No. 3 ■ July 2008

Crop Prospects and Food Situation

HIGHLIGHTS

- **World cereal production in 2008 is forecast to increase 2.8 percent to a record 2 180 million tonnes**. Most of the increase is in wheat following significant expansion in plantings in all regions. Coarse grains output is expected around the bumper level of last year but lower than earlier anticipated due to severe floods in the United States, the world's largest producer and exporter. Rice is tentatively forecast to increase slightly from last year's good level.
- **Despite the anticipated increase in world output, cereal markets will remain tight in 2008/09**. Total cereal supply (carry-in stocks plus production) will barely exceed the anticipated utilization and the world cereal reserves will recover only marginally from the current estimated 30-year low.
- **International cereal prices remain at high levels with tight maize supply in the United States underpinning prices of major cereals**. Maize export prices climbed to new record levels in recent weeks, double their levels a year earlier. Prices of wheat weakened only modestly despite seasonal harvest pressure and remained about 40 percent higher than a year earlier. After reaching a peak in May, rice export prices fell in June and early July reflecting greater export availability in main exporter countries; however, they were almost three times above the level of a year ago.
- **Cereal production of the LIFDC's, as a group, in 2008 is forecast to increase at a slow rate growth of just 1.2 percent**. Excluding the largest countries, China and India, the increase of the remaining countries is even lower and follows a decline in output in the previous year.
- In **Southern Africa**, the outcome of the recent main season cereal harvest was overall favourable with a recovery in production in South Africa and good crops in several other countries but output fell well below last year and the average in Zimbabwe. In **Eastern Africa**, the outlook is unfavourable for the cereal harvests in several countries, including Ethiopia, Somalia and parts of Kenya and Uganda. In **North Africa**, Morocco's cereal production is expected to recover strongly from last year's drought-reduced level, but Tunisia is facing a smaller harvest.
- In **Asia**, the regional cereal output is set to remain close to last year's good level with bumper crops in China and India more than offsetting reductions expected in Pakistan and the Islamic Republic of Iran. Food insecurity is expected to increase in Afghanistan and Tajikistan.
- In **South America**, harvesting of the main season coarse grain crops is underway and a record output is expected following larger plantings, in response to high international prices. Prospects for the wheat crop are mixed; plantings increased in Brazil but policy and weather factors led to smaller plantings in Argentina.

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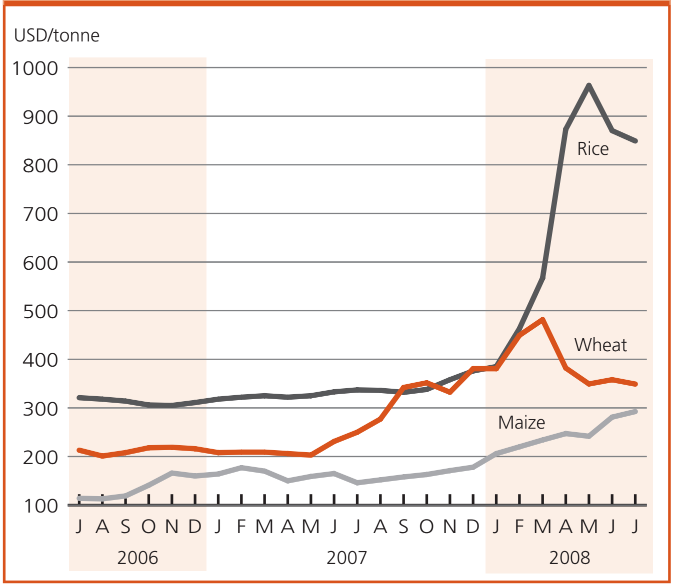
Selected international cereal prices



Countries in crisis requiring external assistance[1] (34 countries)

Nature of food insecurity	Main reason	Changes from last report (April 2008)
AFRICA (21 countries)		
Exceptional shortfall in aggregate food production/supplies		
Lesotho	Low productivity, HIV/AIDS pandemic	▲
Somalia	Conflict, adverse weather	▼
Swaziland	Low productivity, HIV/AIDS pandemic	▲
Zimbabwe	Deepening economic crisis, adverse weather	▼
Widespread lack of access		
Eritrea	IDPs, economic constraints	■
Liberia	War related damage	▲
Mauritania	Several years of drought	▼
Sierra Leone	War related damage	▲
Severe localized food insecurity		
Burundi	Civil strife, IDPs and returnees	■
Central African Republic	Refugees, insecurity in parts	■
Chad	Refugees, conflict	▼
Congo, Dem. Rep.	Civil strife, returnees	■
Congo, Rep. of	IDPs	■
Côte d'Ivoire	Conflict related damage	▲
Ethiopia	Insecurity in parts, localized crop failure	▼
Ghana	After-effects of drought and floods	▲
Guinea	Refugees, conflict	▼
Guinea-Bissau	Localized insecurity	■
Kenya	Civil strife, adverse weather, pests	▼
Sudan	Civil strife (Darfur), insecurity (southern Sudan)	▼
Uganda	IDPs	▼
ASIA (11 countries)		
Exceptional shortfall in aggregate food production/supplies		
Iraq	Conflict and insufficient rainfall	▼
Widespread lack of access		
Afghanistan	Conflict and insecurity, inadequate rainfall	■
Korea, DPR	Economic constraints and effects of past floods	▼
Myanmar	Cyclone	■
Severe localized food insecurity		
Bangladesh	Past floods and cyclone	▲
China	Earthquake in southwestern China	▲
Nepal	Poor market access and drought	■
Philippines	Typhoon	▼
Sri Lanka	Conflict	■
Tajikistan	Winter crop damage, poor market access, locusts	▼
Timor-Leste	IDPs, high food prices	■
LATIN AMERICA (1 country)		
Severe localized food insecurity		
Bolivia	Past floods	■
EUROPE (1 country)		
Exceptional shortfall in aggregate food production/supplies		
Moldova	After-effects of 2007 drought	■

Countries with unfavourable prospects for current crops[2]

Country	Main reason	Changes from last report (April 2008)
AFRICA		
Ethiopia	Insufficient rainfall	▼
Kenya	Insufficient rainfall, crop diseases	▼
Somalia	Adverse weather, conflicts	▼
ASIA		
Afghanistan	Adverse weather, limited supplies and high food prices	▼
Iran	Rainfall deficit, limited snowmelt	▼
Iraq	Generalized insufficient rainfall	▼
Jordan	Insufficient rainfall	▼
Syrian Arab Rep.	Insufficient rainfall	▼
Tajikistan	Adverse weather	▼
Tunisia	Insufficient rainfall	■
Turkmenistan	Adverse weather	▼

No change ■ Improving ▲ Deteriorating ▼

Terminology

[1] **Countries in crisis requiring external assistance** are expected to lack the resources to deal with reported critical problems of food insecurity. Food crises are nearly always due to a combination of factors but for the purpose of response planning, it is important to establish whether the nature of food crises is **predominantly** related to lack of food availability, limited access to food, or severe but localized problems. Accordingly, the list of countries requiring external assistance is organized into three broad, not mutually exclusive, categories:

- Countries facing an **exceptional shortfall in aggregate food production/supplies** as a result of crop failure, natural disasters, interruption of imports, disruption of distribution, excessive post-harvest losses, or other supply bottlenecks.
- Countries with **widespread lack of access**, where a majority of the population is considered to be unable to procure food from local markets, due to very low incomes, exceptionally high food prices, or the inability to circulate within the country.
- Countries with **severe localized food insecurity** due to the influx of refugees, a concentration of internally displaced persons, or areas with combinations of crop failure and deep poverty.

[2] **Countries facing unfavourable prospects for current crops** are countries where prospects point to a shortfall in production of current crops as a result of the area planted and/or adverse weather conditions, plant pests, diseases and other calamities, which indicate a need for close monitoring of the crop for the remainder of the growing season.

Food emergencies update

In **Western Africa** and **Central Africa**, high and rising food prices continue to affect consumers' purchasing power and access to food across the subregion in spite of the various measures taken by Governments. In Ouagadougou (**Burkina Faso**) for example, the price of millet, the major staple, has increased by 33 percent, in early June 2008 compared to the same period last year, while the price of imported rice was up 87 percent over the same period. In **Central African Republic**, the price of rice increased by 71 percent between January and June. Prices of other food items such as cassava, oil and meat more than doubled over the same period. Harvesting of the first 2008 maize crop is about to start in the coastal countries along the Gulf of Guinea in Western Africa and in much of central Africa, which is expected to ease the effects of rising international commodity prices on consumers in these countries. However, in the Sahel countries which usually experience the peak of the hunger season in July and August, the upward trend in cereal prices is likely to continue until new local harvests come to markets in September.

In **Eastern Africa,** an increasing number of people continue to be in need of emergency food assistance as a result of poor crops, conflict, civil strife or a combination of these. In **Somalia**, the food supply position is serious following three consecutive poor crops, disruption of markets, a major devaluation of the local currency, increasing food prices and growing civil insecurity. Since January 2008 the population movement from the capital increased by 20 percent, bringing the number of people who have left Mogadishu since February 2007 at a total of 860 000. Currently the number of people in need of emergency assistance is estimated at 2.6 million, an increase of more than 40 percent since January this year, while the internally displaced are estimated at 1.1 million. Moreover, as stated by the Food Security Analysis Unit (FSAU) the situation could deteriorate further and, by the end of the year, a total of 3.5 million people, about half of the total population, could be in need of either livelihood support or humanitarian assistance. Reflecting high food prices, civil insecurity, and poor performance of the "belg' crop now being harvested, the number of people requiring emergency food assistance in **Ethiopia** until November 2008 is currently estimated at 4.6 million, an increase of 2.6 million people compared to the April 2008 estimate. Furthermore, this estimate could even increase as an additional 8 million people remain chronically food insecure. While the needs of the 4.6 million people have been assessed at some 510 000 tonnes of food, only about 118 000 tonnes, - or 23 percent - are available or have been pledged. Thus, additional contributions are needed to avoid a worsening of the food supply position of the people affected. In **Djibouti**, relief assistance is required by pastoral population and the urban poor as a result of decreasing food security reflecting increased food prices and inadequate rains. Preventive health measures are also needed to avoid outbreaks of waterborne diseases. Current high food prices and inflation in **Eritrea** continue to affect large part of the population while new and continuing regional tension could lead to further massive displacement and humanitarian needs. In **Kenya**, high prices for cereals and other essential goods, conflict and animal diseases have destabilized the pastoralists' recovery from drought and increased their food insecurity. People affected by post-election violence as well as IDPs will continue to require humanitarian and recovery assistance in the coming months. Households in the eastern part of southern **Sudan** are currently highly food insecure due to food shortages as a result of crop losses due to last year's floods. In the north, displacement and loss of livelihoods are expected to continue in Darfur where an additional 180 000 people have been displaced in the first five months of 2008. Limited humanitarian access due to security restrictions, shortage of food and water and overcrowding in camps would likely lead to increased suffering for the vulnerable people. In **Uganda**, the food crisis is likely to continue in the Karamoja district. More than 700 000 people are food insecure and in need of emergency food aid as a result of prolonged insecurity, localized flood damage in 2007, falling livestock prices, and inadequate rains for the last three years.

In **Southern Africa**, vulnerable populations in several countries, particularly **Zimbabwe, Lesotho** and **Swaziland**, are expected to face food insecurity during the 2008/09 marketing year which began with a generally poor main season cereal harvest in April. In Zimbabwe, a joint FAO/WFP Crop and Food Supply Assessment Mission (CFSAM) estimated the national production of main season maize in 2008 at 575 000 tonnes, some 28 percent lower than the production in 2007 (using the CFSAM estimate of 800 000 tonnes) which in itself was some 44 percent below 2006 government estimate. The Mission also estimated that about 2 million people in rural and urban areas will be food insecure between July and September 2008, rising to 3.8 million people between October and December and peaking to about 5 million at the height of the hungry season between January and March 2009. The food insecure population will require food assistance amounting to some 395 000 tonnes of cereals in 2008/09. In Swaziland, another CFSAM estimated at about 64 000 tonnes the national maize harvest for 2008. Although this is more than twice last year's production, it's still less than for each of the preceding four years. In Lesotho, the total 2008 cereal harvest is almost the same as last year's drought-affected output and some 18 percent below the average of the previous five years. Several other import dependent countries in the region are also particularly vulnerable to the soaring food and fuel prices and internationally. In **Lesotho** and **Swaziland** widespread poverty and the impact of HIV/AIDS have led to serious food insecurity.

In the **Great Lakes** region, uncertain security situation in the north-eastern parts of the **Democratic Republic of the Congo** continues to affect large numbers of people who require food assistance. Recent peace agreements would help IDPs to resettle but they need substantial assistance to restart farming activities. High food prices are negatively affecting large number of households in **Burundi** and food and agricultural aid is needed**,** especially for resettling returnees and IDPs.

In **Far East Asia**, Cyclone Nargis struck **Myanmar** on 2 and 3 May 2008, causing more than 130 000 people dead or missing in 37 townships across Ayeyarwady and Yangon divisions. The lives and livelihoods of an estimated 2.4 million people have been severely affected. Among them, 1.3 million have been reached so far by international NGOs, the Red Cross and the UN. The worst affected areas are the most productive in agriculture and fisheries. The 2008/09 main rice production season is threatened by a lack of seeds, fertilizers, farm machinery, drought animals and inadequate labour owing to the heavy casualties among rice farming communities. An earthquake of 8.0 magnitude on May 12 rocked the south-western province of Sichuan in **China**. Over 69 000 people were confirmed dead, more than 374 000 people injured, and over 18 457 missing. A total of 45.6 million people have been reportedly affected, including 15 million people evacuated from their homes, including some 5 million people living in temporary shelters. Some 10 million additional people are officially estimated as living below the poverty line as a result of the earthquake. Most of the affected population is critically dependent on agriculture for their livelihoods and vulnerable to food insecurity. Typhoon Fengshen ripped through the **Philippines** archipelago in the late June, affecting 11.2 million people in 38 provinces, destroying or damaging some 300 000 hectares of rice crops in the Western Visayas region and 12 other provinces. . A sharply reduced cereal harvest in 2007 due to floods has caused severe food shortage in **the Democratic Peoples' Republic of Korea**. The main 2008 cropping season (July-October) will also be severely affected by the lack of agricultural inputs, especially fertilizer and fuel. The country will have to depend on external assistance as its capacity to import commercially remains highly constrained. More than 300 000 people in nine districts of far western and mid-western **Nepal** are facing a precarious food situation as a result of crop failure due to drought. Food insecurity continues to prevail in **Timor-Leste,** due to country's high dependence on cereal imports, social instability, and high unemployment rate. Food assistance to Cyclone-affected populations in Southern **Bangladesh** is ongoing. The population in the worst-affected districts has suffered a significant loss in Amam crop production, the major crop in the region. The WFP emergency operation is currently assisting 2.3 million beneficiaries, including 117 000 children.

In the **Near East**, in **Afghanistan**, insecurity and widespread lack of adequate access to food is being exacerbated by drought affecting the 2008 harvest. Poor crops or crop failure is reported for numerous districts of the northern and northeastern provinces.

In the **Asian CIS**, in **Tajikistan**, widespread poor access to food is being exacerbated by dry conditions this growing season. In addition, extreme cold in the winter caused crop losses amounting up to about 40 percent compared to the average first season foodcrop harvest. In addition to losses of important staple crops such as wheat and potatoes, vegetable crops, fruit and vine production have suffered and many households have reported animal deaths and abortions. In rural areas alone, 11 percent of households (half a million people) are severely food insecure and 1.1 million people are moderately food insecure. In all, some 1.68 million rural people are affected.

In **South America,** humanitarian assistance has been provided to about 20 000 vulnerable families in Bolivia whose livelihood systems were disrupted by serious localized losses of food and cash crops following floods caused by the "La Niña" phenomenon during the 2008 main cropping season.

Global cereal supply and demand brief

Cereal markets remain tight in 2008/09

Higher cereal production in 2008 is expected to contribute to some improvement in the global supply and demand balance for cereals in the 2008/09 season. However, with total cereal supply (carry-in stocks plus production) just barely exceeding anticipated utilization, the recovery in world cereal reserves will be limited. As a confirmation of a continuing tight supply situation in the new season, the ratio of world cereal stocks to utilization is forecast at 19.7 percent, up just marginally from the low of 19.4 percent in 2007/08. Against this background, international cereal markets are likely to stay volatile and export prices for most cereals could remain historically high although below the peaks of 2007/08. Among major cereals, the maize situation remains a concern given the large drop in output expected in the United States, the world's largest producer and exporter. In recent weeks, the combined impact of a sharp reduction in maize plantings and floods in major maize growing areas of the United States have pushed up maize prices to record levels, lending support to prices of other feed grains as well as wheat in international markets.

PRODUCTION

Cereal production prospects for 2008 remain favourable

FAO's latest forecast for world **cereal** production in 2008 stands at a record 2 180 million tonnes (including rice in milled terms), up 2.8 percent from 2007 but slightly lower than earlier anticipated. The bulk of the increase is expected in **wheat**, which is forecast at 658 million tonnes, representing a significant (8.3 percent) increase from 2007. In the northern hemisphere, where many of the wheat crops are being harvested or are already gathered, bigger harvests are expected in all regions with the exception of Asia, where although declining slightly, output will remain close to last year's record high.

In North America, harvesting of a significantly larger winter wheat area is already underway in southern parts of the United States and good yields are expected after generally favourable growing conditions. Together with larger spring wheat plantings, the country's aggregate wheat output in 2008 is foreseen to rise almost 18 percent to some 66 million tonnes, the largest crop since 1998. In Canada, a much larger wheat crop has been sown and if the season is normal, output could rise to almost 25 million tonnes, about 24 percent up from 2007.

In Europe, harvesting of wheat crops in some central and southern parts is already underway. Reflecting a larger area and better yield prospects, especially in some eastern parts of the region afflicted by drought in 2007, the aggregate output of the region is forecast to increase by some 14 percent to 215 million tonnes. Production in the EU-27 is forecast to reach 138 million tonnes, nearly 15 percent up from 2007's depressed output.

Table 1. World cereal production[1] (*million tonnes*)

	2006	2007 estimate	2008 forecast	Change: 2008 over 2007 (%)
Asia	**913.6**	**944.4**	**943.2**	**-0.1**
Far East	811.0	842.5	851.3	1.1
Near East in Asia	72.7	68.3	62.3	-8.9
CIS in Asia	29.7	33.5	29.4	-12.2
Africa	**142.7**	**133.1**	**142.8**	**7.3**
North Africa	36.0	28.9	31.9	10.5
Western Africa	49.5	47.3	50.3	6.3
Central Africa	3.2	3.3	3.3	1.4
Eastern Africa	32.5	31.5	31.4	-0.4
Southern Africa	21.5	22.1	25.9	17.3
Central America & Caribbean	**36.9**	**40.0**	**41.9**	**4.7**
South America	**110.7**	**130.7**	**138.3**	**5.8**
North America	**384.5**	**462.1**	**432.5**	**-6.4**
Europe	**404.7**	**388.8**	**445.0**	**14.5**
EU[2]	246.8	259.6	294.9	13.6
CIS in Europe	118.6	115.6	133.1	15.2
Oceania	**20.0**	**22.8**	**37.8**	**65.6**
World	**2 011.8**	**2 120.6**	**2 180.2**	**2.8**
Developing countries	**1 155.9**	**1 195.8**	**1 213.5**	**1.5**
Developed countries	**855.9**	**924.7**	**966.7**	**4.5**
- wheat	596.9	608.1	658.3	8.3
- coarse grains	985.7	1 074.4	1 077.6	0.3
- rice (milled)	438.1	438.1	444.3	1.4

[1]Includes rice in milled terms.
[2]EU-25 in 2006; EU-27 in 2007, 2008.
Note: Totals computed from unrounded data.

In the European CIS countries, given an anticipated sharp recovery in Ukraine and another expected good crop in the Russian Federation, the aggregate output of the subregion in 2008 is set to rise to a bumper level in excess of 73 million tonnes.

In Asia, despite favourable prospects for this year's wheat crops in several major producing countries, the region's total output could slip back a little from last year's record level, because of dry conditions affecting some countries in the Asian CIS group and Near East subregion, to the east and south of the Caspian Sea. The most significant producing countries affected are the Islamic Republic of Iran, and Kazakhstan where outputs may fall by 20 percent and 15 percent respectively from last year's bumper crops, although their outputs would still be a comparatively good crop considering the past five year average. Production is also estimated to have declined 6 percent from last year's record in Pakistan, because of a reduced use of inputs and shortages of irrigation water supplies, but nevertheless remain slightly above the average of the past five years. In India, where the harvest is already underway, the attainment of good yields has resulted in a more favourable outlook indicating that this year's crop could turn out to be a record, close to 78 million tonnes. In China (Mainland), despite drought in some eastern parts, increased plantings and higher yield expectations in areas not affected by dry conditions point to another increase this year, reaffirming the country's upward trend in wheat production.

In North Africa, wheat crop prospects are satisfactory in Egypt, the subregion's major wheat producer, and in Morocco, where the wheat crop is expected to recover from last year's severely drought-reduced level.

In the southern hemisphere, the 2008 wheat season is underway. In South America, plantings have increased in Brazil in response to a favourable outlook for producer returns, and with the help of government incentives. By contrast, in Argentina, policy measures to increase taxes on exports have effectively reduced farmers' incentives to produce wheat, which combined with unfavourable dry weather, looks likely to result in a reduction of this year's wheat area and a return to an about-average crop after last year's bumper level. In Australia, despite delayed and/or below-normal rainfall in some main producing regions during the planting period, a sharply larger wheat area is expected this year, reflecting the incentive of strong prices. Assuming relatively normal weather for the remainder of the season, wheat output is forecast to recover sharply in 2008 to about 24 million tonnes.

FAO's forecast for the global **coarse grains** output in 2008 has been revised downward slightly in the past few weeks, to 1 078 million tonnes, largely to reflect the impact of adverse weather during the maize planting season in the United States, the world's largest producer. Nevertheless, at the forecast level, world production of coarse grains would be virtually unchanged from last year's record high. In South America, harvesting of the main season crops is underway and output is expected to increase to a new record of some 99.5 million tonnes, following area increases in Argentina and Brazil, the region's largest producers, in response to high international prices. In southern Africa, despite far from ideal weather conditions throughout the season, with late planting rains, followed by floods and a subsequent return to excessive dryness in parts, the overall outturn for the main coarse grain crops is judged to have been favourable, particularly in South Africa which was affected by drought last year.

