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Analysis of today
Assessment of tomorrow

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The price of food will continue to rise in 2023, but at a slower rate than in 2022

After the highest level in history, recorded in April 2002, food prices are declining as the end of the year approaches, but will still remain high by historical norms during the next year. According to World Bank analysts in the last week of November, food prices are expected to fall 5% in 2023 before stabilising in 2024. Despite the expected declines, most food prices will remain high by historical norms. The forecasts are also subjected to numerous risks.

In the next year, we should expect a further decrease in the supply of cereal, although there is also a slight increase in wheat stocks in the current season, which began in August this year. With regard to stocks of corn and rice, the World Bank expects a drop by 5% and 2% respectively.

This shortage is a consequence of reduced corn production in the USA and the European Union, due to drought, or rice in China and India. On the other hand, edible oil stocks are expected to increase by 4% this season (2022/2023), where the principal contribution is from higher stocks of palm, soybean and rapeseed oil.

Despite a slight decline during the second half of this year, food prices are still as much as 25% higher than at the beginning of 2020, according to the UN's FAO Food Price Index, when the impact of the COVID-19 pandemic began.

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Further price growth in 2023 will be influenced by numerous factors, mostly the expected increase in input prices or disruptions in energy supply. The share of energy price increase in food production has increased many times over the last three years, during the COVID-19 pandemic, followed by the war in Ukraine. In the European Union, for example, in 2019 energy costs accounted for only 2% of food production, and at the moment it is estimated (ING) that they range between 7.5% and even 10%.

At the same time, some producers registered that their energy costs take up to 30% of the total production costs, especially in energy-intensive production processes, such as the mill and bakery industry, or fruits and vegetables processing. Also, the increase in energy price affects the transport component of agricultural production and in some branches it dramatically increases its share last year, for example, Dutch horticulture transport costs participated in 25% of total costs; now, 60% of total costs.

Other factors that will contribute to the further growth of food prices, although slower than this year, include further deterioration of global output, which may threaten consumer purchasing power and the even greater appreciation of the US dollar, but also unfavourable climate conditions, as well as certain restrictive trade agreements policies and restrictions.

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The USDA said their latest estimate of overall food inflation in 2002, at end-October, ranged between 9.5% and 10.5%. Grocery food price inflation for 2022 is now predicted to increase between 11% and 12%, while restaurant food prices are now projected to increase between 7% and 8%. According to USDA estimates, food inflation will slow down in the next year. The estimated growth of all food prices is between 3% and 4%, food-at-home between 2.5% and 3.5%, and growth of restaurant food price from 4% to 5%.

That still means food prices will rise in the US, but on a much smaller scale than this year, when it has been between 9.5% and 10.5%.

Similar figures on food inflation are recorded in the European Union, where this year's price growth, according to STATEC, will be 10.9%, while the estimate for 2023 is that the growth will be twice as low - from 4% to 5%.

Despite the slight optimism ahead of the next year, warnings remain about the risks of continued high food prices. “Although many commodity prices have retreated from their peaks, they are still high compared to their average level over the past five years,” said Pablo Saavedra, the World Bank’s VP for Equitable Growth, Finance and Institutions.

"A further spike in world food prices could prolong the challenges of food insecurity across developing countries. An array of policies is needed to foster supply, facilitate distribution and support real incomes."