



HIGHLIGHTS

- **FAO latest forecast for the 2005 world cereal output has been raised considerably since the September report to 2 005 million tonnes**, 2.4 percent lower than last year's record crop. Cereal crops have been satisfactory in most regions, except parts of Africa and South America.
- **Planting of the 2006 cereal crop is underway in the main producing regions under generally favourable conditions so far.** However, prospects are uncertain in Southern Africa and South America.
- **Global cereal utilization is forecast to rise in 2005/06**, with an expected increase in food consumption leading to some gains in the average per capita consumption in developing countries. By contrast, feed use of cereals is expected to decline.
- **World cereal stocks are forecast to decrease**, mostly reflecting smaller coarse grains inventory as a result of lower production this year.
- **Cereal trade is expected to contract in 2005/06 following improved production in several major importing countries**, mainly in Asia.
- **International prices of cereals are generally higher than a year ago.** Export prices have increased sharply in Argentina, reflecting reduced wheat production, and in South Africa as a result of high regional demand for maize.
- **World milk output is expected to grow in 2005**, but supplies from traditional exporters remain tight. International trade prices have stabilized at high levels supported by firm demand, particularly in Asia and North Africa.
- **International prices of oilseeds have weakened in recent months** following a substantial increase in production in 2004/05 (October/September), which has resulted in record oilseed carryover stocks.
- **Global sugar production is forecast to rise in 2005 but sustained demand in developing countries will likely keep the global supply tight.** International sugar prices remain firm.
- **International banana prices have increased reflecting the impact of adverse weather in Latin America.** In late November, the EU adopted a tariff-only system for banana imports due to start in January 2006.
- **Any further extensive spread of avian flu could seriously disrupt global poultry and feed markets.**

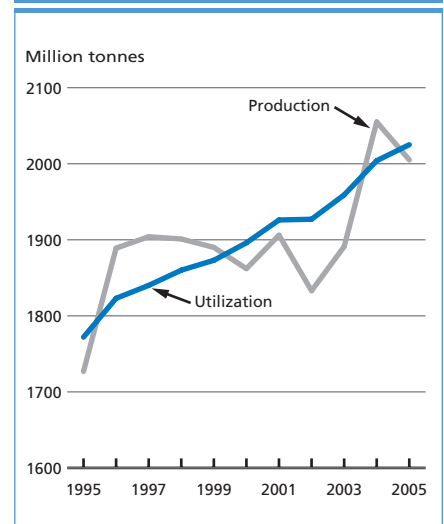
CONTENTS

Roundup	2
Basic food commodities	
Wheat	6
Coarse grains	10
Rice	15
Milk and milk products	20
Oilseeds, oils and oilmeals	22
Box: pulses	25
Sugar	26
Other relevant agricultural commodities	28
Ocean freight rates	32
Fertilizers	33
Statistical appendix	34

SPECIAL FEATURES

Avian flu: the potential market impact of further outbreaks	30
---	----

World cereal production and utilization (rice in milled terms)



Roundup

CEREALS SUPPLY AND DEMAND

The supply and demand outlook for 2005/06 eases as the season progresses

The forecast for global cereal production has been revised upward since the previous report in September, reflecting the arrival of firmer, and mostly favourable, information on the harvests still underway or just recently completed around the world. FAO's forecast for cereal output in 2005 now stands at almost 2 005 million tonnes (rice in milled terms), almost 22 million tonnes up from the September forecast, but still down, by 2.4 percent, from the previous year's record output. With this revision, the shortfall in production, compared to the expected utilization in 2005/06 has been reduced and, subsequently, the expected drawdown in global stocks is not as large as appeared necessary earlier in the

season. Based on the latest figures, the global cereal stock-to-utilization ratio now stands at 22 percent, close to the level in the past two seasons, but below the long-term average of some 30 percent. However, the relatively large inventories forecast to remain among the major exporting countries likely continues to be an important mitigating factor against upward price pressure on international cereal markets.

Recently gathered 2005 crops better than expected and early prospects for 2006 are favourable

A large part of the latest upward revision to the global cereal output forecast for 2005 is attributed to better maize yields emerging in the United States as the later developing crops, which had benefited from rains in the latter part of the season, were gathered. As a result, the estimate for world coarse grain output was raised by some 12 million tonnes to almost 971 million

tonnes, still about 5 percent below last year's record but well above the average of the past five years. Also contributing largely to the revision in the 2005 global cereal output estimate since September, has been the evidence of larger rice crops being gathered in virtually all the major producers in Asia after a generally favourable monsoon. The estimate for global paddy rice output in 2005 now stands at a record 622.5 million tonnes (415.8 million tonnes in milled terms), 7.2 million tonnes up since September and 2.6 percent more than the previous year's crop. Regarding wheat, the last two months have also seen some overall upward revision to the global output estimate, to almost 619 million tonnes, primarily a result of continued favourable conditions for the Australian crop in the lead up to the harvest, which is now underway. At this level of output, the world wheat crop in 2005 would be only 1.3 percent less than the record in 2004. Virtually the entire drop in the 2005 cereal production is expected among the major exporting countries in North America and Europe, where crops have fallen from the record levels of the previous year. In the developing

Figure 1. World cereal production

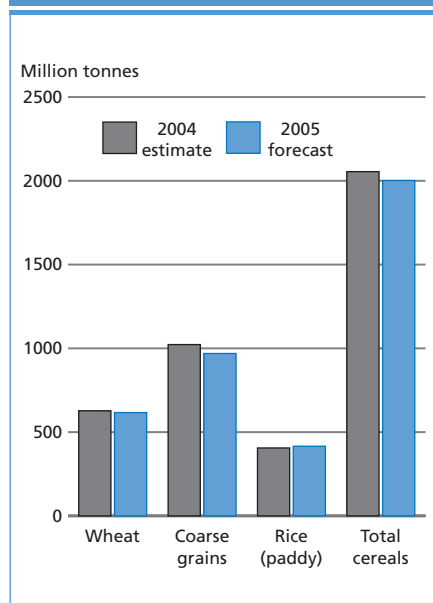


Figure 2. World cereal stocks-to-utilization ratio¹

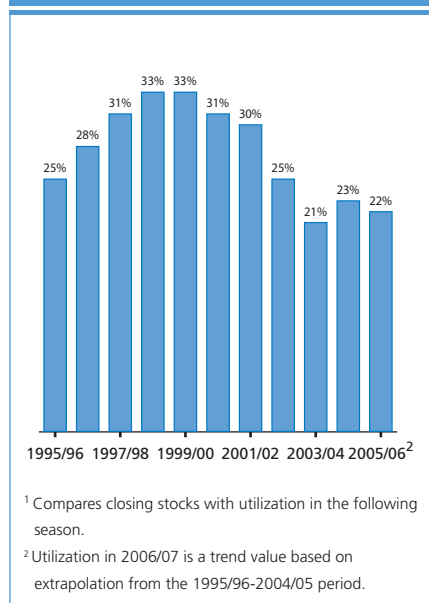
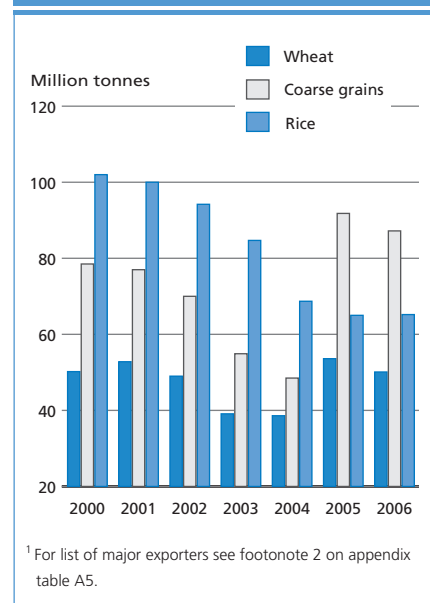


Figure 3. Major exporters¹ cereal stocks



countries, the increase in this year's production is more marked in the group of Low-Income Food-Deficit Countries, particularly when the largest countries China and India are excluded. Overall, generally satisfactory conditions during the 2005 cropping seasons have resulted in improved cereal harvests in most regions, with the exception of North Africa, and some countries in Southern Africa and South America, where crops were affected by adverse weather.

Early prospects for the newly-planted 2006 winter wheat crop are generally favourable. Conditions for planting and crop establishment have been good in most parts and tentative estimates point to larger areas sown in several major producing countries. However, early prospects are uncertain in Southern Africa and in parts of South America reflecting inadequate rains for planting and farmers' reduced sowing intentions in response to low domestic prices.

Total cereal utilization to increase in 2005/06 but feed use declines

The FAO forecast for world cereal utilization in 2005/06 has been raised by 10 million tonnes since the previous report to 2 025 million tonnes, up just 1 percent from the previous season. This month's upward revision is mainly driven by higher cereal production estimates for 2005, which should lead to increased food and other uses of cereals. Despite abundant supplies of feed wheat, the reduction in coarse grains production this season has resulted in overall lower feed supplies, leading to a small decline in feed use after substantial growth in the past two years. Most of the decline in feed usage is expected in the main producing and exporting countries, namely the United States and the EU. By contrast, the global use of cereals as food is forecast to increase by 2 percent in 2005/06. In per caput terms, the cereal

Table 1. Basic facts of the world cereal situation (million tonnes)

	2003/04	2004/05	2005/06	Change: 2005/06 over 2004/05 (%)
PRODUCTION¹	1 890.7	2 054.9	2 005.2	-2.4
Wheat	559.5	626.9	618.8	-1.3
Coarse grains	939.8	1 022.6	970.6	-5.1
Rice, (milled)	391.4	405.5	415.8	2.6
Developing countries	1 050.0	1 071.7	1 088.7	1.6
Developed countries	840.6	983.1	916.5	-6.8
SUPPLY²	2 378.3	2 471.2	2 470.4	0.0
Wheat	763.7	788.5	792.0	0.4
Coarse grains	1 102.7	1 172.6	1 164.1	-0.7
Rice, (milled)	511.9	510.1	514.3	0.8
Developing countries	1 392.9	1 364.1	1 367.3	0.2
Developed countries	985.4	1 107.1	1 103.1	-0.4
UTILIZATION	1 959.5	2 004.1	2 024.7	1.0
Wheat	599.3	614.3	625.0	1.7
Coarse grains	951.4	977.6	982.3	0.5
Rice, (milled)	408.8	412.2	417.3	1.2
Developing countries	1 192.2	1 198.0	1 223.0	2.1
Developed countries	767.3	806.1	801.7	-0.6
Per caput cereal food use (kg per year)				
Developing countries	158.6	157.3	158.5	0.8
Developed countries	131.1	130.3	130.5	0.2
TRADE³	237.5	243.7	238.7	-2.1
Wheat	104.3	111.0	107.5	-3.2
Coarse grains	106.4	105.1	105.0	-0.1
Rice, (milled)	26.7	27.6	26.1	-5.2
Developing countries	76.2	69.6	59.4	-14.7
Developed countries	161.2	174.1	179.3	3.0
STOCKS⁴	416.3	465.2	444.4	-4.5
Wheat	161.7	173.2	165.9	-4.2
Coarse grains	150.0	193.5	181.3	-6.3
Rice, (milled)	104.6	98.4	97.2	-1.3
Developing countries	292.3	278.6	263.6	-5.4
Developed countries	124.0	186.6	180.7	-3.1
Low-Income Food-Deficit countries⁵				
Cereal production ¹	788.3	810.3	835.6	3.1
excluding China and India	272.8	264.9	281.0	6.1
Cereal imports ⁶	79.7	93.2	87.9	-5.7
of which: food aid deliveries ⁷	6.3			
Proportion of cereal imports covered by food aid (%)	7.9			
Per caput cereal food use (kg per yr)	158.3	156.4	157.9	1.0
Roots and tubers production ¹	440.5	450.0		

¹ Data refer to calendar year of the first year shown. ² Production plus opening stocks. ³ For wheat and coarse grains, trade refers to exports based on July/June marketing season. For rice, trade refers to exports based on the calendar year of the second year shown. Up to 2003/04 includes EU15, 2004/05 includes EU25.

⁴ May not equal the difference between supply and utilization because of differences in individual country marketing years. ⁵ For definition, see country classification note on page 27. ⁶ For wheat and coarse grains, imports based on July/June marketing season. For rice, imports based on the calendar year of the second year shown. ⁷ July/June. Note: Totals and percentages computed from unrounded data.

food consumption remains almost unchanged in developed countries but increases slightly in developing countries to 158.6 kg, the same level as in 2003/04. Food consumption of wheat and rice remains stable, but that of coarse grains is up, mainly reflecting a recovery in consumption in Western Africa following a sharp decline in the previous season, when the cereal harvest was reduced by dry weather and pests.

Global cereal stocks to decrease but less than previously expected

The FAO forecast for world cereal stocks at the close of crop seasons ending in 2006 has been raised to 444 million tonnes, 13 million tonnes up from the forecast in September. However, at this level, the total inventories would still be below their opening level, by 21 million tonnes, or 4 percent. The latest revision follows the recent indications that the final 2005 production outcome will be larger than previously anticipated, in particular for coarse grains and rice. The overall reduction over the season is forecast largely in inventories of wheat and coarse grains, mostly in major exporting countries, in Brazil and in several North and Southern Africa countries affected by drought-reduced harvests. Stocks also fall in China to compensate for lower imports. However, the major exporters' shares of the aggregate wheat and coarse grains stocks would still be maintained at about the previous year's levels of 32 percent and 49 percent respectively. After the latest revisions, global rice inventories are expected to change little over the year, ending-up just marginally below their opening level. This is bringing to a halt the run of significant declines in each of the past five year's, deriving mainly from China, where the 2005/06 closing stocks are forecast a bit higher than their opening levels.

Cereal prices are up from the previous season

International cereal prices are generally above those at the same time last season. Generally lower import demand and large supplies of feed wheat from the Black Sea region have limited the increase in prices of US origin wheat, which by late November were unchanged from the September level. However, Argentine prices are sharply above their levels of a year earlier as a result of the large expected decline in domestic production. International maize prices have strengthened this season due to reduced exportable supplies in China and Brazil coupled with strong demand in several southern African countries. In recent weeks, faster sales from the United States following the resumption of exports from the hurricane-affected Gulf ports provided some support to US maize and sorghum prices but, by the end of November, quotations remained at the same level as in September. By contrast, prices of white and yellow maize from South Africa have increased significantly in the past month mainly reflecting strong regional demand and a weaker Rand against the US dollar. Regarding rice, despite the arrival of abundant new-crop supplies on the market in northern hemisphere countries, international

prices have remained relatively stable since September. However, the recent improvement in the 2005 crop outlook is expected to be a major downward influence on prices in the coming months.

World cereal trade lower in 2005/06¹

Based on latest indications, international trade in cereals in 2005/06 has been revised upwards by about 3 million tonnes since the previous report, to nearly 239 million tonnes, still some 2 percent below the estimated shipments in the previous season. The forecast decline in global trade mainly reflects improved 2005 cereal harvests in a number of major importing countries, notably in Asia. Among the individual cereals, trade of wheat and rice contracts but that of coarse grains increases slightly. Significant declines in wheat imports are anticipated in China and Pakistan driven by higher domestic production, while Bangladesh, Indonesia and the Philippines account for more of the anticipated decline in world rice trade following bumper crops this year. By contrast, higher imports of coarse grains are expected in the EU but also in a number of countries in Southern Africa where this year's harvest was reduced. In these countries, imports are mostly expected in the form of food aid.

Table 2. Cereal export prices
(US\$ per tonne)¹

	2005		2004
	Nov.	Sept.	Nov.
United States			
Wheat HR	167	167	162
Maize	97	97	94
Sorghum	94	98	96
Argentina			
Wheat	134	136	116
Maize	91	97	86
Thailand			
Rice white	283	290	265
Rice, broken	211	218	215

¹ Prices refer to the monthly average. For sources, see tables A6 and A8 in the Statistical Appendix.

NON-CEREAL BASIC FOODS

Global production of milk to increase in 2005 sustained by strong growth in Asia

The FAO international dairy product price index, that reached a 15 year high of 165 in September 2005, declined slightly to 163 in November. Prices remained at high levels reflecting steady demand in parts of South East Asia and North Africa,

¹ For wheat and coarse grains, trade refers to exports based on July/June marketing season. For rice, trade refers to exports based on the calendar year.

coupled with limited supplies in traditional exporters and reduced export subsidies by the European Union. Production of milk in 2005 is forecast 2.2 percent higher than in the previous year. In developing countries, the output is expected 4 percent up mostly reflecting strong growth in India, China and Pakistan. In developed countries, the output increases only marginally, with a higher output in the United States, but a decline in New Zealand and unchanged production in Australia.

Record oilseed carryover stocks and favourable prospects for 2005/06 output keep prices under pressure

Oilseed prices weakened towards the end of the 2004/05 season (October/September) after strengthening mid-season, and returned to about the level a year earlier. The weakening was largely due to evidence of record oilseed carryover stocks, following strong growth in production during the year, which contributed to create an excess of supplies compared to utilization. Latest information points to continued growth in oilseeds production in 2005/06, albeit at a much slower rate (2 percent), than the surge in the previous season. As a consequence, the growth in meal and cake production will also slow down. Growth in oils and fats production will also be less pronounced during the year.

Regarding utilization, consumption of both oils and meals is forecast to increase in 2005/06. Consumption of oils/fats is expanding in response to sustained income growth in several countries in Asia, South America and the east of Europe, while consumption of meals/cakes is expected to be stimulated by reduced prices as a consequence of surplus supplies on the market. Increased crushing of high meal-yielding oilcrops is expected during the year in order to meet the sustained growth in demand for oils/fats. Following from the increased oilseed production during 2004/05, and even after allowing for increased utilization, inventories of

oils/fats and meals/cakes were well above the historical averages at the close of the season. During the current 2005/06 season, oil and meal inventories are expected to be reduced slightly as utilization growth will outpace that of production, but will remain relatively high.

Sugar production forecast to increase in 2005/06 but will remain marginally below consumption

World sugar production is forecast to increase by 3.7 percent in the new 2005/06 season (October/September), to reach 147.8 million tonnes (raw sugar equivalent), and the bulk of the growth is anticipated among the developing countries. However, continuing growth in consumption, also mostly in the developing countries, would lead to a total utilization of 148 million tonnes, implying a reduction in global inventories again this year. As a reflection of this, world sugar prices remain relatively firm and stable.

OTHER RELEVANT AGRICULTURAL COMMODITIES

Banana markets were characterized by high prices in the last quarter of 2005, reflecting firm demand and reduced supply, primarily due to adverse weather in Latin America. The supply situation is expected to remain tight into the beginning of 2006, keeping upward pressure on prices.

Coffee markets recovered considerably in October, after falling from May to September, which was largely a seasonal factor. The October average price was 82.5 US cents per pound, 35 percent up compared to a year earlier. The coffee market remains underpinned by a tighter supply and demand balance: output is forecast to decrease in 2005/06 while consumption is expected to grow and global inventories of green coffee will fall. International **cocoa** prices rose to slightly in September to 67.22 US cent per pound but slipped back down in October to 65.9

US cents per pound following reports of higher exports expected from Côte d'Ivoire. The recent weakness in prices, compared to the level at the start of the year is attributed to concern over an estimated global production surplus in the 2005/06 compared to consumption, as well as the effect of a stronger US dollar. The **FAO Tea Composite Price** stood at US\$1.68 per Kg in September 2005, 1.5 percent up from August, as seasonal demand boosted prices in most tea auction markets. Prices were up in all the main tea auctions with the exception of Kolkata where prices are seasonally low coinciding with the main harvest period.

Basic food commodities

WHEAT

PRODUCTION

Another good crop confirmed in 2005 and early prospects for 2006 crops are favourable

As of mid-November, most of the main 2005 wheat harvests were complete, and planting of the 2006 winter crops was well underway or already completed in most major producing countries in the northern hemisphere. Early prospects are generally favourable for the newly-sown crops and tentative estimates point to a larger area sown in some countries. FAO's forecast for **world** wheat production in 2005 now stands at 618.8 million tonnes, 4.7 million tonnes more than the previous forecast in September but 1.3 percent down from the

record output in 2004. Since the last report, a significant upward revision has been made to the forecast for Australia, where favourable precipitation in September and October continued to improve prospects for the crop, and estimates have increased for some countries in Asia and in Europe CIS, after the completion of their harvests. These upward adjustments have more than offset some downward revisions, most notably in South America, where the harvest in Argentina is not progressing as well as earlier anticipated, and in the North America, where the final harvest result in the United States, after the completion of the spring wheat harvest, was lower than expected.

In **Far East Asia**, latest information confirms wheat production has risen again

in 2005, reaching 192.4 million tonnes, some 3 percent up from last year and the largest crop since 2000. Larger crops in China and Pakistan contributed mostly to this year's increase. In India, production remained virtually unchanged from 2004. Planting of the winter wheat crop for harvest next year is underway throughout the region. In China (Mainland), planting has been completed under generally satisfactory weather conditions. Early indications point to an increase in the area sown by about 1 percent compared to last year. In India and Pakistan the outlook for wheat production in 2006 is favourable reflecting ample water reserves and government incentives to farmers in both countries to encourage wheat production.

In the **Asian CIS** countries the aggregate wheat harvest in 2005 is estimated at about 23.6 million tonnes, nearly 2.4 million tonnes up on the reduced level of the previous year. Dry weather is reported to have favoured the latter stages of the harvest but could have a negative impact on the winter planting of the 2006 crop.

In **Near East Asia**, latest estimates confirm a record wheat output in 2005. Production recovered sharply in Afghanistan after drought last year, and production remained above the recent average in Iraq, the Islamic Republic of Iran, Syria and Turkey. Early indications for the 2006 crop are generally satisfactory. In Turkey, planting has been completed in most parts of the country under favourable moisture conditions. Wet hampered fieldwork somewhat in late October but drier weather in early November allowed planting to progress again and the final area is expected to be unchanged from the recent average. In the Islamic Republic of Iran, the arrival of rainfall in early November improved the planting prospects after previously dry conditions.

In **North Africa**, winter wheat planting for the 2006 harvest is underway. The new season started favourably around mid-October with the arrival of welcome rains

Table 3. Wheat production (*million tonnes*)

	2004 estimate	2005 forecast	Change: 2005 over 2004 (%)
Asia	253.5	264.4	4.3
Far East	186.3	192.4	3.2
Near East in Asia	44.9	47.5	5.6
CIS in Asia	21.2	23.6	11.0
Africa	21.7	19.3	-11.0
North Africa	17.2	14.6	-15.1
Eastern Africa	2.6	2.5	-1.7
Southern Africa	1.9	2.1	11.6
Central America & Caribbean	2.4	3.0	24.5
South America	25.2	20.0	-20.5
North America	84.6	82.7	-2.3
Europe	218.8	204.9	-6.3
EU 25	137.3	123.1	-10.4
CIS in Europe	64.7	67.1	3.7
Oceania	20.7	24.4	18.0
World	626.9	618.8	-1.3
Developing countries	278.9	280.3	0.5
Developed countries	347.9	338.4	-2.7

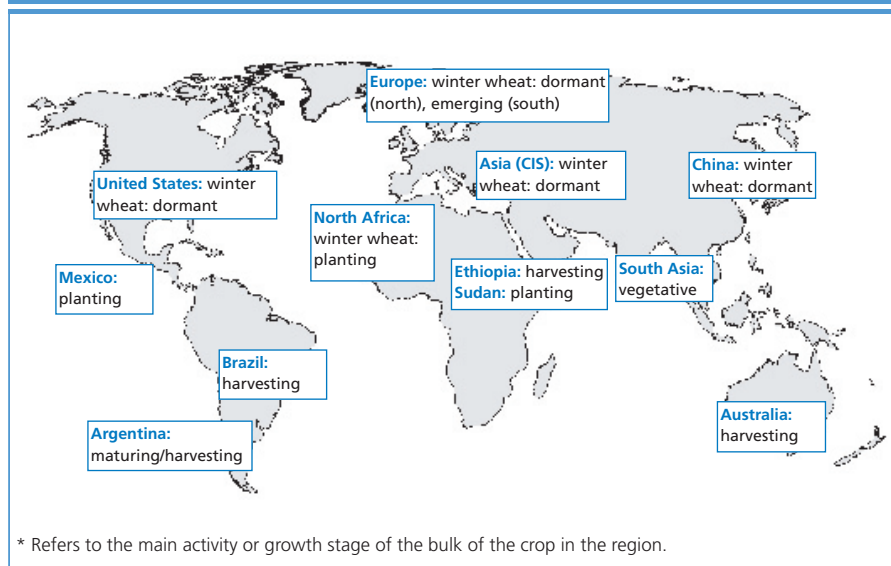
for planting and establishment of crops after last season's adversely dry conditions. The latest estimate of the 2005 wheat output stands at 14.6 million tonnes, slightly up from earlier expectations but still some 15 percent below last year's good crop, despite a record crop in Egypt. Drought conditions affected production throughout most of the subregion with the exception of Egypt where the crop is mostly irrigated.