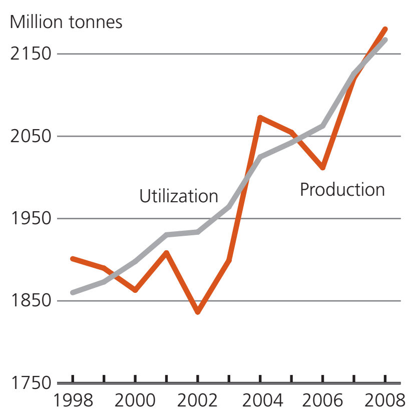
In the northern hemisphere, the bulk of the 2008 coarse grains have now been sown. In the United States, the recently completed maize plantings declined sharply after last year's exceptional high level and difficulties endured during planting due to excessive rains and flooding could lead to a lower planting/harvested ratio than normal, and most likely lower yields in the affected areas. Based on indications in late June, the country's maize output is forecast at about 293 million tonnes, down nearly 40 million tonnes from last year, but still a relatively high level compared to recent history.

In Europe, coarse grains output is forecast to recover sharply from last year's reduced level when drought affected crops in some of the main producing countries in eastern parts of the region such as Hungary, Romania and Ukraine. This year's coarse grains crop in Asia is forecast to remain virtually unchanged from last year's good level. Production in China, by far the biggest producer in the region, is expected to remain well above the average of the past five years.

The 2008 **paddy** season has reached a critical stage, as, by now, planting of the main paddy crops in all the major producing countries is underway or already completed. Barring major shocks in the coming few months, global paddy production may rise by 1.4 percent to 666 million tonnes, (444 million tonnes in milled rice equivalent), 9 million tonnes above the excellent 2007 season results. Unlike in 2007, when much of the gain was concentrated in Asia, in 2008, producers in all regions have responded to high market prices in the first half of the year by increasing rice cultivation.

In Asia, significant to strong production increases are anticipated in several countries, as producers have also benefited from intensified government support to increase production. The main exceptions are likely to be China, where only a marginal rise in output is expected in 2008, partly reflecting the impact of the devastating earthquake in Sichuan Province, where 7 percent of national output is produced, and Myanmar, where, output may fall in 2008, due to the passage of cyclone Nargis through the most important rice producing area at the beginning of May. Against the backdrop of soaring world rice

Figure 1. World cereal production and utilization



prices, several governments in Africa have renewed their commitments to achieve rice self-sufficiency in the next few years. However, regarding the current season, more remunerative rice prices and reduced competition from imports are encouraging local producers to expand the area under rice in all rice producing parts of the region. As a result, widespread increases in output are currently foreseen in 2008, although the final outcome will hinge on the weather patterns in the coming months, in particular the timing and distribution of precipitation in the western part of the region. In Latin America and the Caribbean, rice production is set to expand vigorously in 2008, sustained by favourable growing conditions in all the major producing countries of South America. In Central America and the Caribbean, where the season is less advanced, a recovery in Mexico and Nicaragua should sustain a 4 percent expansion in the subregion. In the rest of the world, rice output in 2008 is expected to change little in the United States. Drought resulted in lower plantings in Spain, which, together with some shift of Italian producers from rice to wheat cultivation, is expected to cut production in the European Union by almost 5 percent. By contrast, government assistance to the sector should boost production in the Russian Federation.

UTILIZATION

World cereal utilization will grow at a slower pace in 2008/09 on reduced feed use

World **cereal** utilization in 2008/09 is forecast to rise to 2 167 million tonnes. Growth in food consumption and industrial usage are among the main factors for the rise in total cereal utilization but high prices are expected to cut into feed use and slow down the overall expansion in total cereal utilization to 1.9 percent, well below the 3 percent growth observed in 2007/08. Given the expected sharp increase in wheat production, expansion in **wheat** utilization is forecast to be the most significant, rising by almost 3 percent from the previous season, to 635 million tonnes. Most of this growth would be in feed use because of the anticipated lower availabilities of maize. After a contraction of around 8 percent in 2007/08, total feed utilization of wheat is likely to rebound to 118 million tonnes in 2008/09, up 14 percent from the 2007/08 reduced level. The strongest expansions are expected in the EU and in the United States. World wheat use for human consumption is forecast to reach 455 million tonnes, 1.6 percent more than in 2007/08, which would be sufficient to maintain a steady consumption level of roughly 68 kg per caput on a global basis. By contrast, the growth in world **coarse grains** utilization is forecast to slow down in the new season as tighter supplies would boost usage of wheat and non-grain alternatives for animal feed. Total coarse grains utilization is forecast to rise to 1 087 million tonnes in 2008/09, up 1.6 percent from 2007/08. This compares to a strong growth of over 5 percent in the previous year. The forecast expansion in the overall use of coarse grains in 2008/09 will be driven primarily by a steady rise in the use of maize for ethanol production in the United States. Total utilization of maize for production of ethanol in the United States is put at about 102 million tonnes, up some 23 million tonnes from the estimated use in 2007/08 and almost twice as much as in 2006/07. World feed use of coarse grains is forecast to drop to 624 million tonnes in 2008/09, down 17 million tonnes from the previous season. Most of this decline is expected to occur in the EU and North America. Global consumption of **rice**, including food and non-food uses, is forecast in the order of 445 million tonnes in 2009, up from a 439 million tonnes in 2008. Since rice is mainly used as a food commodity, the bulk of it, or 385 million tonnes would be destined for direct human consumption. This would mean 57.4 kg of rice per caput, per year, as food, little changed from 2008. Per caput rice availability may increase somewhat in Asia, to some 83.3 kg, and in Latin America and the Caribbean, to 29.6 kg, mainly sustained by production gains in those regions, while it may remain in the order of 22.4 kg and 5.1 kg in Africa and Europe respectively.

STOCKS

Larger wheat supplies help cereal stocks to increase marginally

For the first time in three seasons, world cereal production is forecast to slightly exceed total utilization, allowing for a small recovery in global stock levels. World **cereal** stocks by the end of crop seasons ending in 2009 are forecast to reach 425 million tonnes, up 5 million tonnes from their low levels at the start of the season. This recovery in the level of world cereal stocks in 2009 may appear less marked than reported earlier but this follows a major upward revision to FAO's previous forecast for global cereal stocks ending in 2008, from nearly 409 million tonnes reported in May 2008, to 421 million tonnes, rather than a significant change in the 2008/09 outlook. The recent adjustment to the previous year's closing inventories was primarily driven by the latest upward revisions to 2007 cereal production estimates in China which, in turn, resulted in a significant upward revision of ending stocks in that country. Based on the current forecasts, the ratio of world cereal stocks to world utilization could increase to 19.7 percent from 19.4 in the previous season.

World **wheat** stocks by the close of the crop seasons in 2009 are forecast to approach 169 million tonnes, up 17 million tonnes, or 11.5 percent, from their low opening levels. The strong anticipated increase in global wheat production in 2008 is helping with this recovery in world inventories. At the current forecast levels, the world wheat stocks-to-use ratio for the new season is forecast at 26.6 percent, up 3 percent from the previous season. Strong demand for wheat, especially for feed use as a result of tighter supplies of coarse grains, is expected to prevent a more pronounced expansion of wheat stocks, therefore also limiting the recovery in the stocks-to-use ratio. In major exporting countries, the anticipated rebound in output this year is likely to lead to a major recovery in stocks, to 35 million tonnes, up 10 million tonnes, or 41 percent, from their low opening levels. At this level, the ratio of the major exporters' stocks-to-disappearance (defined as their anticipated exports plus domestic consumption) is expected to recover from a historical low of only 10 percent in 2007/08 to 13.2 percent in 2008/09. Wheat inventories in all major exporting countries are expected to rise, in particular in the United States and the EU. Wheat inventories in China are also forecast to rise sharply, in view of this year's expected bumper harvest. Similarly, driven by good production prospects, stocks in India are heading for a substantial recovery, particularly those held by the Government, which are likely to fulfil the requirement for the Public Distribution System.

By contrast, world **coarse grain** stocks by the close of seasons in 2009 could fall by as much as 8 percent, or 13 million

Table 2. Basic facts of the world cereal situation (*million tonnes*)

	2006/07	2007/08	2008/09	Change: 2008/09 over 2007/08 (%)
PRODUCTION[1]	**2 011.8**	**2 120.6**	**2 180.2**	**2.8**
Wheat	596.9	608.1	658.3	8.3
Coarse grains	985.7	1 074.4	1 077.6	0.3
Rice (milled)	429.2	438.1	444.3	1.4
SUPPLY[2]	**2 481.9**	**2 548.1**	**2 601.0**	**2.1**
Wheat	776.4	768.9	809.5	5.3
Coarse grains	1 171.2	1 235.5	1 241.2	0.5
Rice	534.3	543.7	550.4	1.2
UTILIZATION	**2 062.5**	**2 126.0**	**2 167.2**	**1.9**
Wheat	619.1	617.5	635.4	2.9
Coarse grains	1 016.6	1 069.6	1 086.7	1.6
Rice	426.8	438.9	445.1	1.4
Per caput cereal food use *(kg per year)*	*152.6*	*152.8*	*152.5*	*-0.2*
TRADE[3]	**256.0**	**266.7**	**255.0**	**-4.4**
Wheat	113.2	110.2	112.0	1.6
Coarse grains	111.4	126.8	113.0	-10.8
Rice	31.3	29.7	30.0	1.2
END OF SEASON STOCKS[4]	**427.6**	**420.8**	**425.4**	**1.1**
Wheat	160.8	151.2	168.6	11.5
- main exporters[5]	36.6	24.8	35.0	41.0
Coarse grains	161.2	163.6	151.1	-7.6
- main exporters[5]	62.3	67.3	48.2	-28.4
Rice	105.6	106.0	105.7	-0.3
- main exporters[5]	23.8	25.2	25.4	0.8
Low-Income Food-Deficit Countries (LIFDCs)[6]				
Cereal production[1]	**888.5**	**908.7**	**919.2**	**1.2**
excl. China Mainland & India	305.8	302.4	304.3	0.7
Utilization	**936.6**	**958.1**	**973.1**	**1.6**
Food use	652.5	663.2	672.3	1.4
excl. China Mainland & India	277.9	283.5	288.9	1.9
Per caput cereal food use *(kg per year)*	156.7	156.9	156.8	-0.1
excl. China Mainland & India	159.7	159.7	159.7	0.0
Feed	166.7	171.3	174.8	2.0
excl. China Mainland & India	48.7	49.3	49.2	-0.2
End of season stocks[4]	**239.1**	**252.5**	**262.1**	**3.8**
excl. China Mainland & India	57.7	52.6	49.7	-5.4

[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.
[4] May not equal the difference between supply and utilization because of differences in individual country marketing years.
[5] The main wheat and coarse grain exporters are Argentina, Australia, Canada, the EU and the United States.
The main rice exporters are India, Pakistan, Thailand, the United States and Viet Nam.
[6] Includes food deficit countries with per caput annual income below the level used by the World Bank to determine eligibility for IDA assistance (i.e.USD 1 675 in 2005).

tonnes, to 151 million tonnes. Most of the anticipated reduction reflects the situation in the United States where this year's production (mainly maize) is forecast to fall by nearly 40 million tonnes. Total coarse grains stocks in the United States are forecast to fall to around 18 million tonnes, down 22 million tonnes from their opening level and the smallest level since the mid-1990s when they were at just over 14 million tonnes. At the current forecast level, the world stocks-to-use ratio for coarse grains is expected to fall to roughly 14 percent, down 1 percent from the previous season. Because most of the anticipated reduction in world stocks of coarse grains is forecast to occur in the United States, the world's largest exporter, the ratio of closing stocks to major exporter's total disappearance (i.e. domestic consumption plus exports) would fall to under 9 percent from nearly 12 percent in 2007/08 and well below the 15 percent during the early years of this decade. Elsewhere, favourable crop prospects in China, the EU, Brazil, South Africa and Ukraine are expected to boost stock levels in those countries.

Despite expectations of a larger global **rice** crop in 2008, the forecast output would not be sufficient to cover the anticipated world consumption, which would require a slight drawdown in global rice reserves. As a result, based on current forecasts, global rice inventories at the close of marketing years ending in 2009 may decline marginally to 105.7 million tonnes, down from an opening level of 106.0 million tonnes. The reduction would be concentrated in the developed countries, where inventories are forecast to fall by 11 percent to their lowest level in the decade, while virtually no change is anticipated for the developing countries. China, which is estimated to hold 56.9 million tonnes, or more than half of world total reserves, may cut inventories slightly in 2009, while India, which has the second largest rice inventory, is forecast to end the season with larger stocks, mainly because of government actions to restrict exports. From a trade status perspective, importing countries, as a whole, are anticipated to draw from their stocks for the third consecutive season, while little change is foreseen among exporters. Based on the expected levels of stocks and utilization, the stock-to-utilization ratio would be in the order of 23.9 percent in 2009, down from 23.8 in 2008.

TRADE

International trade contracts in 2008/09 mostly on reduced imports by the EU

World trade in **cereals** in 2008/09 is forecast to fall to close to 255 million tonnes in 2008/09. This represents a sharp decline of almost 12 million tonnes, or 4 percent, from the record in 2007/08. Lower trade in maize, mainly driven by the anticipated cut in imports from the EU is the main reason behind this decline. World trade of wheat and rice are in fact forecast to increase in 2008/09 but their combined expansion may not be sufficient to offset the sharp expected decline in trade of coarse grains.

World **wheat** trade (exports) in 2008/09 marketing season (July/June) is forecast to reach 112 million tonnes in 2008/09, up 2 million tonnes from 2007/08. Among the different regions, only Asia is expected to import more than in the previous years. Most of the anticipated increase in wheat imports in Asia is likely to be driven by a significant increase in imports required by several countries where domestic production has been affected by drought, in particular the Islamic Republic of Iran, Iraq and the Syrian Arab Republic. In Africa, total imports are forecast to decline slightly, mainly reflecting reduced requirements in Morocco following an expected partial recovery from last year's severe drought. In Latin America and the Caribbean, Brazil is forecast to import less because of higher production. In Europe, a sharp decline in wheat imports is anticipated in the EU as a result of the expected recovery in output. In June the EU agreed to extend the suspension of import tariffs on all cereals (with the exception of oats) to the 2008/09 marketing season.

Export supplies of wheat in the 2008/09 marketing season are expected to be more abundant than in 2007/08 due primarily to the anticipated strong recovery in production in Australia, the EU and Ukraine. Exports from the United States are forecast to fall sharply because of the strong domestic demand and tighter competition. In Argentina, the anticipated decrease in production may further hamper sales which are already affected by the ongoing farm dispute over export taxes. The Russian Federation will have large supplies for exports this season and is expected to eliminate its export taxes in July (at least 105 euros per tonne). While Kazakhstan is expected to export less in 2008/09 compared to the previous season, the country has announced that it will not extend the ban on wheat exports beyond September 2008. Among smaller exporters, China is expected to increase its wheat sales this season if current production prospects materialize, but much smaller shipments are expected from Pakistan, due to lower production and strong domestic demand.

World trade in **coarse grains** in 2008/09 marketing season (July/June) is likely to fall to 113 million tonnes from nearly 127 million tonnes (record) in 2007/08. This expected sharp decline is mainly due to lower requirements in the EU given this year's prospects for a strong rebound in domestic supplies of feed grains. Total coarse grains imports (mostly maize and sorghum) by the EU climbed to 20.5 million tonnes in 2007/08, representing a three-fold jump from the previous season, but the group's imports in 2008/09 are likely to revert to more normal levels, that is below 6 million tonnes. Also in Latin America and the Caribbean, total imports are forecast to be cut significantly, by nearly 2 million tonnes, mostly due to smaller imports by Brazil and Mexico because of larger crops. By contrast, larger imports are expected in Asia where several countries are expected to increase foreign purchases of coarse grains due to shortfalls in production and strong demand from their domestic feed sectors. Imports (mainly barley and maize) by the Islamic Republic of Iran and the Syrian Arab Republic are forecast to rise to 4 million tonnes each, up by at least 1 million tonnes in each case. Larger purchases are also forecast for Saudi Arabia (maize and barley) and the Republic of Korea (maize). Total imports (mostly maize) in Africa are expected to be slightly smaller than in the previous season as a result of generally more favourable crop prospects. Lower coarse grains purchases are forecast for Egypt (maize), Morocco (barley) and the Republic of South Africa (maize).

Regarding coarse grains exports in 2008/09 marketing season, a sharp contraction in exportable supplies in the United States, the world's largest exporter, coincides with a large contraction in world import demand. As a result the overall export supplies are likely to prove sufficient. Among the other major exporters, smaller exports are also anticipated from Canada and the EU, but Argentina and Australia are expected to export more than in the previous season. Among other countries, smaller maize sales are forecast for Brazil and India but much larger exports are expected from the Republic of South Africa (maize), the Russian Federation (barley) and Ukraine (barley and maize) reflecting this year's improvement in supplies. China (Mainland) is also likely to export more maize than in the previous season in view of anticipated record production this year.

Based on current production prospects, which are still provisional, international trade in **rice** may increase slightly in 2009, after being constrained by export restraints in 2008. According to FAO's first 2009 forecast, trade in rice may reach 30.0 million tonnes, 1 percent higher than the current estimate of 29.7 million tonnes in 2008. Rice deliveries to African countries may rebound in 2009, notwithstanding efforts to boost production, reflecting a sustained expansion in domestic demand. Imports by countries in Latin America and the Caribbean are not anticipated to change much compared with 2008, with some decline in Brazil and Ecuador compensated by increases in Colombia, Mexico and Nicaragua. In the other regions, imports by the United States and the EU are forecast to rise, partly to compensate for stagnating or falling production in 2008, while a recovery in Australia would result in falling deliveries to the country. However, lower imports are expected by Bangladesh and the Philippines, given positive expectations over production in 2008, much of which will be traded and consumed in 2009. On the other hand, the Islamic Republic of Iran, Iraq, Saudi Arabia and the United Arab Emirates are likely to step up imports, to meet consumption needs and to reconstitute food reserves.

From an export perspective, the recovery would be mainly driven by larger shipments by India, largely on the expectation that, by next year, the government would have partly relaxed the provisions limiting non-basmati rice exports. Pakistan and Viet Nam may also be in a position to sell more abroad. Egypt recently announced an extension of its export ban till April 2009. If, by then, exports are allowed to resume, they may rebound compared to the depressed level expected in 2007. By contrast, Cambodia, China and, especially, Thailand may cut their sales below the high volumes they are anticipated to ship in 2008. Low rice inventories and expectation of no output growth in 2008 may also reduce sales by the United States next year. Overall, exports in South America are unlikely to differ much from levels currently foreseen for 2008, although lower expected prices in 2009 may depress sales by Argentina and Brazil. Assuming at least a partial recovery of production in 2009, exports from Australia could rebound next year.

PRICES

Tight maize supply in the United States continues to underpin international prices of major cereals

International **maize** prices have continued to move upward in recent weeks, climbing to record high levels. The main driving factor for the surge has been the devastating impact of recent floods on this year's maize crops in the United States, the world's largest producer and exporter. In the first two weeks of July, US maize (No. 2 Yellow, Gulf) averaged USD 292 per tonne, USD 11 per tonne up from the June average and double the average in July 2007. The weaker US dollar and rising crude oil prices have also contributed to the increase in maize prices. On the futures market, prices in early July were volatile. September maize futures on the Chicago Board of Trade (CBOT) fell sharply at the start of the month in reaction to news of higher ending stocks and larger plantings than earlier forecast in the United States but, shortly after, had regained most of the loss, climbing back to USD 298 per tonne.

International **wheat** prices weakened modestly in early July with seasonal harvest pressure from good crops being gathered in the northern hemisphere starting to influence markets, as well as improved prospects in Argentina, a major southern hemisphere producer where recent rains were beneficial for developing crops. In addition, the reopening of Argentina's export registry also contributed to the decline in prices. In the first two weeks of July, US wheat (No.2 Hard Red Winter, f.o.b. Gulf) averaged USD 349 per tonne, down USD 9 per tonne from the June average. However, this level is USD 99 per tonne up from the July 2007 price, with wheat prices remaining strongly underpinned by the maize market. Strong early season demand for feed wheat, driven by the high cost of coarse grains is providing support to wheat markets. Partly influenced by the maize market, wheat futures have also been volatile in the past few weeks. A sharp drop at the start of July cancelled a large part of the overall gain made in June.

After reaching a peak in May, **rice** prices fell in June and early July, reflecting greater export availabilities in countries such as Thailand and Viet Nam and a relatively weak import demand. The Thai white rice 100% B quotation, the world's benchmark grade for rice, was USD 849 per tonne in the first week of July, down 12 percent from the exceptionally high May average. Until the end of September 2008, Thailand will be operating a new government rice procurement programme at exceptionally high purchase price levels of around USD 425 per tonne for paddy rice, corresponding to some USD 650 per tonne on a milled basis. This measure is expected to sustain world prices in the next few months. Likewise, although Viet Nam has announced it would allow private contract sales to resume in July, the imposition of a minimum export price of USD 780 per tonne (lowered from a previous USD 800 per tonne) should also keep world prices from dropping much below those levels.

Table 3. Cereal export prices* *(USD/tonne)*

	2007			2008		
	July	Mar.	Apr	May	June	July
United States						
Wheat [1]	250	481	382	349	358	349
Maize [2]	146	234	247	242	281	292
Sorghum [2]	157	233	243	240	268	262
Argentina [3]						
Wheat	249	395	-	-	-	-
Maize	141	216	224	207	258	271
Thailand [4]						
Rice white [5]	337	567	853	963	870	849
Rice, broken [6]	261	522	726	772	645	601

*Prices refer to the monthly average. For July 2008, two weeks average, except for rice, one week average.
[1] No.2 Hard Red Winter (Ordinary Protein) f.o.b. Gulf.
[2] No.2 Yellow, Gulf
[3] Up river, f.o.b.
[4] Indicative traded prices.
[5] 100% second grade, f.o.b. Bangkok.
[6] A1 super, f.o.b. Bangkok.

Policy measures taken by governments to reduce the impact of soaring prices

Asia

	Consumer oriented							Producer oriented		Trade oriented		
	Tax	Social			Market			Production support	Market management	Import	Export	
	Taxes / customs	Food assistance	Food subsidies	Safety net & other	Price controls	Release stocks	Food procurement & other	Producer credit & other	Minimum producer prices & other	Import tariffs & other	Quantitative export controls	Export price control & tax measures
Afghanistan									✓✶			
Azerbaijan	✓✶							✓✶		✓✶		
Bangladesh			✓		✓		✓✶				✓✶	
Cambodia						✓					✓	
China	✓							✓✶	✓✶	✓✶	✓✶	
India									✓✶		✓✶	✓
Indonesia			✓		✓			✓✶		✓	✓	✓
Iran (Islamic Republic of)										✓✶	✓	
Jordan	✓											
Kazakhstan											✓	
Kyrgyzstan												
Malaysia					✓✶	✓✶		✓✶	✓✶			✓✶
Mongolia	✓											
Nepal									✓✶		✓	
Pakistan								✓		✓✶		
Philippines			✓					✓	✓			✓
Republic of Korea										✓		
Saudi Arabia		✓	✓							✓		
Sri Lanka					✓							
Syrian Arab Republic				✓✶								
Thailand						✓						
Viet Nam											✓✶	

Note: New policies or changes to existing measures since last report (Crop Prospects and Food Situation, April 2008) are shown: ✓✶, and details are in the box which follows.

