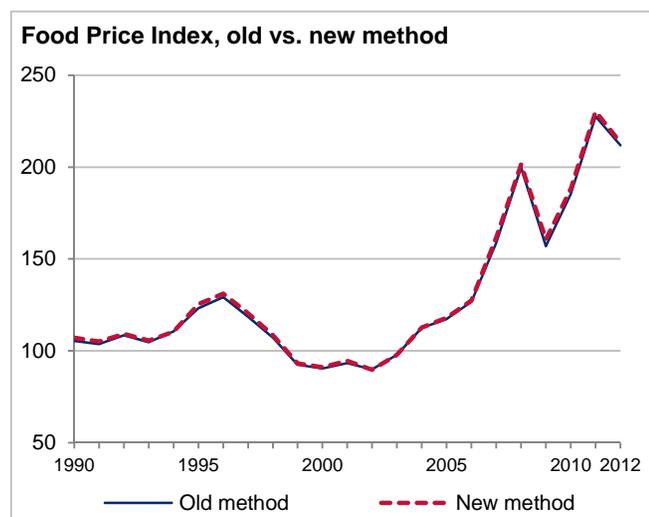
- **Cereals:** The original FFPI wheat index was replaced by a new index introduced by the International Grains Council.
- **Meat:** Two existing quotations were replaced by new series that are updated every month.
- **Dairy:** Casein protein prices were dropped and the geographic coverage of the index was extended by adding new quotations to butter, whole milk powder, and skimmed milk powder.
- **Oils:** Fish oil and tallow prices were dropped due to lack of data and to make this group consistent by including only the prices of vegetable oils.
- **Sugar:** No changes were made.



Following these changes, the index is comprised of 23 commodities and 73 price series.

In addition to the changes it made, the FAO tested different base years for the index and different weights for the commodities. The existing and tested indices showed the same trends and patterns, and the FAO decided to retain the current base period of 2002–2004 and the current weighting method that relies on the relative global exports of commodities in the base period.

The changes in the commodity mix and calculation method had a negligible impact on the index and no real change on the general trend that it shows. The graphs below compare the old and new FFPI (which shows almost no difference) and deflated FFPI (which diverges slightly in later years).



Additional Information

For questions or more information, please contact the author, Katherine Shanahan, at kshanahan@devtechsys.com.

FAO Food Price Index Data: To access the entire FFPI dataset, please visit the Economic and Social Database (ESDB) at <http://esdb.eads.usaidallnet.gov/>. The ESDB also contains other commodity price datasets, such as the World Bank's Commodity Price Data (Pink Sheet), and other sources relating to food security, such as the Economist Intelligence Unit/DuPont's Global Food Security Index.

The original FFPI and a PDF version of the special feature highlighting the changes to the index can be found at: <http://www.fao.org/worldfoodsituation/FoodPricesIndex/en/>.