

MONITORING OF RUSSIA'S ECONOMIC OUTLOOK

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PROSPECTS FOR GLOBAL FOOD MARKETS IN THE NEW AGRICULTURAL SEASON

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The 2026/2027 agricultural season is beginning amid heightened uncertainty caused by a combination of climate, energy, and logistics risks. Meanwhile, the fundamentals of the global food market remain relatively favorable thanks to accumulated production capacity and record grain stocks, which ensure the sector's resilience to short-term market fluctuations. A key trend of the season is the divergence in dynamics across commodity groups: the grain market is entering a phase of long-term price stagnation amid a supply surplus, while the vegetable oil market is becoming the primary source of volatility and price risks. This tension stems from the rapid growth in oil consumption by the biofuel sector, the uneven distribution of trade flows, and declining global inventories. At the same time, the state of global transportation infrastructure – including Black Sea routes and alternative logistics corridors – is of particular importance, as food availability for importing countries depends on it.

The global food market is entering the new 2026/2027 agricultural season amid high uncertainty stemming from a combination of risks related to supply, logistics, climate, and demand.

On the supply side, the most significant factors appear to be rising fuel and energy prices, potential disruptions to mineral fertilizer shipments through the Persian Gulf region, and the increased risks of maritime logistics disruptions in the Black and Azov Seas in recent months. Adverse weather conditions, including abnormally hot weather in Europe and the likely intensification of climate anomalies associated with El Niño, could exert additional pressure on production and exports.

All these factors could lead to higher production costs for agricultural goods, increased transportation and freight expenses, and greater price volatility for grains, oilseeds, and related commodity groups. The market may face not only the risk of a physical reduction in supply but also a more complex scenario in which rising costs are not fully offset by increases in selling prices. Such a scenario is particularly likely given the limited purchasing power of some buyers and importers, as well as weak macroeconomic conditions in key sales markets.

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As a result, the 2026/2027 season should be viewed as a period in which climatic, energy, logistical, and price risks converge. For market participants, this underscores the importance of cost management and more cautious planning of purchases and sales.

Despite these risks, the consensus forecast for the world's major food markets is relatively favorable due to accumulated production capacity, the industry's high inertia, and its resilience to short-term market fluctuations (*Table 1*).

Table 1

Forecasts for global production of major agricultural crops in the 2026/2027 crop year, in millions of metric tons

Source of the forecast	5-year average	2025/2026	Forecast for 2026/2027	To the 5-year average, %	To the previous year, %
Wheat					
FAO-AMIS	804.4	842.4	806.5	0.3	-4.3
IGC	805.0	844.6	820.3	1.9	-2.9
USDA-PSD	801.3	844.4	820.1	2.3	-2.9
Corn					
FAO-AMIS	1 230.5	1 320.2	1 316.8	7.0	-0.3
IGC	1 239.1	1 329.0	1 299.7	4.9	-2.2
USDA-PSD	1 235.5	1 326.7	1 300.4	5.3	-2.0
Soybeans					
FAO-AMIS	399.7	432.3	443.9	11.1	2.7
IGC	397.8	429.8	442.4	11.2	2.9
USDA-PSD	398.5	429.2	441.3	10.8	2.8

Source: According to FAO-AMIS URL: <https://www.amis-outlook.org>

The decline in wheat and corn production relative to the record-breaking 2025 is not critical and, according to current estimates (as of the end of July 2026) from leading expert organizations (FAO-AMIS, IGC, USDA), will not result in a drop below historical average level. Even with the projected decline, the 2026/2027 wheat harvest remains 1–2% above the five-year average, which ensures that basic food needs are met. For corn, the situation is even more stable – the projected harvest exceeds the five-year average by 5–7%, ensuring the availability of significant ending stocks.

Noteworthy are the differences in the intensity of grain production trends, which may act as a natural stabilizer. While wheat (a key food grain) is projected to decline by nearly 3–4% compared to the previous year, the decline in corn (the main feed crop) is minimal (only 0.3% according to the FAO-AMIS forecast). This means that the livestock and biofuel sectors will not face an acute shortage of raw materials, which will help contain rising costs in livestock production.

In contrast to grains, soybean production is showing steady growth forecast of +2.7% by 2025/2026 and more than 11% above the five-year average. A structural shift toward oilseeds continues, driven both by high demand for vegetable oils for biofuels and by the conversion of corn acreage in the U.S. due to high nitrogen fertilizer costs. A surplus of soybean meal is likely to put downward pressure on feed prices, which will partially offset rising energy costs for livestock producers.

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Even if physical production declines slightly, the world is entering the season with record grain stocks, which smooth out demand spikes and prevent speculative sentiment from driving prices up too high, even in the event of short-term logistical disruptions.

Thus, risks related to costs and logistics are counterbalanced by a situation of surplus production and accumulated stocks. This means that the rise in exchange prices for grains will most likely be limited by fundamental supply factors, and the main price pressure will shift to sectors dependent on energy-intensive processes (logistics, fertilizer production, oilseed processing) rather than to primary grain itself. For market participants, this means that the risks of a physical commodity shortage are minimal; however, the risks of profit compression due to rising processing and delivery costs remain extremely high.

The 2026/2027 season in the vegetable oil market is characterized by increased supply amid growing heterogeneity in trade flows (*Table 2*). Although the growth in physical production volumes is so far holding back a sharp spike in crude oil prices, the market is entering a phase of tension due to outpacing consumption growth – driven primarily by the expanding use of oilseeds for biodiesel production – as well as the third consecutive season of declining global inventories. Under these conditions, the vegetable oil market may become a major flashpoint in the food market in the coming years, emerging as the primary source of volatility and price risks amid stagnant grain prices.

