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ASSESSMENT OF THE CURRENT WORLD FOOD SECURITY SITUATION AND RECENT POLICY DEVELOPMENTS

UPDATING STATEMENT

Summary and Conclusions

- The estimate of world cereal output in 1993 has been lowered slightly since the publication of the main document, mostly reflecting a further cut in the estimate of the United States maize crop. As a result, global cereal stocks at the end of the 1993/94 seasons are now expected to be marginally less than the level presented in the main document. Nevertheless, they would still remain within the range that the FAO Secretariat considers necessary to safeguard world food security.

- Although somewhat lower than in late 1993, export prices of maize and rice continue to remain above the levels observed during the same period in the previous year. For wheat the strong upward trend in the prices of good quality wheat ended in late 1993 and prices of lower quality wheat remained weak and highly competitive with coarse grains.

- Acute food insecurity continues in several countries, while rapidly deteriorating prospects are foreseen for 1994 in some countries, particularly in eastern Africa and other parts of sub-Saharan Africa.

- Early indications point a slight decline in global wheat output and to a substantial recovery in coarse grains production in 1994 after the sizeable decrease in 1993. Based on conditions of crops in the ground, on expectations for spring plantings and assuming normal weather, world 1994 aggregate wheat and coarse grains output is expected to increase by about 3 percent. Since the bulk of the world's paddy crop will not sown until midyear, it is still too early to make even a preliminary forecast of global paddy output in 1994. However, assuming a recovery in paddy production from the below-trend crop in 1993, and that current forecasts for wheat and coarse grains output materialize, FAO tentatively predicts that global cereal availabilities in 1994/95 would be adequate to meet expected demand, and that stocks would remain close to the minimum safe levels.

W/T3102

Latest Estimate of 1993 World Cereal Output

1. Since preparation of the main document, the estimate of world cereal production in 1993 has been lowered slightly by 5 million tons, mainly reflecting a further downward revision in the estimate of the United States maize crop. At 1 873 million tons, global 1993 cereal output would be 91 million tons or nearly 5 percent less than in 1992 and below trend. The decline was concentrated in the developed countries while cereal output rose marginally in the developing countries. Global output of wheat is now put at 567 million tons, just above the estimated level of production in 1992. Production increased significantly in Asia to a record level, and the crop recently harvested in Australia was also well above the previous year's. By contrast, wheat production in 1993 fell in North and South America. FAO's estimate of global coarse grain output has been lowered by 4 million tons to 787 million tons, 83 million tons or 9 percent less than in 1992. The latest revision and virtually all of the reduction compared to the previous year is in the United States where maize and sorghum output fell sharply from the previous year's record. The estimate of the 1993 production of paddy has been lowered to 521 million tons which would be 6.5 million tons less than the record crop of 1992.

Sharp Reduction in Global Cereal Carryovers

2. The current forecast of global cereal stocks at the close of national crop years ending in 1994 points to a significant fall from last year's level. World cereal carryovers are now forecast to reach 314 million tons, 53 million tons or more than 14 percent lower than their opening levels. The bulk of this decline is within the developed countries and would be mainly due to the sharp reduction of coarse grain carryovers in the United States. Total cereal stocks in the developing countries are also forecast to fall mainly in anticipation of smaller global rice inventories, which are forecast to fall by 8.5 million tons (14 percent) to 51.9 million tons at the end of the marketing seasons in 1994. This would be the third consecutive year of decline in rice stocks. Most of the fall would be in rice exporting countries, although a reduction is also expected in importers' stocks. Nevertheless, global cereal carryovers would still represent over 17 percent of 1994/95 trend utilization and would remain within the minimum range the FAO Secretariat considers necessary to safeguard world food security.