Asia: Details of policy interventions since last report

Afghanistan

May-08 Government to government contracts being negotiated to import wheat from Pakistan and Kazakhstan.

Azerbaijan

May-08 Eliminated customs on grain and rice imports.

May-08 Eliminated VAT on imported grain, rice and flour May 2008-2009

May-08 Wheat production subsidy will be increased to AZN 50 per hectare from AZN 40 per hectare.

Bangladesh

May-08 Ban on export of all non-aromatic rices as of May 7th, 2008 for six months.

Jun-08 Will raise emergency food stocks by 300 percent to 3.2 million tonnes in 2008/09.

China

May-08 Officially started this year's minimum price purchase program for wheat. The four-month program will last until September 30. The threshold price for white wheat is RMB 1.54 per kilogramme. The threshold price for red and mixed wheat is RMB 1.44 per kg. The 2008 purchase prices represent increases of 6.94 percent for white wheat and 4.35 percent for red and mixed wheat compared to 2007.

Jun-08 Reduced import duty from 12 percent to 6 percent on frozen pork and from 5 percent to 2 percent on meals (soybean meal, peanut meal, etc).

Jun-08 Exclusive supplies of diesel fuel will be available for farm vehicles during the cereal harvest.

Jun-08 Exports to the Democratic People's Republic of Korea will be allowed despite export ban.

India

May-08 Removed ban on export of non-basmati rice, edible oil and pulses to Bhutan.

Jul-08 Support price for wheat increased to IDR 10 000 per tonne for the 2008/09 marketing year, compared with IDR 8 500 per tonne in 2007/08.

Jul-08 Bans export of maize until October 15.

Indonesia

Jun-08 Increase fertilizer subsidy to a total budget of USD 1.8 billion (up 240 percent).

Iran (Islamic Republic of)

Jul-08 Abolished import duty on rice, potato and kinno from Pakistan. (Rice duty was 150%.)

Kyrgyzstan

Jun-08 Export duties introduced on wheat, flour, vegetable oil and some seeds.

Malaysia

May-08 Monthly release of imported rice (ST15) to market to be raised by 9 000 tonnes to 20 000 tonnes.

May-08 Malaysia, the world's second-largest producer of palm oil after Indonesia, announced that it is ready to offer palm oil in exchange for rice.

Jun-08 Some rice imports to be subsidized. Price caps to be implemented on Super Special Tempatan 5 percent and Super Special Tempatan 10 percent at MYR 2.8 per kg and MYR 2.7 per kg respectively from June.

Jun-08 Guaranteed minimum price for producers raised from MYR 650 to MYR 750 per tonne.

Jun-08 To increase domestic production, rice area will be increased in the eastern states of Sabah and Sarandak.

Nepal

May-08 Increasing state emergency food stocks by 15 000 tonnes.

Pakistan

May-08 The private sector is permitted to import wheat and the 10 percent import duty is waived.

Syrian Arab Republic

May-08 State salaries were raised by 25 percent .

Viet Nam

Jul-08 Rice export ban is lifted.

Africa

	Consumer oriented							Producer oriented		Trade oriented		
	Tax	Social			Market			Production support	Market management	Import	Export	
	Taxes / customs	Food assistance	Food subsidies	Safety net & other	Price controls	Release stocks	Food procurement & other	Producer credit & other	Minimum producer prices & other	Import tariffs & other	Quantitative export controls	Export price control & tax measures
Algeria									✓✶			
Benin					✓					✓		
Burkina Faso										✓		
Cameroon					✓							
Congo	✓✶											
Egypt			✓✶								✓✶	
Ethiopia	✓		✓						✓✶			
Ghana								✓✶		✓✶		
Guinea											✓	
Kenya	✓✶						✓✶			✓✶		
Lesotho	✓		✓									
Liberia								✓			✓✶	
Malawi											✓	
Mauritania							✓	✓✶		✓✶		
Niger										✓		
Nigeria						✓				✓✶		
Rwanda								✓✶				
Senegal			✓		✓					✓		
South Africa		✓										
United Republic of Tanzania										✓	✓	
Zambia									✓✶		✓	

Note: New policies or changes to existing measures since last report (Crop Prospects and Food Situation, April 2008) are shown: ✓✶, and details are in the box which follows.

Africa: Details of policy interventions since last report

Algeria

Jun-08 Increased durum wheat purchase price to DZD 4 500 per quintal from DZD 2 100; soft wheat to DZD 3 500 per quintal from DZD 1 950; barley to DZD 2 500 per quintal from DZD 1 500. The sale price to millers will be DZD 2 280 per quintal for durum, DZD 1 285 per quintal for soft wheat and DZD 1 550 per quintal for barley.

Congo

May-08 Reduction from 18 to 5 percent in the rate of VAT levied on a range of basic imported foodstuffs and other goods deemed essential. These included staples such as wheat, sugar, rice, salted fish, baby food and household products such as soap.

Egypt

May-08 Egypt has opened its ration card system until June 30 and doubled the amount of rice that card holders receive. Egypt had not added to the ration card registry since 1988. A total of 55 million people out of Egypt's population of 75 million are covered by the system. The card holders are allowed to buy 2 kg of rice (double the amount previously allowed) in addition to 2 kg of sugar, 1.5 kg of oil, and 50 grams of tea per person every month for EGP 15.

Jun-08 Extension of rice export ban until April 2009.

Ethiopia

May-08 Government to import 150 000 tonnes of wheat for state subsidized distribution scheme etc.

Ghana

May-08 Eliminated all import duties on rice, wheat, yellow corn and vegetable oil.

May-08 Excise duties and tax on oil and fuel are removed for the country's fishermen and subsidies on fertilizer and free tractors are to be available for farmers.

Kenya

May-08 Up to 270 000 tonnes of duty free maize imports from South Africa to be allowed.

Jun-08 Removes sales tax on rice and bread.

Jun-08 Funding to be increased for expansion of strategic grain reserve from 4 to 8 million bags of maize in the next two years.

Jun-08 Reduces import tax on wheat to 10 percent from 35 percent.

Liberia

May-08 Ban on all kinds of food exports.

Mauritania

May-08 Implementation of a Special Plan of Intervention for the next six months, including distribution of inputs and credits to farmers.

May-08 Reduction of import taxes on cereals.

Nigeria

May-08 Tariffs on rice import are suspended for 6 months.

Rwanda

May-08 339 400 head of cattle to be distributed to at least 600 000 families by 2012.

Zambia

Jul-08 Raised farm price of white maize to USD 14 per 50 kg bag from USD 8.

Latin America and Caribbean

	Consumer oriented							Producer oriented		Trade oriented		
	Tax	Social			Market			Production support	Market management	Import	Export	
	Taxes / customs	Food assistance	Food subsidies	Safety net & other	Price controls	Release stocks	Food procurement & other	Producer credit & other	Minimum producer prices & other	Import tariffs & other	Quantitative export controls	Export price control & tax measures
Argentina											✓✶	
Bolivia										✓	✓	
Brazil	✓✶					✓				✓✶	✓	
Dominican Republic			✓									
Ecuador											✓✶	
Guyana	✓		✓✶					✓✶				
Haiti			✓									
Peru		✓								✓		
El Salvador										✓		
Honduras			✓✶									
Mexico					✓✶					✓✶		
Nicaragua										✓✶		
Panama			✓✶									

Note: New policies or changes to existing measures since last report (Crop Prospects and Food Situation, April 2008) are shown: ✓✶, and details are in the box which follows.

Latin America and Caribbean: Details of policy interventions since last report

Argentina

May-08 Despite a current ban on exports, the Government has authorized 100 000 tonnes of wheat exports to Brazil.

Jun-08 To set monthly export quotas for wheat.

Brazil

May-08 Extends tariff free wheat imports through July (tariff normally 10 percent).

May-08 The PIS/Cofins social contribution tax on wheat, wheat flour and bread reduced to zero from 9.25 percent. The measure will cost BRL 500 million in lost tax revenue and will be effective until the end of the year.

May-08 Taxes on wheat, wheat flour and bread are reduced.

Ecuador

Jun-08 Ban on rice exports (except 20 000 tonnes to Venezuela).

Guyana

May-08 Flour subsidies introduced.

May-08 Free distribution of seed rice seeds.

Honduras

May-08 Public stocks of maize and red beans to be sold at subsidized prices.

Mexico

May-08 250 000 tonnes of rice imports to be allowed without paying the 20 percent tariff tax.

May-08 Removed import tariffs on wheat, rice, maize, sorghum and fertilizers.

May-08 Import of 100 000 tonnes of beans allowed without tariff.

Jun-08 Prices of about 150 food items frozen until the end of 2008.

Nicaragua

May-08 Import tariff removed for beans. Reduction of import tariffs to zero or 5% for some types of vegetable oils.

Panama

May-08 The Government will buy the whole paddy production to be sold to consumers at subsidized prices

North America, Europe and Oceania

	Consumer oriented							Producer oriented		Trade oriented		
	Tax	Social			Market			Production support	Market management	Import	Export	
	Taxes / customs	Food assistance	Food subsidies	Safety net & other	Price controls	Release stocks	Food procurement & other	Producer credit & other	Minimum producer prices & other	Import tariffs & other	Quantitative export controls	Export price control & tax measures
Belarus												✓✶
Moldova, Republic of	✓									✓		
Republic of Serbia										✓	✓	
Russian Federation	✓				✓						✓✶	✓
Ukraine							✓✶				✓✶	

Note: New policies or changes to existing measures since last report (Crop Prospects and Food Situation, April 2008) are shown: ✓✶, and details are in the box which follows.

North America, Europe and Oceania: Details of policy interventions since last report

Belarus

Jun-08 Introduced a 40-percent export tax on wheat and Meslin.

Russian Federation

Jul-08 Export taxes on wheat and barley removed.

Ukraine

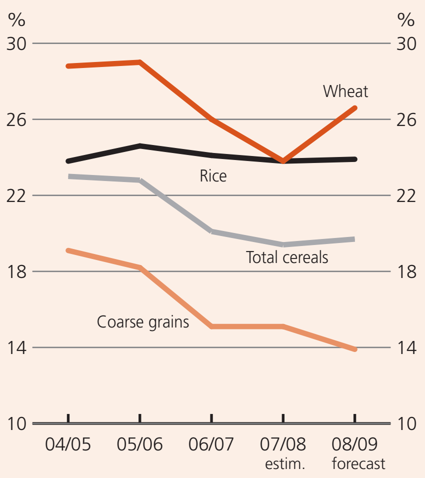
May-08 Grain export quotas are lifted.

May-08 Cancelled quota restrictions on grain exports.

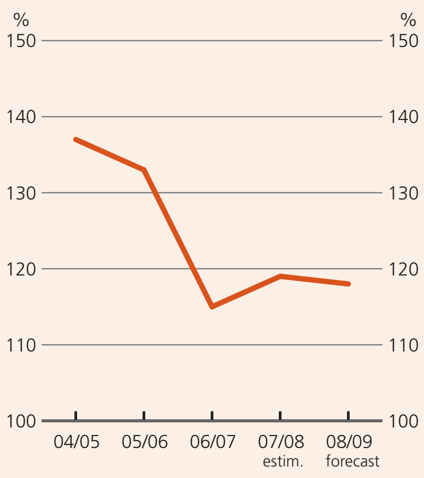
Jun-08 Will increase allocation of funds to purchase grain for state reserve by USD 100 million.

FAO's global cereal supply and demand indicators

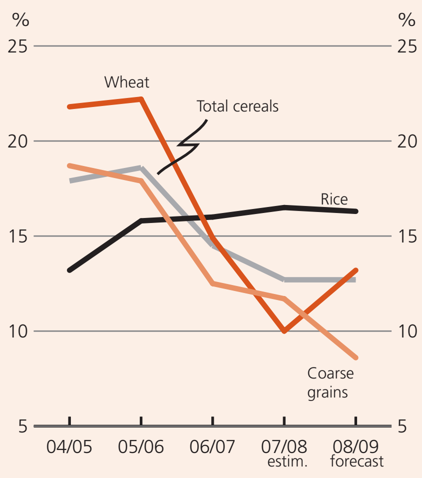
1. Ratio of world cereal stocks to utilization



2. Ratio of major grain exporters supplies to normal market requirements



3. Ratio of major exports stocks to their total disappearance



■ As a strong evidence of the continuation of a tight market situation in the new season (2008/09) the ratio of world cereal ending stocks in 2008/09 to the trend world cereal utilization in the following season is expected to reach only 19.7 percent, up marginally from the estimated 30-year low of 19.4 percent in 2007/08. Among the major cereals, market conditions for coarse grains (maize in particular) are expected to be the tightest. With the anticipated total utilization exceeding world production, the stock- to-use ratio for coarse grains is forecast to plunge to 13.9 percent, the lowest in 30 years. For rice, the ratio is expected to reach 23.9 percent, still relatively low and nearly unchanged from 2007/08. However, the wheat ratio is anticipated to rebound, by almost 3 percent, to 26.6 percent. The expected increase in world wheat production in 2008 is forecast to result in some replenishment of stocks and improvements in supply.

■ In spite of the expectation for a strong recovery in grain production in 2008 in those major exporting countries which suffered production cutbacks in 2007, the ratio of their aggregate grain supplies compared to normal market requirements in 2008/09 is estimated to remain unchanged at a relatively low level of 118 percent. This represents a surplus of just 18 percent. However, the main reason for this ratio to remain low is maize production in the United States which is forecast to drop sharply from the previous year's record level.

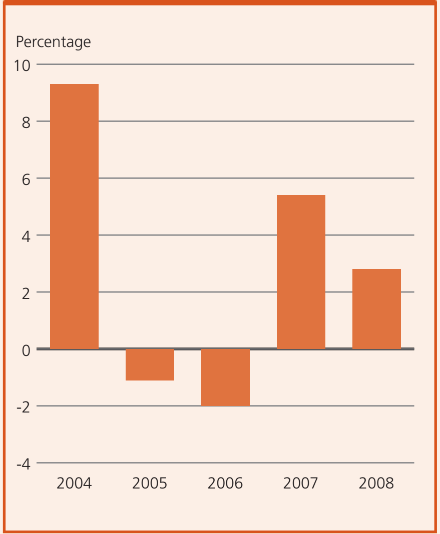
■ The ratio of the major exporters' ending cereal stocks to their total disappearance in 2008/09 is forecast to remain at the 30-year low of 12.7 percent and unchanged from 2007/08. For wheat, the ratio is expected to recover slightly to 13.2 percent, which represents the second lowest ratio in three decades. For coarse grains, the ratio is expected to decrease sharply from the previous year's already low level to 8.6 percent, smallest since 1995/96. The anticipated drop in 2008 maize production in the United States against a rising use of maize for biofuels is the main factor for this drop in the ratio. The ratio for rice is expected to decline slightly, to 16.3 percent.

1 The **first indicator** is the ratio of world cereal ending stocks in any given season to world cereal utilization in the following season. Utilization in 2009/10 is a trend value based on extrapolation from the 1998/99-2007/08 period.

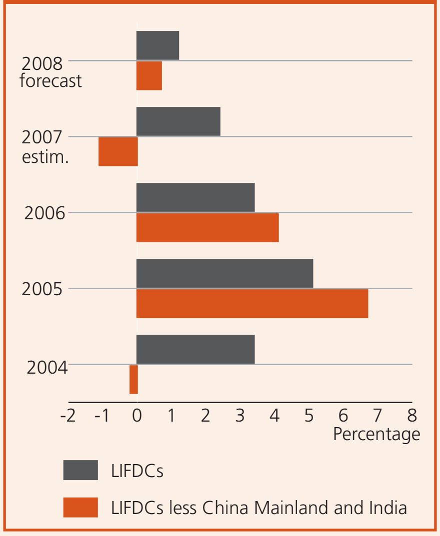
2 The **second indicator** is the ratio of the exporters' grain (wheat and coarse grains) supplies (i.e. a sum of production, opening stocks, and imports) to their normal market requirements (defined as domestic utilization plus exports of the three preceding years). The major grain exporters are Argentina, Australia, Canada, the EU and the United States.

3 The **third indicator** is the ratio of the major exporters' ending stocks, by cereal type, to their total disappearance (i.e. domestic consumption plus exports). The major **wheat** and **coarse grain** exporters are Argentina, Australia, Canada, the EU and the United States. The major **rice** exporters are India, Pakistan, Thailand, the United States, and Vietnam.

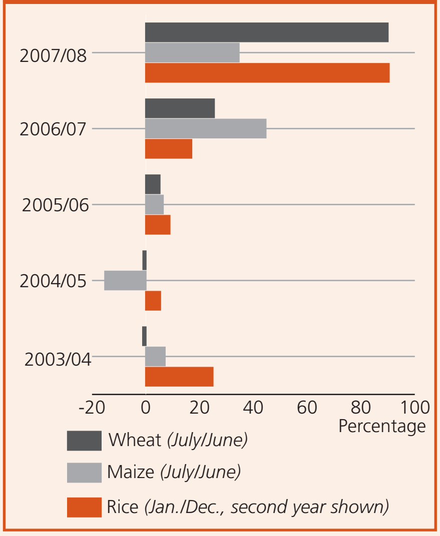
4. Year-to-year change in world cereal production



5 & 6. Year-to-year change in cereal production in the LIFDCs



7. Year-to year change in selected cereal price indices



■ World cereal production is estimated to be up 2.8 percent in 2008, which would represent another relatively strong increase after last year's record crop, and is a welcome development in the face of the tight global supply/demand situation. However, with the coarse grain seasons far from completion in some major producing countries and the main rice seasons at a very early stage in Asia, this forecast remains very tentative and the final outcome will depend on weather conditions in the coming months.

■ While cereal production of the LIFDCs is forecast to increase further in 2008, the rate of growth, at just 1.2 percent, would represent a decline for the third consecutive year. However, contrary to 2007, China (Mainland) and India, which account for some two-thirds of the aggregate cereal output, excluding, production in the rest of LIFDCs is estimated to increase this year by 0.7 percent, this marginal improvement is a positive feature after last year's decline. However, the limited growth in these countries' production this year means they will continue to rely heavily on imports to cover their consumption needs in 2008/09, at a time when international cereal prices remain at very high levels, putting an exceptional burden on their financial resources for another year.

■ With cereal production falling short of total utilization in 2007/08 and stocks falling, prices of most cereals rose sharply and some are still increasing or remain at high levels despite improved production prospects in 2008. Because of the surge in international wheat prices, the wheat index jumped by 90 percent in 2007/08 marketing season (July/June) from 2006/07. This sharp increase followed a 25 percent rise in 2005/06. The maize index increased by 35 percent in 2007/08 marketing season (July/June) and this after a jump of nearly 45 percent jump in the previous season. Since the start of the year (January to June 2008) the rice index has averaged 90 percent above the corresponding period in 2007. The rice index in 2007 marketing season (January-December) had already risen by 17 percent compared to 2006.

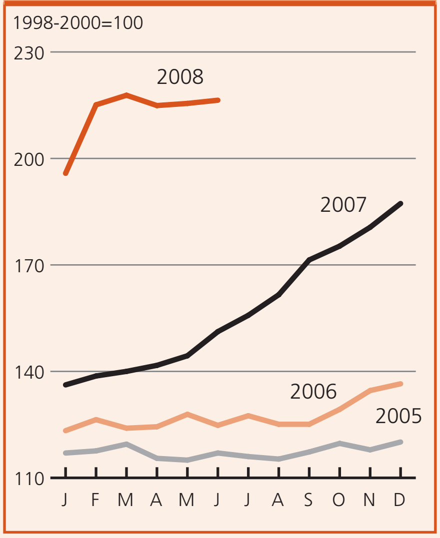
4 The **fourth indicator** shows the aggregate cereal production variation from one year to the next at the global level.

5&6 In view of the fact that the Low-Income Food-Deficit Countries (LIFDCs) are most vulnerable to changes in their own production and therefore supplies, the FAO's **fifth indicator** measures the variation in production of the LIFDCs. The **sixth indicator** shows the annual production change in the LIFDCs excluding China Mainland and India, the two largest producers in the group.

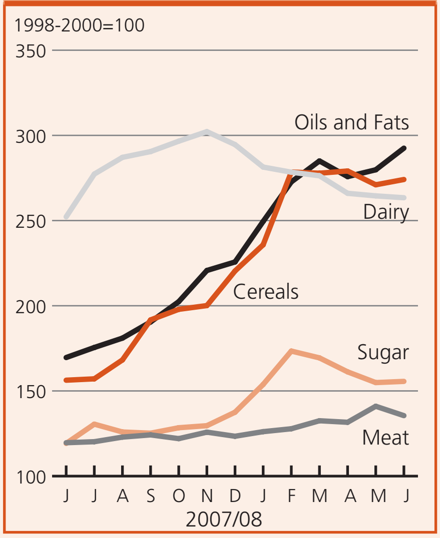
7 The **seventh indicator** demonstrates cereal price developments in world markets based on changes observed in selected local price indices.

FAO's Food Price Indices

FAO Food Price Index



Food Commodity Price Indices



■ The **FAO Food Price Index** averaged 216 in June 2008, virtually unchanged from May as reductions in meat and dairy prices were offset by increases in export prices of cereals as well sugar and vegetable oils. At its June 2008 value, the FAO food price index was below its peak in March, but still be 30 percent above the June 2007 level.

■ The **FAO Cereal Index** averaged 274 in June, slightly higher than in May, driven by record maize prices, following reports of cuts in plantings and flood damage in the United States, the world's largest producer and exporter of maize. The maize price strength also pushed up wheat prices while rice quotations tended to weaken as new crops were harvested in exporting countries. The index has gained 13 percent since January and is now 43 percent above the value in June last year.

■ The **FAO Oils/Fats Index** averaged 283 in the second quarter of 2008, respectively 76 percent and 151 percent above the corresponding values in 2007 and 2006. Steady expansion in the demand for vegetable oils and fats combined with slow production growth has led to a tightening of global supplies, thus pushing up prices. After a relative stabilization in April and May 2008, the index resumed growth in June, reaching a new record of 293 points, as prospects for a marked recovery in global oilseed production in 2008/09 have diminished. New price hikes for maize and crude oil are also contributing to the strengthening in prices for oilseeds and derived products.

■ The **FAO Meat Index** has risen considerably since the beginning of 2008 but showed signs of weakening between May and June when it fell to 135. While strong demand and high feeding costs have contributed to the rise in meat prices, increased slaughtering rates are expected to put prices under pressure at least in the short-term.

■ The **FAO Dairy Index** averaged 263 in June, which is 4 percent higher than in June 2007, but down 13 percent from its peak in November 2007, reflecting a weakening of import demand following production increases in traditional importing countries. Uncertainty remains concerning the export supplies from Oceania, which is containing the drop in milk product prices.

■ The **FAO Sugar Index** in the first six months of 2008 averaged 161, up 25 percent from the corresponding value in 2007. After increasing through February, prices came down considerably in April and May, but regained some momentum in June mainly because of the anticipated lower world sugar production in the 2008/09 season.

