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Item II of the
Provisional Agenda

COMMITTEE ON WORLD FOOD SECURITY

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**Assessment of the Current World Food Security Situation
and Recent Policy Development**

Updating Statement

1. The current world food security situation basically remains as reported in the main document (CFS: 87/2). Whether the current global food security situation, marked by ample staple food supplies, weak import demand for cereals, low international cereal prices and sharply rising carry-over cereal stocks, will continue in 1987/88 depends significantly on the production outcome in 1987. This updating statement gives preliminary indications of the crop prospects for 1987, and reports on latest national policy measures relating to food security, adopted in recent months.

Outlook for 1987 Cereal Crops

2. FAO's first forecast of world production of grains in 1987 indicates that the combined output of wheat and coarse grains could be around 1,352 million tons (wheat 527 million tons, coarse grains 826 million tons), slightly less than last year. This forecast is based on the condition of winter crops in the northern hemisphere and farmers' reported intentions for the planting of spring grains, as well as the state of coarse grain crops in the southern hemisphere, where harvesting has started. However, the final outcome of 1987 harvests of these grains still depends crucially on the weather in the months ahead. It is still too early for even a preliminary forecast of world production of paddy, as most 1987 crops are not yet planted.

3. In some exporting countries the planted area is expected to decline further during 1987, in response to abundant supplies on world markets and low international prices. However, the weather has so far generally favoured early crops and higher yields are anticipated in some countries. In the northern hemisphere, adequate snowcover has protected winter grain crops in most countries from excessive winterkill; the planting of early paddy crops is well advanced and that of spring wheat and coarse grains has started. In the southern hemisphere, the outlook for coarse grains to be harvested early in the year is generally favourable, but in several countries of southern Africa crop prospects have deteriorated in recent weeks, following prolonged dry weather; most main paddy crops are in the ground and the prospects are also favourable so far, but the main wheat crops are not scheduled to be sown for another month or more.

4. In North America, the weather has generally favoured winter wheat and coarse grains. In the United States, where the government continues to aim at balancing supply and demand, the area planted to winter wheat is estimated to have declined by about 10 percent, as a result of increased farmer participation in the Government's acreage reduction programme and wet conditions at planting time in some areas. Nevertheless, given favourable weather, wheat output in 1987 could still be as large as last year when yields were below average. Most coarse grain crops will be planted from May; however,

current indications point to a reduction in the area sown to coarse grains also, as a result of increased participation in the Government's 1987 acreage reduction programmes. In Canada, winter sowings were reduced by excessive moisture. However, winter crops account for only a small portion of aggregate output and the bulk of the 1987 cereals will be planted in May-June. Although no substantial change is expected in the area sown, yields could decline from last year's exceptionally high levels, pointing to a lower output.

5. In the U.S.S.R., to meet the Government goal of increased self-sufficiency in grains, greater efforts are planned to raise the cereal output of both collective and state farms in 1987. The production target for grains has been set at 232 million tons, more than 10 percent higher than last year's above average outturn. No substantial change is envisaged in the aggregate area sown to grains, but area under intensive cultivation is expected to increase. However, there are early indications that it may be difficult to achieve this target. Crop prospects are unfavourable in the Southern Ukraine, parts of the Northern Caucasus and in the Central region, where soil moisture during the autumn was insufficient for proper establishment and growth of winter crops; this was followed by extreme cold weather which caused widespread winterkill. Most of the affected areas are likely to be replanted to spring grains, but the yields will be reduced.

6. In Europe, despite extremely cold weather over the entire region in December and early January, adequate snowcover averted widespread winterkill to 1987 winter grains. In western Europe, the early crop prospects are favourable. Given normal weather for the remainder of the growing season, the EEC cereal production in 1987 is likely to exceed last year's outturn of 155 million tons, mainly as a result of better yields. In both Spain and Federal Republic of Germany the area sown to winter grains has increased from last year. In eastern Europe, the early prospects for winter grains are mixed; in a number of countries the cereals area under intensive cultivation has probably increased, but in some south-eastern parts crops entered dormancy before attaining proper growth, due to unfavourable dry autumn weather. In Hungary and Romania inadequate precipitation in autumn prevented seed germination over a wide area; as a result, the 1987 cereal production target may not be met. Elsewhere in the region, the early crop prospects are more favourable.