In **eastern Africa**, the 2005 aggregate wheat production in the subregion is forecast at about 2.5 million tonnes, slightly down from 2004 but still about 11 percent above the average of the previous five years. In Ethiopia, where harvesting of the crop has started, prospects are favourable reflecting good rains during the season. Output is expected to increase slightly from the good level of the previous year. In Sudan, where the crop was harvested earlier in the year, output was estimated at about 467 000 tonnes, 17 percent higher than the previous year and well above average.

In **southern Africa**, the 2005 wheat crop is currently being harvested, and output is tentatively forecast at 2.1 million tonnes for the subregion, less than anticipated earlier but still an improvement over the drought-reduced crops of the two previous seasons. The downward revision is primarily due to the effect of dry weather on yields in parts of South Africa, the subregion's main producer, where output is now estimated 9 percent higher than last year, but still below the average level.

In **Central America and the Caribbean**, harvesting of the 2005 secondary rainfed wheat crop in Mexico, virtually the sole producer of the subregion, is underway in the main producing states of Tlaxcala, Mexico and Guanajuato. Production is expected to be similar to last year's good output. The main season wheat crop, harvested earlier in the year, showed a substantial recovery from the 2004 same season output, adversely affected by inadequate

Figure 4. World wheat calendar - December situation*



water supplies. In aggregate, this year's wheat production is estimated to increase by almost 25 percent to 3 million tonnes. Planting of the main 2006 irrigated winter wheat crop has started under favourable weather conditions in central and northern growing states.

In **South America**, harvesting of the 2005 winter wheat crop is underway throughout the subregion. Latest forecasts put the subregion's aggregate production at about 20 million tonnes, almost 21 percent below the record crop of 2004 and some 8 percent below the five-year average. This mainly reflects a sharp decrease in production in the main producing areas of Argentina and Brazil as a consequence of reduced planted area due to adverse dry weather conditions at the beginning of the season. In particular, in Argentina, 2005 wheat harvest is officially forecast between 11.8 and 12.3 million tonnes, about 25 percent below last year's record crop.

In **North America**, the conclusion of the spring wheat harvest in the United States revealed that yields had not been as high as earlier anticipated, partly due to early-summer disease problems, and the official estimate for aggregate wheat production in 2005 has been revised down to 57.1 million tonnes, which would be about 3 percent down from

2004. Prospects for the new winter wheat crop, which was mostly sown by the end of October, are satisfactory but not as favourable as at the same time last year. Dry conditions at the onset of the planting period hampered fieldwork and crop establishment. However, early indications suggest that there may have been a small increase in the hard red winter wheat area and a relatively large increase in the soft red winter wheat area, which had fallen sharply in the previous year. In Canada, the 2005 wheat season was generally favourable and the latest official estimates put output at 25.5 million tonnes, just slightly below last year's output but some 13 percent above the average of the past five years.

In **Europe**, the last of the 2005 wheat crops were gathered over the past two months and the bulk of the winter sowing for the 2006 harvest has been completed. The 2005 aggregate output in the **EU** is estimated at 123 million tonnes, almost unchanged from the forecast in September and about 10 percent down from 2004. Although a large part of this decrease reflects a return to normal yields after the previous year's bumper levels, a severe drought in the Iberian Peninsula also contributed significantly to the lower output. The prospects for the newly-sown winter crops are reported

to be generally favourable in most of the central and northern parts of the EU reflecting generally satisfactory weather conditions for planting and establishment of the crops. In the south, the moisture availability in southern Spain and Portugal has improved somewhat with the arrival of rains in October and November but the planting season has nevertheless been delayed by the earlier dry weather. In the east, the late maize harvest in Hungary, because of wet weather, has impaired the normal progress of wheat planting there. Early information for some of the EU key-producing countries indicates that the area may have increased in France but is lower in the United Kingdom, and sharply lower in Spain. The **Balkan** countries gathered smaller wheat crops in 2005, following a return to average yields after the bumper levels in the previous year, but some areas experienced losses due to heavy summer rainfall. Condition for planting improved in the Balkans in October when some drier weather set in after a particularly wet September.

In the **European CIS** countries, the completion of the 2005 wheat harvest in the past two months has brought with it an upward revision to the production estimate for the year. The aggregate output of the subregion, which is mostly accounted for by the Russian Federation and Ukraine, is now estimated at about 67 million tonnes, some 2.4 million tonnes up from 2004. Early prospects for the 2006 crop are uncertain. Latest estimates indicate that an aggregate area of 15.8 million hectares of winter wheat has been planted in the subregion, around the level of last year. However, lack of rain in September and much of October caused a delay in planting and it is reported that some winter cereals did not sprout in parts of the Russian Federation and Ukraine. Some rains in late October improved the situation for planting and emergence. The late planting and sprouting may affect cereal yields, particularly in Moldova where rains have been rather scarce over the past couple of months.

In **Australia**, as of late-November the 2005 wheat harvest was well underway. The prospects for the crop continued to improve throughout September and October with adequate rainfall in most of the major producing areas. The latest official report in late November forecast output at 24 million tonnes, 2 million tonnes more than expected in September and almost 18 percent up from 2004.

TRADE

Wheat trade revised up sharply but still below the previous season

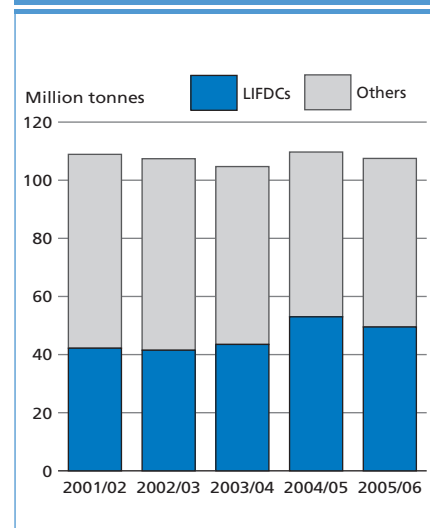
The FAO's forecast for world trade in wheat¹ in 2005/06 (July/June) has been raised by 2 million tonnes since the previous report to 107.5 million tonnes. This month's revision reflects higher forecasts for several countries, including Algeria, Egypt, Brazil, India, Iraq, and Nigeria. However, even at this higher level, international wheat trade would remain well below the previous season's estimated volume, mostly due to an anticipated sharp fall in wheat imports by China and Pakistan.

Total wheat imports by the developing countries in 2005/06 are currently forecast to decline to about 84 million tonnes. This would be 1.7 million tonnes more than was anticipated earlier, but nearly 2 million tonnes lower than the estimated volume in 2004/05. Most of the reduction is expected in Asia where wheat purchases by China (Mainland) are forecast to drop by over 4 million tonnes, driven by an increase in domestic production and a further slight decline in per caput consumption levels. In Pakistan, despite the massive earthquake in October, wheat imports are forecast to drop, by nearly 1 million tonnes, as a result of this year's increase in domestic production. The earthquake affected the mountainous regions of Kashmir and North West Frontier Province which are not cereal producing areas. In Turkey,

because of large supplies, the forecast for wheat imports has been lowered by 400 000 tonnes since the previous report to 600 000 tonnes, unchanged from the previous season. In late August, Turkey raised customs duty for durum wheat from 60 percent to 100 percent, and for milling wheat, from 85 percent to 130 percent. However, several countries in Asia are forecast to import significantly more wheat in 2005/06. Imports by India are forecast to rise to 1 million tonnes from only 100 000 tonnes in 2004/05, driven by rising domestic consumption and reduced stocks. In Iraq, given the strong pace in foreign purchases of wheat and wheat flour in recent months, total imports are now expected to reach at least 3.3 million tonnes, up 600 000 tonnes from the previous season. In the Republic of Korea, larger purchases of feed wheat are expected to drive up total imports to 3.8 million tonnes, up 300 000 tonnes from the previous season.

In Africa, the forecasts for imports by several countries have been raised since the previous report. In Egypt, in spite of a record domestic production this year, attractive export prices from the Black Sea and strong domestic demand are driving up imports to 7.5 million tonnes, only 300 000 tonnes down from the

Figure 5. Wheat imports in developing countries



¹ Including wheat flour in grain equivalent.

previous season's level. Wheat purchases by drought-hit Algeria and Morocco are forecast to increase sharply this season. Among other countries in Africa, fast-rising domestic demand in Nigeria is boosting imports, especially from the United States. As a result, the forecast for wheat imports by Nigeria is estimated at 4 million tonnes, up 1 million tonnes from the previous season. According to a recent report by the United States Department of Agriculture, Nigeria has overtaken Japan as the biggest market for United States wheat exports.

Wheat imports by most countries in Central America are forecast to remain largely unchanged at the previous season's levels. However, imports by several countries in South America are forecast to rise. The largest increase is expected in Brazil where the anticipated decline in production coupled with reduced domestic supplies of quality wheat are giving rise to bigger imports. In North America, imports by the United States could also increase in 2005/06. The recent ruling by the United States International Trade Commission, which no longer considers the trading practices of the Canadian Wheat Board as harmful to United States' farmers, may encourage imports from Canada. The ruling is expected to give way to the elimination of the 11.4 percent tariff, currently imposed on imports of Canadian hard red spring wheat. In Europe, smaller wheat purchases are expected from the Russian Federation due to this year's larger domestic supplies. In the EU, despite a 10 percent drop in wheat production in 2005, imports are unlikely to increase as supplies remain adequate because of high inventories.

Turning to export prospects for this season, higher wheat sales are forecast for Australia, the EU, and several CIS countries, mostly due to larger exportable supplies and reduced availabilities in other exporting countries such as Argentina. Exports from the Russian Federation are forecast to reach 9 million tonnes, the highest sales since the peak in 2002/03.

The Russian Federation's exports to non-CIS countries are expected to rise sharply, supported by its lower prices which has raised its export competitiveness and already led to faster sales during the early months of the current marketing season. Export sales from the EU are gaining more ground in recent weeks, supported by a weaker Euro against the US dollar and firmer export prices from the Black Sea. The recent slide in the Euro is also helping the EU to reduce export refunds (subsidies) as internal prices become more in line with world levels.

UTILIZATION

Total wheat utilization rises, driven by higher food and feed usage

World wheat utilization 2005/06 is forecast to rise to 625 million tonnes, up 11 million tonnes, or nearly 2 percent, from the previous season and 2 million tonnes more than was reported in September. Feed use of wheat is currently forecast to reach 118 million tonnes, up 8 million tonnes, or 7 percent, from the previous season and 4 million tonnes higher than was anticipated earlier. Large export supplies of feed wheat from the Black Sea region have given rise to its usage in several European and Asian markets where supplies of coarse grains are tight.

Most of the total wheat utilization is destined for human food consumption, which is forecast to reach 440 million tonnes, around 1.2 percent up from the previous season. At this level, world per caput wheat consumption remains stable at around 68 kg for the third consecutive season. In both the developing and developed countries, the estimated per caput levels are stable at around 61 kg and 95 kg respectively. However, among the most populated developing countries, per capita wheat consumption in China is expected to decline slightly in 2005/06 to 70 kg. This compares to 70.5 kg in 2004/05 and the high of 78 kg reached in

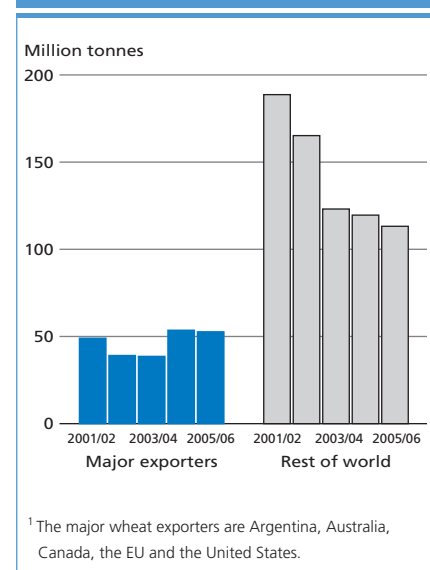
the late 1990s. In China, strong economic growth, urbanization and rise in income are contributing to higher consumption of more high-value products such as meat, vegetable oils and sugar.

STOCKS

Wheat stocks decline

World stocks of wheat for crop years ending in 2006 are put at 166 million tonnes, 7 million tonnes, or 4 percent, less than their opening level. The decline in world wheat reserves is mostly driven by stock reductions in major exporting countries (down 1 million tonnes in total) as well as in China (down 4 million tonnes) and a handful of other countries such as Brazil, Turkey, and Morocco. In China, higher production this year is not sufficient to prevent a further decline in stocks as imports are also forecast to decrease. Among the major exporters, the biggest reduction in stocks is expected in the EU following a decline in this year's production and improved export prospects compared to the previous season. Based on the latest estimates, the ratio of this season's ending wheat stocks to the projected world utilization in 2006/07 could fall to 26 percent, 1.2 percentage

Figure 6. Wheat stocks



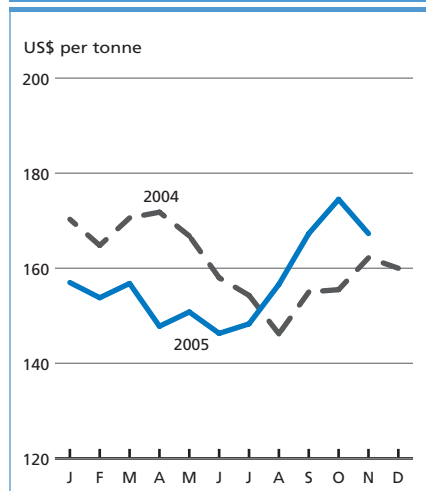
points below this season and well below the 10-year average of nearly 35 percent. This decline, however, is mostly driven by sharp cuts in stocks in China since the beginning of this decade while aggregate wheat stocks held by major exporters still represent 32 percent of the world total, nearly unchanged from the previous season and the highest in 2 decades.

PRICES

Prices are up from last year but may not rise much further

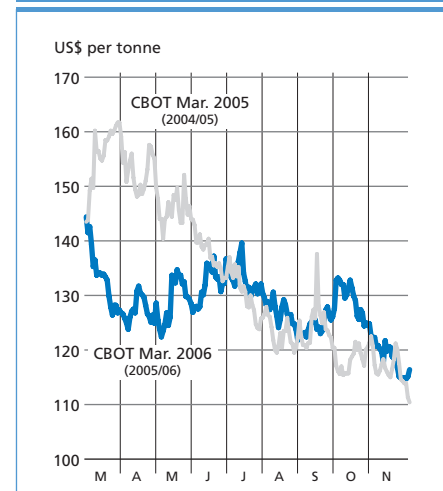
International wheat prices are mostly higher compared to the previous season. However, the increase of prices has been limited by generally lower import demand and large supplies of feed wheat from the Black Sea region. In November, the US wheat No. 2 export prices averaged US\$167 per tonne, unchanged from its September level but US\$5 per tonne more than in the corresponding period last year. In the US futures market, recent weeks have been marked by wheat quotations approaching

Figure 7. Wheat export price (US No. 2 Hard Winter, Gulf)



the previous season's levels and by late November, the March 2006 wheat futures contracts at the Chicago Board of Trade (CBOT) were quoted at US\$115 per tonne, a drop of almost US\$8 since September but similar to the corresponding values for March 2005. With the exception of Argentina, where prices have increased sharply in view of this year's large decline in domestic production, currently, the

Figure 8. Wheat futures price



supply and demand fundamentals in the world wheat market do not point to prices strengthening. In addition, the recent strength in the US dollar against most currencies, the Euro in particular, is expected to intensify export competition with other major wheat exporters (all but Argentina) and this may also weigh on international price developments in the coming months.

COARSE GRAINS

Better harvest results in the United States raise global 2005 coarse grain crop

FAO's forecast for **world** coarse grain output has been raised by almost 13 percent to 970.6 million tonnes, after slipping back in September, but remains below last year's record level. A significant upward revision for the United States, following better than expected results in the latter stages of the maize harvest, accounted for most of the increase.

In **Far East Asia**, the 2005 aggregate coarse grains production is forecast marginally up from last year's bumper level. In China, harvesting of the main

crops is complete. The country's aggregate coarse grains crop is now estimated at 139 million tonnes, 1.4 million tonnes down from the good level of 2004, following a return to average yield after the bumper levels in the previous year. Harvesting is well advanced in India, where the aggregate output in 2005 is forecast at 34 million tonnes, 2 million tonnes more than last year, reflecting an increase in the area planted.

In **Near East Asia**, as for wheat, a bumper coarse grain crop was harvested in 2005 reflecting favourable weather conditions and more area dedicated to barley, the main crop. Significant

increases were registered in Syria, Iraq and Afghanistan. The 2006 crop has already been planted in many parts under generally favourable conditions. In Turkey, drier weather in early November after a wet period favoured planting, as did the arrival of the first rains of the season in northwestern parts of the Islamic Republic of Iran, which had previously been too dry.

In the **Asian CIS** countries, the 2005 aggregate coarse grains production is estimated at 4.7 million tonnes, about 400 000 tonnes up on the previous year.

In **North Africa**, harvesting of the 2005 winter coarse grain crops was virtually complete as of mid-November. Aggregate output is forecast at about 9.9 million tonnes, some 22 percent below the 2004 crop due to reduced plantings in

most countries as a result of dry weather. In Egypt, the largest producer, the maize crop is officially forecast to decrease to 6.2 million tonnes, reflecting a 6 percent drop in area planted. Planting of the winter coarse grain crop (mostly barley) for the 2006 harvest is underway and the outlook is generally satisfactory. Some seasonal rains since mid-October have improved the soil moisture level for planting and establishment after previously very dry conditions.

In **western Africa**, harvesting of cereals is now well advanced. The aggregate output of coarse grains in the nine Sahelian countries in 2005 is estimated at a record 13.38 million tonnes, some 35 percent above last year's harvest. Above-average outputs are anticipated in all countries with the exception of Cape Verde. Production is also expected to increase in most of the coastal countries along the Gulf of Guinea. In Nigeria, the largest producer, coarse grains production is officially estimated to have increased by

over 42 percent compared to last year's drought-affected crop.

In **central Africa**, harvesting of the 2005 coarse grains is underway. In Cameroon, prospects are favourable, reflecting abundant and widespread rains, in spite of reports of localized dry spells in the northern Sahelian zone. By contrast, persistent insecurity continues to affect food production in the Central African Republic.

In **eastern Africa**, harvesting of the 2005 main season coarse grains has been completed in southern parts of the subregion but has just started in the north. The subregion's aggregate 2005 output is forecast at about 22.8 million tonnes, about 6 percent higher than last year and above the average of the past five years. In Kenya, the "long-rains" maize crop is estimated at about 2.5 million tonnes, 20 percent above average. Similarly in Tanzania, the 2005 coarse grains output is estimated well above average at 4.3 million tonnes, while in Uganda, an about

average output is forecast. By contrast, in Somalia, the 2005 main season "gu" crop, harvested until September, was estimated at just 115 000 tonnes, about 37 percent less than the post-war average. The decline is due to the poor rainfall in the main crop producing areas of southern Somalia. In Eritrea and Ethiopia, the outlook for the coarse grain harvest is favourable reflecting the good rains of the past months and the output is expected to recover from last year's reduced level in Eritrea and to remain above average in Ethiopia. In the Sudan, latest forecast point to a better crop than last year's reduced level.

In **southern Africa**, the 2005 coarse grain crop harvested earlier this year was estimated at 19 million tonnes well above the average level of the past five years, primarily due to a record maize crop in South Africa, which more than offset reduced harvest in most other countries. Planting of the main season crops to be harvested in 2006 has started but progress is hampered in some parts due to delayed rains. Early prospects for the 2006 coarse grains are also uncertain due to reports on planting intentions in South Africa indicating (by late October) a sharp reduction in the area to be planted in response to low soil moisture and low maize prices. However, the increase of prices in November, particularly for white maize which is now higher than a year earlier, is likely to modify farmers' intentions. Uncertainty also surrounds Zimbabwe, where problems with input supplies as well as hyperinflation could severely constrain production.

In **Central America and the Caribbean**, in Mexico, harvesting of the 2005 main summer maize crop (mostly rainfed) is underway. Official forecasts indicate an output of some 16 million tonnes, similar to the very good output obtained last year during the same season. Planting of the 2006 winter maize crop has recently started in the north-western states of Sonora and Baja California Sur. Elsewhere in the region, harvesting of 2005

Table 4. Coarse grains production (million tonnes)

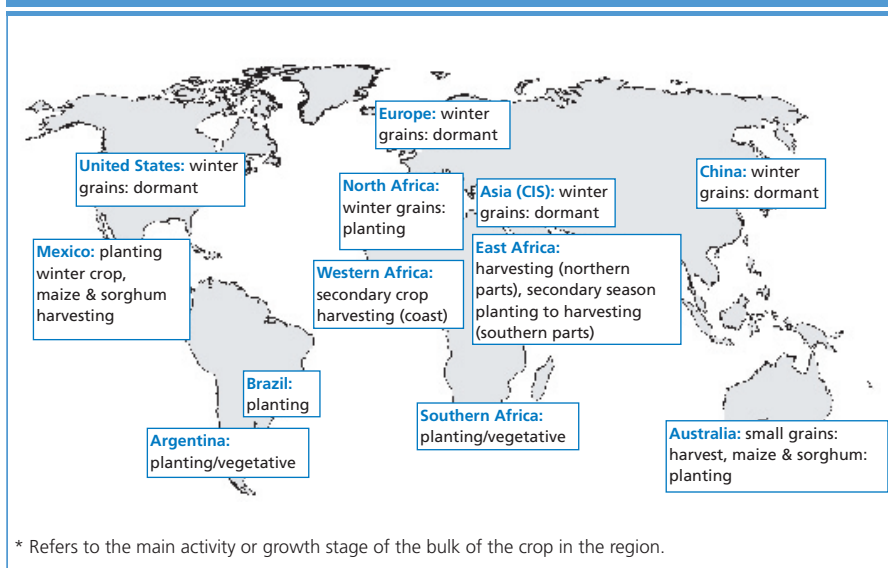
	2004 estimate	2005 forecast	Change: 2005 over 2004 (%)
Asia	230.0	232.5	1.1
Far East	205.8	206.8	0.1
Near East in Asia	19.7	20.7	5.2
CIS in Asia	4.3	4.7	8.9
Africa	82.7	92.2	11.6
North Africa	12.8	10.0	-22.2
Western Africa	28.1	37.4	33.1
Central Africa	2.9	2.9	0.2
Eastern Africa	21.5	22.8	6.2
Southern Africa	17.3	19.1	10.2
Central America & Caribbean	33.5	32.4	-3.3
South America	74.5	71.6	-3.9
North America	346.6	321.7	-7.2
Europe	244.1	207.1	-15.2
EU 25	152.3	130.0	-14.7
CIS in Europe	59.2	51.6	-13.0
Oceania	11.2	13.1	17.5
World	1 022.6	970.6	-5.1
Developing countries	405.8	410.7	1.2
Developed countries	616.8	559.9	-9.2

second season coarse grain crops is about to start. Heavy rains due to the intense hurricane season have adversely affected the crops in localized areas. However, the main season coarse grain crops, harvested earlier in the year, were satisfactory in most countries of the subregion. In aggregate, the 2005 outputs are forecast to increase in Nicaragua, Honduras and El Salvador but to decline in Guatemala, where the impact of excessive rains in recent months has been more severe.