FAO Food Price Index

		Food Price Index [1]	Meat [2]	Dairy [3]	Cereals [4]	Oils and Fats [5]	Sugar [6]
2000		**92**	100	106	85	72	105
2001		**94**	100	117	87	72	111
2002		**93**	96	86	95	91	88
2003		**102**	105	105	99	105	91
2004		**114**	118	130	108	117	92
2005		**117**	121	145	105	109	127
2006		**127**	115	138	123	117	190
2007		**156**	121	247	169	174	129
2007	June	**150**	120	252	156	170	119
	July	**155**	120	277	157	175	131
	August	**161**	123	287	168	181	126
	September	**170**	124	290	192	190	125
	October	**174**	122	297	198	202	128
	November	**180**	126	302	200	221	130
	December	**186**	123	295	220	226	137
2008	January	**196**	126	281	236	250	154
	February	**215**	128	278	279	273	173
	March	**218**	132	276	278	285	169
	April	**215**	132	266	279	276	161
	May	**216**	141	265	271	280	155
	June	**216**	135	263	274	292	156

[1] **Food Price Index:** Consists of the average of 6 commodity group price indices mentioned above weighted with the average export shares of each of the groups for 1998-2000: in total 55 commodity quotations considered by FAO Commodity Specialists as representing the international prices of the food commodities noted are included in the overall index.

[2] **Meat Price Index:** Consists of 3 poultry meat product quotations (the average weighted by assumed fixed trade weights), 4 bovine meat product quotations (average weighted by assumed fixed trade weights), 3 pig meat product quotations (average weighted by assumed fixed trade weights), 1 ovine meat product quotation (average weighted by assumed fixed trade weights): the four meat group average prices are weighted by world average export trade shares for 1998-2000.

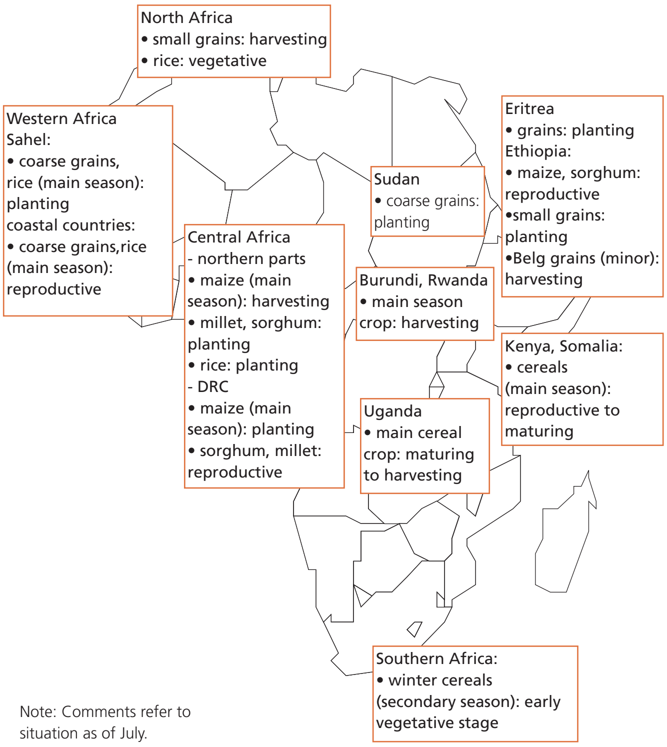
[3] **Dairy Price Index:** Consists of butter, SMP, WMP, cheese, casein price quotations; the average is weighted by world average export trade shares for 1998-2000.

[4] **Cereals Price Index:** This index is compiled using the grains and rice price indices weighted by their average trade share for 1998-2000. The grains Price Index consists of International Grains Council (IGC) wheat price index, itself average of 9 different wheat price quotations, and 1 maize export quotation; after expressing the maize price into its index form and converting the base of the IGC index to 1998-2000. The Rice Price Index consists of three components containing average prices of 16 rice quotations: the components are Indica, Japonica and Aromatic rice varieties and the weights for combining the three components are assumed (fixed) trade shares of the three varieties.

[5] **Oils and Fats Price Index:** Consists of an average of 11 different oils (including animal and fish oils) weighted with average export trade shares of each oil product for 1998-2000.

[6] **Sugar Price Index:** Index form of the International Sugar Agreement prices with 1998-2000 as base.

Regional reviews



Note: Comments refer to situation as of July.

Africa

North Africa

In North Africa, harvesting of the winter grains (mainly wheat and barley), which make up the bulk of the subregion's cereal crop, is underway and FAO's latest forecasts put the subregion's aggregate output of wheat (the main crop) at nearly 16 million tonnes, 18 percent up from the previous year's drought-reduced level, while that of barley is put at some 3 million tonnes, about 7 percent up from 2007. The outlook is favourable in **Egypt,** the largest producer of the subregion, where wheat output is expected to be about 12 percent up from last year and 9 percent above the recent average. In **Algeria**, the wheat crop is also forecast above average by about 7 percent. In **Morocco,** latest forecasts point out to a substantial recovery in cereal production from last year's drought-reduced crop, although output would remain below average. The wheat harvest is forecast at 3.7 million tonnes, more than double last year's poor level but still about 15 percent below the average. By contrast, in **Tunisia** prospects are less favourable and smaller crops are expected this year, mainly as a consequence of insufficient soil moisture at planting and subsequent erratic rains in the main growing areas. In spite of government incentives to farmers to increase production, wheat output is provisionally forecast to decrease from last year's 1.4 million tonnes to some 870 000 tonnes. A below-average barley output is also anticipated.

North African countries have been seriously affected by high international cereal prices due to their high dependence on imports. Governments have implemented a series of measures aimed at offsetting the sharp increase in world prices, including the waiving of tariffs, price controls and subsidies, which have put a considerable strain on public finances. In Algeria for example the bread subsidy system is estimated to cost the Government about USD 50 million each month. In spite of these measures inflation continues to accelerate across the subregion: In Egypt, the year-on-year rate of inflation reached 16.4 percent in April 2008 up from 6.9 percent in December 2007, driven mainly by price increases in the food sector where the year-on-year rate of inflation jumped from 8.6 percent in December 2007 to 22 percent in April 2008. The anticipated increase in wheat production, notably in Morocco and Egypt, is expected to ease the effects of rising international commodity prices on access to food in these countries. Even in Tunisia where production is forecast to decline significantly, consumer price inflation decelerated for the first time in almost a year to 5.3 percent in May. The arrival of the new local harvest to the market pushed food price inflation down to 7.1 percent in May from 8.1 percent in April.

Western Africa

High and rising food prices continue to affect consumers' purchasing power and access to food across the subregion in spite of the various measures taken by governments. In Dakar, the capital of **Senegal**, the price of imported rice, the most important staple food, was 20 percent higher in April 2008 compared to the same period last year. In the same country, this number reached 43.1 percent in Diourbel and 47.1 percent in Tambacounda. In the central and eastern part of the subregion, which is less dependent on cereal imports from the international market the situation is not better: In Ouagadougou (**Burkina Faso**), Bamako (**Mali**) and Niamey (**Niger**), the price of millet, the major staple in these countries, has increased by 33 percent, 33 percent and 24 percent respectively in early June 2008 compared to the same period last year. Over the same period the price of imported rice was up 87 percent, 39 percent and 13 percent respectively. The upward trend in cereal prices is likely to continue until new local harvests come to markets.

The evolution of the food situation in the short term will depend heavily on the output of the cropping season which has just started. Area is likely to expand significantly driven by high prices and various measures taken to improve production including provision of seed and fertilizer subsidies. However, rainfall is still the major determinant of yield due to the limited extent of irrigated land.

Figure 2. Retail prices of selected commodities in Cotonou, Benin

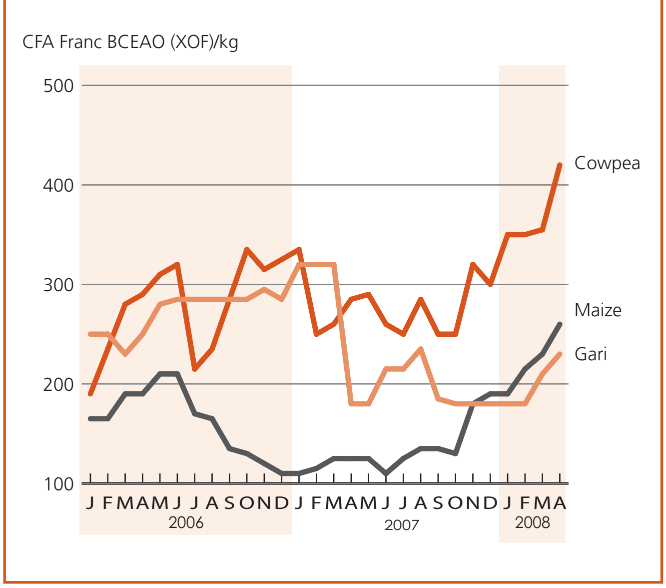


Figure 3. Locally produced millet prices in selected Western Africa markets

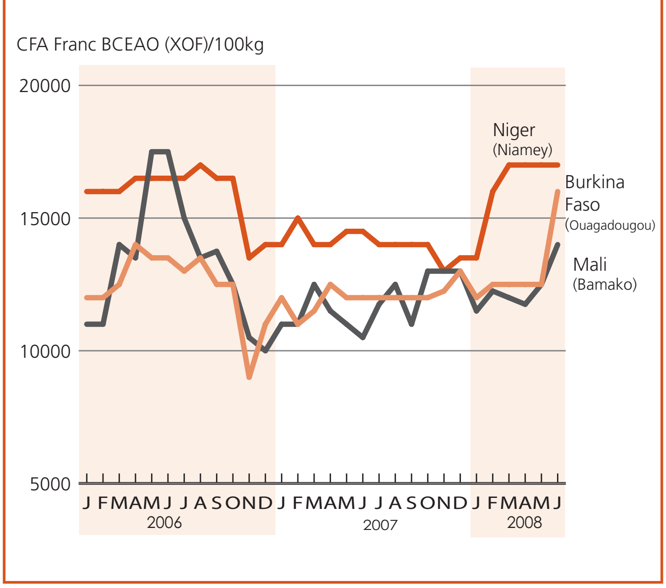


Figure 4. Imported rice prices in selected Western Africa markets

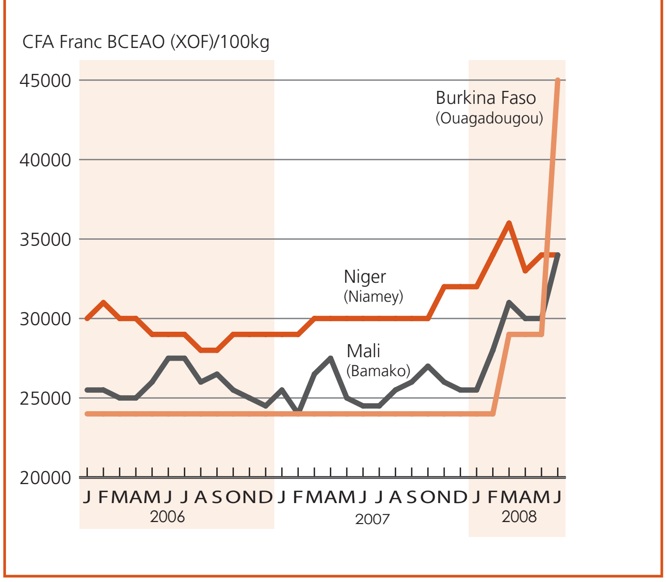
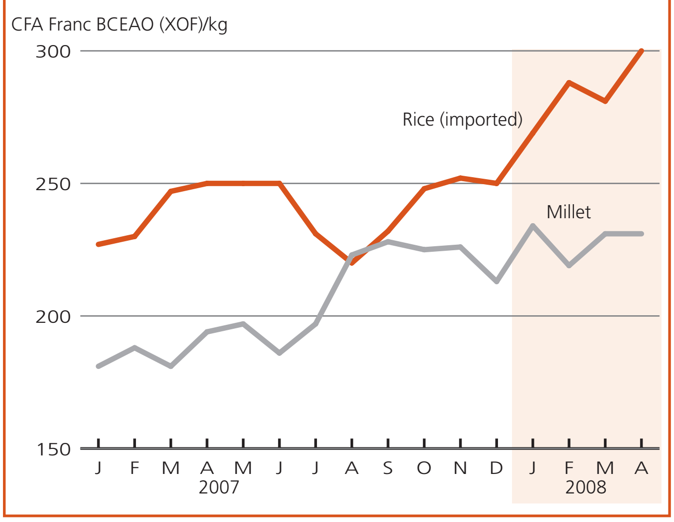


Figure 5. Rice and millet prices in Senegal



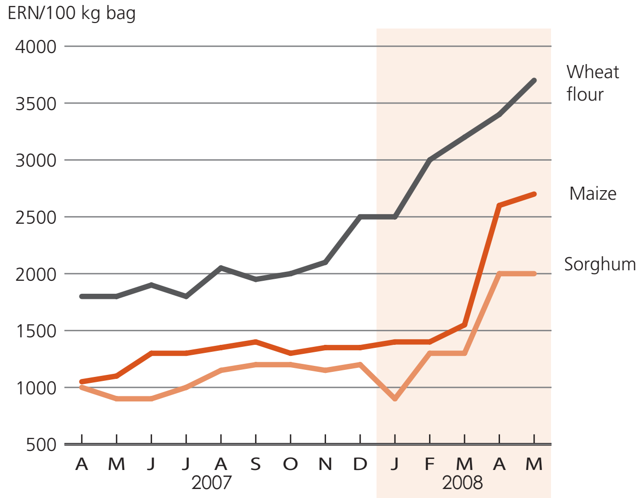
Although rains have been erratic so far across the subregion, precipitations are expected to improve in the coming months according to the African Centre of Meteorological Applications for Development (ACMAD) and the Agrhymet Centre in their annual climate prediction exercise. For the Sahelian region, which receives about 80 percent of its annual precipitation in the months July-September, there is an increased probability this year of normal to above-normal rainfall. For coastal countries along the Gulf of Guinea, near normal rainfall is forecast. In the latter countries, the rainy season is now well established, and the main season maize crop is developing satisfactorily in the south and the centre while the single-season millet and sorghum are emerging in the north. In short, overall early crop prospects are favourable in West Africa and the current tight food situation is expected to ease somewhat from September on.

Central Africa

In Central Africa, in spite of measures taken by Governments to cushion the impact of high international commodity prices, food prices continue to climb on domestic markets, seriously eroding the purchasing power of consumers. In the **Central African Republic**, the price of rice increased by 71 percent between January and June. Prices of other food items such as cassava, oil and meat more than doubled over the same period. In **Cameroon**, where the Government recently increased the salaries of civil servants by 15 percent and waived import tariffs on a set of foodstuffs, food prices continue to increase as well.

In both countries, rains have been adequate since the beginning of the cropping season in April and harvesting of the first 2008 maize crop is about to start. This is expected to ease the effects of rising international commodity prices. In the Central African Republic, however, agricultural recovery continues to be hampered by persistent civil unrest and inadequate availability of agricultural inputs, notably in northern parts where nearly 300 000 people have reportedly been uprooted from their homes over the past two years. Continuing insecurity in both Chad and the Darfur region of Sudan threaten to further destabilize the situation in northern parts of the country.

Figure 6. Retail market price trends in Eritrea



Eastern Africa

Unfavourable outlook for 2008 cereal crops in several countries

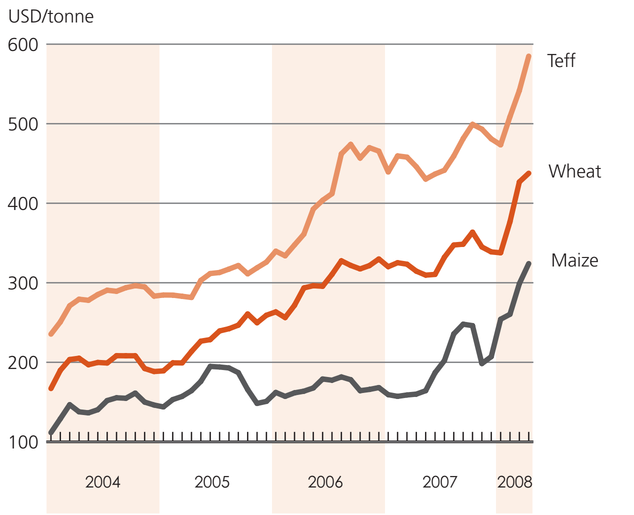
Harvesting of the 2008 main season cereal crops is underway or due to start soon in Somalia, Tanzania, Uganda and Kenya. In Ethiopia the harvest of the secondary "belg" crop is in progress. Although the important March-May rains improved towards the end of the period, cumulative totals remain below normal in large areas of Ethiopia, Somalia, parts of western Kenya and in the Karamoja region of Uganda. Thus, crop prospects in these

Table 4. Africa cereal production (*million tonnes*)

	Wheat			Coarse grains			Rice (paddy)			Total cereals		
	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast
Africa	**24.9**	**19.6**	**21.9**	**103.0**	**98.8**	**105.8**	**22.5**	**22.4**	**23.2**	**150.4**	**140.8**	**150.8**
North Africa	**18.7**	**13.4**	**15.9**	**12.6**	**10.9**	**11.5**	**6.8**	**6.6**	**6.6**	**38.1**	**30.9**	**34.0**
Egypt	8.3	7.4	8.2	7.9	7.9	8.1	6.8	6.5	6.6	23.0	21.8	23.0
Morocco	6.3	1.6	3.7	2.9	0.9	1.5	0.0	0.0	0.0	9.2	2.5	5.2
Western Africa	**0.1**	**0.1**	**0.1**	**43.2**	**41.2**	**43.7**	**9.8**	**9.7**	**10.3**	**53.2**	**50.9**	**54.1**
Nigeria	0.1	0.1	0.1	24.8	23.3	24.8	4.0	3.9	4.0	28.9	27.2	28.8
Central Africa	**0.0**	**0.0**	**0.0**	**2.9**	**3.0**	**3.0**	**0.4**	**0.4**	**0.4**	**3.4**	**3.4**	**3.5**
Eastern Africa	**3.7**	**3.8**	**3.8**	**27.8**	**26.6**	**26.3**	**1.6**	**1.8**	**1.9**	**33.1**	**32.2**	**32.1**
Ethiopia	2.5	2.8	2.8	10.8	11.3	10.8	0.0	0.0	0.0	13.3	14.0	13.6
Sudan	0.7	0.6	0.6	5.9	4.7	5.3	0.0	0.0	0.0	6.6	5.3	5.9
Southern Africa	**2.5**	**2.3**	**2.1**	**16.5**	**17.2**	**21.2**	**3.8**	**3.9**	**3.9**	**22.7**	**23.4**	**27.3**
Madagascar	0.0	0.0	0.0	0.3	0.4	0.4	3.5	3.6	3.6	3.8	4.0	4.0
South Africa	2.1	1.9	1.8	7.3	7.8	12.6	0.0	0.0	0.0	9.4	9.7	14.4
Zimbabwe	0.2	0.1	0.1	1.7	1.0	0.8	0.0	0.0	0.0	1.9	1.2	0.9

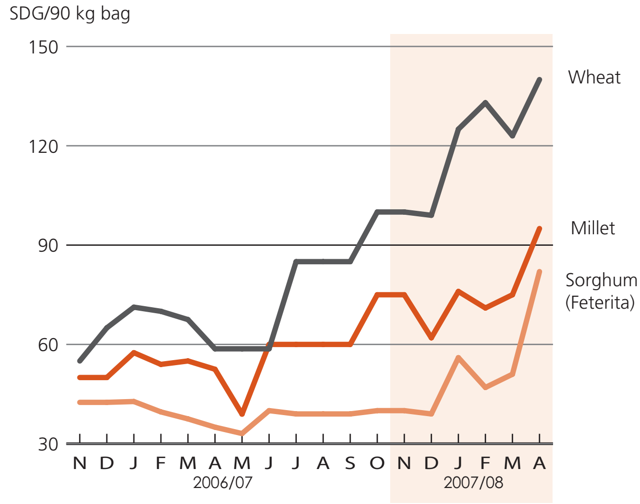
Note: Totals computed from unrounded data.

Figure 7. Selected cereal prices in Addis Ababa, Ethiopia



Source: Ethiopian Grain Traders

Figure 8. Monthly wholesale prices of staple cereals in Khartoum, Sudan



countries remain generally poor. Planting of the 2008 main coarse grain crops has started in Sudan.

In **Eritrea**, sowings are underway for the "Kiremti" cereal crops due for harvest from November. The vegetation Index (NDVI) is low in North Red Sea region reflecting below-average rains during the first months of 2008. In the central highlands growing conditions are reported normal following adequate rainfall. Reflecting generally favourable weather and a marginal increase in the area planted to sorghum, the main cereal grown, the aggregate 2007 cereal production is estimated to have increased by some 60 000 tonnes to 462 000 tonnes. However, despite significant increases in the last few years, domestic cereal production is inadequate to cover the requirements and large quantities of cereals have to be imported. Food prices in the Asmara market have been on an upward trend since July 2007, with serious implications for a large number of vulnerable people.

In **Ethiopia**, notwithstanding moderate rains in May, the cumulative total for the March to May season was below normal, resulting in drought conditions across an extensive area of the country, including the secondary "belg" crop areas. As a result, the output from this crop, now being harvested, is expected to be severely reduced compared to the bumper harvests of the last few years. Decreased water availability is reported in several regions with Afar, Somali and the lowlands of Oromiya the most severely affected. By contrast, western Ethiopia has experienced abundant and well distributed rains since the season started in late March. The May rains were beneficial for the growing of the early sown main "meher" crop, the output of which, however, will largely depend on weather conditions until the harvest due from October.

In **Kenya**, below-average March to May rains in Northern Rift Valley and North-western provinces have further reduced water availability, which was already inadequate as a result of a poor October-December 2007 season. Maize output in the key grain-producing districts in the North Rift region like Trans-Nzoia, Uasin Gishu and Lugari is expected to be drastically reduced. In addition to the displacement of farmers and irregular weather patterns, the factors behind the decline in production include rising fuel and agricultural inputs prices and high cost of labour. Following adequate rains in the bimodal areas of South Rift and western Kenya, the maize crop is reported in good condition and a few farmers in some of the early planted areas the South Rift Valley, have reported the harvesting of green/fresh maize suggesting that harvesting in these areas could start timely in August. The Ministry of Agriculture has estimated the long rains production of maize this year at 2.16 million tonnes, about 20 percent lower than in 2007/08 and 15 percent below the recent average. In an effort to increase cereal production the Government has initiated a number of projects which include diversification of crops, intervention in the input supply with provision of fertilizers, seeds, tractors for hire and a credit facility for the farmers.

