Global food security review

13 December 2010

International prices of most agricultural commodities strengthened in November

The **FAO Food Price Index** averaged 205 points in November 2010, up 7 points from October and only 7 points below its peak in June 2008. The biggest contributors to the increase were Sugar and Oils prices.

Rising international cereal prices

International prices of **wheat** have increased 12 percent in the first week of December compared to their November average. The benchmark US wheat price (US No2 Hard Red winter) reached USD 327 per tonne, about 70 percent higher than at the beginning of July but still 32 percent below its record of March 2008. The market is supported by concerns about continuing rainfall in Australia that has reduced the quality of this year's crop, and by unfavourable weather conditions for the 2011 winter crop in some main producing countries.

Export prices of **coarse grains** that have increased 50 percent since early July, remained firm in November and early December. A further cut in the official forecast for this year's maize crop and carry-over stocks in the United States supported prices. However, the concurrent strengthening of the US dollar meant that by the first week of December the benchmark US **maize** price (US No2, Yellow) rose only marginally above its November average to USD 240 per tonne. This level is still 15 percent lower than the peak reached in June 2008.

International **rice** prices that had remained substantially stable in October, increased in November and early December, with the reference Thai price (Thai100%B) rising some 12 percent from its October average to USD 566 per tonne. This level is 41 percent below the peaks reached in mid 2008. The increase in prices followed downward revisions of the 2010 rice production forecasts in the main exporter countries Thailand and Vietnam and strong international demand.

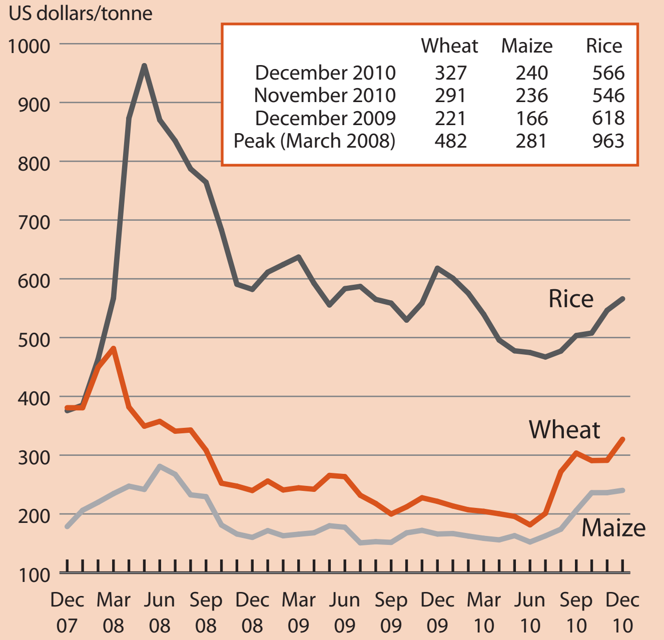
World cereal production in 2010 to decline slightly less than anticipated in November

The forecast for world cereal production in 2010 has been revised up to 2 229 million (rice in milled terms). At this level, world cereal production would be 1.4 percent below 2009. However, world supply and demand balance for cereals could still tighten considerably with total utilization exceeding world production; thus necessitating a 6 percent decline in ending stocks. As a result, the global **cereal stocks-to-use ratio** would fall by 2 percentage points to 23 percent (still above the 30-year low of 19.6 percent registered in 2007/08).

Overall good 2010 cereal production in Low-Income Food-Deficit Countries

In aggregate, cereal production of the 77 LIFDCs is now forecast to rise by 2.5 percent in 2010, marking a third consecutive year of sustained growth. Most LIFDCs regions with the exception of the Asian CIS and Europe (Moldova) have larger crops in 2010 As a result of the improved supply situation, per capita cereal consumption levels in the 2010/11 marketing year are expected to increase slightly in the LIFDCs as a group.

International cereal prices[1]

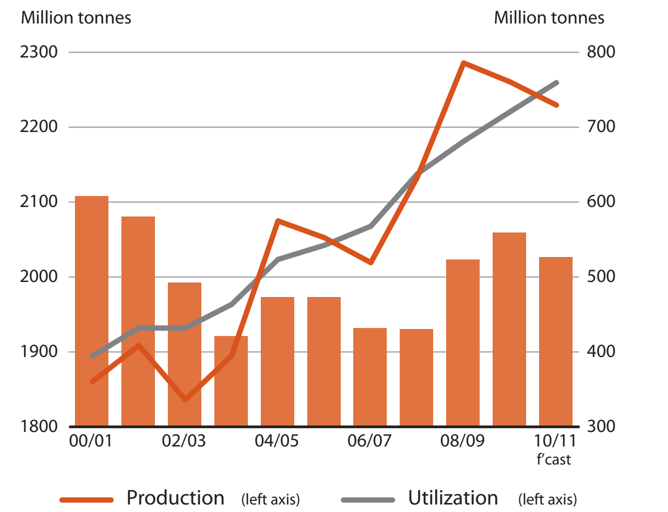


[1] Prices are monthly averages except for December 2010 which refers to the first week of the month. Wheat: US No.2 Hard Red Winter (Ordinary protein) f.o.b. Gulf; Maize: US No2. Yellow, Gulf; Rice: 100% second grade, f.o.b. Bangkok.