Table 2

Forecasts for global production of major vegetable oils in the 2026/2027 agricultural year, in millions of metric tons

Type of oil	Indicator	5-year average	2025/2026	Forecast for 2026/2027	To the 5-year average, %	To the previous year, %
Palm oil	Production	77.3	81.5	81.4	5.3	0.0
	Exports	45.7	45.8	45.7	-0.1	-0.2
Raps oil	Production	33.5	36.3	37.4	11.8	3.2
	Exports	6.9	8.0	8.7	26.6	9.0
Soy	Production	65.4	72.4	74.9	14.5	3.5
	Exports	13.1	14.5	14.7	11.8	1.4
Sunflower oil	Production	21.0	21.1	23.6	12.3	11.7
	Exports	13.6	13.7	15.6	14.5	14.2

Source: According to USDA-PSD.

Palm oil exports are declining amid moderate production growth. This is due to rising domestic consumption in producing countries (Indonesia, Malaysia), which is linked, among other factors, to stricter requirements for biodiesel use. The global palm oil market is becoming less liquid, which increases its price sensitivity to any local disruptions, whether natural or regulatory in nature. Sunflower oil retains its status as the most “tradable” product; its exports account for about two-thirds of production and are growing at a faster pace. This makes the sunflower oil market highly sensitive to the state of Black Sea logistics. The situation in the soybean and rapeseed oil markets is generally stable and positive. The higher level of tradability of rapeseed oil makes its consumers more dependent on freight costs and problems in international logistics.

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The World Bank's 2026–2027 forecast for agricultural and food prices, published in April 2026, reflects the situation in the Persian Gulf but may not fully account for climatic factors this summer (*Table 3*).

Table 3

World Bank forecast for agricultural and food price indices for 2026–2027, in nominal U.S. dollars, 2010 = 100

Product categories	2024	2025	2026	2027
Agricultural commodities	115.0	115.7	109.3	110.0
Coffee, tea, cocoa	176.4	207.3	144.8	147.8
Foodstuffs	115.8	109.2	111.9	113.3
Oils and oilseeds	106.9	104.5	109.0	109.3
Grains	112.9	101.3	103.7	106.0
Other foodstuffs	130.4	122.7	123.1	125.2
Non-food agricultural raw materials (timber, cotton, tobacco)	81.6	84.9	84.9	82.6

Source: According to World Bank URL: <https://www.worldbank.org/en/research/commodity-markets>

The overall agricultural price index, after rising in 2024–2025, will decline in 2026 and then stabilize in 2027. This indicates that the World Bank is projecting a mild scenario in which current shocks (energy, logistics) do not lead to a long-term surge in prices above 2024 levels.

Raw materials for beverage production are the most volatile category. In 2025, prices peaked due to crop failures in West Africa (cocoa) and Vietnam (coffee). Production is expected to recover by 2026, which will significantly lower the index. However, even at the 2026–2027 level, it remains well above the historical average, which poses ongoing risks for countries that import these beverages.

Compared to 2025, food prices overall show a moderate upward trend, driven by rising prices for oilseed products, a recovery in grain prices, and persistently high and rising prices for other food items. In the oils and meal market, the impact of increased biodiesel use as a potential driver of price growth is being offset by expanding supply. The rise in grain prices is moderate and not speculative in nature: in 2027, prices are expected to be lower than in 2024, confirming the view that supply is sufficient and that stocks play a stabilizing role.

In the long term, real food prices are expected to decline. According to the OECD–FAO Agricultural Outlook 2026–2035, prices for major agricultural commodities in U.S. dollars will remain at lower levels over the next decade than in 2023–2025 (*Fig. 1*). The exception is the vegetable oil segment, which is linked to the energy transition, where demand from the biofuel industry provides additional price support. At the same time, the supply of palm oil – which dominates the global balance – faces yield constraints in Southeast Asia and weather-related risks, further driving up prices.

The decline in the real price of wheat reflects a sustained trend toward an oversupply in the global market. Despite weather risks, rising fertilizer and fuel costs are not being passed on to higher selling prices, as competition among exporters remains intense. As a result, grain producers' profit margins are under pressure.

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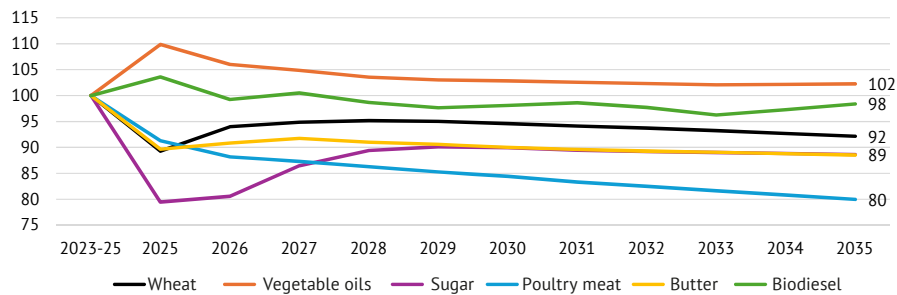


Fig. 1. Forecast of real prices for selected agricultural commodities for 2026–2035, with 2023–2025 set as the base (100)

Source: According to OECD-FAO Agricultural Outlook 2026–2035.

Poultry meat (like pork) is showing the sharpest decline in real prices among all the commodities considered, a result of technological progress in poultry farming. Production automation and capacity expansion are enabling increased output while unit costs decline. Nevertheless, feed costs are falling in real terms, which further reduces production costs.

Overall, despite mounting risks, the global agricultural market is demonstrating impressive stability, reflected in sustained trends of increasing physical production volumes alongside falling real prices. ▲