In **Somalia**, the main Gu cereal crop, due for harvest from next month, is largely anticipated to be a failure as a result of a late start and poor performance of the rains in most parts of the country. Crops in many southern areas had already wilted and dried by the end of May and although light rains in early June led to a replenishment of water resources, the y arrived too late to benefit the crop. Recent heavy rains have caused some flooding in Mogadishu. Dry conditions have prevailed also in the central pastoral regions of Galagadud and Hiran as well as in several pastoral areas of the north. Crop conditions are extremely poor in both sorghum and maize areas and the vegetation index of maize in Lower Shabelle at this time of the year is the lowest recorded over the last ten years.

In **Sudan,** the output from the irrigated wheat crop harvested earlier in the year is estimated at 587 000 tonnes, above the 5-year average but 16 percent below the bumper 2007 crop. Planting of the 2008 coarse grain crops, mainly sorghum and millet has started. The availability of agricultural inputs is reported as normal to above-normal. Rains from July to September will be crucial for the establishment and development of the crops, the bulk of which are due for harvest from November.

In the **United Republic of Tanzania**, harvesting of the main coarse grain crops, mostly maize, will be completed next month. Reflecting normal rains, the output is expected to be up from last year and above the 5-year average. Paddy production is likely to be marginally higher than last year's crop of 1.4 million tonnes. The good harvest is expected to meet national food requirements and result in a decline of wholesale cereal prices as already reported from Mbeya District.

In **Uganda**, harvesting of the main coarse grain crops is underway. Normal rains in most of the country's growing areas suggest normal crop and livestock production. In contrast, below-normal rains in the Karamoja region will result in poor outputs for the second consecutive year.

Numbers of people requiring emergency assistance continue to increase in the subregion

In **Somalia**, the failure of the 2008 Gu crop, which follows two below-average seasons (Gu 2007 and Deyr 2007/08), has resulted in a critical food supply position. The humanitarian situation is rapidly deteriorating due to a combination of increasing food prices, a significant devaluation of the Somali Shilling, disruption of internal markets and internal trade, and mounting civil insecurity. Currently, 2.6 million people are estimated to be in need of assistance – about one-third of the total population - an increase of more than 40 percent since January 2008. The number of internally-displaced people are estimated at 1.1 million. Population movement from the capital increased by 20 percent since January 2008 bringing the number of people who have fled Mogadishu since February 2007 to a total of 860 000. According to the FSAU (Food Security Analysis Unit) the humanitarian situation is likely to continue to deteriorate in the coming months and a total of 3.5 million people, about half of the total population, could be in need of either livelihood support or humanitarian assistance by the end of the year.

In **Ethiopia** drought conditions are reported across an extensive area of the country, including those where the secondary "belg" crop is produced. Although this crop accounts for only a small portion of the total national cereal production, in Amhara and Tigray regions, where the output is severely reduced, about one million people depend on this crop for about half of their annual food consumption. Recently, the Government and humanitarian partners estimated a requirement of some 510 000 tonnes of cereals to meet emergency food assistance needs for 4.6 million people until November 2008. This estimate of the number of people in need represents an increase of 2.6 million people compared to the April 2008 estimate. Moreover, this figure could increase further as an additional 8 million people remain chronically food insecure. Out of a total requirement of 598 000 tonnes, only about 130 000 tonnes, or 30 percent, are available or have been pledged. Thus, to avoid a further worsening of the food supply position of the affected people, there is an immediate need for contributions to the food aid pipeline.

WFP has announced that, due to funding shortfalls, it has been forced to reduce food assistance to tens of thousands beneficiaries in drought-affected areas and that, without new contributions, may not be able to fully respond to the increasing food aid requirements resulting from the drought. In an effort to reduce the impact of 20 percent inflation on poor people, the Government decided to cancel the value-added and turnover taxes on food grains and flour - which constitute more than half of the country's food consumption - as well as all types of tax imposed on cooking oil, and surtax on soap. The Government has also set up measures which include provision of direct and indirect subsidies, and has spent ETB 372 million (USD 38 million) to subsidise wheat and ETB 3.52 billion (USD 366 million) to subsidise fuel. The current monthly distribution of 25 kg of wheat for low-income urban dwellers, introduced in March 2007, will be maintained as well as distribution of edible oil and other products.

Relief assistance will be required by pastoral population and the urban poor in **Djibouti** as a result of decreasing food security reflecting inadequate rains and increasing food prices. Direct and indirect resource transfers, including market subsidies and provision of food and water are needed to support the rising number of food insecure households. Preventive health measures are also needed to avoid outbreaks of waterborne diseases.

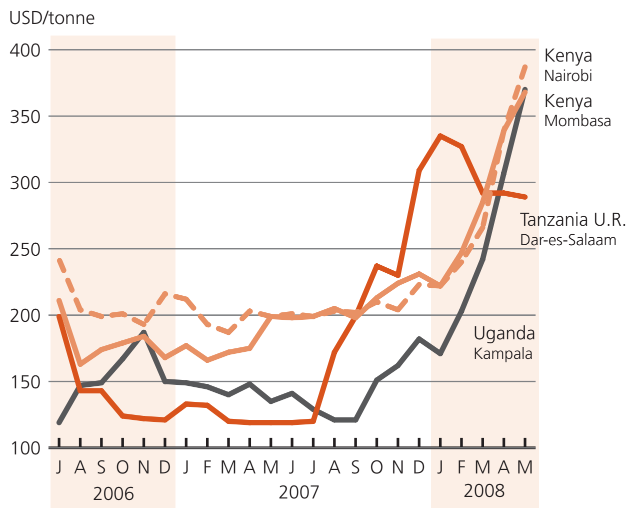
In **Eritrea**, current high food prices and inflation continue to affect a large number of vulnerable people while new and continuing regional tension could lead to further massive displacement and increased humanitarian needs. Disease outbreaks including cholera and malaria remain a concern as a result of the ongoing rainy season. This condition will be further aggravated by inadequate safe water sources and sanitation facilities and other endemic diseases, such as yellow fever and meningitis.

Adequate rains in **Kenya** since the season begun in March, over most of the pastoralist areas, have improved the availability of pasture and water, promoting livestock productivity and milk output. However, conflicts, high prices for cereals and other essential goods, animal diseases like Peste des Petits Ruminants (PPR) currently widespread in northern areas, have minimized the extent to which pastoralists can benefit from the rains, have undermined their recovery from drought, and increased their food insecurity. Overall the food security situation is likely to deteriorate due to drought, food production losses due to animal and crop diseases, increasing prices for food and agricultural inputs, as well as disruption of markets. More than 500 000 people affected by post-election violence, including 113 000 IDPs settled in 134 camps, as well as about 230 000 IDPs in Mount Elgon districts will continue to require humanitarian and recovery assistance in coming months. A steady influx of refugees from Somalia is reported in the north-eastern province.

Households in the eastern parts of southern **Sudan** are currently highly food insecure due to food shortages as a result of crop losses after last year's early and above-normal flooding. These shortages are compounded by the isolation from markets, due to inadequate or lack of roads, and insecurity. Food supply position in Rubkina and Ruweng could deteriorate in the coming months due to an escalation of the conflict over the border between northern and southern Sudan that started in December 2007. The estimated 50 000 people internally displaced, as a result of the civil unrest in May in Abeyei, are expected to return to their homes in the next few weeks. In the north, displacement and loss of livelihoods are expected to continue in Darfur where an additional 180 000 people have been displaced in the first five months of this year. Limited humanitarian access due to security restrictions, overcrowding in camps, limited water resources and a poor cereal harvest, would likely lead to increased hardship for the vulnerable people.

The food crisis in the north-eastern Karamoja district of **Uganda** is likely to continue. It is estimated that more than 700 000 people are food insecure and in need of emergency food aid as a result of flood damage in 2007, prolonged insecurity, inadequate rains for the last three years, falling livestock prices, and a severe attack of honeydew on sorghum. The Government has provided some farm implements and seeds to farmers, but the population still needs food relief to bridge supplies up to the next harvest. Adequate food stocks and market supplies are ensuring constant food security in other bimodal areas of the country.

Figure 9. Maize prices in selected Eastern Africa markets



Source: Eastern AFrica Regional Agricultural Trade Intelligence Network

Cereal prices still high although harvest season is in progress

In **Eritrea**, reflecting widespread increase on international markets, prices for food in Asmara have steadily increased since July 2007. The retail price for wheat flour in May 2008, quoted at ENR 3 700 per 100 kg, was almost 9 percent higher than the previous month and more than double the price prevailing in May 2007. Similarly, the retail maize price reached ERN 2 700 per 100 kg in May 2008, more than double the July 2007 price. In **Ethiopia**, grain prices continued to increase in 2008 after weakening slightly at the end of 2007. The price of wheat in Addis Ababa in April increased to USD 438 per tonne from USD 426 per tonne in March. Maize in the same market was quoted in April at USD 324 per tonne compared to USD 160 per tonne a year earlier. With prevailing high prices, poor households are expected to find it more difficult to secure access to adequate food supplies.

In **Kenya**, reflecting the sharply reduced maize crop in the key maize-producing districts in the North Rift region, the price of maize in the Nairobi market - which fluctuated between USD 199 per tonne and USD 222 per tonne in the period May 2007 and January 2008 – had increased to USD 387 per tonne by May 2008. In **Somalia**, low cereal supplies, as a result of two consecutive poor harvests, a significant increase in the prices of imported commodities and growing demand from IDPs, have resulted in further increases in food prices. Overall, sorghum prices have increased in the Sorghum Belt by more than 60 percent since January 2008. In April, the highest sorghum prices were in Beletweyne market (SOS 7 500 per kg) and Hudur (SOS 7 250 per kg). The lowest prices were reported in Bardera and Baidoa where sorghum was quoted SOS 3 600 per kg and SOS 5 150 per kg, respectively. In **Sudan**, sorghum and millet prices in all major markets are stable at a high level. This year, the seasonal downward trends in prices, which normally occur during the immediate post-harvest period, were less marked than previous years. The wholesale price of sorghum in Khartoum, which fluctuated between SDG 40 and SDG 47 per 90 kg bag in the period November 2007 and February 2008, had increased to SDG 82 per 90 kg bag by April. Wheat prices, at around SDG 100 per 90 kg bag in the October to December period, reached SDG 140 per 90 kg bag in April.

In the **United Republic of Tanzania**, reflecting a government export ban on agricultural commodities, imports of large quantities of maize, and favourable prospects for the maize crop now being harvested, wholesale prices in Dar-es-Salaam declined over the past months, the May price, at USD 289 per tonne, was USD 46 below the peak reached in January. In **Uganda**, in spite of a normal crop forecast the price of maize had risen to USD 370 per tonne in May, some USD 200 per tonne more than just four months earlier in January.

Figure 10. Southern Africa - cereal production

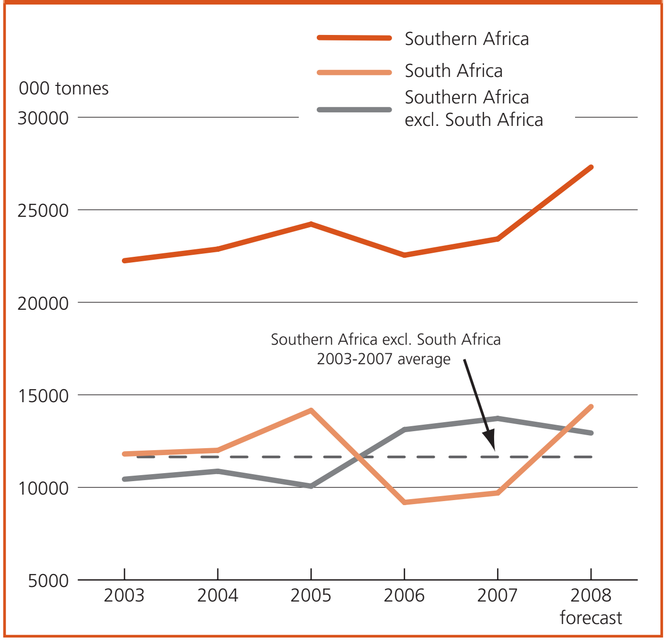


Table 5. Southern Africa – Maize and total cereal production (*000 tonnes*)

	Maize					Total cereals				
	2008 forecast	2007 estimate	2003-07 average	2008 over 2007 (%)	2008 over 5-yr avg (%)	2008 forecast	2007 estimate	2003-07 average	2008 over 2007 (%)	2008 over 5-yr avg (%)
Increase in total cereals from 2007										
Swaziland	64	26	61	146.2	4.9	65	27	62	139.7	5.2
Botswana	7	1	6	626.6	21.1	44	28	33	56.1	34.1
South Africa	12 062	7 339	9 081	64.4	32.8	14 366	9 698	11 417	48.1	25.8
Mozambique	1 709	1 579	1 436	8.2	19.0	2 355	2 168	1 997	8.6	17.9
Small or no change in total cereals from 2007										
Namibia	52	52	40	0.0	30.3	116	114	122	1.4	-5.2
Lesotho	69	75	86	-8.5	-19.8	92	91	113	1.2	-18.2
Madagascar	390	390	342	0.0	14.0	4 001	3 997	3 619	0.1	10.6
Decrease in total cereals from 2007										
Zambia	1 212	1 366	1 206	-11.3	0.5	1 460	1 604	1 398	-9.0	4.4
Malawi	2 949	3 445	2 193	-14.4	34.5	3 182	3 658	2 339	-13.0	36.1
Angola	616	700	622	-12.0	-1.0	738	863	762	-14.6	-3.2
Zimbabwe	647	849	977	-23.8	-33.8	885	1 172	1 306	-24.5	-32.2
Total Southern Africa	**19 776**	**15 823**	**16 050**	**25.0**	**23.2**	**27 304**	**23 422**	**23 168**	**16.6**	**17.9**
Total excluding South Africa	**7 714**	**8 484**	**6 969**	**-9.1**	**10.7**	**12 938**	**13 724**	**11 751**	**-5.7**	**10.1**

Source: FAO/WFP CSFAM for Zimbabwe and Swaziland; others – national government estimates.
Note: Totals computed from unrounded data.

Southern Africa

Overall good 2008 cereal output in the subregion but mixed results at country level

The subregion's aggregate 2008 cereal production (including forecasts for small amounts of wheat from the secondary season currently underway in a few countries) is estimated at 27.3 million tonnes, up by some 17 percent from 2007, and the highest level since 2000 (see Table 5). This is primarily due to a bumper season in South Africa, where output of maize and other cereals recovered sharply from last year's poor level. Outputs in Swaziland, Botswana and Mozambique also increased from last year's mostly poor levels, while Zambia, Malawi, Angola and Zimbabwe gathered smaller crops than in 2007. Regarding maize, the main staple crop in the subregion, aggregate output is estimated at 20 million tonnes, 25 percent higher than last year's less than satisfactory outcome. Excluding South Africa, the aggregate output of the remaining countries is down compared to last year, but above the 5-year average (Figure 10).

Planting of the 2008 wheat crop in **South Africa**, which accounts for about 90 percent of the subregion's total wheat production, and other secondary season crop planting, has been carried out in May-June in southern and central growing areas. Early estimates put the area up by about 19 percent from the previous year, in response to the current high domestic and international prices.

Import requirements for 2008/09

Based on the bumper crop in South Africa, FAO estimates a lower cereal import requirement for the subregion as a whole in the 2008/09 marketing year compared to 2007/08. However, excluding South Africa, the aggregate cereal import requirement of the other countries is expected to increase by 11 percent, while for maize, the increase is expected to be even more pronounced at over a third (Table 6 and Figures 11 and 12). As a result of the significant drop in per caput domestic cereal availability, combined with significant reduction in commercial import capacity due to the prevailing high food and fuel prices, demand on food aid is estimated to increase substantially in the subregion.

Table 6. Southern Africa – Import requirements for 2008/09 and estimated imports for 2003/04-2007/08 (*000 tonnes*)[1]

	Maize					Total cereals				
	2008/09 forecast	2007/08	2003/04-2007/08 average	2008/09 over 2007/08 (%)	2008/09 over 5-yr avg (%)	2008/09 forecast	2007/08	2003/04-2007/08 average	2008/09 over 2007/08 (%)	2008/09 over 5-yr avg (%)
Decrease in total cereal imports from 2007										
Malawi	20	96	146	-79.2	-86.3	90	182	235	-50.6	-61.7
Namibia	54	88	90	-38.9	-39.7	102	182	159	-44.0	-35.8
South Africa	600	1 200	630	-50.0	-4.8	2 763	3 273	2 561	-15.6	7.9
Botswana	155	145	150	6.9	3.2	301	321	290	-6.2	3.9
Small or no change in total cereal imports from 2007										
Lesotho	125	97	107	28.7	16.9	220	226	205	-2.7	7.5
Swaziland	81	90	76	-10.2	6.6	142	145	132	-2.3	7.4
Mauritius	86	85	84	1.2	2.1	308	311	304	-1.0	1.2
Mozambique	30	67	120	-55.4	-74.9	693	692	847	0.2	-18.2
Angola	118	60	119	96.7	-1.2	762	739	751	3.2	1.4
Increase in total cereal imports from 2007										
Madagascar	5	7	9	-25.4	-47.3	390	350	311	11.5	25.3
Zambia	5	9	67	-43.8	-92.5	90	65	162	39.3	-44.3
Zimbabwe	1 003	503	577	99.5	73.8	1 231	702	736	75.4	67.2
Total Southern Africa	**2 282**	**2 448**	**2 176**	**-6.8**	**4.9**	**7 092**	**7 188**	**6 694**	**-1.3**	**5.9**
Total excluding South Africa	**1 682**	**1 248**	**1 546**	**34.8**	**8.8**	**4 329**	**3 915**	**4 132**	**10.6**	**4.8**

[1] Marketing year April/March except for South Africa, Zambia and Namibia – May/April, and Mauritius – January/December.
Source:FAO/WFP CSFAM for Zimbabwe and Swaziland; others – national government estimates.
Note: Totals computed from unrounded data.

Figure 11. Southern Africa (excluding South Africa) maize imports

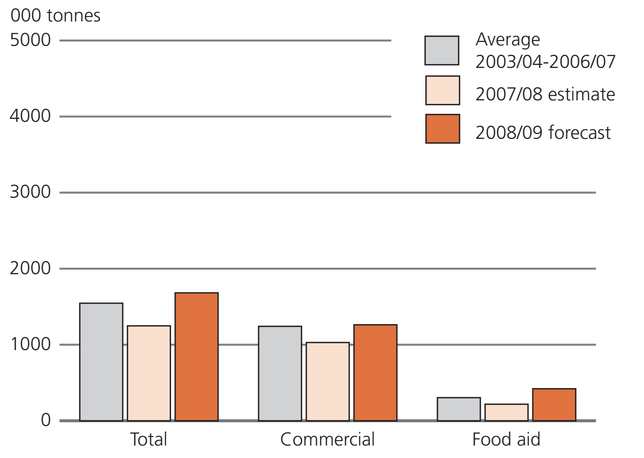


Figure 12. Southern Africa (excluding South Africa) total cereal imports

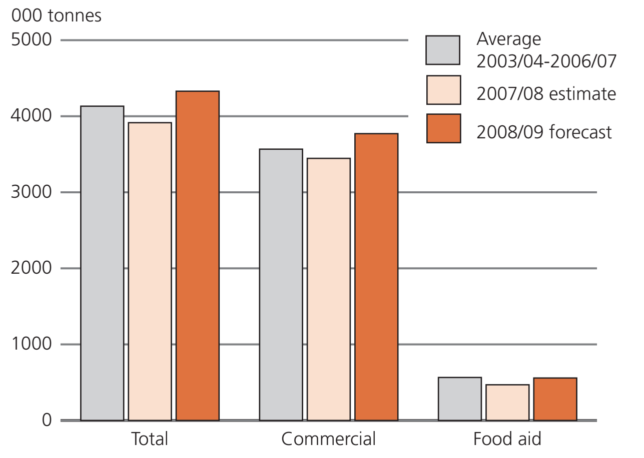
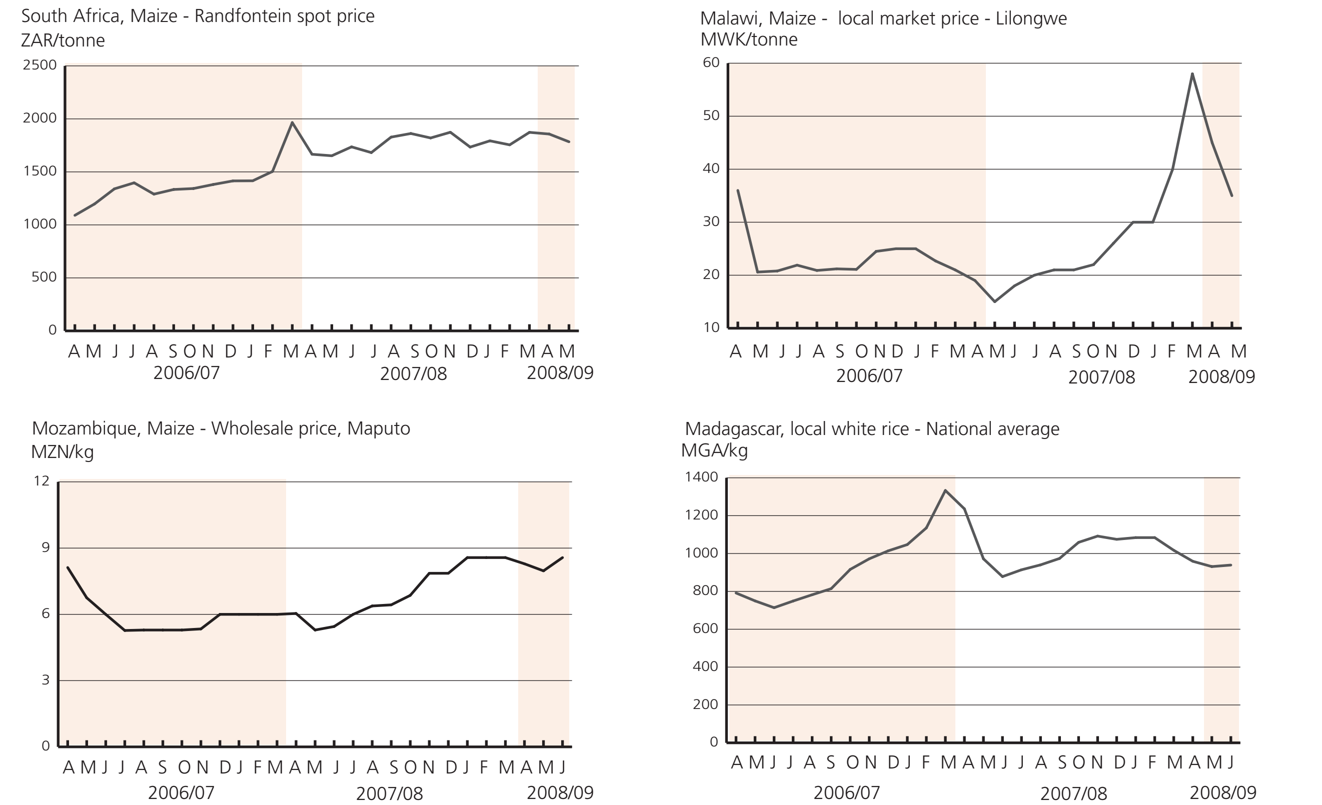


Figure 13. Prices of white maize and rice in selected markets



Sources:
South Africa: Randfontein spot price (www.safex.co.za).
Mozambique: SIMA, Monthly average wholesale prices in Maputo.
Malawi: Lilongwe - Local market price MoAFS & FEWSNet,
Madagascar: Observatoire du riz.