In **South America**, the 2005 aggregate coarse grains production is estimated to be down by 4 percent, essentially due to the sharp decrease in Brazil's production as a consequence of the prolonged dry spells that affected southern producing areas. Planting of the 2006 maize crop is well advanced in the main southern producing countries. Early prospects are mixed. In Argentina, planting operations has been hampered by reduced soil moisture and reports on planting intentions point to an area of maize of 3 million hectares, about 9 percent lower than the previous years. Plantings of sorghum are also expected to be lower. In Brazil, the area planted and yields are forecast to substantially recover from last year's level, increasing 6 and 12 percent respectively, and tentatively forecast to lift annual production to over 40 million tonnes. In Chile, official sources estimate a reduction of about 10 percent in maize area, as a consequence of the low prices in 2005 that induced a diversion of land toward more profitable crops, such as barley or vegetables.

In **North America**, conditions remained mostly favourable for the maturation and harvest of the latest sown maize crops in the United States and the output estimate has been revised up slightly since the last report to 280 million tonnes, well above the average of the past five years but still about 20 million tonnes down from last year's record. In Canada, the 2005 coarse grain output is now officially estimated at 24.8 million tonnes, slightly less than earlier expected and down from last year's good level although still above the average

Figure 9. World coarse grain calendar - December situation*



of the past five years. Some reduction was already expected because of reduced plantings but yields also turned out poorer than expected. Moreover, adverse weather during the harvest period has resulted in poorer quality crops this year.

In **Europe**, the bulk of the 2005 coarse grains have been harvested and the main winter coarse grain crops of barley and rye in northern and eastern parts of the region have mostly been planted under favourable conditions. In the **EU** the 2005 aggregate coarse grains output estimate remains virtually unchanged since September at 130 million tonnes, almost 15 percent below last year's record and below the average of the past five years. Output of all the major grains fell as a result of reduced plantings and lower yields. In the **Balkan** countries, the 2005 coarse grains output is estimated sharply down from the previous year's bumper level. Excessive summer rainfall had an adverse impact on the barley and other small grain crops and although the extra moisture was not as detrimental for the summer maize, the maize area and yields are nonetheless reported to have been well down on the previous year. In the **European CIS countries**, with just the last of the summer maize crop still to be harvested in some parts, the 2005 aggregate coarse grains output is also confirmed down this

year. The 2006 winter grains are already dormant in the north of the Russian Federation and entering dormancy in the south and in Ukraine.

In **Australia**, the 2005 winter grain harvest is underway. Production prospects continued to improve over the last two months with ample rainfall in most of the major producing area. Output of barley, the main winter coarse grain, is now forecast at 8.4 million tonnes, about 2 million tonnes up from last year and above average, which had earlier seemed very unlikely given the exceptionally dry start to the season.

TRADE

Trade volume change little compared to the previous season

The prospects for world trade in coarse grains in 2005/06 have changed little since the previous report in September. At 105 million tonnes, world trade in coarse grains in 2005/06 would be slightly more than the revised estimate for 2004/05 and about 500 000 tonnes higher than anticipated earlier. For the developing countries, as a group, total coarse grains imports are forecast at 73 million tonnes, up 1.2 million tonnes from

2004/05, whereas, aggregate imports by the developed countries are put at 32 million tonnes, virtually unchanged from the previous season. Among the individual coarse grains, trade in maize is forecast at 78 million tonnes, up 1 million tonnes from 2004/05. World trade of rye is seen to decline but for other major coarse grains, trade is expected to remain mostly unchanged from the previous season.

In Asia, imports are forecast to decline to 57.6 million tonnes, down 1 million tonnes from 2004/05. The drop in imports is mostly driven by reduced purchases of barley by Syria because of higher domestic production and by smaller maize purchases by Indonesia, because of the rise in its domestic production as well as a modest reduction in feed demand as a result of the avian flu and high fuel prices. Most other countries in the region are forecast to import as much coarse grains as in 2004/05 with demand for feed grains remaining exceptionally strong in Saudi Arabia and in the Islamic Republic of Iran but more subdued in Japan.

In Africa, aggregate imports are forecast to increase by almost 1 million tonnes from the previous season to 16.5 million tonnes in 2005/06. Coarse grains purchases by several countries in North Africa are expected to increase mostly in response to lower production of barley. Higher imports are also expected in sub-Saharan Africa, to meet severe shortages in several countries. In Zambia and Zimbabwe, maize imports are forecast to increase by nearly 200 000 tonnes and 260 000 tonnes respectively. In Zambia, the Government earlier extended the deadline for duty free imports to March 2006 in order to facilitate imports but by late November because of severe food shortages, it declared a national food disaster and appealed for immediate donor assistance. Maize imports by drought-stricken Malawi are forecast to increase more than four times to almost 800 000 tonnes. In mid-October,

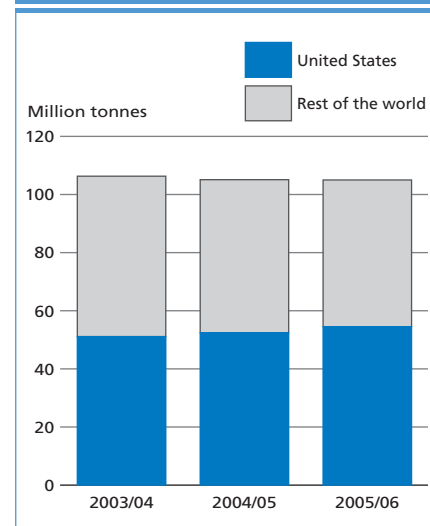
the Government of Malawi asked for external assistance by declaring this year as a national disaster with a major food crisis affecting millions in the country. It is reported that by early November, donors and the Government had mobilized 214 000 tonnes of maize and 18 000 tonnes of pulses. In a related development, the World Food Program launched an aid appeal for US\$88 million for Malawi, of which, by mid-November, only US\$28 million was reported to have been covered.

In Central America, strong domestic demand for both yellow and white maize is reported in Mexico. In a recent policy development, Mexico announced in October the issue of import permits for up to 300 000 tonnes of white maize imports for the second half of 2005 (under the 2004-2007 NAFTA maize TRQ scheme). Among countries in South America, higher maize imports are forecast for Brazil as a result of a drought-reduced production, low stocks and strong demand from pork and poultry industries (for exports) and rapid growth in domestic meat consumption.

In Europe, imports by most countries are forecast to remain at the previous season's level. In the EU, however, maize imports are forecast to rise as a result of a sharp drop in its production. The increase is likely to be much smaller than what the cut in production would have implied. This is because of large supplies of cheap wheat and a possible contraction in poultry production due to consumer reaction to avian flu which could reduce demand for coarse grains.

On the export side, maize exports from the United States are forecast to increase sharply because of large exportable supplies and less competition in world markets due to smaller availabilities from Brazil and China. Maize exports from China are forecast to drop to 4.5 million tonnes, down 20 percent from the previous season due to much tighter domestic supplies. However, with the worries over avian flu gaining

Figure 10 Coarse grain exports



ground in recent weeks (especially after the first reported human case in mid-November), domestic feed demand from the poultry sector could decline and this might result in larger exportable supplies than currently foreseen. A bumper maize crop and strong regional demand are boosting exports from South Africa to the highest level since the mid-1990s. Larger sales of barley are expected from Australia, Canada, and the EU this season, compensating for reduced anticipated exports from Bulgaria and Ukraine. However, rye shipments from the EU are expected to decline significantly given the slow pace of sales so far.

UTILIZATION

Growth in coarse grains usage hampered by a contraction in feed use

Following this month's sharp upward revision of world coarse grain production estimates (by 12 million tonnes), the forecast for global utilization of coarse grains in 2005/06 has also been raised, although not to the same extent (but by about 5 million tonnes). Total coarse grain utilization in 2005/06 is now put at 982 million tonnes, up only 0.5 percent from 2004/05, which compares with a 3

percent expansion in the previous season. This is mostly due to the anticipated sharp decline in feed use, marking also the first such reduction since 2002/03. Total feed utilization of coarse grains is currently forecast to decline to 619 million tonnes, down 2 percent from the previous season. The largest decreases are forecast for the United States, the EU and several CIS countries, partly due to lower production and partly because of large supplies of feed wheat. At the same time, increased uncertainties over the impact of animal diseases, in particular the recent spread of avian flu into Europe makes forecasting feed demand particularly difficult. Early signs are pointing to limited gains in poultry production as consumers reduce egg and chicken consumption. Any prolonged meat consumption changes could lead to lower poultry production and reductions in feed demand in the coming months.

In contrast, an exceptional growth of about 5 percent is currently forecast for food consumption of coarse grains in 2005/06. This anticipated strong expansion largely stems from a likely rebound of about 5 million tonnes, or 17 percent, in maize and millet food consumption in western Africa after

sharp drops in 2004/05 prompted by the severe drought last year. Industrial use of coarse grains is also forecast to expand significantly this season, mostly driven by higher fuel prices which have given a boost to demand for alternative energy sources which, as a matter of relevance to grains, has increased demand for maize-based ethanol. While strong investment in establishing and expanding ethanol plants is becoming more evident in many countries around the world, the United States is currently leading the way as the largest producer of maize-based ethanol. The United States is expected to put as much as 40 million tonnes of maize into ethanol production in 2005/06 and this would amount to almost as much maize as what the 25 EU Member countries, as a whole, are expected to use for animal feed from maize.

STOCKS

Coarse grains stocks decline

For the first time since the start of the current marketing season, the FAO forecast for world coarse grains stocks has been raised, mostly to take account of higher production estimates for 2005 and

lower feed use. World stocks of coarse grains for crop years ending in 2006 are currently put at 181 million tonnes, up 9 million tonnes from the previous report but as much as 12 million tonnes, or nearly 6 percent, less than their opening level. Based on the latest estimates, stocks held by major exporters by the end of the seasons in 2006 could fall to 88 million tonnes, down by nearly 4 million tonnes from their high opening levels. Two years of bumper maize crops in the United States are likely to result in record high ending season stocks in the United States. However, the projected increase of roughly 5 million tonnes in coarse grains stocks held in the United States would not be sufficient to offset completely the expected sharp decline in the EU, where, following this year's fall in production of all major coarse grains (maize and barley in particular), ending stocks are forecast to be cut by at least 7 million tonnes compared to their opening levels.

Elsewhere, this year's drop in production in drought-stricken countries in North Africa is expected to result in a sharp decline in stocks in the affected countries. Similarly, in Southern Africa, a draw-down in stocks in 2005/06 is anticipated in several countries that gathered a reduced 2005 harvest. However, most other African nations, including those which until recently were severely hit by food shortages in western Africa, are projected to replenish stocks as a result of improved production prospects. In Asia, stocks in China are expected to decline again although the decrease would be relatively small and carryovers remain large. However, avian flu outbreaks may dampen feed demand in China as well as other affected Asian countries and that could eventually lead to higher stocks than currently anticipated. In other regions, maize stocks in Brazil and maize and barley inventories in Bulgaria, Romania and Ukraine are forecast to decline significantly this season, mainly because of smaller domestic production.

Figure 11 Per caput food consumption of coarse grains in Africa

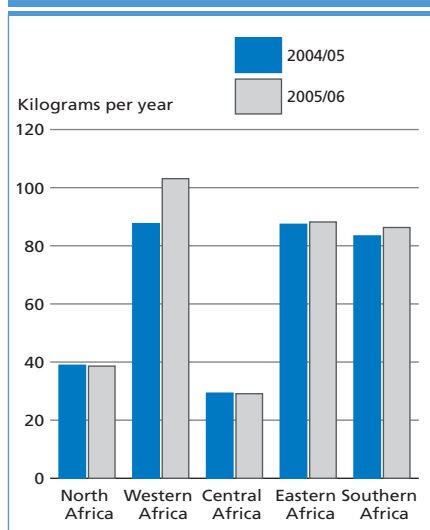
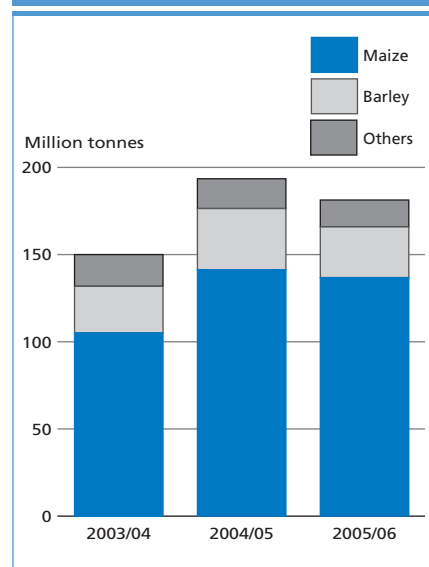


Figure 12 World stocks of coarse grains



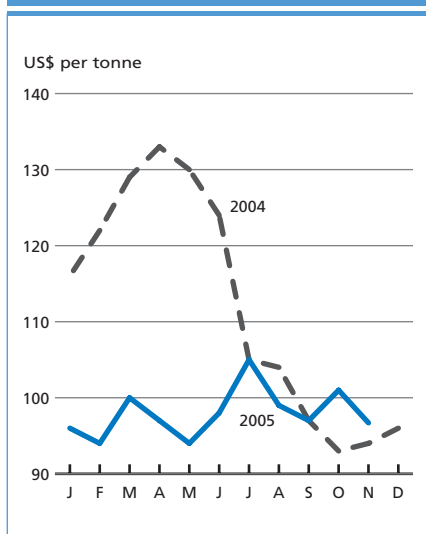
PRICES

Strong sales lifted feed grain prices but further gains are limited

So far this season, international maize prices have benefited from reduced exportable supplies in China and Brazil coupled with strong demand in several southern African countries. Prices of white and yellow maize from South Africa have been also supported by weather concerns and a weaker Rand against the US dollar in past months. In recent weeks, faster sales following the resumption of exports from the hurricane-affected US Gulf ports provided some support to the US maize and sorghum prices.

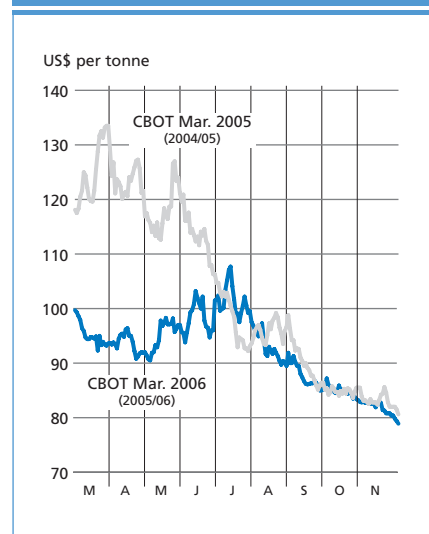
Since September, the US export prices moved generally sideways in spite of harvest pressures and large supplies of feed wheat. In November, the US maize export price (US No.2 Yellow) averaged

Figure 13. Maize export price (US No. 2 Yellow, Gulf)



US\$97 per tonne, up US\$3 from last year. However, any further gains are becoming more unlikely as markets expect the arrival of the second-largest US crop on record at a time when the strengthening of the US dollar is already putting pressure on US sales. In the futures market, the Chicago

Figure 14. Maize futures price



March 2006 values have declined US\$5 since September, to around US\$81 per tonne. Worries over the spread of avian flu in China, and possibly also Europe, could be expected to put more downward pressure on coarse grain prices in the coming months.

RICE

PRODUCTION

Record 2005 paddy output following improved crops in major producing countries

As 2005 comes to a close, countries in the northern hemisphere are harvesting their main paddy crops. In the southern hemisphere, the 2005 crops were mostly gathered in the first half of the year and farmers are now preparing land for direct seeding or transplanting of the first 2006 paddy crops. The forecast for global paddy production in 2005 has been raised by 7 million tonnes since September to 622 million tonnes, which would be 2.6 percent, or close to 16 million tonnes

above the 2004 output. The latest revision reflects improved prospects in some of the major producing countries in Asia.

The outlook for the 2005 paddy crop in Asia has improved since the last review and the aggregate production of the region is now forecast to reach some 562 million tonnes, surpassing last year's record of 547 million tonnes. The latest semi-official forecast for production in China (Mainland) points to a 2 percent increase from 2004 to 182.8 million tonnes, the highest level since 2000. This increase was mostly in response to government incentives to plant more rice, as relatively weak domestic prices have prevailed in the course of the year. The outlook in India has improved since the

previous report, with production set to reach 130.5 million tonnes this season, 2.5 million tonne more than in 2004. In Indonesia, according to the third forecast by the Ministry of Agriculture, almost 54 million tonnes of paddy rice have been gathered during 2005, virtually matching last year's bumper crop. Production is forecast to increase in Bangladesh, reflecting favourable monsoon rains and relatively high domestic rice prices during the year, which have been an incentive to farmers. In Cambodia, abundant rainfall in September put an end to a prolonged drought and favoured an increase in plantings, which could give rise to partial recovery in production. Prospects for rice production in Myanmar are also positive. The Philippines is foreseen to gather a record output over the 2005 season (July 2005 – June 2006), reflecting expectations

of abundant harvests between November and February. Japan's official rice output forecast was also raised following an August field survey which rated the crop condition as "above-normal", and the country is now anticipated to gather 11.4 million tonnes of paddy rice, 4.6 percent more than last season. In the Democratic Republic of Korea, excellent growing conditions and improved deliveries of inputs have raised expectations of a bumper crop. In Sri Lanka, official production estimate for 2005 has been raised and now points to a 19 percent growth from the poor 2004 season outcome. In Thailand, production is anticipated to recover, reflecting a return to normal growing conditions this season. On 1 November, the Government launched the new round of intervention purchases to buy up to 9 million tonnes of rice at minimum prices of about Baht 7 000 (US\$171) per tonne. The procurement programme has been instrumental to sustain domestic producer prices of rice. Official production estimates in Turkey have been raised to 525 000 tonnes, an exceptionally high level for the country. Producers have been benefiting since 2004 from a crop absorption scheme,

which constrains traders to buy rice locally in order to obtain rice import licenses.

Production, however, is anticipated to fall in a few countries in the region, notably in Viet Nam where the outlook has deteriorated following the passage of typhoon Damrey and typhoon Kai-Tak in September and November respectively, which hit northern and central provinces. As a result, the official production estimate now points to a 300 000 tonne decline from the 2004 record to 35.8 million tonnes. The Republic of Korea is foreseen to harvest a smaller crop, as the Government will cease, this season, to procure rice at minimum producer prices. Paddy production in Laos and Nepal may also fall, as crop activities were hampered first by drought and then by torrential rains and flooding.

In **Africa**, the 2005 rice season is about to be concluded with the harvest of crops in the Western and Northern subregions almost complete. Growing conditions have been generally favourable, allowing for increased plantings and resulting in better yields. Based on the latest indications, production in the region is forecast to increase 3.8 percent to 20 million tonnes.

In North Africa, in Egypt, the official area under rice declined by 7 percent this season, but yields were reported to be excellent. On balance, paddy production may fall by 6 percent from the 6.4 million tonnes record of last year. Most countries in Western Africa enjoyed favourable growing conditions over the season, with abundant rainfall and a relatively low pest incidence, which together with the high rice prices that have prevailed in most countries resulted in an expansion in plantings and yields. In particular, Burkina Faso, Chad, Gambia, Guinea, Mali, Niger and Senegal are all set to harvest larger crops this season. Production is expected to increase also in Mauritania, although growth was constrained by a shortage of rice seeds, following the poor harvest of 2004. Prospects are positive in Nigeria. In Sierra Leone a return of refugees and improved distribution of inputs are estimated to have resulted in an increase in plantings and yields. In eastern Africa, Tanzania, which is now harvesting the second paddy crop, is estimated to gather 1 million tonnes of paddy, about 10 percent above 2004, almost matching the 2003 record performance. In southern Africa, a record crop was harvested earlier this year in Madagascar, the largest producer of the sub-region, where farmers are now engaged in land preparation to plant their 2006 main paddy crop. Paddy production has also increased in Kenya.

In **Central America and the Caribbean**, several countries were harvesting their 2005 main crop as of mid-November. The production outlook in the subregion has deteriorated since the previous report, reflecting, in particular, the passage of Hurricane Stan. The 2005 aggregate output is now expected to remain virtually unchanged from last year. Costa Rica, Cuba, El Salvador, Guatemala and Honduras may face a contraction in production this year, while little change is expected in Mexico and Nicaragua, reversing earlier expectations of an increase. However, the Dominican Republic and Panama are still foreseen to

Table 5. Rice production (million tonnes)

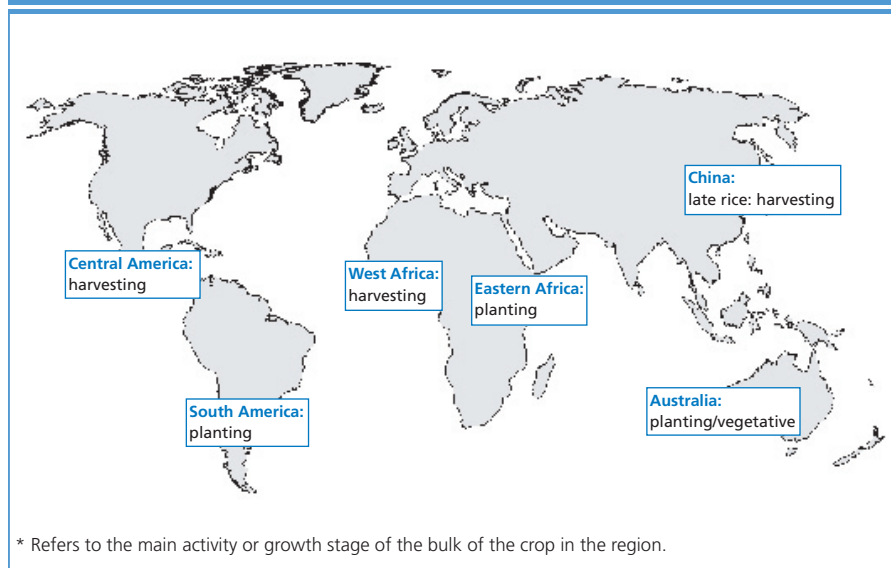
	2004 estimate	2005 forecast	Change: 2005 over 2004 (%)
Asia	547.0	562.3	2.8
Africa	19.5	20.2	3.8
North Africa	6.4	6.0	-5.5
Western Africa	8.2	8.8	7.3
Southern Africa	3.3	3.6	10.6
Central America & Caribbean	2.4	2.4	0.4
South America	23.3	23.8	2.1
North America	10.5	10.0	-4.4
Europe	3.4	3.4	-1.0
EU 25	2.8	2.6	-6.3
Oceania	0.6	0.3	-41.3
World	606.7	622.5	2.6
Developing countries	580.8	596.8	2.8
Developed countries	26.0	25.7	-1.0

gather larger crops this season.

In **South America**, the 2005 aggregate paddy crop is estimated slightly higher than the above average level of last year. Several countries have already started seeding their first 2006 crops, under a generally depressed economic climate, characterized by relatively low rice market prices and rising production costs. In Brazil, the 2005 crop has been confirmed at a record level. However, according to reports on farmers' planting intentions in 2006, expectations of lower returns may result in a 12-15 percent cut in plantings, especially in the Mato Grosso, the second largest producing region, which could lead to a 9 percent decline in national production. In Argentina, latest official estimates put the 2005 production down by 3 percent, but the area under rice is anticipated to expand by 2 percent in 2006. In Colombia, production also declined from the record achieved in 2004. Despite lingering drought problems, Ecuador gathered a bumper crop in 2005, as irrigation water resources were adequate. However, falling producer prices are causing concern, a situation exacerbated by the restrictions on imports imposed by Colombia. Bolivia's 2005 production forecast has been raised somewhat, to 9 percent up from last year's level, following official information of a sizeable increase in main crop plantings. In Uruguay production is estimated to have fallen by 4 percent in 2005. A further decline is likely in 2006, as the area is set to shrink by 10 percent, a reflection of rising costs and falling prices.

Elsewhere, in the **United States**, the 2005 rice crop is estimated at 10 million tonnes, only 5 percent down from the record of 2004. By contrast, Australia has harvested a dismal crop, for the third consecutive year, of just 345 000 tonnes in 2005. However, plantings for the next 2006 paddy season are anticipated to rebound. The forecast for production in the

Figure 15. World rice calendar - December situation*



EU has been lowered somewhat since the last report and now stands at 2.6 million tonnes, 6 percent less than in 2004. The contraction reflects reduced plantings compounded with lower yields because of drought in the Iberian Peninsula. By contrast, the estimate for production in the Russian Federation was revised upward to 620 000 tonnes, a 32 percent increase from 2004. The substantial improvement over the previous year reflects larger plantings and better yields, mostly attributed to the introduction of higher protection against imports. The 2005 production outcome in Ukraine was also positive.

