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ASSESSMENT OF THE CURRENT WORLD FOOD SECURITY SITUATION AND OUTLOOK

UPDATING STATEMENT

Summary and Conclusions

* Estimates of cereal output for 1991 have been reduced in recent months, worsening further the outlook for food supplies in 1991/92. Reflecting a tight supply situation, growing uncertainties regarding the food situation in the former USSR, and higher prices, cereal consumption in 1991/92 is expected to contract despite substantial drawdowns from global cereal stocks.

* The world cereal trade is likely to increase in 1991/92 particularly as a result of higher demand from the former USSR and China. The extent of the growth will depend largely, however, on the eventual volume of purchases by the former USSR.

* Cereal prices continue to rise. Export prices of wheat are over 50 percent higher than a year ago, while those of coarse grains have also strengthened. Prices of rice are likely to remain volatile in the coming months.

* Based on early indications, global cereal output in 1992 is likely to increase but remain below trend. Cereal utilization would again be depressed and little or no stock replenishment will be possible. Thus the global food supply situation in 1992/93 will remain tight and international cereal prices remain strong. The situation is particularly tight for wheat as its production in 1992 is forecast to be below the trend consumption level for 1992/93 and close to the reduced level of utilization estimated for 1991/92.

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* Food difficulties persist in sub-Saharan Africa despite better 1991 harvests in a number of countries. In the Horn of Africa large numbers of people affected by localized drought, or displaced by civil strife continue to require massive emergency assistance. The unfavourable outlook for 1992 crops soon to be harvested in most countries of southern Africa gives cause for further concern; already it is clear that there will be a need for a sharp increase in external assistance to avert famine among vulnerable groups later this year.

Introduction

1. Estimates of global supplies of basic foods for 1991/92 are broadly similar to levels reported in the main document (CFS:92/2), despite a slight reduction in the estimate of cereal production for 1991. Overall, early indications are that 1992/93 will be another year of tight supplies and strong prices for wheat and coarse grains and with little or no replenishment of global stocks. This forecast gives rise to concern because an increasing number of countries are expected to face food supply difficulties in 1992, particularly in Africa.

Further Decline in Estimate of 1991 World Cereal Output

2. Since the preparation of the main document, the estimate of world **cereal** production in 1991 has fallen to 1,882 million tons. This is 88 million tons or 4.5 percent less than the 1990 record and below trend. The latest reduction reflects lower production estimates for wheat in the former USSR; for coarse grains in Central and North America; and for paddy in Asia. On the other hand, cereal output in the EEC, some other European countries and Argentina is now estimated to be higher than earlier anticipated.

3. The estimate of the world production of **wheat** in 1991 has been reduced by 3 million tons to 551 million tons, mainly reflecting the lower estimate for the former USSR. At the revised level, 1991 wheat output is 50 million tons or 8 percent less than the 1990 record, but remains the second largest global harvest on record. The 1991 estimate of global **coarse grain** output remains virtually unchanged at 813 million tons. Although the estimate for Europe (particular for the EEC, Hungary and Romania) has been raised, downward adjustments have been made to those for North and Central America and the former USSR. Estimates of the 1991 world production of **paddy** have been lowered by 3 million tons to 518 million tons reflecting lower estimates for both the Kharif paddy crop in India and the main crop in Myanmar. Production in Asia in 1991 is now put at 475 million tons compared with 482 million tons in the previous year.

Lower Opening Stocks in 1992

4. The most recent estimate suggests world cereal supplies in 1991/92 (1991 cereal production plus stocks carried forward from the 1990/91 seasons) will fall by 2 percent from the previous year, to 2055 million tons. This fall is small, relative to the decline in production, on account of the growth in world **stock levels** over the 1990/91 season. Their subsequent draw-down, however, has resulted in a decline of global cereal stocks to a forecast

level of 316 million tons at the close of 1991/92 seasons, 29 million tons or 8 percent below their opening levels. This would represent only 17 percent of trend utilization in 1992/93. It is therefore at the lower end of the range considered by the FAO secretariat to be the minimum necessary to safeguard world food security. Other indicators of world food security are also signalling a rather tight global food supply situation (see para 23 of the main document).

5. Following the reduction of cereal output and stocks in 1991/92, global food security in 1992/93 depends crucially on an increase in cereal production in 1992. (see below).

Uncertainty Attached to International Trade

6. The forecast of world trade in cereals in 1991/92 has been raised slightly to 203 million tons, 16 million tons or 9 percent above the volume traded in 1990/91. The increase from last year was largely on account of sharply higher wheat imports which are forecast at a record 105 million tons, 14 million tons more than in the previous year. However, the final volume of trade depends crucially on the actual size of imports by the former USSR. Uncertainty surrounds the future of credit agreements previously arranged between exporters and the dissolved central Government, while a shortage of hard currency will require the financing of imports through new loans. Although banks and other private-sector creditors agreed in December to defer payments of principal until the end of March 1992, barter trade arrangements are likely to increase in importance in the effort to maintain grain imports.

Cereal Export Prices Continue to Strengthen.