Substantial Decline in Global Trade in Cereals For 1993/94

3. The current forecast of world trade in cereals for 1993/94 points to a sharp decline from the previous year mainly on account of smaller imports by the developed countries. At about 190 million tons, world imports of cereals would be around 16 million tons, or 8 percent, less than in 1992/93. However, this forecast may still be too optimistic, given the slow pace of sales to the CIS so far. Among individual cereals, global wheat trade is anticipated to fall substantially in 1993/94, reflecting a decline in imports by the CIS and several countries in eastern Europe. World trade in coarse grains is also forecast to contract in 1993/94, but may remain at the level reported in document CFS:94/2. As in the case of wheat, most of this decline is expected to occur in the CIS and eastern Europe. Coarse grain imports into southern Africa are also anticipated to decline significantly, following a strong recovery of output in 1993 from the previous year's drought. By contrast, global trade in rice is now forecast to expand to an all time high of over 15 million tons. This would mainly reflect larger imports into Japan, but shipments to several other countries, particularly in Africa because of the recent CFA Franc devaluation, are expected to decline.

Cereal Export Prices

4. The strong upward trend in export prices for high quality wheat ended in late 1993, when prices began to weaken reflecting stiff competition in certain markets and increased supplies of good quality wheat from the new Australian crop. By February 1994, the nominal price of U.S. wheat No. 2 had fallen back to about the level at the same time in 1993. However, due to the continuing lack of import demand for wheat, most sales from the United States and the EEC continue to be made at subsidized prices well below the nominal values quoted. Prices of lower quality wheat which are abundant in the market remain relatively much weaker, and highly competitive with coarse grains. Export prices of maize and other coarse grains weakened slightly in February 1994, after increasing for several months but nevertheless remain much higher than at the corresponding time one year ago. In February, the export price of U.S. maize No. 2 was about 30 percent higher than at the same period in 1993. Although current import demand is slack and abundant supplies of feed quality wheat are competing for markets, prices remain supported by the expectation of a reduction in the United States' carryover stocks of maize, to the lowest level since 1975/76. International rice prices remained mostly strong in February reflecting tight supplies and strong demand, in particular in Japan where 1993 rice production was sharply reduced. The FAO Export Price Index for Rice (1982-84 = 100) averaged 129 points in February 1994, 28 points higher than the price at the same time last year.

Regional Food Supply Problems Persist

5. Continuing acute food insecurity in several countries, and rapidly deteriorating prospects for 1994 in some others, particularly in sub-Saharan Africa, will necessitate large scale donor assistance throughout 1994. In eastern Africa, cereal production in 1993 was well below that of the previous year. Harvests were poor or reduced in Burundi, Eritrea, Kenya, Rwanda, Ethiopia and Sudan while the outlook for secondary crops already being harvested or about to be harvested in several countries in the sub-region is also poor. The food supply situation is already grave in many of the traditionally food deficit parts and the 1993/94 cereal import requirements in eastern Africa are estimated to increase by 50 percent. Timely and sufficient emergency and programme food aid will be required to avoid a major crisis in 1994. In western Africa good to record crops were harvested in most of the Sahelian countries and in several coastal countries. However, external assistance will continue to be required throughout 1994 by Liberia and Sierra Leone. Furthermore, the recent devaluation of the CFA franc has resulted in sharp price increases in the 14 CFA zone countries, adversely affecting the poorer segments of the population. Chad and Niger are facing localized food supply difficulties following reduced harvests in some areas. In central Africa, the food situation continues to deteriorate in Zaire for a large segment of the urban population. In southern Africa, weather conditions have been generally favourable for the planting and early growth of the 1993/94 cereal crops. However, output will again be poor in Angola and Mozambique, where agricultural activities remain disrupted by the effects of civil strife and shortages of inputs. In Latin America and the Caribbean, grave food shortages persist in Haiti. In Asia, the food supply and nutrition situation remains critical in Iraq; while urgent emergency food assistance is required in Laos, following sharp reductions in 1993 paddy output due to adverse weather conditions. In the CIS, food supply problems persist in several countries, and the situation is particularly acute in Armenia, Azerbaijan, Georgia and Tajikistan. In Europe, serious food supply difficulties persist in war zones in Bosnia-Herzegovina.

Outlook for Cereal Crops in 1994

6. Early prospects for 1994 cereal crops point to a slight decline in wheat output and a substantial recovery in coarse grain production after the sizeable reduction in 1993. On current indications, FAO forecasts global wheat production in 1994 to fall by about 1 percent to 560 million tons, while coarse grain output is expected to rise considerably, by 5.5 percent, to 840 million tons. These forecasts are based on the condition of crops already in the ground and planting intentions for crops to be sown later this year, and assume normal weather for the remainder of the growing seasons. Thus they are very tentative and could be subject to major revision should conditions for crops be unfavourable in one or more major growing region.