7. In Asia, the overall prospects for winter grains remain favourable so far, although dry weather and plant pests have affected crops in some parts. In several areas of China, abnormally warm and dry weather in recent weeks has adversely affected yield prospects for winter wheat, which accounts for about 90 percent of aggregate wheat output. In both India and Pakistan, the prospects for "rabi" grains, mainly wheat, remain good, following recent favourable precipitation in the rainfed areas. In Nepal, the wheat crop is in generally good condition, although yields in some areas could be adversely affected by shortages of irrigation water and farm inputs. In the Islamic Republic of Iran, wheat and barley crops about to be harvested are reported to be progressing well under generally favourable weather conditions. In Saudi Arabia, the output of wheat is anticipated to be less than last year, reflecting the diversion of land to the production of barley. In several countries of the region, rice crops due for harvest in early 1987 have been affected by floods, drought, plant pests and diseases. In Indonesia, floods in February affected the paddy crop in several districts of Java, but the overall harvest prospects remain favourable. In Viet Nam, the outlook for the winter-spring crop is uncertain, reflecting widespread insect infestation in several areas. In the Philippines the secondary rice crop has been affected by dry weather in several areas. In Sri Lanka, the main (maha) crop, about to be harvested, has been adversely affected by drought in November and December 1986, and a below average outturn is anticipated. By contrast, the "rabi" rice crop in India and the "boro" rice crop in Bangladesh are reported to be in good condition.

8. In Africa, the early prospects for 1987 cereal crops are mixed. If rainfall approaches last year's level, grasshoppers and locusts will again threaten region's 1987 cereal harvest. Grasshoppers have laid eggs in most Sahelian countries as well as in northern areas of Benin, Cameroon and Nigeria; the aggregate area requiring treatment is expected to be more extensive than in 1986. Elsewhere in the region, crops in a number of countries could be threatened by migratory locusts. A number of donors have already pledged assistance for the 1987 emergency grasshopper and locust control campaign. However, further donor assistance could be necessary in the coming months depending on the

level of the rains. In northern Africa, the outlook for winter grains to be harvested from mid-May is favourable in Algeria and Tunisia, but in Morocco more rains are needed to ensure normal yields. In western Africa, the planting of the main maize crop is underway in the coastal regions; elsewhere seasonably dry conditions prevail. In eastern Africa, the 1987 secondary season crops in Kenya and Tanzania are average to above average, but in Somalia the crop has been sharply reduced by insufficient rainfall in the main growing areas. In Ethiopia the secondary, Belg, crop is being planted under generally favourable weather. In Burundi and Rwanda good first main season harvests have been gathered and the second main season crops are already planted. Elsewhere the early prospects for main season crops are mostly favourable, but in both Ethiopia and Sudan plantings will not start until May/June. In southern Africa, the prospects for the crop to be harvested from April have deteriorated in recent weeks as a consequence of below normal rainfall which has adversely affected yield prospects in Botswana, Lesotho, Swaziland, Zambia and Zimbabwe. In Angola and Mozambique harvest will again be reduced, mainly as a result of civil strife and shortages of farm inputs. By contrast, the harvest outcome is favourable in Madagascar and Malawi, while in South Africa an average outturn is anticipated.

9. In Latin America, the output from the maize and sorghum crops now being harvested in Argentina is expected to fall as a result of a reduction in the area planted and unfavourably dry weather during the growing season, while in Mexico crops in the northern states have been adversely affected by unusually cold weather early in the year. In Colombia, first season cereal crops are likely to be lower than last year. By contrast, in Brazil the harvests of maize and paddy are expected to be sharply higher than last year as a result of larger plantings and favourable weather, while crop conditions have also been generally good in Chile, Cuba, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua.

10. In Australia, the output for the summer crops of maize and sorghum is likely to exceed last year's harvest of about 1.6 million tons, mainly reflecting an increase in the area sown. However, the area planted to wheat could decline as farmers switch to other crops and livestock.

Developments in National Policies

11. Since the preparation of the main document, a number of new policy measures for cereals have been introduced by several countries with a view to influencing farm income, production, trade and consumption levels.

12. Among the developed exporting countries, Canada has introduced for 1986/87 season a special programme designed to compensate farmers for the decline in their earnings from the low prices of grains and oilseeds in the depressed international market. Under the programme, farmers producing grains and oilseed will receive cash payments up to a maximum of C\$25,000 in proportion to the volume of their output of grains and oilseeds; the total cost of the programme is envisaged to amount to about C\$1 billion (U.S.\$0.8 billion). As payments under the special programme are limited to 1986/87, its impact on plantings of grains in 1987 is not known. The Government has also imposed two countervailing import duties on cereals (i.e. pasta and maize) in order to protect domestic producers. In the EEC, the Commission's 1987/88 price proposals, which have yet to be decided upon by the Council, envisage a further reduction in the intervention prices for feed wheat, durum, maize and barley. In addition, the Commission is proposing to reduce the period during which grains may enter intervention stores.