Assessment of Current Food Security in Zimbabwe

A joint FAO/WFP Crop and Food Supply Assessment Mission (CFSAM) was undertaken at the request of the Government of Zimbabwe from 29 April to 23 May 2008. The Mission estimated total domestic cereal availability for 2008/09 is at 840 000 tonnes, about 40 percent below last year's domestic supply. National production of 2008 main season maize is estimated at 575 000 tonnes, some 28 percent lower than 2007 output. The 2007 harvest was itself already some 44 percent below 2006 production. The country needs about 2.1 million tonnes of cereals including 1.9 million tons for direct human consumption.

Average agricultural production and productivity have declined over the last seven or eight years. Newly resettled farmers cultivate only about half of the total arable land allocated to them owing to shortages of draught power, fuel and low investment in infrastructure. Large-scale commercial farms produce less than one-tenth of the maize they produced in the 1990s. The productivity of the communal farms that used to produce the bulk of maize in the country has also decreased to one-fourth in about 10 years.

According to the Mission, Zimbabwe's cereal import requirement from April 2008 to March 2009 will be at 1.2 million tonnes, of which the staple food maize accounts for about one million tonnes. Total commercial cereal imports could reach 850 000 tonnes, leaving a shortfall of 380 000 tonnes. Required food assistance could amount to 395 000 tonnes of cereals from July 2008 to March 2009.

The situation has been exacerbated this year by severe economic constraints, arising from hyperinflation and the continuing balance of payment crisis, the untimely delivery of seeds, shortages of fertilizer, unprofitable cereal prices, deteriorating infrastructure and a prolonged dry spell following excessive rains. There seems to be little incentive for farmers to produce beyond their subsistence needs, given the lack of alternative marketing channel and price controls with inflexible procurement prices in an environment of hyperinflation (see Figure 1). Prices of maize and of several other key commodities are controlled by GMB by setting the buying price for farmers and the selling price for millers (and their price of maize meal to consumers), for vulnerable groups and other commercial users (mostly as animal feed). Maize is, however, traded in small quantities by farmers (so called "farmer-to-farmer" sales) and petty traders at informal and often hidden, markets. The GMB procurement price, which is uniform across the country, has increased in discrete steps, and has generally remained well below the parallel market retail price. Even though the rise in the current price of maize lags behind the dizzying general price inflation, prices in US dollar equivalent are keeping the upward trend due to the dismal harvest this year and rising prices in the international market.

Further, rural labour markets are largely dysfunctional and inefficient due to imperfect information on going wage rates and labour surplus/deficit pockets especially in an escalating inflationary environment. High transport costs and physical separation of surplus areas (generally associated with the communal localities) and high demand areas (typically in large-scale commercial and A2 farming areas) have exacerbated supply problems.

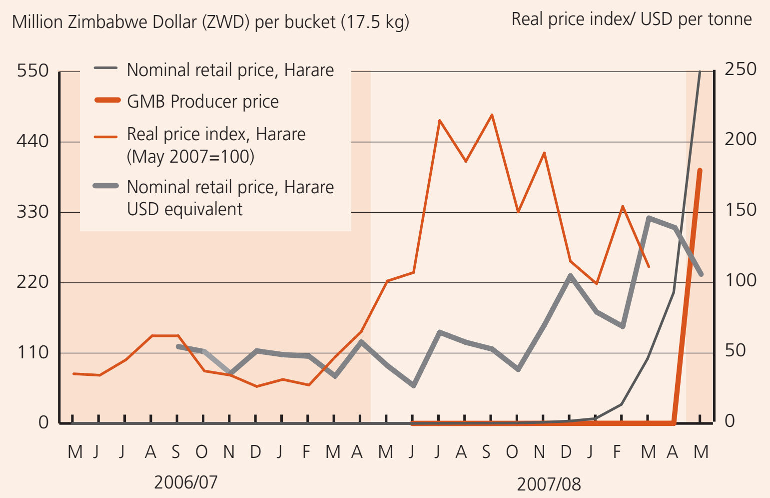
Zimbabwe's economy has shrunk by about 45 percent between 1998 and 2007, with an annual inflation rate estimated at over 350 000 percent for March 2008, the highest worldwide. This has dramatically eroded people's purchasing power, limiting their access to the meagre local food supplies.

Household food security analysis shows that about 2 million people in rural and urban areas are likely to be food insecure between July and September 2008, rising to 3.8 million people between October and December, peaking at about 5 million at the height of the hungry season between January and March 2009. The food insecure population would require food assistance amounting to some 395 000 tonnes of cereals in 2008/09. Additional foods such as oil, legumes and supplements would also be required to address the basic needs of most vulnerable groups.

To help improve short and medium term food security in the country, the Mission recommended:

- An urgent provision of quality seeds and fertilisers by the government and the international community. Appropriate maize and small-grain seed varieties should be delivered well in advance of the next planting season starting in October.
- Opening up of the grain marketing system to the private sector in order to ensure that cereals can be imported and moved quickly to the areas of need.
- That the international community and the government enter into a policy dialogue in order to promote sustainable food production and overall food security by investing in farm mechanization and infrastructure.

Maize prices



Source: WFP/VAM, Harare, and GMB price converted from price per tonne; USD price based on the parallel market rates

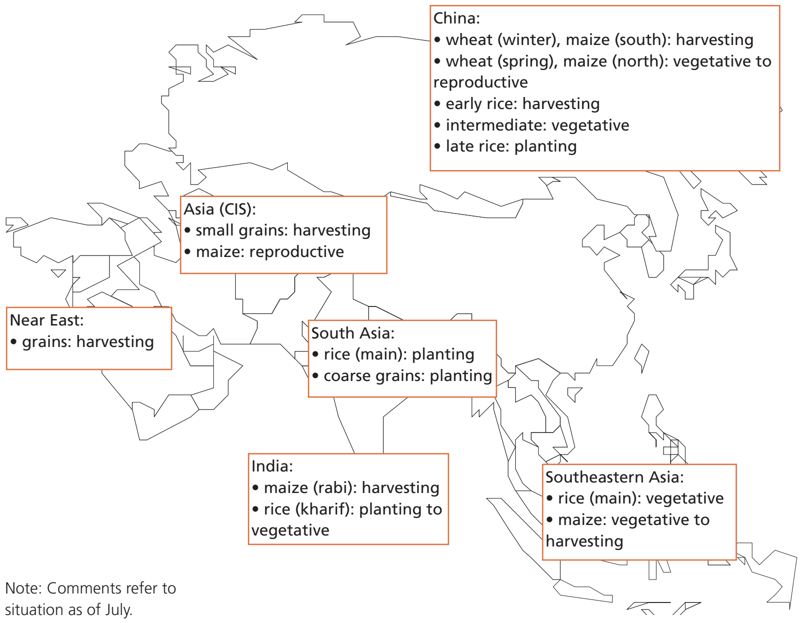
Post-harvest cereal prices remain high

Prices of the main cereals remain higher at the start of this new marketing year than at the same time last year due to strong international and regional demand (Figure 13). In **South Africa**, following a bumper harvest, the price of maize has weakened somewhat since the start of the season but remains well above the corresponding prices last year. For example, the May 2008 price of white maize (Randfontein spot) at ZAR 1 784 per tonne was 8 percent higher than a year earlier. In **Mozambique**, the maize price in June 2008 (Maputo wholesale) of MZN 8.57 (Mozambique Metical) per kilogramme was 57 percent higher than for the corresponding month in 2007. In **Malawi**, the retail maize price in Lilongwe has been rising since May 2007; the spike in the price in April 2008, seems to be the exaggerated reaction of the market due to the uncertain and conflicting early forecast of the current harvest. In **Madagascar**, the post-harvest rice price has started to go up in June, earlier than usual.

Asia

Far East

Bumper grain crops in China and India but bad harvests in Pakistan and the Islamic Republic of Iran



Note: Comments refer to situation as of July.

Harvesting of the 2007/08 winter wheat and first rice crops is almost complete throughout the subregion, while land preparation and planting of the main rice and coarse grain crops have started with the generally timely arrival of monsoon rains. In countries around the equatorial belt, the main rice season is well advanced.

In **China**, harvesting of the 2008 winter crop, which accounts for about 95 percent of China's total wheat production, has virtually been completed in the major producing provinces. The country's 2008 aggregate output, which includes some 5.1 million tonnes of spring wheat, is now tentatively estimated at a record 112.5 million tonnes, 2.4 percent above the previous high set last year. This increase is a result of government support to wheat production (direct subsides and increased procurement price) and favourable weather in the major producing regions. A record maize production is also expected, at 154 million tonnes, some 2 million tonnes above the previous high of last year.

In **India**, harvesting of the 2008 wheat crop is almost complete and output is tentatively estimated at a record 78 million tonnes, the highest in the last 8 years and 2.2 million tonnes above the previous record set last year, reflecting favourable weather and increased inputs used during the main growing season. This level of production is expected to cover all the country's domestic demand in 2008/09. The country imported some 6.7 million tonnes wheat in 2006/07 (April/March) and imports were reduced to some 2 million tonnes in 2007/08 due to the good harvest in 2007.

Sowing of the main Kharif coarse grains and rice crops, for harvest from September, has begun. The early outlook is favourable with the timely arrival of the southwest monsoon and high grain prices. However, the outcome of Kharif season will still depend greatly on the southwest monsoon rains in July and August.

In contrast to the record grain production in China and India, elsewhere in the subregion, in **Pakistan** and **the Islamic Republic of Iran** smaller crops are expected. Pakistan's wheat output in 2008 is now estimated at 21 million tonnes, 1.5 million tonnes lower than last year, reflecting a reduced area due to sowing delays, less availability of irrigation water, substandard seeds, and high fertilizer prices. Harvesting of wheat in **the Islamic Republic of Iran** has just started and the 2008 wheat output is forecast to fall by some 3 million tonnes to 12 million tonnes from last year's record because of dry conditions. With this reduced production, wheat imports in 2008/09 (April/March) may rise to more than 2 million tonnes. This would represent the largest level of imports in five years during which time the country remained largely self-sufficient in wheat.

Based on early indications, paddy production in the subregion may reach a record in excess of 600 million tonnes in 2008, 1.2

percent above the previous record set last year. Major gains are expected all across the region, as producers respond to attractive prices. Harvesting of the boro rice crop in **Bangladesh** is already completed and a bumper crop is estimated. The season in the southern hemisphere countries is well advanced. In **Sri Lanka**, the main 2008 Maha rice crop, planted in October-November 2007, has been harvested. The paddy production of this season is estimated at 2.12 million tonnes, some 149 000 tonnes above last year's crop. Similarly, a good harvest of the main paddy rice is also reported in **Indonesia**.

Food supply difficulties persist in several countries due to disasters, reduction in cereal production, and rising food prices

Cyclone Nargis struck **Myanmar** on 2 and 3 May 2008 with winds up to 200 km per hour, sweeping through the Ayeyarwady (Irrawaddy) delta region and the country's main city and former capital. Official figures put the number of dead or missing at more then 130 000. More than 2.4 million people have been severely affected, and of these, over 750 000 people are in need of immediate food assistance. The divisions of Ayeyarwadi, Bago, Mon, Kayin and Yangon have been the hardest-hit areas. Many families lost their crops, food stocks, livestock, fishing ponds and/or other productive assets. The food security situation in the country, which was already severe, is expected to become far more acute with the cyclone hitting the "Food Bowl" in the southern part of the country. As of 23 June, food assistance amounting to some 17 000 tonnes has been delivered to the affected areas. In **China**, the strongest earthquake in the past 30 years struck the south-western province of Sichuan on 12 May. As of early June, the death toll stood at over 69 000 people, while more than 374 000 were reported injured. However, with some 18 000 persons still missing these numbers could increase. A total of 45.6 million people are estimated to have been affected, including 15 million people evacuated from their homes, of whom some 5 million people are living in temporary shelters. Some 10 million additional people are officially estimated to be living below the poverty line as a result of the earthquake. Most of the population affected by the earthquake is critically dependent on agriculture for their livelihoods and many are vulnerable to food insecurity. In the **Democratic People's Republic of Korea**, transplanting of rice, the most important current farming activity in the country, is in full swing. A lack of fertilizer is reportedly the most urgent problem for crop production this year. The food supply situation remains precarious because of floods that devastated crops last year. The cereal deficit for the 2007/08 marketing year (November/October) is estimated to be about 1.66 million tonnes. As of May 2008, the price of rice in Pyongyang had increased to a record of 3 000 won per kg, around four times the price at the same month last year. The price of maize is around 1 500 won per kg, five times higher than the price in May 2007. The country has to depend on external assistance as its capacity to import commercially remains limited by poor economic performance and recent increase in world food prices. The United States pledged to provide 500 000 tonnes of food aid to the country in the coming months, and the first shipments have just arrived. More than 300 000 people in nine districts of far western and mid-western **Nepal** face a precarious food situation as a result of crop failure

Table 7. Asia cereal production (*million tonnes*)

	Wheat			Coarse grains			Rice (paddy)			Total cereals		
	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast
Asia	**271.1**	**284.6**	**279.7**	**254.1**	**261.5**	**260.7**	**581.9**	**596.7**	**603.6**	**1 107.0**	**1 142.8**	**1 144.0**
Far East	**199.0**	**211.7**	**215.2**	**226.7**	**235.7**	**236.6**	**577.0**	**591.6**	**598.5**	**1 002.7**	**1 039.0**	**1 050.2**
Bangladesh	0.7	0.7	0.9	0.5	0.5	0.5	41.0	43.0	44.0	42.2	44.3	45.4
China	104.5	109.9	112.5	156.7	163.1	165.1	184.1	187.0	187.3	445.3	459.9	465.0
India	69.4	75.8	78.0	33.2	35.7	34.4	140.0	143.5	145.5	242.6	255.0	257.9
Indonesia	0.0	0.0	0.0	11.6	12.4	12.0	54.5	57.1	58.3	66.1	69.5	70.3
Pakistan	21.7	22.5	21.0	3.8	3.7	3.7	8.2	8.3	8.4	33.7	34.5	33.1
Thailand	0.0	0.0	0.0	4.0	3.9	4.2	29.6	32.1	32.3	33.7	36.0	36.5
Viet Nam	0.0	0.0	0.0	3.8	3.6	3.7	35.8	35.9	36.6	39.6	39.4	40.2
Near East	**47.4**	**45.3**	**39.9**	**22.7**	**20.3**	**19.6**	**4.1**	**4.3**	**4.4**	**74.3**	**69.9**	**63.9**
Iran (Islamic Republic of)	14.5	15.0	12.0	4.7	5.1	3.6	2.6	2.8	2.9	21.8	22.9	18.5
Turkey	20.0	17.2	19.0	13.9	11.4	13.2	0.7	0.6	0.7	34.6	29.3	32.9
CIS in Asia	**24.6**	**27.6**	**24.4**	**4.6**	**5.4**	**4.5**	**0.7**	**0.7**	**0.7**	**29.9**	**33.7**	**29.7**
Kazakhstan	13.7	16.5	14.0	2.5	3.3	2.5	0.3	0.3	0.3	16.5	20.1	16.8

Note: Totals computed from unrounded data.

due to drought. These areas are already chronically poor regions of the country due to low productivity and poor market access. With rising food prices, food insecurity in these areas is likely to deteriorate and the situation will become severe during the lean season from June onwards. The problem has been exacerbated by the rising food prices throughout the country. Typhoon Fengshen ripped through **the Philippines** archipelago in the late June, affecting 11.2 million people in 38 provinces. Damage to buildings and infrastructure, including at least 111 454 houses, is expected to exceed USD 24.1 million. Some 300 000 hectares of rice crops in the Western Visayas region and 12 other provinces are reported to have been damaged or destroyed. Food insecurity is expected to continue in **Timor-Leste,** due to the consequences of the recurrent instability as well as the country's high dependence on cereal imports. The country is facing growing difficulties in securing sufficient quantities of rice on the global market to meet import requirements due to the high prices. The number of people who are food insecure or highly vulnerable to food insecurity has increased significantly due to the civil unrest of 2006, which caused the displacement of 100 000 people, of which about 70 000 fled from Dili to seek refuge in rural districts hosted by their relatives. The high unemployment rate, especially in the rural districts (80 percent), represents an additional factor of social instability and food insecurity. In **Bangladesh,** large-scale humanitarian relief operations are still ongoing to assist 8.9 million people by most affected Cyclone Sidr, which hit up to 30 districts on 15 November. The reduction in 2007 paddy production and rising food prices since 2007 (Figure 14) are significantly impacting the food security of the vulnerable groups in both urban and rural areas. In **Sri Lanka**, the country's food security has continued to be affected by the resurgence of civil conflict, as well as rising cereal prices (Figure 15). Since the beginning of 2008, some 5 000 people have been reportedly killed in fighting and the security situation has further deteriorated. Rice and wheat flour prices in June 2008 in Colombo increased by 67 percent and 75 percent, respectively, compared to the same period in 2007.

Figure 14. Wheat and rice retail prices in Bangladesh

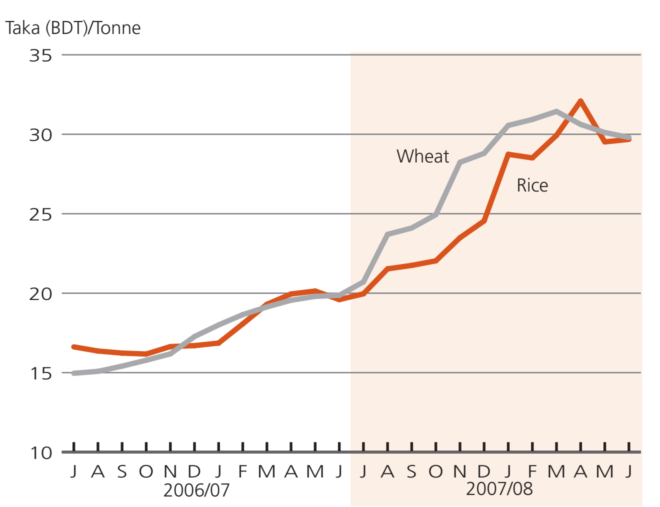


Figure 15. Wheat flour and rice retail prices in Colombo, Sri Lanka

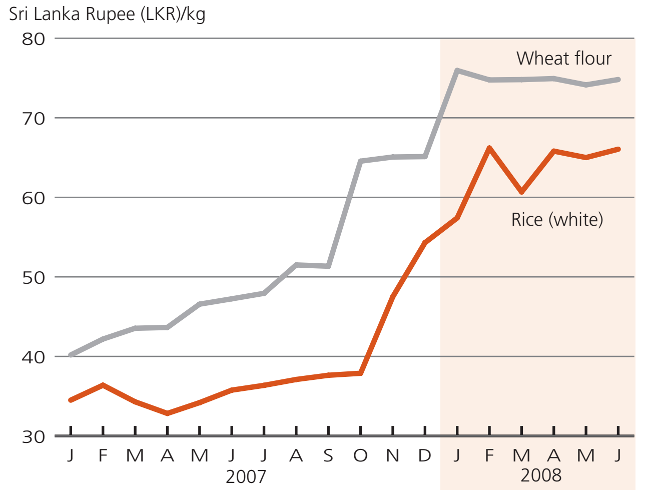
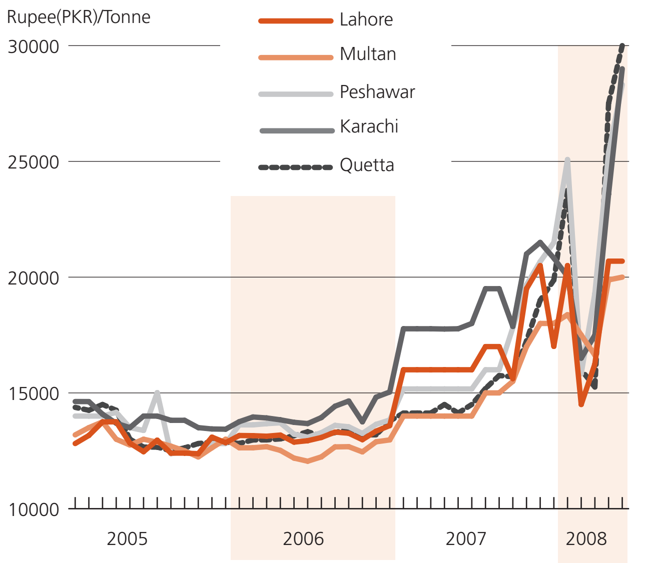


Figure 16. Wheat flour retail prices in selected markets in Pakistan



Near East

In **Iraq**, the 2008 wheat harvest, which has just been gathered, is estimated at 1.5 million tonnes, 36 percent down from 2007 and the lowest level in many years, after generally unfavourable growing conditions throughout the season. The reduction of the almost entirely rain-fed barley crop is even more pronounced, with output put at just 450 000 tonnes a reduction of some 60 percent compared to 2007. Imports of wheat in 2008/09, expected to remain strong on account of the low level of domestic production, are forecast at some 3.8 million tonnes, compared to 3 million tonnes in 2007. Following some improvement in the security situation, Iraqi refugees in the Syrian Arab Republic and Jordan continue to return to their homes, although large-scale movements have not yet been noted. It is estimated that around 45 000 individuals living in Syria have returned to Iraq in 2007. More than 4.2 million Iraqis have fled their homes since 2003. Of these, about 2 million are IDPs while the remainder are living as refugees in neighbouring countries, mainly Syria and Jordan. The Government has recently announced that it had allocated USD 195 million to encourage IDPs and refugees to return to their homes; this money is mostly for travel expenses for those outside Iraq, and for financial help and compensation for those whose properties were damaged during their absence.