TRADE

Trade in rice to expand by 3 percent in 2005

FAO's forecast for rice trade in 2005, which is largely influenced by production in 2004, has been raised by about 600 000 tonnes to 27.6 million tonnes, 900 000 tonnes more than in the previous year. Improved prospects for exports by India, Pakistan, the United States and Viet Nam, more than offset a dampened sales outlook for China and Thailand. On the import side, deliveries to Cuba, Madagascar, Nigeria and South Africa are now forecast to be larger than earlier expected.

Widespread increases in imports in all regions except South America

The increase in global rice trade in 2005 is largely driven by an increase of imports in all regions except South America.

By the end of the year, Asian countries are forecast to import 12.8 million tonnes of rice, about 800 000 tonnes more than in 2004, mainly reflecting larger expected deliveries to Bangladesh and the Philippines, which both gathered reduced crops in 2004, but also to Syria and Turkey. By contrast, Indonesia's import forecast has been lowered to 800 000 tonnes, 20 percent below the 2004 level, as much of an announced 250 000 tonne purchase now appears to have been postponed to next year. Imports by China (Mainland) are foreseen to decline. Similarly, they are also expected to fall in the Islamic Republic of Iran, partly because of the imposition of higher rice custom duties since March 2005, and in Sri Lanka, after the bumper crop it reaped this season. Imports by African countries are now forecast at 8.9 million tonnes, a 4 percent increase from last year. Sizeable imports are estimated to have been made by South Africa, but also Kenya, Madagascar and Mozambique. Larger shipments to Cameroon have been reported by exporters, but much of the

increase is believed to have been destined to Nigeria, which is now estimated to have brought about 1.5 million tonnes, 100 000 tonnes less than in 2004. The Government is promoting the import of husked rice as a means to support the milling industry, with tariffs set at 50 percent, half the rate applied on milled rice. Overall rice deliveries to countries in Central America and the Caribbean may rise to 2.3 million tonnes this year, up from 2 million tonnes in 2004, sustained by increases in Cuba and Nicaragua, where crops were impaired by natural disasters, but also in El Salvador and Mexico. By contrast, purchases by South American countries are estimated to have fallen by 37 percent, to 724 000 tonnes, reflecting reduced shipments to Brazil, Colombia and Peru. In Colombia, the drop was associated with the imposition of a ban of imports from the Andean Community in July. Among other importers, the United States' official import estimates point to a 14 percent contraction in 2005. By contrast, deliveries to Australia and the EU are seen larger this year. In the EU, the increase was facilitated by a cut of tariff rates on husked rice.

Large shipments from Egypt, India, Pakistan and Viet Nam underpinned world trade

Behind the expansion in global trade in 2005 also lies a surge in exports by India and Pakistan, which benefited from the suspension, last October, of new sale contracts by Viet Nam and from the relatively high prices prevailing in Thailand. As the Government stopped issuing licenses for export in 2005, Viet Nam shipments are now likely to hover around 4.65 million tonnes, still 15 percent more than last year. Strong demand in central European and Near East countries boosted Egypt's exports. Despite smaller opportunities for sales to Brazil, both Argentina and Uruguay are expected to increase their exports, with substantial amounts flowing outside of Latin America, in particular to markets in the Near East.

Similarly, shipments from the United States are set to reach near record levels, driven by falling export prices. By contrast, deliveries are lower from mainland China and, especially, Thailand, where smaller export availability and high domestic prices may end depressing sales by 25 percent.

Early prospects for trade in 2006 point to a contraction

Given the favourable outlook for production in 2005, which largely determines the import requirements and the availability of supplies for export in 2006, global rice trade next year is now forecast at 26.1 million tonnes, 5 percent lower than currently estimated for 2005.

Some of the major importing countries likely to cut imports in 2006

In Asia, Bangladesh and the Philippines, which are expected to have abundant supplies from 2005 bumper crops, as well as Indonesia, may contract imports next year. Similarly, large production gains in 2005 should reduce the Democratic Republic of Korea's need to import. Only a few countries in the region are currently foreseen to step up their imports in 2006. In China (Mainland) where the bulk of imports consist of high quality rice, they may recover if the quality of the grain harvested in 2005 has been negatively affected by adverse weather and pest problems. China has also signed agreements with a number of rice exporters to facilitate access to its market. A small rise in imports by the Republic of Korea is also anticipated. However, this would depend on whether the country ratifies an agreement with various countries to extend the WTO Special Treatment on rice. Shipments to Iraq and Turkey are also anticipated to increase. In Turkey, tariffs on husked and paddy rice will be cut between 1 November 2005 and 31 July 2006. Rice imports

to African countries in 2006 are forecast to fall to 8.5 million tonnes, with lower shipments to Madagascar, Nigeria and South Africa. In South America, in Brazil, where the bulk of the crop is harvested early in the year, the anticipated fall in 2006 production may sustain an increase in purchases next year. In the other regions, imports by the EU are set to grow to 1 million tonnes, prompted by the lowering of the import tariffs on broken and milled rice recently agreed with Thailand (but not yet ratified). Similarly, shipments to the United States are officially forecast to rise, while they may decline in Australia and the Russian Federation.

Some exporting countries responsible for trade growth in 2005 may be less competitive next year

The expected contraction in rice trade in 2006 would arise mainly from reduced shipments by Egypt, India, Pakistan and Viet Nam. All of these countries are facing rising production and transportation costs, which could render export a less attractive option in 2006. Shipments from the Republic of Korea are also expected to decline, as the Government may reduce food aid deliveries to the Democratic Republic of Korea. By contrast, shipments by China (Mainland), Myanmar and especially Thailand might increase. Thailand, in particular, may look for special government-to-government deals involving rice, as a means to dispose of its large publicly-owned stocks while minimizing the negative impacts on export prices. The anticipated return of Brazil as a major importer may enable Argentina to maintain the level of sales at levels close the 2005 levels, but stronger competition outside of Latin America and the Caribbean may result in some market loss in the case of Uruguay. Official prospects for exports by the United States point to a similar performance as in 2005.

UTILIZATION

Population growth to be the only force driving global rice consumption up

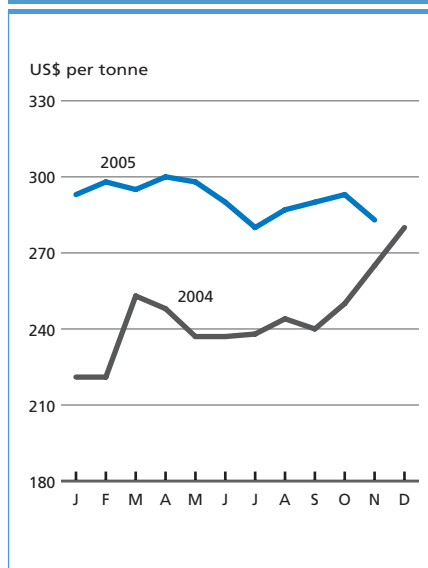
World rice consumption in 2005/06, which includes food, feed and other uses, is forecast to rise by 1.3 percent to some 417 million tonnes. Of the total, 368 million tonnes are estimated to be consumed as food and average per caput consumption is foreseen to remain stable at some 57 kg. Some recovery in per caput intake is anticipated in Africa and in several Low-Income Food-Deficit countries in Asia that had faced a surge in prices in the previous year. However, the average per caput rice consumption in Asia as a whole is expected to remain virtually unchanged, given the long-standing tendency in the fast-growing economies for diets to diversify. Per caput food consumption is forecast to remain of the order of 69 kg per year in the developing countries, while it may rise slightly to some 13 kg in the developed countries.

STOCKS

Little change in stocks expected because of closer balance between world production and consumption

The FAO forecast of global rice inventories at the close of the 2005 crop seasons has been raised since the previous issue to 97 million tonnes, reflecting more optimistic prospects for 2005 crops, and now stands slightly below the opening level. While mainland China was the main force driving the reduction in world stocks in the previous years, the country is forecast to maintain its reserves virtually unchanged. This might signal that, for rice, China has basically concluded the adjustment process it initiated in 2000. Inventories are expected to rise in Japan, reflecting the relatively large 2005 crop, in the Republic of Korea, and Myanmar.

Figure 16. Rice export price (Thai 100% B, f.o.b.)



By contrast, closing stocks in India, Egypt and the United States are anticipated to decline, as the level of production would not be sufficient to cover their expected domestic demand and exports in full. Most of the other rice exporters, including Pakistan, Thailand and Viet Nam are anticipated to maintain their stocks close to their opening levels.

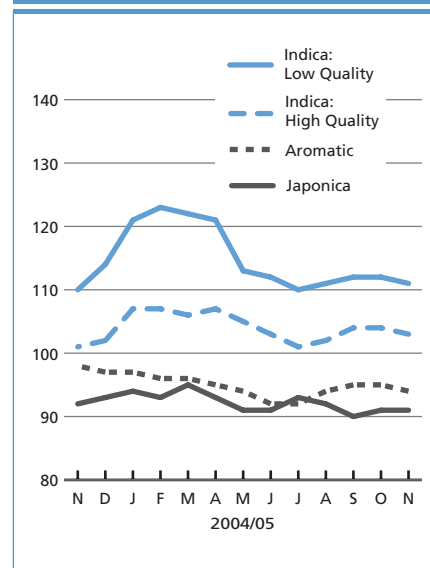
As for importing countries, the relatively low size of imports expected by the Philippines and Indonesia may result in smaller carryovers in those countries. Inventories could also decline in the EU, mainly reflecting lower production and rising consumption. By contrast, inventories in Bangladesh and Brazil are likely to end larger, reflecting bumper 2005 harvests.

PRICES

Rice prices hold steady despite the arrival of large crops on the market

Despite the arrival of large harvests on the market in northern hemisphere countries, international rice prices have been stable since September, with the FAO All Rice Price Index, virtually unchanged at 101. Among the various rices, the price indices of the

Figure 17. FAO price indices for rice (1998-2000=100)



lower and higher quality Indica remained steady in September and October, but fell slightly in November, when large supplies from the main crop in Thailand put prices under pressure. The Japonica price index declined in September, but regained ground subsequently. Little change in the aromatic rice price index has been noted since September, although they tended to weaken in November, reflecting lower quotations of fragrant rice from Thailand and of Basmati from India.

The improvement in the 2005 crop outlook has added a bearish sentiment to price prospects in the coming months. Expectations of larger export availabilities and of reduced import requirements in some of the major importing countries would mean prices could be under downward pressure, at least in the first quarter of 2006. The pressure would be especially strong if large supplies are offered by Viet Nam when it lifts its export ban while Indonesia continues to maintain tight restrictions on imports. By contrast, the launching of government procurement programmes in Thailand and India could limit the price erosion, especially in a context of rising producing and marketing costs.

MILK AND MILK PRODUCTS

PRICES

How long will high prices hold?

The FAO international dairy product price index (1990-92=100) has stabilized in the range of 160-165 during 2005, reaching a 15 year high of 165 in September before falling back marginally to 163 in November. It is expected that, come the end of the year, the average value of the price index in 2005 will be 162, compared to 145 in the previous year. Prices have remained high, largely as a result of

stronger demand growth in parts of South East Asia and North Africa, but also because of limited supplies in Oceania and reduced export subsidies by the European Union. Regarding the individual major milk products, November export prices from Oceania for butter and whole milk powder were up about 3 percent, while cheese (Cheddar) prices were up almost 5 percent from the same month a year ago. Converting the Oceania prices for butter and skim milk powder into a milk equivalent price level and adjusting for a 15 percent margin for processing, world farm prices of milk (basis Oceania) are

about US\$0.23 per kg, substantially above their trend value of around US\$0.19 per kg. At such high prices, production would be expected to rise, which, ultimately, would bring prices down toward their trend values. Obviously, historical evidence shows milk product prices are highly volatile around such a trend; the question is when milk prices will decline, and by how much.

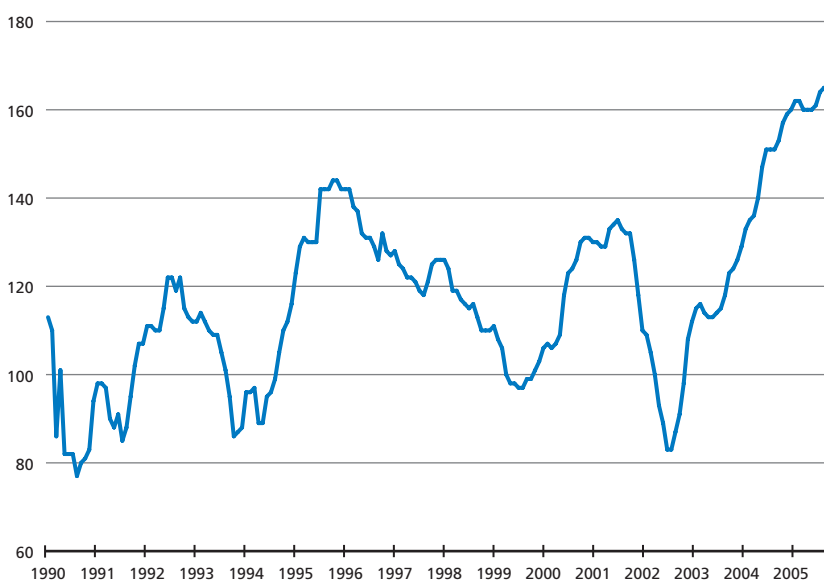
Throughout 2005, export refunds by the EU have been reduced substantially, given high world prices, declining intervention prices, and low intervention stocks. But these are still substantial at €921 per tonne, €100 per tonne, €459 per tonne and €50 per tonne for butter, skim milk powder, cheese and whole milk powder respectively. Since refunds vary inversely to world price movements, they tend to exacerbate price fluctuations, although their effect on markets is considered to be less since the EU share of export markets has declined.

Table 6. Indicative dairy export prices (US\$/tonne, f.o.b.)

	2004		2005		%change Nov. 05/Nov. 04
	Nov.	Sep.	Oct.	Nov.	
Skimmed milk powder	2 194	2 279	2 250	2 238	2.01
Whole milk powder	2 200	2 307	2 300	2 269	3.14
Cheddar cheese	2 769	2 888	2 900	2 900	4.73
Butter	1 994	2 175	2 119	2 050	2.81

Source: Mid-point of ranges reported by Farmnet (NZ) and USDA.

Figure 18. Monthly dairy price index (1990-92=100)¹



¹The index is derived from a trade-weighted average of a selection of representative internationally-traded dairy products.

PRODUCTION

Growth in global milk output strengthens in 2005

Encouraged by high international prices, milk production is estimated to grow 2.4 percent in 2005, after an increase of 1.9 percent in the previous year. Most of the expansion is accounted for by growth in Asia and in the United States. By economic group, milk production in the developing countries is expected to grow over 4 percent in 2005, compared to less than 1 percent in the developed countries. As in recent years, much of the dynamism of the dairy industry is stemming from developments in both supply and demand in developing countries.

But output growth remains limited in traditional exporting countries

Milk production in Oceania fell by more than 2 percent in the 2004/05 marketing

year (ending May 2005), with New Zealand's production down 4 percent and Australia's up only 0.5 percent. Unfavourable weather conditions in New Zealand have been blamed for the decrease there, while Australia is still recovering from drought in the previous year. Production in Oceania is expected to start increasing over the short term. An important question is whether full supply response to higher prices will be realized. It should be borne in mind that both New Zealand and Australia have experienced significant exchange rate appreciation in recent years, meaning that prices to their producers have not increased in line with US dollar prices.

In other developed countries, milk production in the United States is expected to increase 3.5 percent in 2005 in response to higher domestic prices and favourable feed conditions. In the EU, production may grow slightly in 2005, making up for a decrease in the previous year; production remains largely under supply quota and fluctuates around a level of 145-146 million tonnes. Similarly in other countries subject to production quantity limits, output varies around 7.8 million tonnes in Canada, 3.6 million tonnes in Switzerland and 8.2-8.3 million tonnes in Japan.

After increasing in the early years of this decade, milk production in many transition countries has declined in the past three years due largely to a contraction of dairy herds and the continuing adaptation to a market economy. For 2005, production is expected to grow somewhat in the Ukraine while it might fall by another 2.5 percent in the Russian Federation.

Asia is the strongest growing region

Among the developing countries, India's output keeps growing strongly on an annual basis as investments continue in the sector, while strong rises in domestic demand sustain prices. A normal monsoon this year has

made ample fodder supplies available and production should rise by over 4 percent in 2005. The country now accounts for over half of the total milk output of Asia, and is reinforcing its position as the world's largest single milk producing country. With high international prices, export markets offer potential for further growth.

The country with the fastest production growth is China, which has almost doubled its milk output since 2001. However, some reports indicate the rate of growth has subsided somewhat in 2005, under higher costs

of production. Production in 2005 is now expected to grow by 20 percent, down from 26 percent last year.

In Pakistan, which is the world's fifth largest milk producing country, output continues to rise at the rate of 3 percent per year. The dairy sector accounts for more than 40 percent of the value of agricultural output and is a critical revenue source. Consumption of dairy products constitutes almost 15 percent of daily calorie intake. The extent of the impact of the 8 October 2005 earthquake on the dairy sector is not fully known. There are reports

Table 7. Milk production of major producing countries (million tonnes)¹

	2003	2004 estim.	2005 f'cast ¹ .	Growth% 2004/2005
World	615.8	627.6	642.6	2.4
Africa	30.3	32.5	33.7	3.8
Egypt	5.3	5.3	5.5	2.6
Sudan	5.1	5.1	5.3	3.9
Kenya	3.4	3.0	3.1	4.5
South Africa	2.6	2.8	2.9	3.0
North America	85.0	85.4	87.9	3.0
United States of America	77.3	77.5	80.1	3.5
Canada	7.7	7.9	7.8	-1.1
Central America & Caribbean	14.5	14.5	14.9	2.7
Mexico	9.9	10.0	10.2	1.9
South America	47.7	49.1	51.1	3.9
Brazil	23.5	23.5	24.4	4.0
Argentina	8.2	9.6	10.1	4.6
Asia	196.9	205.5	215.0	4.6
China (Mainland)	21.5	27.1	32.5	19.9
India ²	91.1	93.6	96.1	2.7
Pakistan	27.8	28.6	29.5	3.0
Turkey	10.6	10.5	10.5	0.0
Japan	8.4	8.34	8.3	-0.9
Islamic Rep. of Iran	5.8	6.0	6.3	6.1
Europe	216.4	215.1	215.1	0.0
EU-25 ³	147.6	146.5	147.5	0.7
Russian Federation	33.4	32.2	31.4	-4.2
Ukraine	13.7	13.7	13.8	0.0
Romania	5.1	5.4	5.4	0.0
Switzerland	3.9	3.9	3.9	-2.5
Norway	1.8	1.7	1.6	0.5
Serbia and Montenegro	1.8	1.6	1.6	0.0
Oceania	25.1	25.4	24.9	-2.2
New Zealand ⁴	14.4	15.0	14.4	-4.0
Australia ⁵	10.6	10.4	10.4	0.5

¹ Provisional. ² Dairy years ending March of the year shown. ³ Production figures for 2003 adjusted to EU-25 area. ⁴ Dairy years ending May of the year shown. ⁵ Dairy years ending June of the year shown.

stating that as many as 250 000 farm animals perished and that many others remained in undernourished conditions. Farmers are reported to be selling livestock assets for slaughter at reduced prices.

For Central America and the Caribbean, overall milk output is expected to grow by 2.7 percent in 2005 as low-cost milk producers responded to the high international prices of the past two years. Costa Rica's output has hit record levels in 2005. In South

America, growth continues to be strong, at 3.9 percent, with particularly high rates expected for Argentina, at 4.6 percent, and Brazil, at 4.0 percent. Chile's production continues to expand by over 5 percent. Peru recorded an annual rate of 3-4 percent and this is expected to continue with higher prices. Milk output in Uruguay is expected to expand 8 percent in 2005, after two years of low growth.

In Africa, conditions for milk production vary significantly. The

problem of locusts has subsided in western Africa and reports indicate that the rainy season this year was favourable. In Egypt, milk production is forecast to increase 2.6 percent in 2005, with higher milk yields per cow. Kenya's milk production in 2005 should increase in response to favourable weather conditions and stable prices. In South Africa, production is expected to have grown by 3 percent in the 2004/05 year, after an increase of over 6 percent in the 2003/04 marketing year.

OILSEEDS, OILS AND OILMEALS¹

PRICES

Seed and meal prices could weaken while prices for oils are expected to strengthen²

The FAO price index for **oilseeds** strengthened in the middle of the 2004/05 season³, but subsequently weakened, and by the end of the season was close to the level in October 2004. The recent price weakening largely reflected evidence of record oilseed carryover stocks as the season drew to a close. The price development in the first part of the 2005/06 season will depend mainly on two factors: the demand development

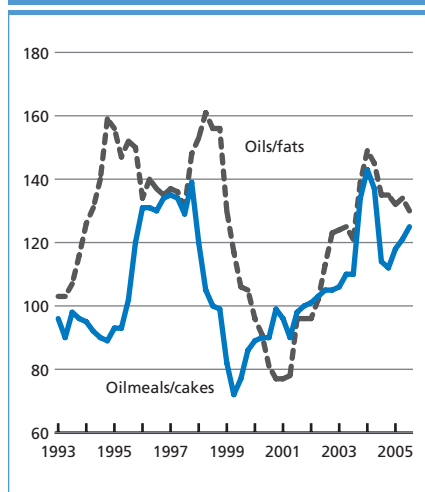
in China and the United States and the crop prospects in South America. Based on a currently favourable outlook for the South American crop, prices are expected to remain flat during the first part of the season. However, as the season progresses, price volatility normally increase as markets react to weather conditions for the development of the new crops in southern hemisphere countries.

Sustained imports by China, the prospect of a slow-down in meal

production and shipping delays from damaged US ports supported prices for **oilmeals and cakes** in the second half of last season. However, in the first months of the upcoming marketing year meal prices are likely to come under downward pressure as the market reacts to the prospect of ample global soybean supplies. It has become questionable whether demand in Europe, Asia and North America will be high enough to absorb the prospective production at current prices during the 2005/06 season. Part of the anticipated weakness in meal prices is linked to concerns about the avian flu, which is threatening to spread further.

Prices for **oils and fats** slipped under the pressure of record soybean and palm oil production in 2004/05. Utilization of vegetable oils fell short of supply causing global stocks to rise. During the upcoming season, the total oils stock-to-utilization ratio is expected to fall in 2005/06 because of lower production growth and firm demand. As a result, prices can be expected to strengthen. With regard to the trend worldwide to raise consumption of vegetable oils in biodiesel, during 2005/06, the importance of biofuel demand on the global vegetable oil market could strengthen further and have a significant impact on prices.

Figure 19. FAO quarterly price indices for oils/fats and oilmeals/cakes (1990-92=100)



¹ Almost the entire volume of oilcrops harvested world-wide is crushed in order to obtain oils and fats for human nutrition or industrial purposes and cakes and meals used as feed ingredients. Therefore, rather than referring to oilseeds, the analysis of the market situation is mainly undertaken in terms of oils/fats and cakes/meals. Hence, production data for oils (cakes) derived from oilseeds refer to the oil (cake) equivalent of the current production of the relevant oilseeds, while the data on trade in and stocks of oils (cakes) refer to the sum of trade in and stocks of oils and cakes plus the oil (cake) equivalent of oilseed trade and stocks.

² For full detail on price indices and prices see annex table A9.

³ The market season referred to is October to September.

Table 8. World production of major oilseeds (million tonnes)

	2003/04	2004/05 estim.	2005/06 f'cast.
Soybeans	184.6	213.4	220.4
Cottonseed	36.3	44.8	42.1
Rapeseed	39.0	45.8	44.8
Groundnuts (unshelled)	34.3	34.5	35.1
Sunflowerseed	26.3	25.9	27.6
Palm kernels	8.1	8.8	9.2
Copra	4.9	4.9	5.0
Others	10.1	9.6	10.6
Total	333.5	378.1	384.2

Note: The split years bring together northern hemisphere annual crops harvested in the latter part of the first year shown, with southern hemisphere annual crops harvested in the early part of the second year shown. For tree crop, which are produced throughout the year, calendar year production for the second year shown is used.