13. Among the developing exporting countries, Thailand has taken steps to protect the income of paddy farmers from the current depressed world prices. In order to boost paddy purchases in the period immediately following the main harvest (November 1986 - March 1987), the government in November 1986 decided to make available to farmers Baht 5 billion (U.S.\$190 million) for a loan scheme using paddy as collateral. Loans will be for 180 days at a highly concessional rate of 3 percent and farmers would keep possession of the paddy. However, it is uncertain whether farmers have adequate storage facilities to take full advantage of this scheme.

14. Some other developing countries - Ghana, Kenya, the Republic of Korea - have announced increased levels of support prices. Indonesia has also increased the procurement price of paddy substantially, after having frozen it in 1986. Although it has not raised procurement prices, the Government of China has announced other incentives including priority in supplies of fertilizers and diesel oil as well as 20 percent advance payments against contracted deliveries of grains to the State.

15. Several countries have taken steps to restrict imports with the objective, inter alia, of encouraging domestic cereal production and self-sufficiency. In Latin America, Brazil is reported to have banned rice imports as of January 1987. In Africa, Cameroon and Mali have also banned rice imports. Ghana, in addition to banning rice imports, has imposed an additional 10 percent surcharge on most cereal imports. Morocco has introduced an ad valorem duty of 2.5 percent and a stamp duty of 5 percent on imports of all cereals, except rice. Turkey has introduced large surcharges on imports (other than those imported by the State Marketing Board) of wheat, wheat flour and barley, while at the same time introducing export subsidies on wheat flour and malt.

16. The general tendency in consumption policies continues to be of reducing the cost of subsidies, which in some cases may limit access to food by the poor. Kenya increased the consumer prices of bread and flour to compensate the Kenya Cereals and Produce Board for higher procurement prices and other costs. Similarly, in the Republic of Korea, the Government resale price for domestically procured rice has been raised by the same percentage as the procurement price. Pakistan has decided to de-ration wheat throughout the country from April 1987. However, it is hoped that under the new system the success achieved by the country in attaining food self-sufficiency will be translated into lower food prices for the population. Peru has also ended a price freeze that had begun in August 1985 on a wide range of goods including basic grains. In Tanzania, the Government of Zanzibar has recently raised the retail price of rice and wheat flour following the devaluation of the country's currency.

17. Among developing countries which in recent months have taken steps to improve access to food are Jordan and Venezuela. Following lower international prices, Jordan has cut the retail price of barley in the latter half of 1986. In December 1986, Venezuela froze the prices of a number of basic items including certain types of bread, rice, maize flour, wheat and pasta from domestic grains. Nepal is planning to establish a number of food-for-work programmes. Among the developed countries, the EEC decided to distribute commodities including bread-making quality wheat from stocks free of charge to charities.

Conclusions

18. Preliminary indications are that, given normal weather conditions for the remainder of the growing season, cereal production in the major developed exporting countries, notably the United States and the EEC, could be about the same as or slightly lower than in 1986. In Canada output could be lower than last year, and perhaps also in Australia. As regards prospects in importing countries, early indications in the U.S.S.R. are that it may be difficult to achieve the target of 232 million tons in view of the fact that crop prospects in important production areas are uncertain. In China there have been increased plantings in response to various government incentives, but weather conditions in recent weeks have been unfavourable. Elsewhere in Asia good harvests are anticipated. In Africa the prospects for 1987 cereal crops will depend on the adequacy of the rain and on effective control of grasshoppers and locusts. In Latin America smaller harvests in Argentina and Mexico are likely to be offset by good crops elsewhere.

19. World cereal import demand in 1987/88 is expected to recover slightly from its current level. In the exporting countries, aggregate production in 1987 could be as large as in the previous year and, with record carry-over stocks, supplies at the global level will be more than adequate to meet world import demand. The problem of access to food by and in developing countries is likely to persist, unless more concerted efforts are undertaken to improve employment opportunities and income, particularly of the poor. In general, recent developments in the world food security situation underline the conclusions and recommendations given in para. 58 of the main document.