Cereal import volumes of LIFDCs to decline in 2010/11 but import bill to increase sharply

In view of the improved domestic production in 2010, the cereal imports of the LIFDCs, as a group, are forecast to fall to some 87 million tonnes in 2010/11, a level substantially lower than in the previous two years. Lower cereal imports are expected in the Asian and most of the African LIFDCs, with the exception

Global cereal producion, utilization and stocks



of North Africa. However, as a result of the sharp increase in international cereal prices since the beginning of the 2010/11 marketing season, the cereal import bill of the LIFDCs, which had fallen in 2009/10, is forecast to increase by 11 percent to USD 29.6 billion. This would still be below the record level reached during the food crisis in 2007/08, but the new increase in cereal costs combined with that of other food imports by these countries is cause of concern.

Record 2010 cereal crops in Africa, except in North Africa

A record aggregate cereal harvest was estimated for **Southern Africa**, despite poor outcomes in southern parts of Madagascar, Mozambique, Malawi and Zimbabwe. Similarly, in spite of serious localized damage to households and crops caused by floods this season, harvests of record crops have just been concluded in most countries in **Eastern and Western Africa** and **Central Africa**, as weather has been beneficial overall for cereal production this year. By contrast, a sharp decline in cereal production is estimated in the **North Africa** subregion, mainly reflecting drought reduced wheat crops in Morocco and Tunisia.

Overall increase in cereal production in Asia

In **Far East Asia**, this year's cereal output is forecast higher than in 2009, but reduced rice crops are being harvested in Pakistan, Cambodia and Lao People's Democratic Republic affected by floods and dry weather. In **CIS Asia**, the 2010 cereal outputs were average but significantly lower than the bumper levels of last year. In the **Near East**, good cereal crops were harvested in Afghanistan, Iraq and Iran but unfavourable growing conditions reduced wheat production in the Syrian Arab Republic.

Cereal production recovered In Latin America and the Caribbean

In South America, cereal production is expected sharply up from last year's reduced level in Argentina, while a record crop is anticipated in Brazil. In **Central America**, despite severe localized floods, good cereal outputs are estimated in most countries. However, production of beans is forecast to be reduced b y adverse weather conditions. In the **Caribbean,** lower cereal production is estimated in Cuba due to the drought that affected the paddy crop, as well as in Haiti where the second crop season, being harvested, has been severely affected by hurricane Tomas.

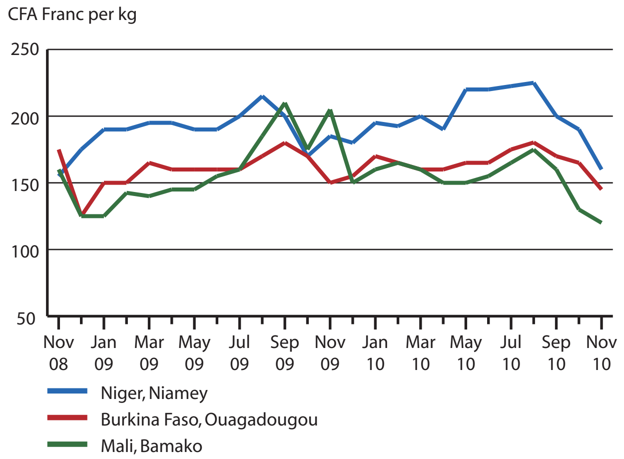
Food prices at low levels in Africa but increasing in Asia

In **Africa**, prices of main staple coarse grains are generally stable or declining in most subregions reflecting bumper harvests this year. Overall, coarse grains prices are around their levels of the pre-food crisis of late 2007. Exceptions are Benin, where prices increased in October following floods, and Mozambique, where prices of maize and mostly imported rice are increasing because lower production this year, sustained demand from the feed industry and depreciation of the national currency.

In **Asia,** domestic rice prices have increased in the past months in several countries, including in exporters such as Thailand and Vietnam; in the latter domestic prices of rice in November were 50 percent higher than in July. Prices of rice are also increasing in India, Indonesia, Sri Lanka and Bangladesh. Prices of wheat and wheat flour that rose markedly in July and August in the CIS, Afghanistan and other importing countries, following trends in international prices, stabilized in November.

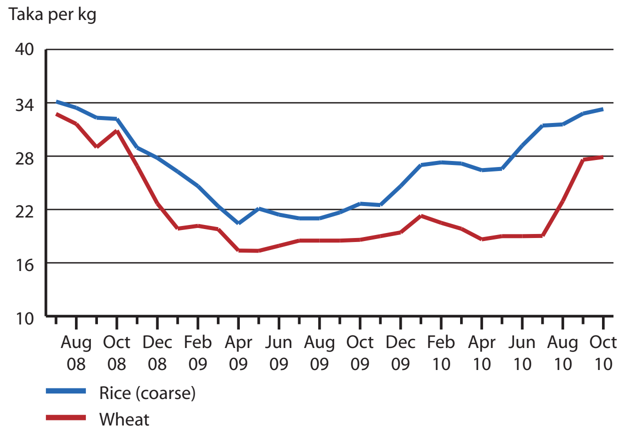
In **Central America,** prices of staple beans are at record levels as a result of unfavourable prospects for the main harvest but those of maize, that have seasonally declined in recent months remained overall stable in November. In Haiti, prices of mostly imported rice have sharply increased in the past two months. In **South America,** price of wheat flour that increased in September and October in importing countries, Brazil, Peru and Bolivia, remained firm in November. In Andean countries, prices of potatoes are on the rise or at high levels.

Wholesale millet prices in Western Africa



Source: Afrique Verte

Retail prices of cereals in Dhaka, Bangladesh



Source: Management Information System and Monitoring