7. In the northern hemisphere, growing conditions have been mostly satisfactory so far for winter wheat crops in all of the major producing regions except the CIS. Assuming normal conditions for the remainder of the growing season, wheat output is expected to decline somewhat in Asia and North and Central America. On the contrary, output is expected to increase in Europe and to recover in North Africa. Production in the CIS is expected to remain close to the below-average crop harvested in 1993. In Asia, growing conditions are mostly favourable except in Pakistan. However, output is expected to decrease in most of the major producing countries in the region. In Central America, growing conditions are favourable in Mexico but output is anticipated to be fall further from last year's below-average crop because of reduced planting again this year. In the United States the area planted to winter wheat decreased but winterkill is reported to have been minimal reflecting favourable weather conditions. The final outcome of the 1994 crop will depend also on the area planted to spring wheat but aggregate output is not expected to match that of the previous year. In Canada, the bulk of the crop will not be planted until May; the area planted to spring wheat is tentatively forecast to decrease. In the CIS, poor weather, financial constraints and shortages of essential inputs restricted winter plantings again in several states, and could also affect spring planting; thus output is tentatively forecast to remain close to last year's level. In Europe, growing conditions have been mostly favourable and output is expected to increase, particularly in some eastern countries where last year's crops were reduced by drought. In North Africa, prospects are mostly favourable and output could increase after the drought-reduced crops of the past two years.

8. As regards coarse grains, present indications point to an increase in output in 1994, mostly due to a sharp recovery expected in production in the United States where the 1993 crop was severely reduced by exceptionally wet conditions. However, since most of the coarse grain crops in the northern hemisphere are yet to be sown, this early forecast is very tentative. In the southern hemisphere where harvesting will begin soon, the outlook is mostly favourable. In South America, plantings are estimated to have increased and providing normal weather conditions prevail for the remainder of the growing season, another above-average crop is anticipated. In southern Africa, the outlook is very favourable and production is expected to be above average in most countries. In Australia, the outlook for the minor coarse grain crop has improved following widespread rains across previously dry summer crop regions. In the northern hemisphere, in eastern Africa, the secondary season "short rain" crops are expected to be severely reduced in several countries which are suffering from the effects of poor 1993 main harvests. In the United States, indications are that the area to be planted to coarse grains in April/May will increase by about 5-10 percent. Thus assuming a return to normal yields after reduced levels in 1993 due to flooding, output could increase by some 20 percent. In Europe, coarse grain output is projected to increase somewhat assuming a recovery to normal yields in some eastern countries after drought again in 1993. By contrast, in the CIS, coarse grains output is expected to decline; winter plantings were reduced and prospects for spring plantings are not favourable due to shortages of inputs.

9. The 1994 paddy season has started only in countries situated around the equatorial belt and in the southern hemisphere. In most of Asia, North and Central America, Africa as well as in Europe, the 1994 paddy crop has not yet been planted. As a result, it is still too early to make a forecast of global output of paddy in 1994. In Asia, the main 1994 crop season is well

advanced mainly around the equatorial belt. In Indonesia, the harvesting of the main crop in Java is underway. In Malaysia, harvesting of the 1994 main crop is well advanced in the Peninsula and prospects are for a normal output of about 1.9 million tons. In Sri Lanka, however, recent floods have adversely affected the Maha crop, which is about to be harvested. Further north from the equator, China's 1994 paddy season has just begun, with the seeding of its early crop. In southern Africa, plantings of the 1994 crop are complete in the sub-region. In Madagascar, prospects are generally favourable. In Malawi, abundant rains in December/January helped to improve growing conditions, but reduced use of fertilizers may affect output. In Australia, the 1994 paddy crop season is well advanced. Expectations are for output to reach 1.2 million tons, 25 percent more than in 1993.