PRODUCTION

Seeds production to slow down in 2005/06

Global oilseed production is currently forecast to increase by about 2 percent in the 2005/06 crop year, to reach 395 million tonnes. This represents a considerable slowdown in production growth after the surge in the previous season. The main reason behind this is the relatively small growth anticipated in soybean production, for which current forecasts point toward an increase of only 3 percent. In the United States, the world's main soybean producer, production is reported to have fallen by about 3 percent due to a decline in area harvested. In South America, where the 2005/06 oilcrops are just being planted, aggregate soybean output is tentatively forecast to grow by about 11 percent. The latter estimate is based on reports that the area planted is expanding in

¹ This section discusses expected developments in the production of oils and meals from all origins, which – in addition to products derived from the oil crops discussed in the previous section – include palm oil, marine oils and meals as well as animal fats.

Argentina and shrinking in Brazil as well as on the expectation that yields will return to average levels as weather conditions in Brazil are expected to be more favourable than last year and farmers are prepared to fight against the threat of Asian rust. However, at this point, South America's final outturn remains uncertain. Farmers' planting decisions are still under the influence of recent and prospective price developments (also linked to the appreciation of the Real) as well as uncertainties regarding the likely increase in production costs for soybeans. Also global groundnut and sunflowerseed output is projected to increase, reaching near record levels. Regarding sunflowerseed, both the Russian Federation and Ukraine are expecting excellent crops. Global production of both cottonseed and rapeseed is expected to fall. An expansion in the Canadian canola production for the third consecutive year would not be sufficient to offset a 13 percent drop in Chinese production due to poor yields.

Growth in oil production ahead of meal in 2005/06¹

Based on current crop forecasts, global **oils/fats** production is anticipated to grow between 2 and 3 percent during 2005/06. Accounting for most of the anticipated increase in oil production will be palm oil, despite a below average growth of 5 percent (caused mainly by the yield reduction anticipated for Malaysia). Global supplies of oils and fats (i.e. 2004/05 ending stocks plus 2005/06 production) are forecast to grow by almost 4 percent compared to last season.

Regarding **meals/cakes**, after last season's surge, global output is forecast to increase by less than 3 percent (compared to 14 percent during 2004/05), mainly reflecting the expected flat development in soybean production. The latter, together with the anticipated rise in sunflower meal output, will offset the expected fall in rape and cottonseed

meal. With regard to global supplies, the increase over last season is estimated at 6 percent due to the recovery of carryover stocks from last year's exceptionally low levels.

UTILIZATION

Demand for oils and meals continues to expand

During 2005/06, global consumption of **oils/fats** is forecast to expand further, rising at an about average rate of 3-4 percent. The main motor behind this growth continues to be sustained income growth in China, India and other countries in South and Southeast Asia as well as in South America and some eastern European states. Utilization of soy and palm oil is anticipated to

Table 9. Oilseeds and products: global supplies, trade and utilization (million tonnes)

	2003/04	2004/05 estim.	2005/06 f'cast.
Total oilseeds			
Production	344	388	395
Oils and fats¹			
Production	131	141	145
Supply ²	147	157	163
Utilization ³	131	139	144
Trade ⁴	62	66	70
<i>Stock/Util. Ratio (%)</i>	12.2	12.9	12.4
Oilmeals and cakes⁵			
Production	87	99	101
Supply ²	98	108	114
Utilization ³	88	94	99
Trade ⁴	49	53	56
<i>Stock/Util. Ratio (%)</i>	10.6	13.8	13.4

¹ Includes oils and fats of vegetable and animal origin.

² Production plus opening stocks.

³ Residual of the balance.

⁴ Trade data refer to exports based on a common October/September marketing season.

⁵ All meal figures are expressed in protein equivalent. Meals include all meals and cakes derived from oilcrops as well as fish meal.

Note: Refer to footnote 1 in the text for further explanations regarding definitions and coverage.

account for the bulk of the increase while consumption of other oils is likely to grow only slightly. Demand for non-food purposes, notably the production of biodiesel, is expected to account for an increasing share of total demand. Production of oilcrop-based biodiesel is seen expanding worldwide as some countries - notably the EU and recently also the United States - are implementing policies to stimulate production and consumption of biofuel, with the result that additional capacities to produce such product are coming on stream. Clearly, the recent surge in petrol prices is contributing to this development. According to private sector estimates, in the EU, about 45 percent of rapeseed oil production could be used for non-food applications this season.

Global consumption of **meals/cakes** is anticipated to rise by 5 percent in 2005/06, based, inter alia, on the assumption that demand will be stimulated by a fall in prices. Such a development is anticipated because, during 2005/06, in order to satisfy the consistently growing demand for oils/fats and in view of the limited supplies of oil-rich crops (notably rapeseeds), the industry will have to resort to crushing soybeans and other high meal-yielding oilcrops. The resulting surplus of supplies over demand is expected to lead to a fall in prices. Country-wise, consumption growth is expected to be concentrated in the United States, China and the EU. World oilmeal consumption levels in 2005/06 remain, however, subject to uncertainty as new outbreaks of avian influenza in some countries may curb demand for feed use. In China, strong and sustained economic growth is expected to drive demand for livestock and aquaculture products, and hence also for feeds such as oilmeals. The country's share in global consumption of (and trade in) both oils and meals is expected to expand further.

STOCKS

Meal and oil inventories will shrink slightly but remain high

The level of 2005/06 global opening stocks of both oils/fats and oilmeals/cakes (including the oil and meal contained in seeds stored) are well above the historical average. After several years of declining inventories, stocks recovered during the 2004/05 season. Oilmeal inventories especially experienced a very sharp increase (notably in the United States) due to the substantial rise in global soybean production, combined with an estimated excess of supplies over demand in particular in Europe and some Southeast Asian countries. A replenishment of global stocks also happened for oils and fats, though at a more moderate rate. During the upcoming season the growth of both production and consumption is expected to slow down. The forecasted growth in consumption outpaces the production expansion resulting in a modest release of meal and oil/fats stocks. The comparison with anticipated consumption levels shows that the stock-to-utilization ratio for oilmeals could fall, remaining, however, above the average recorded in recent years. Also for oils/fats, that ratio is expected to fall, reaching a below average level. Therefore, based on current stock and utilization forecasts, international prices for oils/fats should remain relatively firm during 2005/06. Prices for meals, by contrast, could come under downward pressure due to the burden of exceptionally high beginning stocks combined with a possible slow down in utilization.

TRADE

Trade in both oils and meals to resume growth

International trade in **oils/fats** (including the oil contained in seeds traded) is anticipated to continue growing during 2005/06. The anticipated 5 percent

expansion in trade is expected to be led by palm oil, followed by soybean and finally rapeseed oil. The world's seven leading exporters of edible/soap oils and fats, Malaysia, Indonesia, the United States, Brazil, Argentina, Canada and the EU are anticipated to satisfy as much as 82 percent of global oil import requirements. Shipments by the United States, which recovered after the drop in 2003/04, are forecast to expand another 2 percent. Palm oil exports are estimated to grow only 5 percent, down from an average growth of 13 percent in previous years. Asia is expected to remain the main import market, followed (at considerable distance) by the EU. With a tentative estimate of over 13 million tons for aggregate imports in 2005/06, China's share in global imports is expected to climb to 19 percent. In India, the deficit between domestic vegetable oil production and consumption is expected to narrow this season, possibly leading to a reduction of imports by about 3 percent compared to last season.

Growth in the global trade of **meals/cakes** (including the meal contained in oilseeds traded) is expected to continue this season, at an about average rate of 6 percent. This forecast depends on the assumption that international prices for meals will not strengthen compared to last season. Soymeal accounts for most of the anticipated expansion. Shipments by the United States are expected to remain close to last year's record levels, while record breaking shipments are expected in Argentina and Brazil. Asian countries are estimated to account for most of the expansion in global imports. Global import demand for oilmeals could however grow less than anticipated in the event of new outbreaks of avian influenza, notably in import dependant countries in Asia. If persisting, also high energy prices could eventually affect import demand for oilmeals by slowing down global economic growth and thus growth in per caput incomes.

Pulses: past trends and future prospects

A recent FAO study on world markets for pulses, presented at the 4th International Food Legumes Research Conference held in New Delhi on 18-22 October 2005, reviewed the situation in international markets for pulses over the period 1980-2004 and discussed some of the main challenges facing this important food sector. The main findings of the report include:

- World total pulse production increased by one-half since 1980, reaching a record level in 2004. The growth was much faster in the developed and in the developing countries. Notable differences in yields between the two country groupings were identified as one of the factors for this development.
- Overall, per caput food consumption of pulses stagnated in the developing countries with drastic declines in some regions, especially in Asia and sub-Saharan Africa. These trends reflect changing dietary patterns and consumer preferences but, in several countries, also the failure of

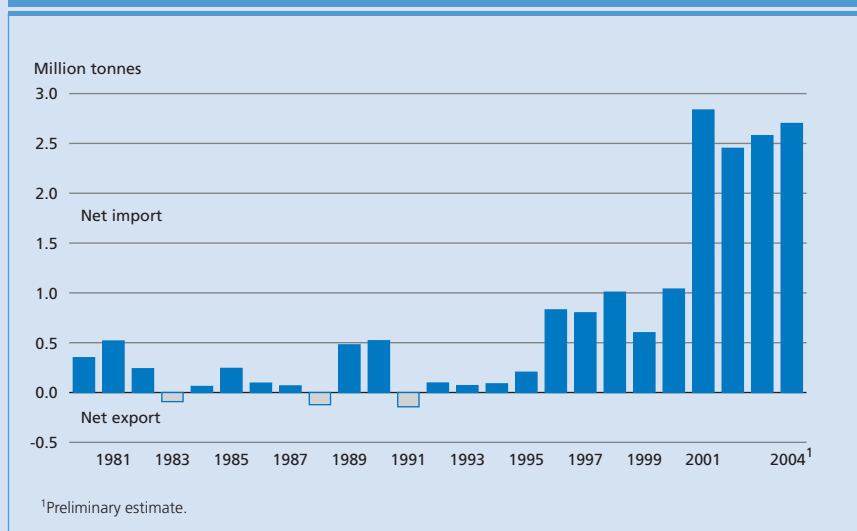
domestic production to keep pace with population growth. By contrast, per caput pulse consumption has increased in the group of industrialized countries.

- Developing countries have been increasingly relying on imports to meet their growing pulse requirements. The expansion in import demand has provided an incentive for many countries (developing included) to expand their pulse exports. Trade of pulses has grown faster than output, and therefore the proportion of pulse production that goes into international markets has increased significantly. Nevertheless, pulse trade remains a relatively thin market, when compared to other food commodities, namely grains.
- Looking ahead, food consumption of pulses, on per capita basis, is expected to stay at current levels in the Near East/North Africa and Latin America and Caribbean regions, whereas it is likely to fall further in South Asia because of a shift to consumption of higher value livestock products. In sub-

Saharan Africa, per caput consumption is projected to increase, reversing the declining trend experienced in recent years.

- On the supply side, constraints to productivity growth and production in the developing countries are expected to persist in the future, unless corrective measures are taken. Consequently, the recent trend in pulse imports by this group of countries will most probably continue in order to meet their rising demand.
- In developing countries pulse production and consumption have a significant impact on the food security of the poorer sections of the population who rely on vegetable sources to cover their protein and energy requirements. It is therefore recommended that the development of new pulse varieties and cultivation technologies be reinforced by adequate policies, support programmes in education and training of farmers, improved supply of input and credit and the development of appropriate marketing channels.

Net trade of pulses in the developing countries



More detailed findings of the study can be accessed through the FAO website at:

<http://www.fao.org/es/esc/en/index.htm>

For further information on the paper please contact:

boubaker.benbelhassen@fao.org

SUGAR

PRODUCTION

World sugar production to increase in 2005/06, primarily in developing countries

World sugar production in 2005/06 (October/September) is forecast by FAO to reach 147.8 million tonnes (raw sugar equivalent), which corresponds to an increase of 3.7 percent from the previous year, and just 156 000 tonnes short of the projected world sugar consumption of 148 million tonnes. The bulk of the growth in output will be accounted for by developing countries, where aggregated production is forecast to reach 106 million tonnes, led by a record harvest in Brazil, and a recovery in India. Aggregate production in developed countries is forecast at 42 million tonnes, about 3 percent down from the previous year due to lower production in the EU and Australia. With an anticipated supply deficit for the 2005/06 season, along with declining stocks in China, India, and the Russian Federation, world sugar prices are set to remain above their 2001-2004 average level.

Among the **developing countries**, in the **Latin American and Caribbean** region, Brazil is forecast to produce 30 million tonnes, an increase of 3.5 percent over 2004/05 levels, as a result of favourable weather condition, as opposed to 2004/05, when heavy rainfall during April and May hampered cane harvesting. Sugar output is also expected to rise in Mexico, following favourable weather conditions that resulted in higher yields. Output is forecast to reach 6.1 million tonnes, an increase of 200 000 tonnes over output obtained in 2004/05. Sugar exports from Mexico to the United States in 2005/06 should rise in line with the quota allocation of 276 000 tonnes under the terms of the North American Free Trade Agreement (NAFTA). The proposal for a new legal framework to regulate the sugar industry, promoting further liberalization of the sugar sector and cutting prices paid to cane growers, was recently defeated in parliament. The Government of Mexico is still to produce a comprehensive framework for the sugar sector, which would take into account the various national interests, and international trade commitments,

particularly in light of a recent WTO arbitration panel ruling in favour of the claims by the United States that the 20 percent tax on high-fructose corn syrup (HFCS) was trade obstructing.

By contrast, sugar production in Cuba is expected to decline by 7 percent, falling to 1.3 million tonnes in 2005/06, due to severe drought in most growing regions and the restructuring of the sugar sub-sector. The supply shortfall in the domestic market will be compensated by imports from Colombia. In the face of declining production, rising input costs, and low international prices, more mills will be shut down adding to the 71 of the 156 state-run mills, which will be converted to processing of other products including chocolates, candy, soybean and corn. Workers that were made redundant after the closures are being retrained for employment in other areas of the agricultural sector. Changes in the country sectoral policies include diversification of sugar cane production into non-citrus fruit. About 1.6 million hectares have been earmarked for diversification into tropical fruits, roots and tubers, forestry, and livestock production. Within the sugar sub-sector diversification of sugarcane into ethanol and other by-products have been initiated.

Aggregate sugar production of the developing countries in **Africa** is forecast at 5 million tonnes for 2005/06, a decline of 4.2 percent, mainly due to smaller harvests in Swaziland, Kenya and Malawi. By contrast, Tanzania is expected to produce a record 237 000 tonnes of sugar, up from 229 000 tonnes in 2004/05 as a result of benefits derived from the rehabilitation programme initiated in 1998. Production is expected to decline in Mauritius, while it will remain relatively unchanged in Swaziland, Ethiopia, and Mozambique.

A provisional forecast for the developing countries in the **Far East** indicates a sugar output of 43.7 million tonnes, substantially higher than the 2004/05 level, mainly reflecting a recovery in India. During the past two

Table 10. World production and consumption of sugar (*million tonnes, raw value*)

	Production		Consumption	
	2004/05	2005/06	2005	2006
WORLD	142.5	147.8	145.1	148.0
Developing countries	99.6	106.0	97.4	100.1
Latin America & Caribbean	49.9	50.7	26.5	27.0
Africa	5.3	5.0	8.1	8.3
Near East	6.1	6.3	11.1	11.4
Far East	37.9	43.7	51.6	53.2
Oceania	0.4	0.4	0.1	0.1
Developed countries	43.0	41.8	47.8	48.0
Europe	21.8	20.4	20.2	20.2
EU	21.0	19.7	18.1	18.1
North America	7.4	8.0	10.4	10.4
CIS in Europe	5.0	4.5	11.4	11.5
Oceania	5.6	5.3	1.4	1.4
Others	3.2	3.6	4.5	4.5

seasons, India has reduced stocks as production fell to about 13.9 million in 2004/05 from 14.6 million the previous season. However, during 2005/06, output is estimated to recover to 18.5 million tonnes, through substantial increase in plantings in response to improved prices. The 2005 monsoons provided ample rainfall in the cane growing areas of Karnataka, Gujarat and Uttar Pradesh, the main producing regions, where output is expected to reach 6.5 million tonnes. Sugar production in the key southern state of Maharashtra is also expected to recover to about 4 million tonnes, an increase of 2 million tonnes over 2004/05 levels. In the light of a positive outlook for 2005/06, the government has announced that raw sugar importers will have to re-export raw sugar after refining, as opposed to 2004/05, when raw sugar importers were allowed to sell refined sugar in the domestic market to meet supply shortages. Despite an expansion in production, it is likely that India will import sugar to meet domestic consumption and inventory demand for 2005/06.

In Thailand, sugar output is forecast at 4.6 million tonnes, a decrease of about 15 percent from 2004/05, due to consecutive droughts. Production is expected to be higher at 3.2 million tonnes and 2.5 million tonnes in Pakistan and the Philippines, respectively. Output in China is expected to increase by 6 percent to reach 10.7 million tonnes, reflecting the larger crop from the top sugar producing region of Guangxi, which produces about 60 percent of China's total sugar output.

Sugar production in **developed countries** is forecast to decline by 1 million tonnes, reflecting lower output in the EU and the CIS countries. As a result of adverse weather and smaller plantings, output in the Russian Federation and Ukraine is expected to be lower by 252 000 tonnes and 207 000 tonnes, respectively. In the United States, sugar

output is expected to be 7.9 million tonnes, relatively unchanged from the previous season. Both hurricanes Katrina and Rita caused substantial market disruptions. Hurricane Katrina forced the closure of two refineries in New Orleans, disrupting short-run domestic supply and forcing the USDA to raise its 2004/05 Overall Allotment Quantity (OAQ) to 8.6 million tonnes, which is the quantity of domestic sugar that can enter the market, in order to meet rising demand. The USDA raised the OAQ further for 2005/06 to about 8.8 million tonnes, shared between beet (4.796 million tonnes) and cane (4.09 million tonnes), as well as assigning a 276 000 tonnes to the Mexican TRQ, in line with the commitments under NAFTA. This sugar can enter the market during 2006 as either raw or refined sugar. In South Africa, sugar production is projected to rise to 2.7 million tonnes, a 23.5 percent increase over 2004/05.

Despite favourable weather and higher sugar content, sugar production in the EU is forecast to contract slightly, in 2005/06, to 20 million tonnes as a result of smaller crops in major producing areas. Many EU producers chose to reduce area planted in response to the proposed changes to the EU sugar regime, which, if approved by Member States, could come into effect in 2006/07 season. The reform proposal calls for a 36 percent price cut over four years, beginning in 2006/07, and a compensation package to farmers for 64.2 percent of the price cut through a decoupled payment, which will be linked to the respect of environmental and land management standards. Notwithstanding the expected decline in output, the EU recently announced a 1.8 million tonne cut in the quota production for the 2005/06 season. The objective is to limit export of sugar and sugar products which are eligible for refunds in an effort to comply with WTO commitments with respect to export subsidies. A recent ruling by a WTO

panel gave the EU until 22 May 2006 to comply with a previous ruling in favour of Australia, Brazil and Thailand against the EU sugar export subsidy programme. Similarly, Sugar output in Australia, is expected to fall to 5.3 million tonnes.

UTILIZATION

World sugar consumption to grow in developing countries

Global sugar consumption in 2006 is forecast to reach 148 million tonnes, an increase of 2 percent from 2005, due to expected growth in consumption in the developing countries of the Far East and Latin America. Sugar consumption in developing countries is estimated to reach 100 million tonnes in 2006, in line with per caput GDP and population growth. Among developed countries, where demand had been relatively stable, consumption is forecast to remain relatively unchanged in the EU, the Republic of Korea, and the United States.

In India, the largest consuming country in the world, utilization is expected to increase to about 20.1 million tonnes. Two consecutive years of reduced production resulted in relatively higher domestic prices and lower demand, which eventually led to increased diversion of sugarcane for the production of gur and khandsari. However, the expected recovery in production should stimulate overall consumption in 2006. Sugar consumption in China is forecast to increase by 2.5 percent to reach 13.7 million tonnes, driven by increased demand from the processing food sector, combined with declining production of artificial sweeteners. Growing consumption levels are forecast for Latin America and the Caribbean where consumption is expected to reach 27 million tonnes. Most of the growth will be recorded in Brazil and Mexico where utilization is

estimated at 11 million tonnes and 5.5 million tonnes, respectively.

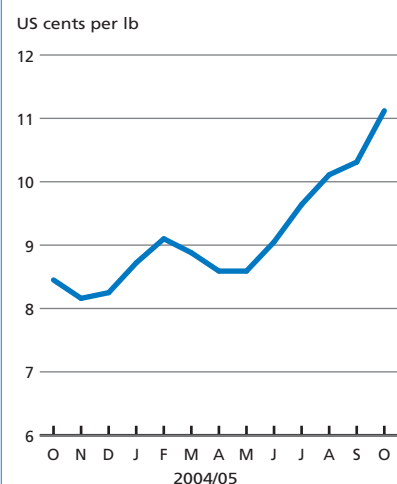
PRICES

Tight supply demand balance keeps sugar prices firm

The strengthening in world sugar prices continued in 2005, when the International Sugar Agreement (ISA) daily price averaged US cents 9.20 per lb between January and September, an increase of more than 30 percent over the same period in 2004. This increase was underpinned by the strong growth

in consumption against slower growth in production, resulting in declining global inventories. Given that prices have been relatively stable for the past 2 months, it is likely that the market has already factored in much of the expected changes in the market fundamentals of the 2005/06 season, and unless a supply shock occurs, prices should remain firm and stable.

Figure 20. ISA Sugar price



Other relevant agricultural commodities

BANANA

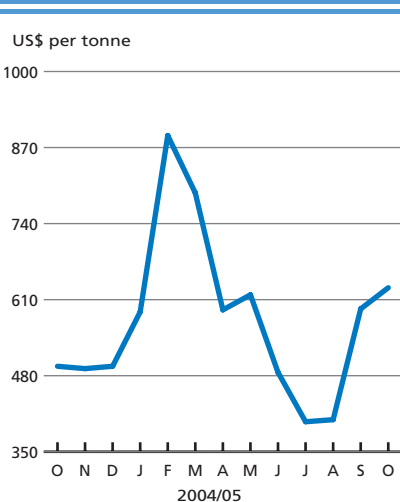
Banana markets were characterized by high prices in the last quarter of 2005, in particular in the United States and the EU. This situation resulted from the combination of firm demand and reduced supply. Banana production was affected by adverse weather in Latin America. In particular, a series of hurricane and tropical storms damaged plantations in Guatemala, Mexico and Honduras, while intense rains hit Panama. High oil prices also contributed to the increase in import prices. In the EU, this rise was further fuelled by reduced domestic production and a shortage of import licenses. Import prices were at their highest level since the 1990s. The outlook for the beginning of 2006 is for a continuation of the current situation of tight supply and high prices.

After the WTO arbitration panel ruled in August 2005 that the EU's envisaged tariff of 230 euro per tonne for banana imports from most favoured nations

(MFN) would not result in at least maintaining their market access, the European Commission (EC) proposed a tariff of 187 euro per tonne which Latin American countries considered too high. As negotiations failed, the EC requested

in September a second WTO arbitration to determine whether its new proposal complied with the terms of the Doha Waiver. The arbitration ruled against the proposal. Following this ruling, the EC engaged again in negotiations with the above countries but no agreement could be found. On 29 November 2005, the EU adopted a tariff-only system with an unbound tariff of 176 euro per tonne and a duty-free quota of 775 000 tonnes for ACP bananas. The new system is due to enter into force on 1 January 2006.

Figure 21. US Banana import price¹



¹ From Central and South America, major brands, f.o.t. US ports (from January 2005 US Gulf ports).