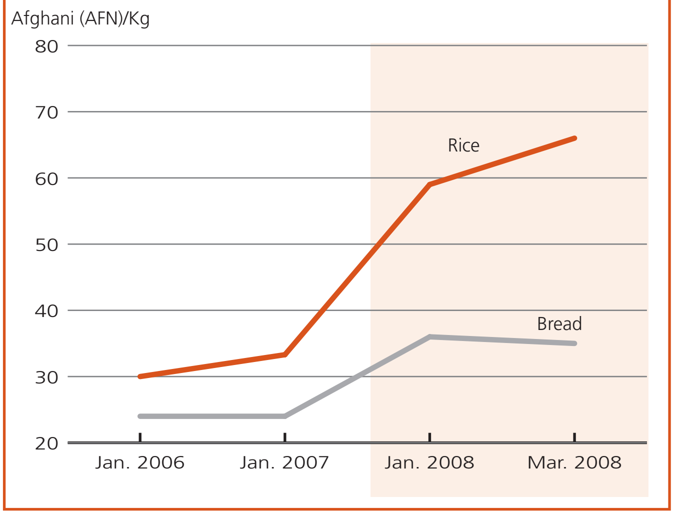
In **Afghanistan**, the outlook for the 2008 rain-fed harvest currently underway, and the irrigated crop later this year is not good. Precipitation across most of the country was below normal in the period October 2007-May 2008. Central areas of the country and western highland areas received less snow than usual while the normally drier south has experienced an unusually wet season this year. After a period of extreme cold conditions in January and February that caused winter wheat losses. Above-normal temperatures across most of the country aggravated the low moisture situation, by melting snow earlier and evaporating more water than normal. It is also possible that the substantial snowfall and rain deficiency this season will lead to a scarcity of irrigation water, affecting the pre-winter cultivation season in August, September and October of 2008, and thereby affecting the 2009 harvest.

At this early stage, the 2008 cereal harvest is tentatively expected to reach only 4 million tonnes, nearly 15 percent less than the 2007 harvest of 4.5 million tonnes. The cereal import requirement in 2008/09 is estimated to rise to 1.2 million tonnes including food aid. An agricultural regeneration plan has been drawn up for the short, medium and long term. In the short term, improved seed and fertilizers are to be distributed to 3.4 million farmers in November and December. Also to be distributed is fodder, to over half a million farmers and insecticides to cover 450 000 hectares. It is also envisaged to establish and help 25 companies to improve seeds.

Asian CIS

Prospects are mixed for the 2008 cereal harvest. Winter precipitation has been below normal in Central Asia, adversely affecting the winter crops and raising concern over the adequacy of spring crop irrigation reserves throughout the region, which normally come from snowmelt in the central highlands. **Kyrgyzstan**, **Tajikistan** and **Turkmenistan** are particularly affected. The crops in Tajikistan also suffered from extreme cold winter temperatures and locust attacks later in the season. Pending an assessment of locust damage, the 2008 cereal harvest in Tajikistan is tentatively estimated at 660 000 tonnes, nearly 20 percent below average and less than last year's already poor harvest. By contrast, growing conditions this season have been good in **Armenia**, **Azerbaijan** and **Georgia**. In Uzbekistan, where rainfall was also limited, output is expected to be barely average compared to last year's bumper crop. In **Kazakhstan**, where the area sown to wheat increased by 1 million hectares, the crop is officially forecast to be only about 14 million tonnes compared to last year's record of 16.5 million tonnes. However, wheat in Kazakhstan is spring sown and the crop will not be harvested until September. Plantings were delayed by cold weather in May and below normal rainfall in the region this winter. The aggregate harvest in Kazakhstan is forecast to approach 17 million tonnes; with coarse grains accounting for 2.5 million tonnes, provided normal weather prevails until completion of the harvest.

Figure 17. Bread and rice prices in Kabul, Afghanistan



A difficult food supply situation prevails in **Kyrgystan**, where prices of basic foodstuffs have risen sharply between December 2007 and May 2008, for example: flour by 81 percent; butter by 100 percent; eggs by 59 percent, meat by 22 percent and vegetable oil by 20 percent. As prices of wheat and bread play an important part in the food security of the country, the Government has reached an agreement with Kazakhstan to import wheat, despite the country's export ban. However, Kazakhstan's exports of sunflower and vegetable oil, on which Kyrgyzstan depends for over two-thirds of its needs, are banned until 1 October, exacerbating the tight supply situation in Kyrgystan.

In **Tajikistan**, the reduced foodcrop production expected this year, in the current environment of high food and fuel prices, will exacerbate the basic food security problem of lack of access to an adequate and balanced diet. The losses in wheat and basic foodcrops mean that the affected population will have to resort to market purchases earlier than usual, when families are already reported to be spending up to 81 percent of household income on food and unsustainable coping practices, such as taking children out of school or eating seed supplies. Prices of staples have risen sharply. Between March 2007 and March 2008, the price of wheat rose by 100 percent, bread by 86 percent, mutton by 38 percent; vegetable oil by 137 percent and pulses by 68 percent. Reflecting the poor harvest the 2008/09, cereal import requirement is estimated at a high 556 000 tonnes, mostly wheat. The country is having difficulties mobilizing supplies commercially and food aid will be necessary to bring relief to the poor.

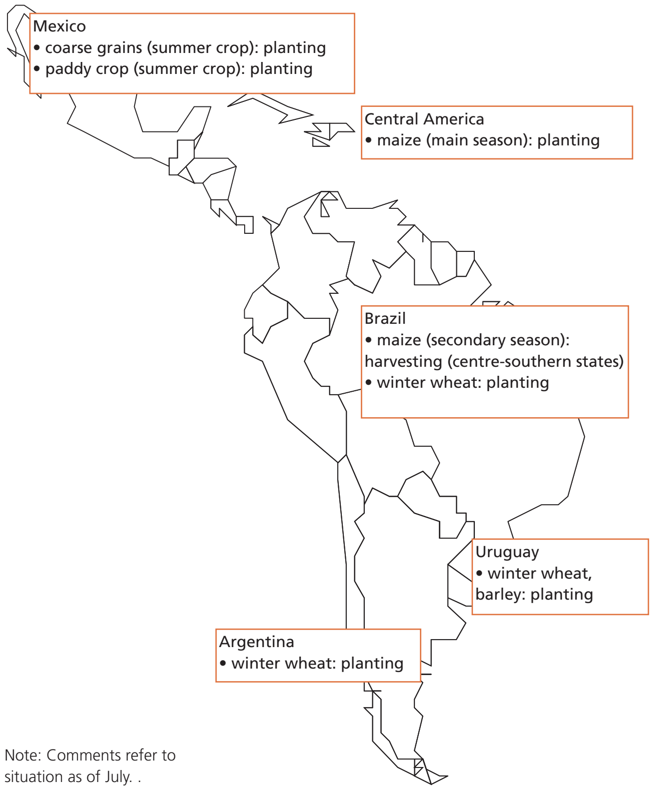
Latin America and the Caribbean

Central America and the Caribbean

Under favourable dry weather conditions, harvesting of the 2008 main irrigated winter wheat crop is well advanced in **Mexico's** key producing states of Sonora, Guanajuato, Baja California and Michoacan. Seasonal output is expected at a record 3.4 million tonnes.

Planting of the 2008 first season (mainly rain-fed) coarse grain and bean crops is underway in all Central American countries. In **Mexico**, by mid-June, significant rains had arrived in western and central growing areas of the southern plateau, boosting soil moisture for planting after a few weeks of dryness. In the Caribbean, planting is still underway in **Cuba**, but harvesting has already stared in **Haiti** and the **Dominican Republic** where production prospects are favourable following well-distributed precipitation throughout the whole growing season. The 2008 aggregate coarse grain area is expected to reach the unprecedented level of 12.9 million hectares, some 3 percent above the previous record set last year, mostly reflecting higher planting intentions for the first season maize crop in Mexico, in response to high international prices. Planting of the 2008 main summer season paddy crop is underway throughout the subregion and planting intentions point to an area of about 693 000 hectares, slightly above the planting program of same season in 2007.

Based on the results of harvests already underway and assuming normal conditions and average yields for the crops just being sown, the subregion's aggregate cereal production is tentatively forecast at a record 42.7 million tonnes, 1.9 million tonnes more than the previous high achieved last year and about 14 percent above the average of the past five years.



Note: Comments refer to situation as of July. .

South America

Harvesting of the 2008 main season coarse grain and rice crops is well advanced and record or above-average production is expected in most countries. At the aggregate level, preliminary estimates put the subregion's coarse grain output at a record 99.5 million tonnes, about 5.8 million tonnes above the previous record of last year. This is due to a combination of a 4.6 percent increase in maize plantings in response to high international prices and to above-average yields following favourable weather conditions throughout the growing season.

In **Brazil**, output of the first season maize crop is officially forecast at a record 40 million tonnes, some 10 percent above the previous high last year. The increase is essentially due to higher yields following good weather conditions coupled with wider use of selected seeds and better fertilization levels. In the state of Parana, responsible of about a quarter of first season maize crop production, average yields are estimated for the first time to reach 7 tonnes per hectare, about 25 percent above the average of the past five years. In Centre-West states, current dry weather conditions are favouring harvesting of the 2008 second

Figure 18. Selected retail prices in Managua, Nicaragua

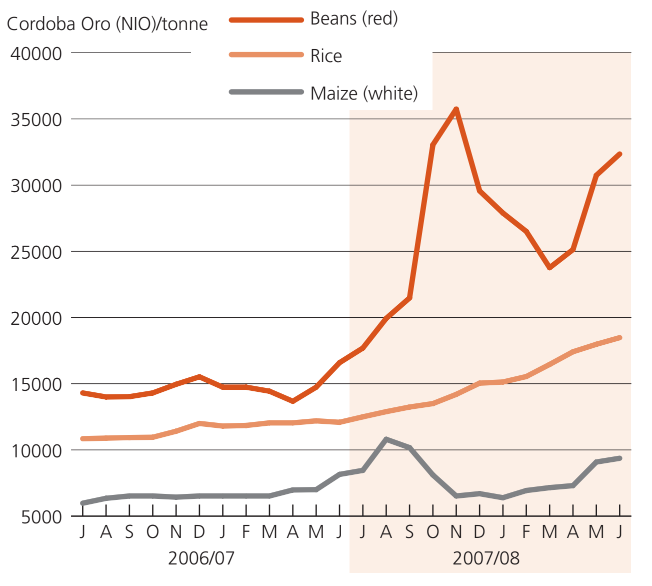
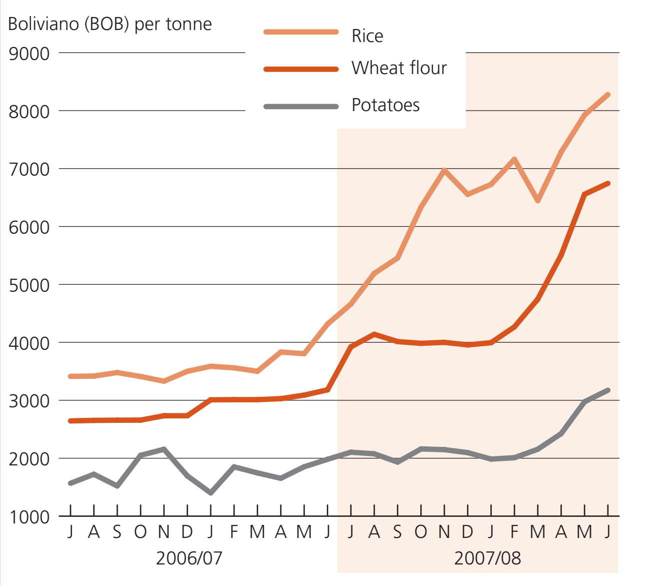


Figure 19. Monthly average wholesale prices of selected commodities in Santa Cruz, Bolivia



Source: SIMA - Servicio Informativo de Mercados Agropecuarios

season (safrinha) winter maize crop that will be completed by the end of July. Output from the second season is also tentatively forecast at a record level at 18.4 million tonnes; mainly reflecting high international prices at planting time, which led farmers to increase the area sown to 5 million hectares, from 4.6 million hectares in 2007. In addition, despite some delay at planting time due to late completion of the soybean harvest, yields for the safrinha maize crop are also expected to be well above average, reaching 3.7 tonnes per hectare, due to well distributed precipitations and timely application of fertilizers. In **Argentina**, harvesting of the 2008 maize crop is virtually completed and preliminary official estimates point to a production of about 21 million tonnes, some 1 million tonnes less than the previous year's level, when record yields where obtained. In **Uruguay**, reduced rainfall and frosts in April-May have negatively affected yields of 2008 summer season maize crop and, although official estimates are not yet available, the expected production record of 440 000 tonnes needs to be downward revised by at least 15 percent.

The subregion's aggregate production of paddy is tentatively estimated at 23.8 million tonnes, about 8 percent above the output obtained in 2007 following larger crops in Argentina,

Table 8. Latin America and Caribbean cereal production (*million tonnes)*

	Wheat			Coarse grains			Rice (paddy)			Total cereals		
	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast
Latin America & Caribbean	**23.5**	**25.8**	**26.7**	**107.4**	**128.6**	**135.9**	**24.9**	**24.4**	**26.3**	**155.9**	**178.7**	**188.9**
Central America & Caribbean	**3.3**	**3.4**	**3.8**	**32.0**	**35.0**	**36.4**	**2.5**	**2.4**	**2.5**	**37.8**	**40.8**	**42.7**
Mexico	3.2	3.4	3.8	28.3	30.6	31.9	0.3	0.3	0.3	31.9	34.3	36.0
South America	**20.3**	**22.3**	**22.9**	**75.4**	**93.7**	**99.5**	**22.4**	**21.9**	**23.8**	**118.1**	**137.9**	**146.2**
Argentina	14.5	15.4	14.6	18.3	26.6	26.2	1.2	1.1	1.3	34.1	43.1	42.0
Brazil	2.5	4.1	5.2	45.0	53.9	60.7	11.7	11.3	12.2	59.2	69.3	78.0
Colombia	0.0	0.0	0.0	1.7	1.8	1.8	2.3	2.4	2.6	4.1	4.2	4.4

Note: Totals computed from unrounded data.

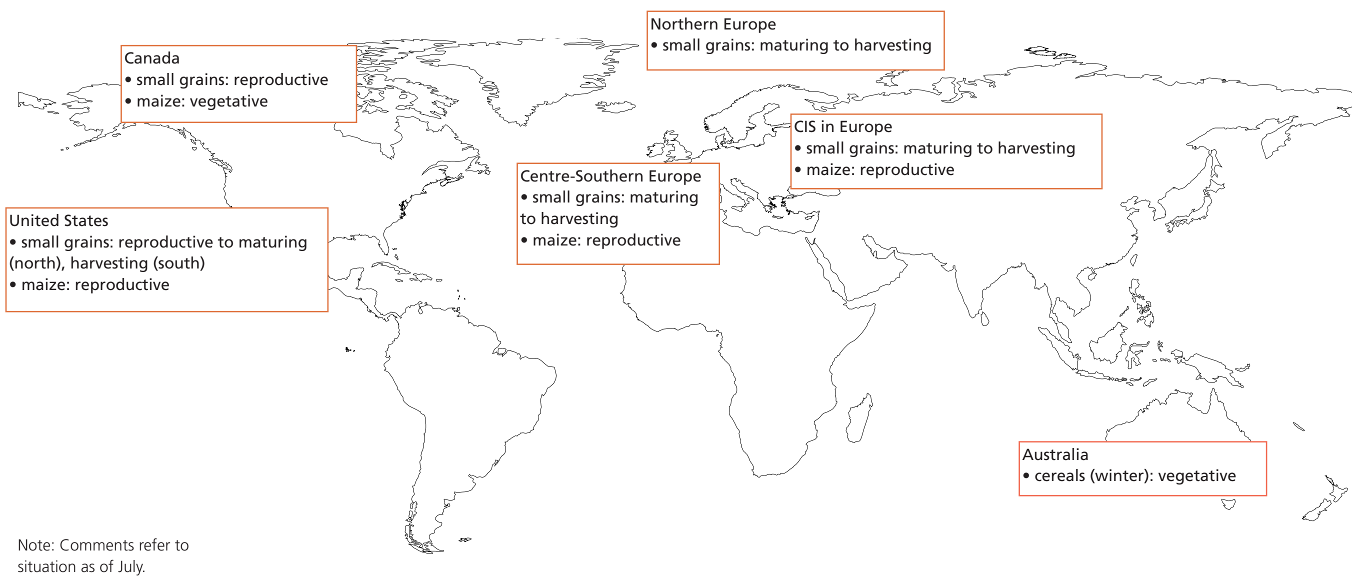
Brazil, Colombia, Uruguay and Venezuela where harvesting is virtually completed.

Planting of the **2008 winter wheat** crop, to be harvested by the end of the year, is well advanced in key growing areas of Brazil and Paraguay, while some delay is reported in Argentina and Uruguay due to low soil moisture levels. In Argentina, the main wheat producer of the subregion, official wheat planting intentions have been gradually reduced since May (with a reduction of half a million hectares) as a consequence of dry weather conditions, coupled with higher costs for agrochemicals and fuel shortages that have caused farmers to shift away from wheat. In Brazil, planted area is expected to increase by some 22 percent compared to the previous year in response to good prospects for returns given an increase in the Government's guaranteed minimum price coupled with Argentina's (a traditional supplier of wheat to Brazil) export ban. Based on latest indications, the subregion's aggregate planted area is tentatively forecast at 8.8 million hectares, some 6 percent above the previous year's level and very similar to the last five-year average. However, the final area will still depend on weather conditions through the remainder of the planting season, especially in Argentina and Uruguay, where planting progress has been hampered by dry conditions.

North America, Europe and Oceania

North America

In the **United States**, winter wheat harvesting was well underway in the southern states as of late June, but progressing a little behind average pace because of some heavy rainfalls. Although there is some concern that the adversely wet conditions may have some negative impact on grain quality, especially in the major producing state of Kansas, so far there are no indications of quantitative losses. The latest official forecast puts the winter wheat output at some 49 million tonnes, nearly 20 percent up from the previous year. Latest indications also continue to point to a larger spring wheat harvest, with the bulk of the crop reported to be in good to excellent condition in late June, and the area estimated to be up be about 9 percent compared to last year. Thus, aggregate wheat output is forecast to reach some 66 million tonnes, up 10 million tonnes on the previous year and the largest crop since 1998. Regarding coarse grains, prospects have deteriorated considerably in the past few weeks due to persistent heavy rains delaying maize planting in many major growing areas, causing the loss of crops already in the ground through flooding. According to the official USDA Acreage Report of 30 June, which already attempted to factor in the affect of the adverse rains through a special last-minute survey in late June, the harvested maize area in 2008 could turn out to be about 31.9 million hectares, down from 35 million hectares in 2007. Although a large part of the decline was already expected due to smaller planting intentions this year, the adverse conditions could result in a decline in the harvested/planted ratio, with some lost crops not being replanted or being replanted, or more area being turned over to other crops such as soybean that have a shorter growing cycle. Given some likely reduction in yield prospects for crops sown late or damaged by excessive water, the United Sates total maize crop in 2008 is now forecast at about 293 million



tonnes, but much will still depend on weather conditions in the coming months.

In **Canada**, prospects for the 2008 grain crops remain favourable. In response to strong prices, farmers have increased the total wheat area by about 16 percent after a switch in favour of oilseeds last year. The area in durum wheat in particular, which generally offers the best returns, is reported to have increased sharply by nearly 27 percent. However, contrary to the normal pattern of rotational shifts in recent years, between wheat and oilseeds cultivation, this year's large wheat area has not come at the expense of oilseeds, and the canola area for the 2008 harvest has also increased to a record level, reflecting good price prospects for this crop also. While some of the increased area of wheat and canola has come from a drop in land planted to the main feed grains barley and oats, the increase has also been supported by bringing into production land areas traditionally dedicated to summer fallow, which in the Prairie provinces have declined to record low levels in recent history. Assuming normal conditions through the growing season, the country's 2008 wheat crop is forecast to reach 24.8 million tonnes, about 24 percent up from 2007.

Europe

Prospects for the 2008 cereal crops in the **European Union** remain favourable. The aggregate cereal output of the 27 countries is forecast at nearly 296 million tonnes, 13.6 percent up from the previous year. Most of the increase is expected in eastern parts among the newest member states, where growing conditions have been particularly good this year and yields and output are set to recover sharply from last year's drought-reduced levels. However, among the central and northern countries, where the compulsory land set-aside requirement was removed for the 2007/08 production season, increased plantings and better expected yields are also contributing to the group's increased harvest this year. Of the total cereal forecast, wheat is expected to account for 138 million tonnes, almost 15 percent up from last year, while output of coarse grains is seen to rise to 155 million tonnes, nearly 13 percent up from 2007.

In the Balkan region among the non-EU countries, the outlook for the 2008 cereal harvest is also satisfactory and output is set to recover well from the drought–reduced level of 2007. In **Serbia**, good yields have partially offset a reduction in the area sown to wheat and output is estimated at 1.7 million tonnes. This would be enough to cover domestic needs but leave little surplus available for export. By contrast, output of maize is forecast to rise from 4 to 6 million tonnes which, if materialized could leave an exportable surplus of about 1 million tonnes.

In the **European CIS**, the spring grain plantings are mostly complete and early harvesting of the winter crops planted in 2007 is underway. Throughout the region, winter wheat, barley and rye have over-wintered well and moisture supplies for spring grain development are adequate. Reflecting high cereal prices in 2007, the aggregate area sown to wheat is estimated to have increased by 2.4 million hectares to 33.8 million hectares. Reflecting good growing conditions both through the winter and the spring/summer to date, the aggregate output of wheat in the subregion is forecast to rise to 73 million tonnes, 13 percent above the good harvest in 2007. Similarly, the outlook for coarse grains, which

Table 9. North America, Europe and Oceania cereal production (*million tonnes*)

	Wheat			Coarse grains			Rice (paddy)			Total cereals		
	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast	2006	2007 estim.	2008 f'cast
North America	**74.6**	**76.3**	**91.0**	**303.7**	**379.5**	**335.2**	**8.8**	**9.0**	**8.9**	**387.1**	**464.8**	**435.1**
Canada	25.3	20.1	24.8	23.3	28.0	24.4	0.0	0.0	0.0	48.6	48.0	49.2
United States	49.3	56.2	66.2	280.4	351.5	310.8	8.8	9.0	8.9	338.5	416.7	385.9
Europe	**192.0**	**188.8**	**215.4**	**210.3**	**197.5**	**227.1**	**3.5**	**3.6**	**3.5**	**405.8**	**389.9**	**446.0**
EU [1]	117.8	120.1	138.0	127.2	137.5	155.1	2.6	2.7	2.6	247.6	260.4	295.7
Romania [2]	5.5	0.0	0.0	10.2	0.0	0.0	0.0	0.0	0.0	15.8	0.0	0.0
Serbia	1.9	1.5	1.7	6.9	4.4	6.5	0.0	0.0	0.0	8.8	5.9	8.2
CIS in Europe	**60.6**	**64.8**	**73.1**	**57.5**	**50.3**	**59.5**	**0.8**	**0.8**	**0.8**	**118.9**	**115.9**	**133.4**
Russian Federation	45.1	49.4	51.0	31.2	30.4	31.6	0.7	0.7	0.7	76.9	80.5	83.3
Ukraine	13.8	13.7	20.0	20.1	13.8	20.2	0.1	0.1	0.1	34.0	27.6	40.3
Oceania	**11.1**	**13.4**	**24.0**	**8.1**	**9.3**	**13.8**	**1.1**	**0.2**	**0.0**	**20.3**	**22.9**	**37.8**
Australia	10.8	13.1	23.7	7.5	8.8	13.2	1.0	0.2	0.0	19.4	22.0	36.9

[1] Eu-25 in 2006; EU-27 in 2007 and 2008.
[2] In 2007 and 2008 included in EU-27.
Note: Totals computed from unrounded data.

are still developing, is good. The area sown increased by 1.6 million hectares, and provided normal weather prevails until the completion of the harvest, indications are that average yields will recover sharply form last year's drought-affected levels. Coarse grain output is tentatively forecast to reach 59.5 million tonnes or 18 percent more than last year.