7. Prices of cereals on international markets have continued to strengthen. The sharp increase in wheat export prices which began in August 1991 continued in January and February, when the export price of US wheat No. 2 was 52 percent higher than in the same period in 1991. The sustained increase in wheat prices was mainly in response to strong import demand, a contraction of global supplies in 1991/92 and the anticipation of only a limited recovery of global output in 1992. Underlying the price surge is the unexpectedly large import needs of the former USSR. In addition, higher wheat prices have resulted in increased demand for maize in animal feed, and as a result maize export prices have also strengthened. The FAO Index of Export Prices of Rice (1982-84 = 100) was 115 in February 1992, 4 points above its level in January 1991.

Local Food Shortages Persist

8. A number of regional food problems remain serious. In sub-Saharan Africa, although 1991 harvests were better, large numbers of drought-affected and displaced people continue to need emergency assistance: in Somalia, widespread malnutrition and starvation are evident, and due to continued civil strife many people in need cannot be reached; in Sudan, despite a significantly better harvest in 1991, over 7 million displaced and drought-affected people continue to need assistance; while the food aid needs of Ethiopia also remain substantial. Civil strife has also resulted in poor harvests in Liberia and Sierra Leone, where large numbers of people are displaced. In Southern Africa, food supplies are threatened by drought. Unless timely measures are taken to cover the shortfall in cereals, there is a distinct possibility of

widespread famine later in the year in the most vulnerable areas. In Asia, grave difficulties persist in Iraq, where adequate food is beyond the purchasing power of large sections of the population; while in Central America the food supply situation is tight in Haiti, with famine conditions emerging in the poorer parts of the capital city. In Cuba the tight food supply situation is likely to deteriorate further. In the former USSR the food supply situation is expected to deteriorate in the coming months, particularly among vulnerable groups, as a consequence of rapid inflation, the disintegration of the distribution system and price liberalization. Food supplies remain precarious in Albania.

The Outlook for Cereal Crops in 1992

9. Early prospects for world wheat and coarse grain production in 1992 point to some recovery in output from the below-trend levels of 1991. On current indications, FAO forecasts global wheat production to rise by 2.5 percent to 565 million tons and that for coarse grains to increase by 3.3 percent to 840 million tons. This forecast is based on the condition of crops already in the ground and early indications of planting intentions for crops to be sown later this year. As it assumes normal weather throughout the growing season, the forecast is very tentative. The final outcome will depend crucially on growing conditions this spring and summer.

10. In the northern hemisphere, growing conditions for winter **wheat** crops have been mostly satisfactory in all regions except North Africa where drought conditions prevail in the west. Assuming normal growing conditions for the remainder of the growing season, wheat output is expected to be as good as last year in Asia and Central America, and to recover somewhat from last year's poor level in North America and in the former USSR. On the contrary, it is expected to decline somewhat in Europe and to fall sharply in North Africa. In Asia, the planted area increased in China, and with good rains this spring another bumper crop could be harvested. Current conditions point to record crops in Pakistan and the Islamic Republic of Iran while below-normal winter rains in India are unlikely to seriously affect the (mainly irrigated) crop. In Central America, ample irrigation water supplies could boost output. In the United States, a larger crop is currently anticipated. The decline in winter wheat plantings could be more than offset by a sharp increase in the spring-planted area and reduced abandonment of winter-planted areas. In Canada, the bulk of the crop will not be planted till May; in aggregate the wheat area is forecast to increase slightly but growing conditions this summer will determine final output. In the former USSR, a larger winter wheat area was planted and the crop has benefited from a mild winter to date; as this crop accounts for roughly two-thirds of aggregate wheat production, a recovery in output is likely, given adequate rains this spring and summer in the southern growing areas. In Europe, early prospects are mixed; in the EEC plantings are similar to or slightly higher than last year. In Yugoslavia, however, civil strife has disrupted plantings while in many countries of eastern Europe the area sown is sharply down in response to high carryover stocks and disruption caused by the ongoing reforms. In North Africa, drought will likely halve output in Morocco while poorly distributed rains have reduced yield potential in Algeria and Tunisia. By contrast, prospects in Egypt are favourable. In eastern Africa, prospects are favourable in Sudan.

11. In the southern hemisphere, planting of 1992 wheat crops will not start until April/May. Sowings are forecast to rise sharply in Argentina and Australia in response to increased international wheat prices. But in Brazil, plantings could decline, and in the Andean countries prospects are uncertain following dry conditions for the wheat crop in the ground.

12. As regards **coarse grains**, present indications also point to larger plantings and harvests than last year. However, since most of the coarse grain crops in the northern hemisphere are yet to be sown this early prognosis is extremely tentative, particularly in a year when the El Niño phenomenon could provoke irregular weather patterns this spring and summer. In the southern hemisphere, where harvesting will begin shortly, the outlook is generally favourable in South America, where larger outputs are anticipated in Argentina and Brazil. However, poor crops will be harvested in the major producing countries of southern Africa which have been affected by severe drought. In Australia, where summer coarse grain planting was delayed in parts, the area is officially reported to be sharply higher. A below-average "short rains" coarse grain crop is expected in eastern Africa. In North America, early indications are that the areas to be planted as of April/May could increase in the United States and Canada, while output could also recover somewhat in the former USSR.

13. The bulk of 1992 **paddy** will not be planted until mid-year and it is too early for even a preliminary forecast of the outcome. As always the performance of the Asian monsoon which was good in the last four years, will be a determining factor. Prospects for crops already in the ground, which account for only a small percentage of the total, are uncertain in Asia following inadequate rains in several countries. But larger crops are expected in South America and in Australia.