COFFEE

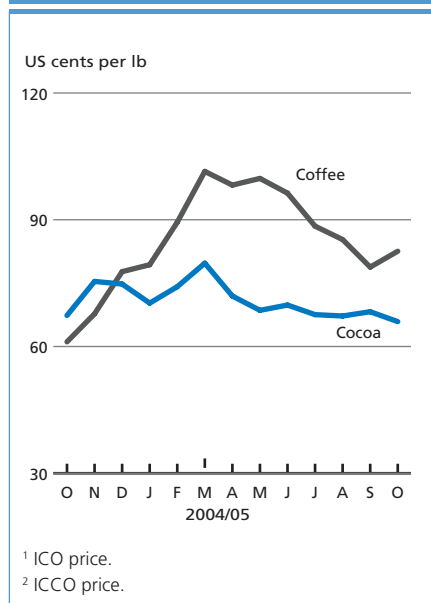
Coffee markets recovered considerably in October, after falling from May to September, which was mostly attributed to seasonal factors such as a slowdown of roasting activities and latterly also selling activity by investment funds. The October average price was 82.5 US cents per pound, 35 percent up compared to a year earlier, and took the average price for the first 10 months of the calendar year to 90 US cents per pound; 50 percent above the corresponding period in 2004. The coffee market remains underpinned by a tighter supply and demand balance: output is forecast to decrease in 2005/06 while consumption is expected to grow

and global inventories of green coffee will fall. World coffee production in 2005/06 (October/September) is expected to reach 6.3 million tonnes, unchanged from previous forecast, which corresponds to a 6.2 percent decline over 2004/05 level. Coffee production in Brazil is expected to decline by 15 percent to reach 1.9 million tonnes in 2005/06, mainly because the Arabica trees need to recover after providing an abundant crop in 2004/05, while output in Viet Nam, the second largest producer, is forecast to decrease by 25 percent from 750 000 tonnes in 2004/05, as a result of drought.

COCOA

International cocoa prices rose to 67.22 US cent per pound in September 2005, 3 percent up from August, but slipped back down in October to 65.9 US cents per pound in the light of estimates indicating higher cocoa exports from Côte d'Ivoire. Between January and October 2005, prices averaged 70 US cents per pound, just marginally up compared to the same period in 2004. Three major movements characterized the evolution of prices so far during 2005. From January to March, prices rose 13.5 percent to 79.7 US cent

Figure 22. Coffee¹ & cocoa prices²



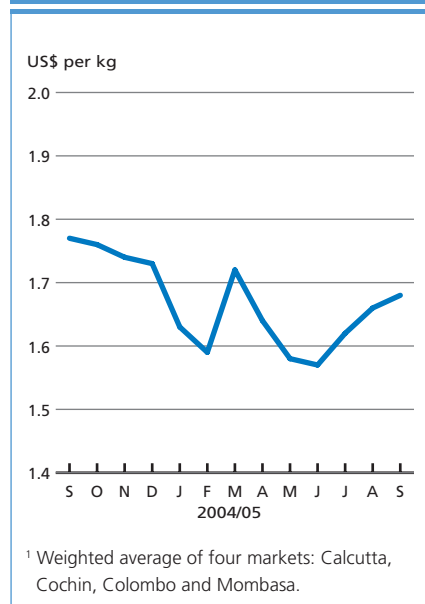
per pound due to speculation over a possible supply shortage in 2005/06, then between March and May prices trended downward and settled at 68.5 US cents per pound in May. Prices remained relatively stable at about 67.8 US cents per pound between May and October, which is 3.5 percent down from the price at the start of the year. In addition to the effect of a stronger US dollar, the overall decline in prices since the start of the year reflects concerns over an estimated global production surplus in the 2005/06 season as major consuming countries are seen to increase consumption only moderately. Latest estimates indicate a global surplus for the 2005/06 season of 70 000 tonnes, which compares to the revised estimate of a deficit of about 42 000 tonnes in 2004/05.

TEA

The FAO Tea Composite Price stood at US\$1.68 per Kg in September 2005, 1.5 percent up from August, as seasonal demand boosted prices in most tea auction markets. Auction prices in Colombo were quoted 8 percent higher in September, while in Mombasa and Cochin prices rose by 2 percent, and 4.7 percent, respectively. The only significant decline occurred in Kolkata where prices averaged 7.5 percent lower coinciding with the peak harvesting period. An analysis of past trends of the Kolkata Auction indicates a general decline of 9.5 percent, on average, between August and September.

Between January and September 2005, the FAO Tea Composite Price increased slightly by about 0.3 percent compared to the same period in 2004, despite a reported rise in output in major producing countries. World tea production in 2005 is set to reach yet another all time high. India reported a 40 percent increase in production for the first 8 months (January-August) of 2005. Higher output was also reported in Sri Lanka (+13 percent), Kenya (+6 percent),

Figure 23 Tea: FAO Composite Price¹



Indonesia (+3 percent), and Bangladesh (+2 percent), but for the period of January to September 2005. Slightly higher world tea prices to date, as compared to 2004, are due to steady demand in major importing countries. Imports by Pakistan and the Russian Federation are up by 14 percent, and 8 percent, for the first 8 and 9 months of 2005 respectively, while growth in imports was also experienced in the Ukraine (19.5 percent), South Africa (21.7 percent), and Turkey (40 percent), between January and July 2005.

In order to address the challenges arising from recent changes in MRL regulations in major importing countries, and following the recommendations made by the Intergovernmental Group (IGG) on Tea at its 16th Session in Bali, Indonesia, in July 2005, an informal Consultation will be held in FAO headquarters on 6 and 7 December 2005. The purpose of the meeting is to bring together producer and consumer countries, as well as JMPR, Codex Alimentarius, and other standards-setting bodies to enhance cooperation between stakeholders and harmonize the approaches to legislate on tea MRLs. This event follows a similar meeting held by tea producing countries in Kolkata, on 30 September and 1 October, 2005.

Avian flu: The potential market impacts of further outbreaks

AI-induced shortage in poultry supplies push up international prices in 2004 and 2005

Avian flu outbreaks in Asia and other countries as they progressively moves westward are prompting the imposition of import bans on poultry products from disease-affected countries. The global market impact of these bans over the past year and a half include a progressive shortage of poultry meat supplies, escalating world poultry prices, a sharp drop in global poultry trade, and trade diversion as countries scramble to procure product from disease free countries. The overall price impact on poultry prices in 2004 and 2005 has been additionally aggravated by shortages of other meats, particularly beef from North America, a region which, while traditionally supplying one-quarter of world beef trade, is now banned by many countries due to BSE-concerns.

Restrictions on exports from Asian countries affected by AI outbreaks in 2004 and halfway into 2005 contributed to a 30 percent increase in international poultry prices over the period (see figure). These upward world price movements contrast dramatically with declining prices in disease-affected countries as exportable supplies moved back into domestic markets and as demand declined as consumers responded to food safety and human health concerns. In fact, consumption gains in Asia, which exceeded world averages over the past decade, slowed as consumers in 2004 switched consumption to other protein sources which, along with a culling of flocks, prompted a decline in Asian production.

On international markets, export shortages due to avian influenza and higher prices led to an unprecedented 8 percent decline in global poultry trade in 2004. Limitations on fresh/chilled product movement from Asian exporters, in particular Thailand and China, caused a decline in Asian exports-which in 2003 exceeded 1.8 million tonnes- to less than 1 million tonnes in 2004/05, or approximately 12 percent of global shipments.

Poultry markets vulnerable to another shock: what could happen?

As outbreaks of avian flu continue to move in a westward direction, the global market is preparing itself for more market shocks. While most markets are concerned about the threat

that wild bird migrations pose to local industries, the close proximity of recent outbreaks in the European region to EU member states has raised considerable concerns about the industry impact of potential outbreaks. This concern, particularly given the significant position of the EU in world markets, has led FAO to evaluate the impact that any extensive outbreak of avian flu that spreads over the major EU producing countries¹ would have on global poultry markets as countries around the globe ban imports from the EU. With the EU accounting for approximately 13 percent of global poultry production and exports, international poultry prices would be expected to move up sharply. Meanwhile, internal EU prices would decline as would production prospects and feed prices in the EU as poultry products intended for exports, approximately 10 percent of production, swamps local markets. The EU ships approximately 1 million tonnes of fresh/chilled/frozen poultry products, valued at over US\$1 billion, to more than 150 markets around the world with three quarters of these shipments destined for Russia (23 percent), Middle Eastern markets (27 percent) and developing countries in Africa (26 percent). Meanwhile, they also import approximately 500 000 tonnes of import frozen fillets and other chicken products. These imports would be expected to drop as internal EU prices decline relative to rising world prices.

Measuring the impacts

Assessing the overall impact of an animal disease impact on both global meat markets and other sectors such as the feed industry, necessitates the use of a framework which links markets, both spatially and cross-commodity. To evaluate the short term global impact of a potential outbreak of Avian Influenza in the EU, FAO's short term commodity model was used to measure the impact of exogenously imposed export shocks to baseline projections which do not include the impact of these scenarios.

Any straightforward assessment of the potential global impact of avian influenza in Europe is, however, complicated by the recent outbreaks of FMD in Brazil – the world's largest meat exporter – both of beef and poultry, which will also influence world meat markets over the short term. The market impact of poultry shortages in international markets, in particular relative price movements, would be heightened by reduced exportable beef supplies from Brazil which was expected to account for more than one-quarter of the global beef shipments in 2005. The combination of these two events would be expected to put considerable upward pressure on all meat prices, similar to the situation in 2004 when the absence

¹ Five countries account for two-thirds of EU poultry production: France, the UK, Spain, Germany and Italy.

of North American beef due to BSE-concerns led to hikes in all meat prices. In addition, the position of the EU as a net beef importer, with a large percentage of imports sourced from Brazil, would prompt a rise in domestic beef prices as bans are imposed on Brazilian beef products.

Conditioning the impact assessment are the various assumptions underpinning the analysis. This scenario assumes that AI outbreaks in the EU are spread out over the major producing areas thus inducing import bans on poultry products from the entire region. Producers in the EU, in response to lower prices, are expected to lower production levels commensurate to trade losses. While avian influenza is expected to result in changes in poultry consumption as consumers shift to alternative protein sources, it is assumed that this is only of a short duration as risk communication strategies ensure that consumers are aware of the minimal risk of bird flu transmission through poultry consumption. Consequently poultry consumption over the period of the shock is assumed to remain relatively stable.

This scenario evaluates the impact of two major shocks to global meat markets which are imposed exogenously: 1) the EU poultry exports drop to 0 from 1 million tonnes, and, at the same time; 2) Brazilian exports of beef decline by 800 000 tonnes¹ (down 45 percent from their projected exports of 1.8 million tonnes).

Market implications

Any extensive AI outbreak in the EU would have immediate implication on global poultry and feed markets. Preliminary results of this analysis indicate that the potential short term impact would be higher meat prices for all meats on world markets (ranging from 7-8 percent for poultry and beef and 3 percent for pigmeat), lower global meat consumption, and a shift in trading patterns with some markets moving to fill the gap left by Europe (for chicken) and Brazil (for beef). In addition, spill over effects would be evident in the feed industry as lower meat production pushes down grain and protein meat consumption and prices down 1-2 percent respectively.

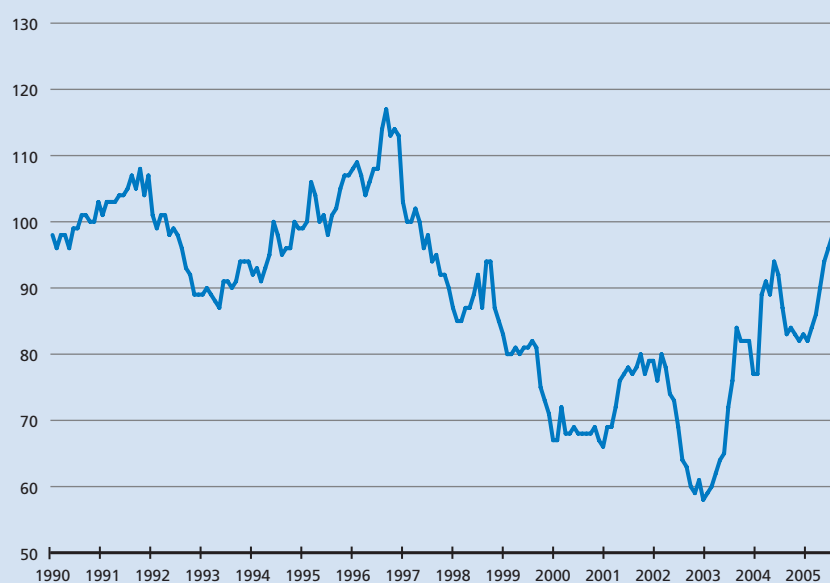
Particularly vulnerable to any reduced access to poultry imports are those countries heavily dependent on EU imports for price stability. In Africa, currently also at risk from AI outbreaks

due to migratory bird patterns, poultry imports account for 20 percent of estimated regional poultry consumption of 4.2 million tonnes. Import bans on EU poultry, which supply nearly 50 percent of African imports, in the context of a major EU outbreak could potentially have major price implications for African consumers in selected import dependent countries.

The results of this short term analysis have been shaped on the basis of rather extreme assumptions including the total loss of the EU export market in the context of AI outbreaks and expectations that European consumers and others will not reduce their consumption of poultry products. In fact, poultry consumption in the EU has already been affected despite the lack of an actual outbreak in the EU. Sales of poultry have dropped in many European countries with poultry prices, production, and feed use reported down. In addition, trade flows within Europe have been affected with markets as the Netherlands, heavily dependent on intra-European trade, reporting poultry price declines of up to 25 percent and falling animal feed exports.

With potential outbreaks and consumer responses uncertain, the above scenario is only one possible impact assessment. Consumption responses are very difficult to anticipate as is the ability of other major exporting countries, particularly the United States and Brazil who supply nearly 70 percent of global poultry trade, to step up production and exports of poultry meat the short term. The ability of these countries to respond to market shocks and higher prices would obviously mitigate upward price shocks. This, of course, assumes that these are no supply constraints in these countries and they themselves do not experience any AI outbreaks.

FAO monthly poultry price index (1990-92=100)¹



¹The index is derived from a trade-weighted average of a selection of representative internationally-traded poultry products.

¹ This assumption is a worse case scenario which reflects Mato Grosso do Sul's (the FMD-affected State) position as the supplier of nearly half of Brazil's beef exports.

Ocean freight rates

(Contributed by the International Grains Council)

Dry bulk freight rates continued to rise during September and the first half of October. This was due to China's increased demand for minerals and grains, as well as a substantial volume of grain and soybeans shipments out of South America. Rising crude oil prices led to an increase in shipments of steaming coal, as an alternative energy source. Loading conditions in the US Gulf gradually improved after the severe disruptions brought by Hurricane Katrina in the Mississippi Gulf. The impact of Hurricane Rita, which mainly affected the Texas Gulf was less severe. From mid - October, rates in both the Atlantic and the Pacific started to decline due to a surplus of tonnage in early positions and a temporary decrease in bunker fuel prices following the correction in the crude oil market. Towards the end of October there were again signs of recovery, with more enquiries for forward dates, especially for modern

ships. Since early September, the Baltic Dry Index (BDI) increased by 402 points (15.3 percent), to close at 3 033 on 11 November.

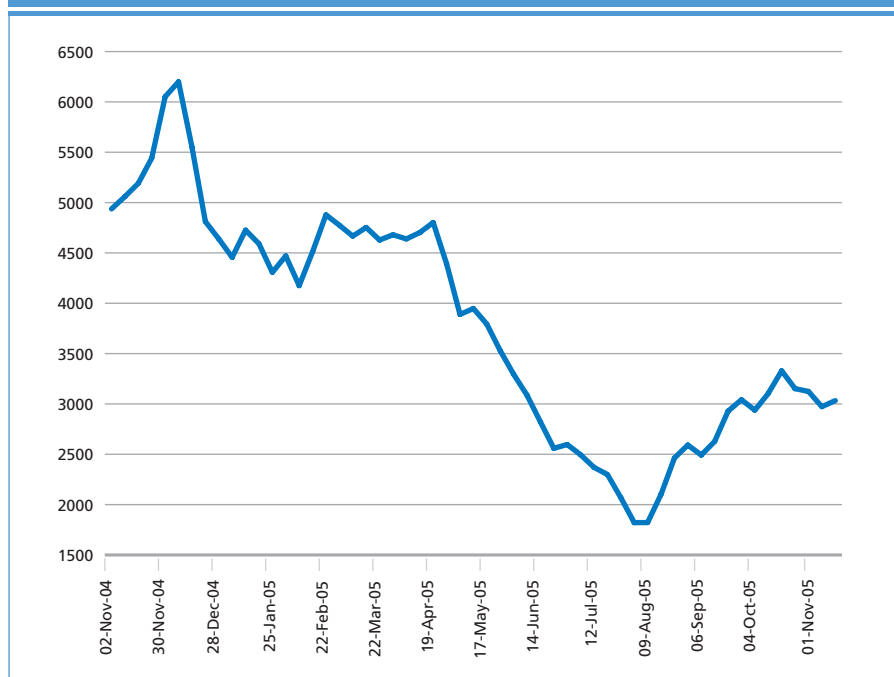
In the Pacific, **Panamax** period rates, after climbing to US\$23 000 daily in late September, fell back to between US\$15 000 and US\$17 000 by the beginning of November due to an oversupply of tonnage and weaker Chinese demand for iron ore as steel production fell. There were also concerns about falling grain demand because of the avian flu outbreaks in Asia. However, there were expectations that China's demand for minerals and grains would revive the market in the final weeks of the year. In the Atlantic, the volume of new business rose as loading facilities in the US Gulf ports affected by Hurricane Katrina were gradually restored. Over the period, the rate on the major grain route from the US Gulf to Japan increased by US\$6.00, to US\$45.00 per tonne,

while period rates on this route were reported at US\$26 000 - US\$27 000 per day, up from US\$22 000 registered at the end of August.

During September and the first half of October, **Capesize** rates increased on good demand for minerals. In the Atlantic, the major iron ore rate from Brazil to China was quoted US\$9.00 higher than at the end of August, at US\$32.00 per tonne. By mid-October, timecharter rates in the Pacific rose from US\$18 000 at the end of August, to US\$35 000 - US\$40 000 daily. But the market subsequently softened due to an oversupply of tonnage.

Handysize rates initially strengthened on solid demand for South American grain, with the grain rate from Brazil to the EU (Antwerp-Hamburg) quoted US\$10.00 higher, at US\$37.00 per tonne. Voyage rates in the Pacific at one stage reached US\$22 000 daily, up from US\$16 000 at the end of August. However, in the second half of October, Handysize rates in the Atlantic generally weakened due to the lack of grain enquiries out of the US Gulf. In contrast, rates remained firm in Europe, especially out of the Black Sea. In the United States, the **barge** rates on the Mississippi returned closer to normal levels, at about 400 percent over tariff, compared with 800 back in September, when barge traffic was severely disrupted by Hurricane Katrina.

Figure 24. Baltic Dry Index



Fertilizers

UREA

- Urea prices are currently close to those at the same time last year: strong demand is expected to support prices in the near future.

- India and Pakistan are dominating the market, looking for amounts of 250 000 to 300 000 tonnes each: potential suppliers are the Russian Federation and the Persian Gulf. In India, the Department of Fertilizers has given permission to import 100 000 tonnes of urea for manufacturing of complex fertilizers, but no subsidy will be allowed on this urea.

- Domestic demand in China is slow and about 300 000 tonnes of urea will be available for export for November-December. It is still not clear if China will raise the export tax on urea next January but a 30 percent tax has been predicted, which means a doubling of the present export tax.

- The market in the United States is slow. Several import cargoes are still expected. Gas prices are still high and the spring season will presumably absorb all the imports.

DAP

- DAP prices remained stable during the last months and are about 5-12 percent higher than a year ago. Prices are expected to remain relatively unchanged in the short term.

- In Africa, Ethiopia is reportedly importing a significant quantity of DAP from the Baltic Sea. Kenya is in the market for about 12 500 tonnes.

- Indian DAP production from April to October 2005 is about 1 million tonnes off target. Imports will fill the immediate gap, but the prospects for a sufficiently large inventory for the next season are reportedly not too good.

- Iraq closed a tender for 100 000 tonnes (shipment from December 2005 through February 2006).

- There is some small off-season demand from Mexico and Uruguay for December shipment. Brazil announced a joint venture to build a phosphate fertilizer production complex, which is expected to be commissioned in late-2007 to early-2008.

- It is reported that one of the United States DAP plants is to be

shut down permanently. This plant produced about 10 percent of the countries annual average production of around 6.2 million tonnes. There may be some DAP available from the last production runs. Domestic DAP demand is slow but expected to strengthen from December through February.

MOP

- MOP prices are about 20 percent higher than a year ago but are foreseen to remain constant in the near future.

- Canada is shutting down two mines for inventory purposes for three weeks; this might remove about 300 000 tonnes of MOP from the market. However, as production was up 4.1 percent over the last nine months and export plus domestic demand was down 4.4 percent, inventories have climbed to about 1.45 million tonnes of MOP by end-September (up 35 percent compared to last year).

- The EU intends to allow imports from CIS countries into the original 15 member countries (not only for the 10 new member countries) and dumping duties will be reduced. However, it is unlikely that this will undercut existing EU prices.

Figure 25. Fertilizer spot prices (US\$ per tonne, bulk, f.o.b.)