In the **Russian Federation**, the subregion's largest producer, the aggregate grain area for the 2008 harvest is forecast at nearly 46 million hectares, 2.6 million hectares more than in 2007. Wheat output is forecast at a bumper 51 million tonnes, while that of coarse grains could reach almost 32 million tonnes. Grain exports in the period 1 July 2007 to 30 May 2008 have reached 13.2 million tonnes, 1 million tonnes more than in the preceding year (2006/07 July/June), and more or less accounting for the country's estimated export surplus in 2007/08. The high export duties introduced on 29 January 2008 (after the bulk of surplus from the 2007 harvest had been sold) have been repealed with effect 1 July. If the 2008 harvest forecast materializes, the country will again have a substantial surplus over expected domestic needs, although some of this will be needed to replenish government intervention stocks. In **Ukraine**, harvesting has started and provided weather conditions remain normal to the completion of the harvest the 2008 aggregate cereal output is forecast at some 40 million tonnes, 46 percent above last year's drought-reduced crop. Wheat production could reach 20 million tonnes with coarse grains making up the bulk of the balance. The country's exports in 2007/08 (July/June), from the 2007 harvest, are estimated at some 3 million tonnes, less than the estimated surplus and carryover stocks have increased significantly. However, export quotas have been lifted and the country could have an exportable surplus of 12 million tonnes in 2008/09. In both Ukraine and the Russian Federation grain prices have weakened significantly in the past few weeks in view of the upcoming good harvests.

Oceania

The prospects for the 2008 winter cereal crops in **Australia** were generally favourable as of late June, although the planting season did not progress as well as had been hoped earlier. With the exception of Western Australia, most of the country's main winter cropping regions received below-average autumn rainfall, which meant many crops were sown in dry conditions or after the optimum planting window where farmers waited for rain before starting fieldwork. However, despite the difficulties of the planting period, the area sown to wheat is forecast to rise by 13 percent to a record 14 million hectares, reflecting relatively strong prices, encouraging farmers to maximise plantings, also by taking land out of pasture, to try and improve short-term cash flow after two drought years. Based on this area forecast, and assuming normal weather for the remainder of the season, the official ABARE forecast in mid-June puts the country's total wheat production in 2008 at 23.7 million tonnes, an increase of some 80 percent from the previous year's drought-reduced crop. Barley output is also seen to increase sharply after last year's drought, recovering to almost 8 million tonnes after just 6 million tonnes produced in 2007. Output of the 2008 summer grain crop (mostly sorghum and maize), which has already been gathered, is estimated to have increased sharply but rice output fell sharply reflecting lack of irrigation water reserves in the main producing area.

Statistical appendix

Table A1. Global cereal supply and demand indicators

	Average 2001/02 - 2005/06	2004/05	2005/06	2006/07	2007/08	2008/09
	(.	. . . . .	. . . . . percentage	. . . . .	. . . . .	. . . . .)
1. Ratio of world stocks to utilization						
Wheat	31.4	28.8	29.0	26.0	23.8	26.6
Coarse grains	18.2	19.1	18.2	15.1	15.1	13.9
Rice	27.6	23.8	24.6	24.1	23.8	23.9
Total cereals	24.2	23.0	22.8	20.1	19.4	19.7
2. Ratio of major grain exporters' supplies to normal market requirements	123	137	133	115	119	118
3. Ratio of major exporters' stocks to their total disappearance						
Wheat	20.3	21.8	22.2	14.9	10.0	13.2
Coarse grains	15.2	18.7	17.9	12.5	11.7	8.6
Rice	17.2	13.2	15.8	16.0	16.5	16.3
Total cereals	17.6	17.9	18.6	14.5	12.7	12.7

	Annual trend growth rate 1998-2007	Change from previous year 2004	2005	2006	2007	2008
	(.	. . . . .	. . . . . percentage	. . . . .	. . . . .	. . . . .)
4. Changes in world cereal production	1.2	9.3	-1.1	-2.0	5.4	2.8
5. Changes in cereal production in the LIFDCs	1.2	3.4	5.1	3.4	2.4	1.2
6. Changes in cereal production in LIFDCs less China and India	2.7	-0.2	6.7	4.1	-1.1	0.7

	Average 2000/01 - 2004/05	Change from previous year 2003/04	2004/05	2005/06	2006/07	2007/08*
		(.	. . . .	percentage	. . . .	. . . . .)
7. Selected cereal price indices:						
Wheat (July/June)	110.8	-1.1	-1.0	5.2	25.4	90.0
Maize (July/June)	100.2	7.1	-15.2	6.4	44.6	34.6
Rice (Jan./Dec.)	87.7	24.9	5.4	8.9	17.0	90.4

Notes:
Utilization is defined as the sum of food use, feed and other uses.
Cereals refer to wheat, coarse grains and rice; **Grains** refer to wheat and coarse grains.
Major Grain Exporters are Argentina, Australia, Canada, the EU, and the United States; Major Rice Exporters are India, Pakistan, Thailand, the United States, and Viet Nam.
Normal Market Requirements for major grain exporters are defined as the average of domestic utilization plus exports in the three preceding seasons.
Disappearance is defined as domestic utilization plus exports for any given season.
Price indices: The **wheat** price index has been constructed based on the IGC wheat price index, rebased to July/June 1997/98-1999/00 = 100; For **maize**, the U.S. maize No. 2 Yellow (delivered U.S. Gulf ports) with base July/June, 1997/98-1999/00 = 100; For **rice**, the FAO Rice Price Index, 1998-2000=100, is based on 16 rice export quotations. Rice index refers to the second year shown.
* For **wheat** and **coarse grains**, July/June, for **rice** January/June.

Table A2. World cereal stocks[1] (*million tonnes*)

	2004	2005	2006	2007	2008 estimate	2009 forecast
TOTAL CEREALS	**417.4**	**469.8**	**470.1**	**427.6**	**420.8**	**425.4**
Wheat	**162.2**	**178.7**	**179.6**	**160.8**	**151.2**	**168.6**
held by:						
- main exporters [2]	38.6	55.1	56.2	36.6	24.8	35.0
- others	165.3	123.5	123.3	124.2	126.4	133.6
Coarse grains	**149.9**	**191.3**	**185.4**	**161.2**	**163.6**	**151.1**
held by:						
- main exporters[2]	48.5	92.7	90.7	62.3	67.3	48.2
- others	107.6	98.6	94.8	98.9	96.3	102.9
Rice (milled basis)	**105.3**	**99.9**	**105.1**	**105.6**	**106.0**	**105.7**
held by:						
- main exporters[2]	22.5	19.3	23.3	23.8	25.2	25.4
- others	97.3	80.6	81.7	81.8	80.9	80.4
Developed countries	**123.2**	**188.5**	**189.8**	**136.5**	**122.4**	**115.1**
Australia	8.8	10.0	13.6	6.3	5.8	6.2
European Union [3]	21.5	47.6	45.1	32.7	30.0	35.1
Canada	10.3	14.5	16.2	10.5	8.1	7.8
Hungary [4]	0.8	-	-	-	-	-
Japan	4.9	4.7	4.8	4.4	4.4	4.0
Poland [4]	2.4	-	-	-	-	-
Romania [5]	1.2	5.0	5.6	3.8	-	-
Russian Federation	7.3	9.1	9.3	9.5	10.8	11.8
South Africa	3.5	4.1	4.1	2.7	1.5	2.6
Ukraine	2.8	4.2	4.8	4.3	4.2	6.3
United States	44.4	74.7	71.7	49.9	47.5	31.7
Developing countries	**294.2**	**281.3**	**280.3**	**291.0**	**298.4**	**310.3**
Asia	**253.5**	**237.1**	**237.6**	**244.8**	**256.8**	**267.4**
China	163.3	152.8	149.0	153.2	167.0	178.1
India	32.9	26.7	25.8	29.4	34.1	35.4
Indonesia	6.0	5.7	5.1	5.8	6.6	6.3
Iran, Islamic Republic of	3.5	3.2	3.6	3.4	2.8	2.2
Korea, Republic of	2.9	2.5	2.8	3.0	2.3	2.3
Pakistan	1.9	2.0	3.2	3.3	3.3	3.2
Philippines	1.9	2.3	2.9	2.8	3.3	3.1
Syrian Arab Republic	4.2	4.4	4.5	3.1	2.6	2.3
Turkey	7.2	6.5	5.5	6.4	3.8	3.9
Africa	**20.8**	**23.4**	**26.1**	**31.2**	**26.9**	**24.2**
Algeria	2.6	3.6	4.4	4.7	4.6	4.0
Egypt	2.7	3.1	4.3	4.1	3.6	3.3
Ethiopia	0.1	0.2	0.6	1.2	1.9	1.7
Morocco	3.0	4.9	2.7	4.2	2.6	2.1
Nigeria	1.6	1.3	1.4	2.1	0.9	0.9
Tunisia	1.0	1.2	1.4	1.4	1.6	1.2
Central America	**5.8**	**6.3**	**4.7**	**4.5**	**5.1**	**4.6**
Mexico	3.9	4.6	2.8	2.6	3.3	2.9
South America	**13.8**	**14.2**	**11.7**	**10.3**	**9.4**	**13.9**
Argentina	3.8	3.2	2.6	1.6	2.2	3.7
Brazil	5.8	6.3	4.1	3.1	2.3	5.6

[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 India, Pakistan, Thailand, the United States and Viet Nam.
[3] Up to 2004 15 member countries, from 2005 to 2007 25 member countries, from 2008 27 member countries.
[4] From 2005 included in the EU.
[5] From 2008 included in the EU.
Note: Based on official and unofficial estimates. Totals computed from unrounded data.

Table A3. Selected international prices of wheat and coarse grains (*USD/tonne*)

Period	Wheat			Maize		Sorghum
	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]
Annual (July/June)						
2003/04	161	149	154	115	109	118
2004/05	154	138	123	97	90	99
2005/06	175	138	138	104	101	108
2006/07	212	176	188	150	145	155
2007/08	361	311	318	200	192	206
Monthly						
2007 – July	250	223	249	146	141	157
2007 – August	277	254	273	152	157	171
2007 – September	342	323	325	158	169	177
2007 – October	352	323	321	163	180	172
2007 – November	332	307	290	171	179	171
2007 – December	381	345	310	178	171	192
2008 – January	381	343	330	206	199	225
2008 – February	449	403	365	220	206	222
2008 – March	481	397	395	234	216	233
2008 – April	382	301	-	247	224	243
2008 – May	349	258	-	242	207	240
2008 – June	358	249	-	281	258	268
2008 – July (two weeks average)	349	257	-	292	271	262

[1] Delivered United States f.o.b Gulf.
[2] Delivered United States Gulf.
[3] Up River f.o.b.
Sources: International Grain Council and USDA.

Table A4a. Cereal import requirements of Low-Income Food-Deficit Countries[1] , 2007/08 or 2008 estimates (*thousand tonnes*)

		2006/07 or 2007 Actual imports				2007/08 or 2008 Import position[2]		
	Marketing year	Commercial purchases	Food aid	Total commercial and aid	Total import requirements (excl. re-exports)	Total commercial and aid	Food aid allocated, committed or shipped	Commercial purchases
AFRICA		**33 802.0**	**2 298.1**	**36 100.1**	**39 249.1**	**26 026.4**	**1 426.1**	**24 600.3**
North Africa		**15 755.8**	**12.2**	**15 768.0**	**19 151.0**	**17 442.0**	**0.0**	**17 442.0**
Egypt	July/June	11 907.8	12.2	11 920.0	12 630.0	11 620.7	0.0	11 620.7
Morocco	July/June	3 848.0	0.0	3 848.0	6 521.0	5 821.3	0.0	5 821.3
Eastern Africa		**4 000.6**	**1 380.4**	**5 381.0**	**5 397.0**	**2 395.3**	**728.3**	**1 667.0**
Burundi	Jan./Dec.	76.4	50.6	127.0	139.0	3.7	3.7	0.0
Comoros	Jan./Dec.	56.2	0.0	56.2	42.0	26.4	0.0	26.4
Djibouti	Jan./Dec.	70.7	5.8	76.5	75.0	11.7	0.0	11.7
Eritrea	Jan./Dec.	199.0	2.3	201.3	311.0	7.0	7.0	0.0
Ethiopia	Jan./Dec.	27.2	507.2	534.4	598.0	325.9	129.7	196.2
Kenya	Oct./Sept.	999.9	180.4	1 180.3	1 462.0	610.4	137.5	472.9
Rwanda	Jan./Dec.	176.0	16.0	192.0	138.0	32.1	8.7	23.4
Somalia	Aug./July	311.2	128.8	440.0	495.0	106.1	79.6	26.5
Sudan	Nov./Oct.	1 247.0	354.5	1 601.5	1 443.0	678.4	276.1	402.3
Uganda	Jan./Dec.	133.7	94.3	228.0	165.0	64.4	43.9	20.5
United Rep.of Tanzania	June/May	703.3	40.5	743.8	529.0	529.2	42.1	487.1
Southern Africa		**2 503.8**	**363.7**	**2 867.5**	**3 100.3**	**3 100.3**	**468.6**	**2 631.7**
Angola	April/March	649.2	20.7	669.9	738.6	738.6	5.8	732.8
Lesotho	April/March	181.3	10.1	191.4	226.1	226.1	19.5	206.6
Madagascar	April/March	227.4	34.3	261.7	349.8	349.8	60.2	289.6
Malawi	April/March	161.4	63.0	224.4	182.2	182.2	56.8	125.4
Mozambique	April/March	779.5	103.5	883.0	691.9	691.9	58.8	633.1
Swaziland	May/April	122.2	5.8	128.0	145.3	145.3	12.1	133.2
Zambia	May/April	55.8	28.1	83.9	64.6	64.6	4.4	60.2
Zimbabwe	April/March	327.0	98.2	425.2	701.8	701.8	251.0	450.8
Western Africa		**9 986.1**	**437.1**	**10 423.2**	**9 980.8**	**2 721.6**	**187.8**	**2 533.8**
Coastal Countries		***7 662.9***	***135.1***	***7 798.0***	***7 750.0***	***1 850.4***	***48.5***	***1 801.9***
Benin	Jan./Dec.	102.5	0.3	102.8	94.0	54.9	0.1	54.8
Côte d'Ivoire	Jan./Dec.	1 137.2	17.4	1 154.6	1 155.0	445.4	2.5	442.9
Ghana	Jan./Dec.	832.3	35.0	867.3	875.0	172.7	9.8	162.9
Guinea	Jan./Dec.	507.7	14.8	522.5	482.0	55.0	5.4	49.6
Liberia	Jan./Dec.	204.6	38.1	242.7	240.0	81.3	28.7	52.6
Nigeria	Jan./Dec.	4 680.0	0.0	4 680.0	4 680.0	939.4	0.0	939.4
Sierra Leone	Jan./Dec.	115.9	28.8	144.7	139.0	55.7	1.0	54.7
Togo	Jan./Dec.	82.7	0.7	83.4	85.0	46.0	1.0	45.0
Sahelian Countries		***2 323.2***	***302.0***	***2 625.2***	***2 230.8***	***871.2***	***139.3***	***731.9***
Burkina faso	Nov./Oct.	248.4	25.9	274.3	254.0	30.5	7.8	22.7
Cape Verde	Nov./Oct.	65.1	8.7	73.8	63.6	35.8	7.7	28.1
Chad	Nov./Oct.	65.5	72.4	137.9	131.9	69.2	58.3	10.9
Gambia	Nov./Oct.	92.8	9.6	102.4	105.5	38.2	1.7	36.5
Guinea-Bissau	Nov./Oct.	95.4	8.4	103.8	86.9	4.5	3.7	0.8
Mali	Nov./Oct.	326.8	46.6	373.4	239.2	44.4	4.4	40.0
Mauritania	Nov./Oct.	318.4	33.7	352.1	296.2	166.7	23.2	143.5
Niger	Nov./Oct.	204.1	83.1	287.2	236.7	36.6	20.8	15.8
Senegal	Nov./Oct.	906.7	13.6	920.3	816.8	445.3	11.7	433.6
Central Africa		**1 555.7**	**104.7**	**1 660.4**	**1 620.0**	**367.2**	**41.4**	**325.8**
Cameroon	Jan./Dec.	614.6	1.6	616.2	545.5	183.5	0.5	183.0
Cent.Afr.Rep.	Jan./Dec.	38.2	22.1	60.3	43.5	14.3	10.4	3.9
Congo	Jan./Dec.	309.9	7.1	317.0	317.0	32.9	0.0	32.9
Congo, Dem. Rep.	Jan./Dec.	554.6	72.4	627.0	675.0	129.3	30.5	98.8
Equatorial Guinea	Jan./Dec.	23.7	0.0	23.7	24.0	3.1	0.0	3.1
Sao Tome and Principe	Jan./Dec.	14.7	1.5	16.2	15.0	4.1	0.0	4.1

Table A4b. Cereal import requirements of Low-Income Food-Deficit Countries[1] , 2007/08 or 2008 estimates (*thousand tonnes*)

	Marketing year	2006/07 or 2007 Actual imports: Commercial purchases	Food aid	Total commercial and aid	2007/08 or 2008: Total import requirements (excl. re-exports)	Import position[2]: Total commercial and aid	Food aid allocated, committed or shipped	Commercial purchases
ASIA		**39 618.7**	**1 718.4**	**41 337.1**	**39 903.8**	**29 860.6**	**1 407.1**	**28 453.5**
CIS in Asia		**3 066.0**	**451.0**	**3 517.0**	**3 553.0**	**3 278.9**	**33.0**	**3 245.9**
Armenia	July/June	215.0	86.0	301.0	283.0	247.8	4.6	243.2
Azerbaijan	July/June	1 264.0	119.0	1 383.0	1 246.0	1 231.1	2.8	1 228.3
Georgia	July/June	890.0	95.0	985.0	814.0	718.2	7.4	710.8
Kyrgyzstan	July/June	263.0	58.0	321.0	330.0	327.5	0.0	327.5
Tajikistan	July/June	278.0	93.0	371.0	459.0	359.2	18.2	341.0
Turkmenistan	July/June	4.0	0.0	4.0	271.0	269.7	0.0	269.7
Uzbekistan	July/June	152.0	0.0	152.0	150.0	125.4	0.0	125.4
Far East		**26 741.6**	**1 065.5**	**27 807.1**	**25 480.8**	**19 882.5**	**1 220.0**	**18 662.5**
Bangladesh	July/June	2 298.6	172.4	2 471.0	3 550.0	3 392.4	351.5	3 040.9
Bhutan	July/June	71.6	0.4	72.0	71.0	0.0	0.0	0.0
Cambodia	Jan./Dec.	30.0	10.0	40.0	40.0	1.5	1.5	0.0
China (Mainland)	July/June	2 366.0	0.0	2 366.0	2 077.0	994.5	0.0	994.5
D.P.R. of Korea	Nov./Oct.	41.2	568.6	609.8	1 660.4	826.7	759.9	66.8
India	April/March	6 730.0	35.3	6 765.3	2 100.0	1 932.2	30.7	1 901.5
Indonesia	April/March	8 159.9	32.9	8 192.8	7 642.0	6 107.8	16.0	6 091.8
Lao, P.D.R.	Jan./Dec.	16.4	11.4	27.8	27.4	2.5	2.5	0.0
Mongolia	Oct./Sept.	230.4	42.6	273.0	285.0	114.6	5.0	109.6
Nepal	July/June	212.4	7.6	220.0	190.0	12.1	12.0	0.1
Pakistan	May/April	97.7	65.9	163.6	1 521.0	1 291.9	2.1	1 289.8
Philippines	July/June	5 244.8	83.0	5 327.8	5 026.0	4 664.6	16.9	4 647.7
Sri Lanka	Jan./Dec.	1 182.6	35.4	1 218.0	1 230.0	535.3	21.9	513.4
Timor-Leste	July/June	60.0	0.0	60.0	61.0	6.4	0.0	6.4
Near East		**9 811.1**	**201.9**	**10 013.0**	**10 870.0**	**6 699.2**	**154.1**	**6 545.1**
Afghanistan	July/June	690.8	151.7	842.5	750.0	489.8	136.9	352.9
Iraq	July/June	3 772.3	7.7	3 780.0	3 880.0	3 858.1	9.0	3 849.1
Syrian Arab Republic	July/June	2 471.7	8.3	2 480.0	3 350.0	1 757.9	4.6	1 753.3
Yemen	Jan./Dec.	2 876.3	34.2	2 910.5	2 890.0	593.4	3.6	589.8
CENTRAL AMERICA		**1 497.1**	**155.5**	**1 652.6**	**1 568.0**	**1 161.0**	**147.0**	**1 014.0**
Haiti	July/June	487.5	95.5	583.0	593.0	357.0	58.0	299.0
Honduras	July/June	671.7	33.1	704.8	615.0	526.0	41.4	484.6
Nicaragua	July/June	337.9	26.9	364.8	360.0	278.0	47.6	230.4
OCEANIA		**422.2**	**0.0**	**422.2**	**415.7**	**157.7**	**0.0**	**157.7**
Kiribati	Jan./Dec.	8.7	0.0	8.7	8.7	0.0	0.0	0.0
Papua New Guinea	Jan./Dec.	364.5	0.0	364.5	358.0	157.7	0.0	157.7
Solomon Islands	Jan./Dec.	29.5	0.0	29.5	29.5	0.0	0.0	0.0
Tonga	Jan./Dec.	6.4	0.0	6.4	6.4	0.0	0.0	0.0
Tuvalu	Jan./Dec.	1.1	0.0	1.1	1.1	0.0	0.0	0.0
Vanuatu	Jan./Dec.	12.0	0.0	12.0	12.0	0.0	0.0	0.0
EUROPE		**1 572.2**	**37.0**	**1 609.2**	**1 606.0**	**778.5**	**0.0**	**778.5**
Albania	July/June	440.0	0.0	440.0	480.0	293.0	0.0	293.0
Belarus	July/June	576.0	0.0	576.0	331.0	102.6	0.0	102.6
Bosnia and Herzegovina	July/June	535.2	0.0	535.2	470.0	257.6	0.0	257.6
Moldova	July/June	21.0	37.0	58.0	325.0	125.3	0.0	125.3
TOTAL		**76 912.2**	**4 209.0**	**81 121.2**	**82 742.6**	**57 984.2**	**2 980.2**	**55 004.0**

[1] Includes food deficit countries with per caput income below the level used by the World Bank to determine eligibility for IDA assistance (i.e. USD 1 675 in 2005).
[2] Estimates based on information available as of mid-June 2008.

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