The Food Security Impacts of Recent CFA Devaluation

10. On 12 January 1994, the CFA Franc was devalued by 50 percent and the Comoros Franc by 25 percent[1]. The parity of the currency with the French Franc had remained unchanged since 1948. After the announcement of the devaluation, prices of both imported and local products increased substantially in all countries. Several countries tried to introduce price controls but were not able to sustain the policies. The urban poor and other segments of the population receiving fixed incomes have been severely affected. Demonstrations, often of violent nature, against the impact of the devaluation have occurred in some capitals.

11. In the medium-term, the devaluation may have some favourable impact on local production of foods as they are now more competitive vis-à-vis imported ones, but this will not apply to products that can only be imported. Thus, for example, wheat or wheat flour imports will remain necessary, though FAO estimates that their volume could decline by around 150 000 tons (or about 12 percent). The local production of rice and coarse grains is likely to be encouraged, so is the volume of trade within the CFA zone and with neighbouring non-CFA countries.

12. In order to relieve the economic pressures the international community and financial institutions have taken immediate measures. France has cancelled the entire debt of the low income countries (6.6 billion FF) and half of the debt of the middle-income countries (18.6 billion FF) and decided to take several other support measures. The World Bank and IMF have decided to implement new programmes and to extend structural adjustment facilities. The World Bank would inject up to U.S.$ 1.5 million into the Franc Zone and the IMF could inject about half a billion US dollars this year of the planned total U.S.$ 1.6 billion. Food aid deliveries may also increase this year as it seems that donors have received new food aid requests from several countries.

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1 Countries of the CFA Franc zone are: Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo, as members of the UMOA (Union Monétaire Ouest-Africaine) and Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon, as members of the BEAC (Banque des Etats d'Afrique Centrale).

TABLE 1: CHANGES IN FOOD SECURITY INDICATORS

	Average[1]	1991/92	1992/93	1993/94[2]
1. Ratio of World Cereal Stocks to World Cereal Consumption Trends	22	19	21	17
2. Ratio of Five Major Exporters[3] Supplies to Requirements	1.26	1.18	1.22	1.17
3. Closing Cereal Stocks as a %age of Total Disappearance of Major Exporters				
Wheat[3]	28.5	23.9	26.9	28.1
Coarse Grains[3]	30.4	16.9	24.1	15.2
Rice[4]	11.3	11.1	10.6	8.0
Total	25.7	17.5	21.9	17.2
	Annual Trend Growth Rate 1985/86-93/94	Percentage Change from the Trend		
4. Changes in Cereal Production in China, India and CIS (+ Georgia)	+1.88	-3.75	+0.86	-2.27
5. Changes in Production of Cereals in LIFD Countries	+2.48	+0.30	-0.14	-2.11
6. Changes in Cereal Production in LIFDCs less China and India	+2.35	+0.56	-1.42	-0.70
	Percentage Change from Previous Year			
7. Export Price[5] Movements: (Annual Averages):				
Wheat		+27.1	-4.0	-0.0
Maize		+3.8	-11.8	+15.5
Rice		+8.6	-7.9	-10.1
8. Export Price Movements: (February Averages):				
Wheat		+55.3	-15.3	-0.7
Maize		+7.5	-17.5	+30.9
Rice		-12.2	-7.6	+43.2

Notes: [1] 1986/87-1990/91 average
[2] Forecast.
[3] Argentina, Australia, Canada, EC, United States
[4] China, Pakistan, Thailand, United States, Vietnam
[5] Wheat=US no.2 Hard Winter; Maize=US no.2 Yellow; Rice=Thai, 100% 2nd Grade. 1993/94 prices for wheat and maize are averages of July 1993-February 1994 and rice of January-December 1993.

(With information as of February 1994)

Erratum in Document CFS: 94/2

An error has been noted in Table 1, Changes in Food Security Indicators (page 8) related to export price movements of rice and maize, under indicators 7 and 8. The correct numbers and sequence of cereals should read as follows:

		Percentage Change from Previous Year		
		1991/92	1992/93	1993/94
7. Export Price Movements (Annual averages)	Wheat	+27.1	-4.0	-4.9
	Maize	+3.8	-11.8	+8.2
	Rice	+8.6	-7.9	-12.9
8. Export Price Movements (November averages)	Wheat	+31.6	-3.3	+2.8
	Maize	+6.0	-11.3	+24.5
	Rice	-1.0	-7.8	+30.7