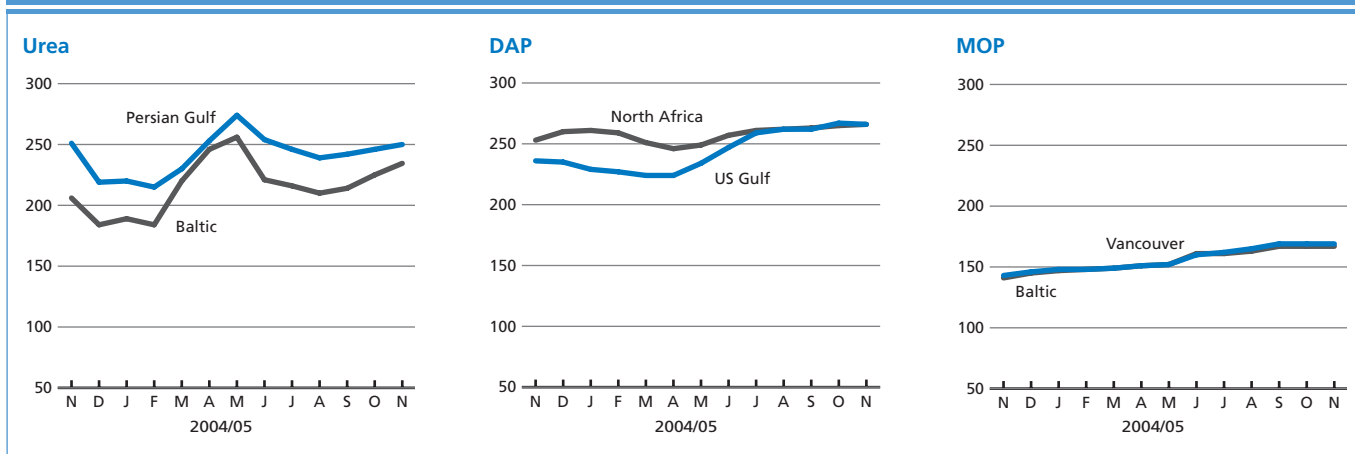


TABLE A1. World cereal production (million tonnes)

	Wheat			Coarse Grains		
	2003	2004 estimate	2005 forecast	2003	2004 estimate	2005 forecast
ASIA	244.4	253.5	264.4	221.2	230.0	232.5
Bangladesh	1.3	1.0	1.3	0.1	0.1	0.1
China ¹	86.5	92.0	96.2	126.5	140.4	139.1
India	65.1	72.1	72.0	37.8	31.9	34.0
Indonesia	-	-	-	10.9	11.2	12.0
Iran (Islamic Republic of)	13.4	14.0	14.5	4.8	4.4	4.4
Japan	0.9	0.9	0.9	0.2	0.2	0.2
Kazakhstan	11.5	9.9	11.4	3.3	2.4	2.7
Dem. People's Rep. of Korea	0.2	0.2	0.2	1.9	1.9	2.0
Korea, Republic of	-	-	-	0.3	0.3	0.4
Myanmar	0.1	0.1	0.1	0.9	0.8	0.9
Pakistan	19.2	19.5	21.1	2.5	3.3	3.0
Philippines	-	-	-	4.6	5.4	5.4
Saudi Arabia	2.1	1.6	1.6	0.2	0.2	0.2
Thailand	-	-	-	4.4	4.4	4.5
Turkey	19.0	20.7	20.2	11.1	12.2	12.6
Viet Nam	-	-	-	3.1	3.5	2.9
AFRICA	21.3	21.7	19.3	90.1	82.7	92.2
North Africa	17.1	17.2	14.6	12.7	12.8	10.0
Egypt	6.8	7.2	8.2	7.6	7.8	7.4
Morocco	5.1	5.5	3.0	2.8	2.9	1.3
Sub-Saharan Africa	4.2	4.6	4.7	77.3	69.9	82.3
Western Africa	0.1	0.1	0.1	34.7	28.1	37.4
Nigeria	0.1	0.1	0.1	17.7	13.7	19.6
Central Africa	-	-	-	2.8	2.9	2.9
Eastern Africa	2.3	2.6	2.5	22.9	21.5	22.8
Ethiopia	1.6	1.8	1.8	7.6	8.4	8.5
Sudan	0.4	0.5	0.4	5.6	3.4	4.1
Southern Africa	1.8	1.9	2.1	16.9	17.3	19.1
Madagascar	-	-	-	0.2	0.2	0.2
South Africa	1.5	1.7	1.9	10.2	10.3	13.0
Zimbabwe	0.1	0.1	0.1	0.9	0.9	0.7
CENTRAL AMERICA	2.7	2.4	3.0	32.6	33.5	32.4
Mexico	2.7	2.4	3.0	28.6	29.7	28.6
SOUTH AMERICA	23.6	25.2	20.0	80.4	74.5	71.6
Argentina	14.6	16.0	12.0	19.2	18.7	23.7
Brazil	6.0	5.7	4.8	50.5	44.8	37.1
Colombia	-	-	-	1.5	1.7	1.7
NORTH AMERICA	87.4	84.6	82.7	302.0	346.6	321.7
Canada	23.6	25.9	25.5	26.6	26.7	24.8
United States of America	63.8	58.7	57.1	275.4	319.9	296.9
EUROPE	153.7	218.8	204.9	197.8	244.1	207.1
Bulgaria	2.0	4.0	3.3	1.8	3.4	2.1
European Union ²	90.9	137.3	123.1	95.7	152.3	130.0
Hungary ³	2.9	5.9	5.1	5.8	11.1	11.1
Poland ³	7.9	9.9	8.6	15.6	19.7	16.2
Romania	2.5	7.8	7.3	10.6	16.8	11.5
Russian Federation	34.0	45.3	47.1	30.2	29.8	28.9
Ukraine	3.6	17.5	17.9	16.0	23.1	16.8
OCEANIA	26.5	20.7	24.4	15.7	11.2	13.1
Australia	26.1	20.4	24.1	15.1	10.6	12.6
WORLD	559.5	626.9	618.8	939.8	1 022.6	970.6
Developing countries	266.5	278.9	280.3	408.6	405.8	410.7
Developed countries	292.9	347.9	338.4	531.2	616.8	559.9

¹ Including Taiwan Province.² Up to 2003 15 member countries, from 2004 25 member countries.³ From 2004 included in EU 25.

Note: Totals computed from unrounded data.

TABLE A1. (continued)

	Rice (paddy)			Total Cereals		
	2003	2004 estimate	2005 forecast	2003	2004 estimate	2005 forecast
ASIA	532.2	547.0	562.3	997.7	1 030.6	1 059.2
Bangladesh	39.3	38.0	42.0	40.6	39.0	43.4
China ¹	162.3	180.5	184.3	375.3	412.9	419.6
India	132.4	128.0	130.5	235.3	231.9	236.5
Indonesia	52.1	54.1	54.0	63.0	65.3	66.0
Iran (Islamic Republic of)	2.9	3.1	3.3	21.1	21.5	22.2
Japan	9.7	10.9	11.4	10.8	12.0	12.5
Kazakhstan	0.2	0.2	0.2	15.1	12.6	14.3
Dem. People's Rep. of Korea	2.2	2.4	2.5	4.3	4.4	4.6
Korea, Republic of	6.2	6.7	6.5	6.5	7.1	6.8
Myanmar	23.1	23.7	24.5	24.2	24.6	25.6
Pakistan	7.3	7.5	7.5	29.0	30.3	31.6
Philippines	14.2	14.5	14.8	18.8	19.9	20.2
Saudi Arabia	-	-	-	2.3	1.8	1.8
Thailand	27.0	23.9	27.0	31.4	28.3	31.5
Turkey	0.4	0.5	0.5	30.5	33.4	33.4
Viet Nam	34.6	36.1	35.8	37.7	39.6	38.7
AFRICA	18.9	19.5	20.2	130.3	123.9	131.8
North Africa	6.2	6.4	6.0	36.0	36.3	30.6
Egypt	6.2	6.4	6.0	20.7	21.3	21.6
Morocco	-	-	-	8.0	8.5	4.3
Sub-Saharan Africa	12.7	13.1	14.2	94.3	87.5	101.2
Western Africa	7.8	8.2	8.8	42.6	36.4	46.3
Nigeria	3.4	3.5	4.0	21.2	17.3	23.7
Central Africa	0.4	0.4	0.4	3.2	3.3	3.4
Eastern Africa	1.4	1.3	1.4	26.6	25.3	26.7
Ethiopia	-	-	-	9.3	10.2	10.3
Sudan	-	-	-	6.0	3.9	4.5
Southern Africa	3.1	3.3	3.6	21.9	22.5	24.9
Madagascar	2.8	3.0	3.4	3.0	3.2	3.6
South Africa	-	-	-	11.7	12.0	14.9
Zimbabwe	-	-	-	1.0	1.0	0.8
CENTRAL AMERICA	2.6	2.4	2.4	38.0	38.3	37.8
Mexico	0.3	0.3	0.3	31.6	32.4	31.9
SOUTH AMERICA	20.0	23.3	23.8	124.0	123.0	115.4
Argentina	0.7	1.1	1.0	34.4	35.7	36.7
Brazil	10.4	12.8	13.2	66.9	63.3	55.2
Colombia	2.5	2.7	2.6	4.1	4.4	4.4
NORTH AMERICA	9.1	10.5	10.0	398.4	441.7	414.3
Canada	-	-	-	50.1	52.6	50.4
United States of America	9.1	10.5	10.0	348.3	389.1	364.0
EUROPE	3.3	3.4	3.4	354.7	466.3	415.4
Bulgaria	-	-	-	3.8	7.4	5.5
European Union ²	2.7	2.8	2.6	189.4	292.4	255.7
Hungary ³	-	-	-	8.8	17.0	16.2
Poland ³	-	-	-	23.4	29.6	24.8
Romania	-	-	-	13.1	24.5	18.9
Russian Federation	0.5	0.5	0.6	64.6	75.6	76.6
Ukraine	0.1	0.1	0.1	19.7	40.7	34.8
OCEANIA	0.4	0.6	0.3	42.6	32.4	37.8
Australia	0.4	0.5	0.3	41.6	31.5	37.0
WORLD	586.4	606.7	622.5	2 085.7	2 256.2	2 211.9
Developing countries	563.2	580.8	596.8	1 238.3	1 265.5	1 287.8
Developed countries	23.2	26.0	25.7	847.3	990.6	924.0

¹ Including Taiwan Province.² Up to 2003 15 member countries, from 2004 25 member countries.³ From 2004 included in EU 25.

Note: Totals computed from unrounded data.

TABLE A2. World imports of cereals (million tonnes)

	Wheat (July/June) ¹			Coarse Grains (July/June)		
	2003/04	2004/05 estimate	2005/06 forecast	2003/04	2004/05 estimate	2005/06 forecast
ASIA	41.3	49.0	44.9	59.3	58.7	57.6
Bangladesh	2.0	2.1	2.1	0.2	0.2	0.2
China	4.0	8.4	4.0	6.4	7.0	7.2
Taiwan Province	1.0	1.1	1.0	5.0	4.8	4.8
Georgia	0.6	0.9	0.6	-	-	-
India	-	0.1	1.0	0.2	0.1	0.1
Indonesia	4.7	4.6	4.7	1.4	1.0	0.6
Iran (Islamic Republic of)	0.5	0.2	0.2	1.7	3.1	3.1
Iraq	2.0	2.7	3.3	0.3	0.2	0.2
Israel	1.0	1.4	1.5	2.0	1.9	1.6
Japan	5.6	5.5	5.6	20.3	19.8	19.8
Dem. People's Rep. of Korea	0.3	0.2	0.3	0.1	0.4	0.2
Korea, Republic of	3.3	3.5	3.8	9.6	8.7	8.8
Malaysia	1.4	1.4	1.4	2.4	2.5	2.5
Pakistan	0.2	1.4	0.5	0.2	0.1	0.1
Philippines	3.0	3.0	3.1	0.1	0.1	0.1
Saudi Arabia	0.1	0.1	0.1	7.9	7.9	8.0
Singapore	0.3	0.3	0.3	-	-	-
Sri Lanka	1.0	1.0	1.0	0.1	0.1	0.1
Syria	0.2	0.2	0.2	1.8	2.3	1.7
Thailand	1.1	1.0	1.1	0.1	0.1	0.1
Yemen	2.0	1.9	2.2	0.3	0.2	0.3
AFRICA	25.6	29.7	31.0	13.7	15.5	16.5
North Africa	15.0	17.5	18.1	8.8	10.6	10.9
Algeria	3.6	5.0	5.3	2.1	2.1	2.3
Egypt	6.9	7.8	7.5	4.1	4.9	5.0
Morocco	2.4	2.3	2.8	1.0	1.8	1.9
Tunisia	0.7	0.9	1.0	0.8	1.1	1.0
Sub-Saharan Africa	10.6	12.2	12.9	5.0	4.9	5.6
Côte d'Ivoire	0.3	0.3	0.3	-	-	-
Ethiopia	0.6	0.7	0.8	0.1	-	-
Kenya	0.4	0.5	0.6	0.6	1.0	1.0
Nigeria	2.4	3.0	4.0	0.1	0.1	0.1
Senegal	0.3	0.3	0.3	-	-	-
Sudan	1.1	1.3	1.1	0.1	0.3	0.1
South Africa	0.7	1.2	1.1	0.6	0.3	0.3
CENTRAL AMERICA	7.2	7.3	7.3	12.4	13.4	14.2
Cuba	1.0	1.0	1.1	0.3	0.3	0.3
Dominican Rep.	0.3	0.3	0.3	0.8	0.9	0.9
Mexico	3.6	3.6	3.6	8.7	9.3	10.2
SOUTH AMERICA	11.0	10.8	11.4	5.8	6.4	6.5
Brazil	5.6	5.4	5.8	0.7	1.0	1.3
Chile	0.4	0.2	0.3	0.9	0.8	0.7
Colombia	1.2	1.3	1.2	2.2	2.3	2.2
Peru	1.4	1.4	1.6	0.9	1.2	1.3
Venezuela	1.4	1.5	1.6	0.6	0.4	0.4
NORTH AMERICA	1.4	1.6	1.8	5.0	5.0	4.8
Canada	0.1	0.1	-	2.5	2.7	2.6
United States of America	1.3	1.5	1.8	2.4	2.3	2.3
EUROPE	17.5	10.6	10.5	12.2	4.7	5.2
Belarus	0.4	0.2	0.4	0.2	0.3	0.4
European Union ²	5.9	7.2	7.2	7.7	2.8	3.2
Poland ³	0.8	-	-	0.7	-	-
Romania	2.1	0.3	0.2	0.4	-	0.1
Russian Federation	1.1	1.1	0.9	0.9	0.8	0.8
Ukraine	3.6	0.1	0.1	0.3	-	-
OCEANIA	0.6	0.6	0.6	0.1	0.1	0.1
New Zealand	0.4	0.4	0.4	0.1	0.1	0.1
WORLD	104.7	109.7	107.5	108.5	103.8	105.0
Developing countries	76.1	86.3	84.4	68.2	71.8	73.0
Developed countries	28.7	23.4	23.1	40.3	31.9	32.0

¹ Including wheat flour in wheat grain equivalent, but excluding semolina. ² Excluding trade between the EU member countries. Up to 2003/04 15 member countries, from 2004/05 25 member countries. ³ From 2004/05 included in EU 25.

Note: Totals computed from unrounded data.

TABLE A2. (continued)

	Rice (milled)			Total Cereals ¹		
	2004	2005 estimate	2006 forecast	2003/04	2004/05 estimate	2005/06 forecast
ASIA	12.0	12.8	11.5	112.7	120.5	114.0
Bangladesh	0.8	1.3	0.7	2.9	3.5	2.9
China	0.9	0.6	0.8	11.4	16.0	11.9
Taiwan Province	0.2	0.2	0.2	6.2	6.0	5.9
Georgia	-	-	-	0.6	1.0	0.7
India	-	0.1	0.1	0.2	0.3	1.2
Indonesia	0.9	0.8	0.7	7.0	6.4	6.0
Iran (Islamic Republic of)	1.0	0.8	0.8	3.2	4.1	4.0
Iraq	1.1	1.1	1.2	3.4	4.0	4.7
Israel	0.1	0.1	0.1	3.1	3.4	3.2
Japan	0.7	0.7	0.7	26.6	26.1	26.1
Dem. People's Rep. of Korea	0.6	0.7	0.5	1.0	1.3	1.0
Korea, Republic of	0.2	0.2	0.3	13.1	12.4	12.8
Malaysia	0.7	0.6	0.6	4.5	4.4	4.5
Pakistan	-	-	-	0.4	1.5	0.6
Philippines	1.0	1.8	1.2	4.1	4.9	4.3
Saudi Arabia	0.9	0.9	0.9	8.8	8.8	8.9
Singapore	0.3	0.3	0.3	0.6	0.7	0.7
Sri Lanka	0.2	0.1	-	1.4	1.2	1.2
Syria	0.2	0.3	0.3	2.2	2.7	2.2
Thailand	-	-	-	1.2	1.1	1.2
Yemen	0.3	0.3	0.3	2.6	2.4	2.8
AFRICA	8.5	8.9	8.5	47.9	54.1	56.0
North Africa	0.2	0.2	0.2	24.0	28.4	29.3
Algeria	0.1	0.1	0.1	5.7	7.2	7.6
Egypt	-	-	-	11.0	12.7	12.5
Morocco	-	-	-	3.5	4.0	4.7
Tunisia	-	-	-	1.5	2.0	2.0
Sub-Saharan Africa	8.3	8.6	8.3	23.9	25.7	26.7
Côte d'Ivoire	0.8	0.8	0.8	1.1	1.2	1.2
Ethiopia	-	-	-	0.7	0.8	0.9
Kenya	0.2	0.2	0.2	1.3	1.7	1.8
Nigeria	1.6	1.5	1.3	4.1	4.6	5.4
Senegal	0.8	0.8	0.8	1.1	1.0	1.0
Sudan	-	0.1	0.1	1.3	1.7	1.2
South Africa	0.7	1.0	0.9	2.1	2.5	2.3
CENTRAL AMERICA	2.0	2.3	2.2	21.7	23.0	23.7
Cuba	0.6	0.8	0.8	2.0	2.1	2.1
Dominican Rep.	0.1	0.1	-	1.2	1.3	1.3
Mexico	0.5	0.5	0.5	12.8	13.4	14.3
SOUTH AMERICA	1.1	0.7	1.0	18.0	17.9	18.9
Brazil	0.9	0.5	0.7	7.1	6.9	7.8
Chile	0.1	0.1	0.1	1.5	1.1	1.1
Colombia	0.1	0.1	0.1	3.5	3.6	3.5
Peru	0.1	-	-	2.4	2.6	2.9
Venezuela	-	-	-	2.0	1.9	2.0
NORTH AMERICA	0.8	0.7	0.8	7.2	7.2	7.4
Canada	0.3	0.3	0.3	2.9	3.1	2.9
United States of America	0.5	0.4	0.5	4.2	4.2	4.5
EUROPE	1.8	1.8	1.8	31.5	17.2	17.5
Belarus	-	-	-	0.6	0.6	0.7
European Union ²	0.7	0.9	1.0	14.3	10.9	11.4
Poland ³	0.1	-	-	1.5	-	-
Romania	0.1	0.1	0.1	2.6	0.4	0.3
Russian Federation	0.5	0.5	0.4	2.5	2.4	2.1
Ukraine	0.1	0.1	0.1	4.0	0.2	0.3
OCEANIA	0.4	0.4	0.4	1.1	1.1	1.1
New Zealand	-	-	-	0.4	0.5	0.5
WORLD	26.7	27.6	26.1⁴	240.0	241.0	238.7
Developing countries	22.3	23.0	21.5	166.6	181.1	178.9
Developed countries	4.4	4.6	4.6	73.4	60.0	59.8

¹ Trade in rice refers to the calendar year of the second year shown. ² Excluding trade between the EU member countries. Up to 2003/04 15 member countries, from 2004/05 25 member countries. ³ From 2004/05 included in EU 25. ⁴ Highly tentative.

Note: Totals computed from unrounded data.

TABLE A3. World exports of cereals (million tonnes)

	Wheat (July/June) ¹			Coarse Grains (July/June)		
	2003/04	2004/05 estimate	2005/06 forecast	2003/04	2004/05 estimate	2005/06 forecast
ASIA	16.7	10.9	10.1	14.7	7.8	7.0
China ²	2.1	0.3	0.4	11.3	5.6	4.5
India	5.0	1.5	0.3	0.8	0.3	0.3
Indonesia	-	-	-	0.1	0.1	0.1
Japan	0.4	0.4	0.4	-	-	-
Kazakhstan	5.4	3.9	4.4	0.5	0.2	0.3
Myanmar	-	-	-	0.1	0.1	0.1
Pakistan	0.2	0.1	0.2	-	-	-
Syria	1.0	0.8	1.0	0.3	0.1	0.1
Thailand	-	-	-	0.7	0.5	0.3
Turkey	0.8	2.0	1.5	0.1	0.3	0.5
Viet Nam	-	-	-	-	-	-
AFRICA	0.7	0.6	0.6	3.0	3.7	4.1
Egypt	-	-	-	-	-	-
Ethiopia	-	-	-	-	-	-
Nigeria	-	-	-	0.1	0.1	0.2
South Africa	0.2	0.1	0.2	1.1	1.1	2.3
Sudan	-	-	-	0.2	0.1	0.1
Uganda	-	-	-	0.4	0.4	0.4
CENTRAL AMERICA	0.5	0.5	0.6	0.2	0.1	0.3
SOUTH AMERICA	8.4	12.8	7.7	17.0	16.4	15.5
Argentina	6.8	12.4	7.0	9.9	12.9	14.3
Brazil	1.4	-	0.5	6.2	2.6	0.6
Paraguay	0.2	0.2	0.2	0.6	0.6	0.3
Uruguay	-	0.1	0.1	0.1	0.1	0.1
NORTH AMERICA	47.3	43.4	42.0	54.6	55.2	58.1
Canada	15.3	15.2	15.5	3.5	2.7	3.6
United States of America	32.0	28.2	26.5	51.1	52.4	54.5
EUROPE	13.8	27.0	30.1	11.8	15.6	13.9
Bulgaria	0.2	0.7	0.6	0.1	1.0	0.6
Czech Rep. ³	-	-	-	0.3	-	-
European Union ⁴	9.0	13.5	14.3	4.0	4.0	4.7
Hungary ³	0.5	-	-	0.4	-	-
Romania	-	0.1	0.6	0.2	1.8	1.4
Russian Federation	4.0	7.9	9.0	3.3	1.1	1.1
Ukraine	0.1	4.4	5.2	2.8	6.8	5.1
OCEANIA	17.0	15.8	16.5	5.0	6.5	6.3
Australia	17.0	15.8	16.5	5.0	6.5	6.3
WORLD	104.3	111.0	107.5	106.4	105.1	105.0
Developing countries	19.7	19.7	13.4	33.3	26.6	24.2
Developed countries	84.6	91.3	94.1	73.1	78.5	80.8

¹ Including wheat flour in wheat grain equivalent, but excluding semolina.

² Including Taiwan Province.

³ From 2004/05 included in EU 25.

⁴ Excluding trade between the EU member countries. Up to 2003/04 15 member countries, from 2004/05 25 member countries.

Note: Totals computed from unrounded data.

TABLE A3. (cont.)

	Rice (milled)			Total Cereals ¹		
	2004	2005 estimate	2006 forecast	2003/04	2004/05 estimate	2005/06 forecast
ASIA	21.2	21.0	19.8	52.5	39.6	36.8
China ²	1.0	0.7	1.0	14.4	6.7	5.9
India	3.6	4.4	3.0	9.3	6.2	3.6
Indonesia	-	-	-	0.1	0.1	0.1
Japan	0.2	0.2	0.2	0.6	0.6	0.6
Kazakhstan	-	-	-	5.9	4.1	4.7
Myanmar	0.1	0.2	0.3	0.2	0.3	0.4
Pakistan	1.9	2.7	2.5	2.1	2.8	2.7
Syria	-	-	-	1.3	0.9	1.1
Thailand	10.1	7.6	8.2	10.8	8.1	8.5
Turkey	-	-	-	0.9	2.3	2.0
Viet Nam	4.1	4.7	4.3	4.1	4.7	4.3
AFRICA	0.8	1.0	0.8	4.5	5.3	5.5
Egypt	0.8	1.0	0.8	0.8	1.0	0.8
Ethiopia	-	-	-	-	-	-
Nigeria	-	-	-	0.1	0.1	0.2
South Africa	-	-	-	1.2	1.2	2.4
Sudan	-	-	-	0.2	0.1	0.1
Uganda	-	-	-	0.4	0.4	0.4
CENTRAL AMERICA	0.1	-	-	0.8	0.6	0.8
SOUTH AMERICA	1.2	1.5	1.4	26.6	30.6	24.6
Argentina	0.3	0.3	0.3	17.0	25.6	21.6
Brazil	-	0.1	-	7.6	2.7	1.1
Paraguay	-	-	-	0.7	0.8	0.5
Uruguay	0.6	0.7	0.7	0.7	0.9	0.8
NORTH AMERICA	3.1	3.8	3.8	105.0	102.3	103.9
Canada	-	-	-	18.7	17.9	19.1
United States of America	3.1	3.8	3.8	86.2	84.4	84.8
EUROPE	0.3	0.2	0.2	25.9	42.8	44.1
Bulgaria	-	-	-	0.3	1.7	1.2
Czech Rep. ³	-	-	-	0.3	-	-
European Union ⁴	0.3	0.2	0.2	13.2	17.7	19.2
Hungary ³	-	-	-	0.9	-	-
Romania	-	-	-	0.2	1.9	2.0
Russian Federation	-	-	-	7.3	9.1	10.1
Ukraine	-	-	-	2.9	11.2	10.3
OCEANIA	0.1	0.1	0.2	22.1	22.4	23.0
Australia	0.1	0.1	0.2	22.1	22.3	23.0
WORLD	26.7	27.6	26.1 ⁵	237.5	243.7	238.7
Developing countries	23.2	23.3	21.8	76.2	69.6	59.4
Developed countries	3.6	4.3	4.4	161.2	174.1	179.3

¹ Trade in rice refers to the calendar year of the second year shown.

² Including Taiwan Province.

³ From 2004/05 included in EU 25.

⁴ Excluding trade between the EU member countries. Up to 2003/04 15 member countries, from 2004/05 25 member countries.

⁵ Highly tentative.

Note: Totals computed from unrounded data.

TABLE A4. Cereal supply and utilization in main exporting countries (million tonnes)

	Wheat ¹			Coarse Grains ²			Rice (milled basis)		
	2003/04	2004/05 estimate	2005/06 forecast	2003/04	2004/05 estimate	2005/06 forecast	2003/04	2004/05 estimate	2005/06 forecast
	UNITED STATES (June/May)			UNITED STATES			UNITED STATES (Aug./July)		
Opening stocks	13.4	14.9	14.7	30.9	28.8	58.7	0.8	0.8	1.2
Production	63.8	58.7	57.1	275.4	319.9	296.9	6.4	7.4	7.0
Imports	1.3	1.5	1.7	2.5	2.2	2.2	0.5	0.4	0.5
Total Supply	78.5	75.1	73.5	308.8	350.9	357.8	7.7	8.6	8.7
Domestic use	32.4	31.7	32.2	226.2	240.7	238.4	3.7	3.8	4.0
Exports	31.2	28.7	26.9	53.8	51.4	56.0	3.3	3.5	3.8
Closing stocks	14.9	14.7	14.4	28.8	58.7	63.4	0.8	1.2	0.8
	CANADA (August/July)			CANADA			THAILAND (Nov./Oct.)³		
Opening stocks	5.7	6.1	8.0	3.2	4.2	6.6	4.9	3.2	2.0
Production	23.6	25.9	25.5	26.6	26.7	24.8	17.9	15.8	17.9
Imports	0.1	0.1	0.0	2.2	2.5	2.1	0.0	0.0	0.0
Total Supply	29.4	32.0	33.6	31.9	33.5	33.5	22.8	19.0	19.9
Domestic use	7.5	9.2	8.8	23.0	22.8	23.9	9.5	9.4	9.6
Exports	15.7	14.8	16.0	4.7	4.0	4.1	10.1	7.6	8.2
Closing stocks	6.1	8.0	8.8	4.2	6.6	5.5	3.2	2.0	2.1
	ARGENTINA (Dec./Nov.)			ARGENTINA			CHINA (Jan./Dec.)^{3,4}		
Opening stocks	2.1	2.0	0.9	1.1	1.4	1.0	73.7	59.2	56.6
Production	14.6	16.0	12.0	19.2	18.7	23.7	111.3	123.7	126.3
Imports	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.6	0.8
Total Supply	16.6	18.0	12.9	20.2	20.1	24.7	185.9	183.5	183.7
Domestic use	5.9	5.6	5.3	7.2	8.1	8.9	125.7	126.2	125.6
Exports	8.7	11.5	7.2	11.7	11.0	14.6	1.0	0.7	1.0
Closing stocks	2.0	0.9	0.4	1.4	1.0	1.2	59.2	56.6	57.1
	AUSTRALIA (Oct./Sept.)			AUSTRALIA			PAKISTAN (Nov./Oct.)³		
Opening stocks	2.9	6.1	6.0	1.7	2.8	1.8	0.4	0.6	0.3
Production	26.1	20.4	24.1	15.1	10.6	12.6	4.8	5.0	5.0
Imports	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Supply	29.1	26.5	30.1	16.8	13.4	14.4	5.2	5.6	5.3
Domestic use	5.1	5.2	4.9	7.3	6.6	6.8	2.8	2.6	2.5
Exports	17.9	15.3	16.1	6.7	5.0	5.7	1.9	2.7	2.5
Closing stocks	6.1	6.0	9.1	2.8	1.8	1.9	0.6	0.3	0.3
	EU (July/June)⁵			EU⁵			VIET NAM (Nov./Oct.)³		
Opening stocks	15.0	10.5	24.0	18.0	14.4	23.7	4.9	4.9	4.9
Production	90.9	137.3	123.1	95.8	152.3	130.0	23.1	24.1	23.9
Imports	5.9	7.2	7.2	7.7	2.8	3.2	0.0	0.0	0.0
Total Supply	111.9	155.0	154.3	121.5	169.5	156.9	28.0	29.0	28.8
Domestic use	93.2	117.3	119.8	106.1	141.7	136.0	19.0	19.4	19.6
Exports	9.2	13.7	14.5	4.0	4.0	4.7	4.1	4.7	4.3
Closing stocks	9.5	24.0	20.0	11.3	23.7	16.2	4.9	4.9	4.9
	TOTAL OF ABOVE			TOTAL OF ABOVE			TOTAL OF ABOVE		
Opening stocks	39.1	39.6	53.6	54.9	51.5	91.8	84.7	68.6	65.0
Production	219.0	258.2	241.8	432.0	528.2	488.0	163.5	176.0	180.1
Imports	7.3	8.7	8.9	12.3	7.6	7.4	1.4	1.0	1.3
Total Supply	265.4	306.5	304.3	499.2	587.3	587.2	249.6	245.7	246.3
Domestic use	144.0	169.0	170.9	369.8	420.0	414.0	160.7	161.4	161.4
Exports	82.8	83.9	80.7	80.9	75.4	85.1	20.3	19.2	19.8
Closing stocks	38.6	53.6	52.7	48.5	91.8	88.2	68.6	65.0	65.2

¹ Trade data include wheat flour in wheat grain equivalent. For the EU semolina is also included.

² **Argentina** (December/November) for rye, barley and oats, (March/February) for maize and sorghum; **Australia** (November/October) for rye, barley and oats, (March/February) for maize and sorghum; **Canada** (August/July); **EU** (July/June); **United States** (June/May) for rye, barley and oats, (September/August) for maize and sorghum.

³ Rice trade data refer to the calendar year of the second year shown.

⁴ Including Taiwan province.

⁵ Excluding trade between the EU member countries. Up to 2003/04 15 member countries, from 2004/05 25 member countries.

Note: Totals computed from unrounded data.

TABLE A5. World cereal stocks¹ (million tonnes)

	Crop Years ending in:						
	2000	2001	2002	2003	2004	2005 estimate	2006 forecast
TOTAL CEREALS	633.8	602.4	577.5	487.7	416.3	465.2	444.4
Wheat	248.2	245.7	237.6	204.2	161.7	173.2	165.9
held by:							
- main exporters ²	50.2	52.8	49.0	39.1	38.6	53.6	52.7
- others	198.0	192.9	188.7	165.2	123.1	119.6	113.2
Coarse Grains	232.7	206.0	195.7	162.9	150.0	193.5	181.3
held by:							
- main exporters ²	78.5	77.0	70.0	54.9	48.5	91.8	88.2
- others	154.2	129.1	125.7	108.0	101.5	101.7	93.1
Rice (milled basis)	152.9	150.7	144.2	120.5	104.6	98.4	97.2
held by:							
- main exporters ²	102.0	100.0	94.2	84.7	68.6	65.0	65.2
excl. China ³	8.2	9.4	10.8	11.0	9.4	8.4	8.1
- others	50.9	50.7	50.0	35.8	36.0	33.4	32.0
Developed Countries	166.6	162.2	169.5	144.8	124.0	186.6	180.7
Australia	5.0	6.1	10.0	4.9	9.0	8.0	11.1
European Union ⁴	34.5	32.0	31.1	33.7	21.5	48.4	36.8
Canada	13.5	14.1	10.3	8.9	10.3	14.6	14.3
Hungary ⁵	2.2	1.5	2.0	1.4	1.0	-	-
Japan	6.2	6.0	5.7	5.4	4.9	4.8	5.1
Poland ⁵	3.8	2.2	3.0	3.1	2.6	-	-
Romania	3.7	0.4	2.5	2.0	1.2	5.0	4.1
Russian Federation	4.9	6.5	13.5	12.5	7.3	9.1	9.2
South Africa	1.8	2.9	1.9	3.8	3.5	4.0	4.7
Ukraine	2.2	2.3	5.2	5.1	2.9	4.1	3.8
United States	75.6	77.4	67.4	45.1	44.4	74.7	78.7
Developing Countries	467.2	440.3	408.0	342.9	292.3	278.6	263.6
Asia	429.2	405.1	369.4	309.2	252.1	236.5	226.9
China ³	311.2	281.1	249.2	210.2	164.1	156.4	150.1
India	57.4	62.3	60.5	40.4	31.9	27.3	26.0
Indonesia	8.6	7.4	5.0	5.7	6.0	5.7	4.8
Iran (Islamic Republic of)	4.3	4.1	4.9	4.4	3.5	2.6	1.9
Korea, Republic of	3.3	3.0	3.2	3.1	3.0	3.1	2.9
Pakistan	8.6	9.3	6.6	2.9	1.9	2.1	2.6
Philippines	1.9	2.2	1.9	2.2	1.8	2.2	2.2
Syria	3.7	3.0	3.8	3.9	4.0	3.8	3.6
Turkey	8.3	8.7	7.8	8.0	7.5	6.9	6.1
Africa	23.2	21.6	21.9	20.1	22.0	23.3	22.7
Algeria	2.2	2.1	2.1	2.6	2.8	3.9	3.8
Egypt	4.3	4.3	4.3	3.6	2.9	3.7	3.8
Ethiopia	0.3	0.9	0.3	0.6	0.1	0.2	0.3
Morocco	3.7	1.9	1.9	1.8	3.0	4.5	2.9
Nigeria	1.7	2.2	2.1	2.1	1.8	1.0	1.4
Tunisia	1.9	1.8	1.9	1.5	1.8	2.0	1.9
Central America	6.7	6.3	6.7	5.5	5.8	6.3	6.0
Mexico	4.9	4.5	4.7	3.7	4.0	4.8	4.6
South America	7.8	7.0	9.6	7.8	12.2	12.3	7.8
Argentina	1.8	1.6	2.3	3.2	3.5	2.0	1.7
Brazil	2.9	1.8	3.7	1.6	5.6	7.1	3.0

¹ Stock data are based on an aggregate of carryovers at the end of national crop years and do not represent world stock levels at any point in time.

² The major **wheat** and **coarse grains** exporters are Argentina, Australia, Canada, the EU and the United States. The major **rice** exporters are China (including Taiwan Province), Pakistan, Thailand, the United States and Viet Nam. See Table A.4 for country details.

³ Including Taiwan Province.

⁴ Up to 2003/04 15 member countries, from 2004/05 25 member countries.

⁵ From 2004/05 included in EU 25.

Note: Based on official and unofficial estimates. Totals computed from unrounded data.

TABLE A6. Selected export prices of cereals and soyabeans (US\$/tonne)

Period	Wheat			Maize		Sorghum	Soybeans
	US No.2 Hard Red Winter Ord. Prot. ¹	US Soft Red Winter No.2 ²	Argentina Trigo Pan ³	US No.2 Yellow ²	Argentina ³	US No.2 Yellow ²	US No.1 Yellow ²
Annual (July/June)							
2001/2002	127	113	119	90	89	95	182
2002/2003	161	138	145	107	102	112	222
2003/2004	161	149	154	115	109	118	305
2004/2005	154	138	123	97	90	99	238
Monthly							
2004 – November	162	139	116	94	86	96	217
2005 – June	146	131	133	98	91	106	267
2005 – July	148	130	144	105	100	113	267
2005 – August	157	129	142	99	98	108	247
2005 – September	167	128	136	97	97	98	226
2005 – October	175	135	132	101	95	102	226
2005 – November	167	133	134	97	91	94	230
Weekly							
2005 – November I	171	133	136	99	93	99	229
2005 – November II	168	134	137	96	91	94	231
2005 – November III	167	133	135	97	92	94	236
2005 – November IV	163	130	132	96	90	93	230
2005 – November V	165	132	128	95	89	91	226

¹ Delivered US f.o.b Gulf.

² Delivered US Gulf.

³ Up River f.o.b.

Sources: International Grain Council and USDA.

TABLE A7. Wheat and maize price indices

Period	Wheat ¹	Maize ²
	(1997/98-1999/00=100)	(1997/98-1999/00=100)
Annual (July/June)		
2000/2001	97	87
2001/2002	99	91
2002/2003	121	108
2003/2004	119	116
2004/2005	118	98
Monthly		
2004 – November	123	94
2005 – April	114	98
2005 – May	115	95
2005 – June	117	99
2005 – July	114	106
2005 – August	116	99
2005 – September	121	98
2005 – October	123	102
2005 – November	121	98

¹ The wheat price index has been constructed based on the IGC wheat price index, rebased to July/June 1997/98-1999/00 = 100. The IGC wheat price index is composed of a simple average of following price quotations, converted to an index, with base July/December 1986 = 1000:

a Australian Standard White, f.o.b. Eastern States - second position quoted.

b Canadian No.1 CWRS 13.5%, f.o.b. St. Lawrence.

c Canadian No.1 CWRS 12.5%, f.o.b. Vancouver.

d United States No.2 HRW (Ordinary), f.o.b. Gulf.

e United States No.2 SRW, Gulf.

f United States No.2 DNS 14%, f.o.b. Lakes

g United States No.2 Western White, f.o.b. Pacific

² United States Maize No.2 Yellow (delivered Gulf ports) with base July/June, 1997/98-1999/00 = 100.

Sources: FAO, International Grain Council, USDA.

TABLE A8. Price indices and selected export prices for rice

Period	Export Prices (US\$ per tonne)				FAO Indices (1998-2000=100)				
	Thai 100% B ¹	Thai broken ²	US Long grain ³	Pakistani Basmati ⁴	Total	Indica		Japonica	Aromatic
						High quality	Low quality		
Annual (January/December)									
2001	177	135	264	332	74	74	74	76	69
2002	197	151	207	366	72	73	75	67	74
2003	201	151	284	358	82	79	81	82	91
2004	244	207	372	486	104	101	110	104	96
Monthly									
2004 – November	265	215	332	457	101	101	110	92	98
2005 – June	290	213	310	472	101	103	112	91	92
2005 – July	280	208	304	473	100	101	110	93	92
2005 – August	287	214	291	475	101	102	111	93	94
2005 – September	290	218	309	475	101	104	112	90	95
2005 – October	293	211	318	475	101	104	112	91	95
Weekly									
2005 – November I	286	216	324	500)					
2005 – November II	281	210	324	475)	102	103	112	93	94
2005 – November III	281	208	324	475)					

¹ White rice, 100% second grade, f.o.b. Bangkok, indicative traded prices.

² A1 super, f.o.b. Bangkok, indicative traded prices.

³ US No.2, 4% broken f.o.b.

⁴ Basmati: ordinary, f.o.b. Karachi.

Note: The FAO Rice Price Index is based on 16 rice export quotations. 'Quality' is defined by the percentage of broken kernels, with high (low) quality referring to rice with less (equal to or more) than 20 percent broken. The Sub-Index for Aromatic Rice follows movements in prices of Basmati and Fragrant rice.

Sources: FAO for indices. Rice prices: Jackson Son & Co. (London) Ltd. and other public sources.

TABLE A9. Price indices and selected international prices for oilcrop products

Period	FAO Indices (1990-92=100)			International Prices (US\$ per tonne)				
	Oilseeds	Edible/Soap Fats/Oils	Oilcakes/ Meals	Soybeans ¹	Soybean Oil ²	Palm Oil ³	Soybean Cake ⁴	Rapeseed Meal ⁵
Annual								
(October/September)								
1996/97	118	134	133	298	536	545	278	174
1997/98	109	154	116	256	634	641	197	138
1998/99	89	125	82	209	483	514	149	104
1999/00	84	91	89	209	355	337	180	124
2000/01	82	81	96	201	335	272	188	141
2001/02	86	101	102	201	411	357	175	129
Semestral								
2002/03 – Oct.- Mar.	103	124	106	241	543	442	186	133
2002/03 – Apr.- Sep.	104	123	110	246	535	414	197	149
2003/04 – Oct.- Mar.	140	144	138	351	653	512	274	199
2003/04 – Apr.- Sep.	121	140	126	294	612	464	240	157
2004/05 – Oct.- Mar.	111	134	115	264	539	420	205	133
2004/05 – Apr.- Sep.	116	132	123	284	550	418	220	127
Latest period								
2005 – October	107	135	126	258	582	444	202	129

¹ Soybeans (US, No.2 yellow, c.i.f. Rotterdam).

² Soybean oil (Dutch, fob ex-mill).

³ Palm oil (Crude, c.i.f. North West Europe).

⁴ Soybean cake (Pellets, 44/45%, Argentina, c.i.f. Rotterdam).

⁵ Rapeseed meal (34%, Hamburg, f.o.b. ex-mill).

Note: The FAO indices are calculated using the Laspeyres formula; the weights used are the average export values of each commodity for the 1990-92 period. The indices are based on the international prices of five selected seeds, ten selected oils and fats and seven selected cakes and meals.

Sources: FAO and Oil World.

TABLE A10. Wheat and maize futures prices (US\$/tonne)

	December		March		May		July	
	this year	last year	this year	last year	this year	last year	this year	last year
Wheat								
October 25	120	116	125	120	128	122	131	122
November 1	116	113	122	117	125	119	128	120
November 8	115	113	118	118	124	120	127	123
November 15	113	113	119	116	122	119	125	121
November 22	109	111	115	115	118	117	122	120
November 29	110	105	116	110	120	113	123	115
Maize								
October 25	79	81	84	85	87	88	90	90
November 1	77	79	83	83	86	86	89	89
November 8	77	78	83	83	86	96	89	88
November 15	77	80	83	84	86	87	89	90
November 22	75	78	81	82	84	85	87	88
November 29	73	76	79	81	82	84	86	87

Source: Chicago Board of Trade.

TABLE A11. Ocean freight rates for wheat (US\$/tonne)

Period	From US Gulf ports to:			
	EU ¹	CIS Black Sea ^{1,2}	Egypt ¹	Bangladesh ¹
Annual (July/June)				
2001/2002	11.00	40.97	15.00	18.50
2002/2003	12.50	40.97	16.67	22.50
2003/2004	28.27	41.89	36.96	48.50
2004/2005	34.50	41.18	46.50	65.42
Monthly				
2004 – November	39.00	45.00	53.00	62.00
2005 – May	32.00	39.00	43.00	70.00
2005 – June	29.00	37.00	40.00	60.00
2005 – July	23.00	33.00	36.00	50.00
2005 – August	21.00	31.00	30.00	43.00
2005 – September	21.00	33.00	32.00	47.00
2005 – October	24.00	35.00	35.00	49.00
2005 – November	23.00	35.00	35.00	49.00

¹ Size of vessels: EU over 40 000 tonnes; CIS 20 000-40 000 tonnes; Egypt over 30 000 tonnes; Bangladesh over 40 000 tonnes.

² Excludes CIS and the United States flag vessels.

Note: Estimated mid-month rates based on current chartering practices for vessels ready to load three to four weeks ahead.

Source: International Grains Council.

TABLE A12. Selected international commodity prices

	Currency and Unit	Effective Date	Latest Quotation	1 month ago	1 year ago	Average 2000-2004
Sugar (I.S.A. daily price)	US cents per lb	28.11.05	11.95	11.28	8.43	7.59
Coffee (I.C.O. daily price)	US cents per lb	18.11.05	84.39	85.93	70.85	54.32
Cocoa (I.C.C.O. daily price)	US cents per lb	18.11.05	66.83	65.83	74.94	64.03
Tea (FAO Tea Composite Price)	US\$ per kg	31.10.05	1.68	1.66	1.77	1.60
Cotton (COTLOOK, index "A" 1-3/32")	US cents per lb	11.11.05	56.80	59.40	49.40	55.68
Jute "BWD" f.o.b. Mongla at sight	US\$ per Ton	25.11.05	380	380	350	279.13
Wool (64's, London)	Pence per kg	11.11.05	393	403	400	422

TABLE A13. Fertilizer spot price ranges (bulk f.o.b., US\$/tonne)

	October 2005	November 2005 ¹	November 2004	Change from last year ² (percentage)
Urea				
Baltic	222 - 228	230 - 239	203 - 209	9.2
Persian Gulf	243 - 249	248 - 252	249 - 254	-2.2
Ammonium Sulphate				
eastern Europe	81 - 85	78 - 79	90 - 95	-10.3
Diammonium Phosphate				
North Africa	263 - 267	264 - 268	250 - 256	4.7
US Gulf	266 - 267	265 - 266	235 - 237	12.9
Triple Superphosphate				
North Africa	186 - 189	186 - 191	184 - 190	0.3
US Gulf	201 - 201	201 - 201	198 - 199	1.3
Muriate of Potash				
Baltic	155 - 178	155 - 178	130 - 151	18.5
Vancouver	148 - 190	148 - 190	130 - 155	18.6

¹ Up till 10 November 2005.

² From mid-point of given ranges.

Source: Compiled from Fertilizer Week and Fertilizer Market Bulletin.

STATISTICAL NOTE

Data are obtained from official and unofficial sources. For cereals, production data refer to the calendar year in which the whole harvest or bulk of harvest takes place. For sugar, production data relate to the October/September season. For vegetable oils and oil meals derived from oilseeds, production data refer to the year in which the bulk of the seeds concerned are crushed. For trade in wheat and coarse grains, the time reference period is normally the July/June marketing year unless otherwise stated. Trade data for rice and other commodities refer to the calendar year. Coarse grains refer to all other cereals except wheat and rice. Quantities are in metric tonnes unless otherwise stated. ‘-’ means nil or negligible.

COUNTRY CLASSIFICATION

In the presentation and analysis of statistical material, countries are sub-divided, where appropriate, into the following two main economic groupings: “Developed countries” (including the developed market

economies and the transition markets) and “Developing countries” (including the developing market economies and the Asia centrally planned countries). The designation “Developed” and “Developing” economies is intended for statistical convenience and does not necessarily express a judgement about the stage reached by a particular country or area in the development process.

References are also made to special country groupings: Low-Income Food-Deficit Countries (LIFDCs), Least Developed Countries (LDCs) and Net Food-Importing Developing Countries (NFIDCs). The LIFDCs currently includes 84 countries that are net importers of cereals with per caput income below the level used by the World Bank to determine eligibility for IDA assistance (i.e. US\$1 415 in 2002). The LDCs and NFIDCs groups include a list of countries agreed by the World Trade Organization (WTO) to qualify as beneficiaries under the Marrakech Decision on the Possible Negative Effects of the Reform Programme on Least-Developed and

Net Food-Importing Developing Countries. The LDCs group currently includes 50 countries with low income as well as weak human resources and low level of economic diversification. The list is reviewed every three years by the Economic and Social Council of the United Nations. The NFIDCs group includes 24 developing country WTO Members which notified their request to be listed as NFIDCs and have submitted relevant statistical data concerning their status as net importers of basic foodstuffs during a representative period. This list is reviewed annually by the WTO Committee on Agriculture.

DISCLAIMER

The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Calendar and contents of publication for 2005¹

	No. 1 7 April	No. 2 22 June	No. 3 29 Sept.	No. 4 6 Dec .
Overview	■	■	■	■
Basic food commodities				
Wheat	■	■	■	■
Coarse grains	■	■	■	■
Rice	■	■	■	■
Meat and Meat Products	■		■	
Milk and Milk Products		■		■
Oilseeds, Oils and Oilmeals		■		■
Pulses		■		
Roots and tubers				
Sugar		■		■
Other relevant agricultural commodities	■	■	■	■
Ocean Freight Rates	■	■	■	■
Fertilizers	■	■	■	■
Statistical appendix	■	■	■	■
SPECIAL FEATURES				
Islamic Republic of Iran wheat trade prospects	■			
Tsunami: update on impact for food supplies in 2005	■			
Southern Africa cereal situation		■		
Avian flu: the potential market impact of further outbreaks				■

¹ These dates and contents are tentative. The dates refer to the release of the English version. Food Outlook versions in Arabic, Chinese, French and Spanish are available shortly after the release of the English version.

Food Outlook is issued by FAO under the Global Information and Early Warning System on Food and Agriculture, by collaboration among Services of the Commodities and Trade Division, and other FAO units. The International Grain Council contributes the Ocean Freight Rates section. Food Outlook provides information on latest developments in agricultural markets and sets the global and regional commodity production, utilization, trade and price context for food security. **This issue is based on information available up to 29 November 2005.**

Contributing to this issue:

Basic Foodstuffs Service: Grains Group; Rice Group; Oilseeds and Livestock Group

Global Information and Early Warning Service

Raw Materials, Tropical and Horticultural Products Service: Sugar and Beverages Group;
Horticultural Products Group; Raw Materials Group

Land and Plant Nutrition Management Service

Enquiries should be directed to:

**Henri Josserand, Chief, Global Information and Early Warning Service,
Commodities and Trade Division (ESC), FAO - Rome
Facsimile: +39-06-5705-4495, E-mail: giews1@fao.org**

Food Outlook and other GIEWS reports are available on the Internet as part of the FAO World Wide Web (www.fao.org) at the following URL address: <http://www.fao.org/giews/>. In addition, some of the GIEWS regular reports can be received by E-mail through automatic mailing lists: subscription information is available at <http://www.fao.org/giews/english/listserv.htm>.