Global and Regional Food Situation and Outlook

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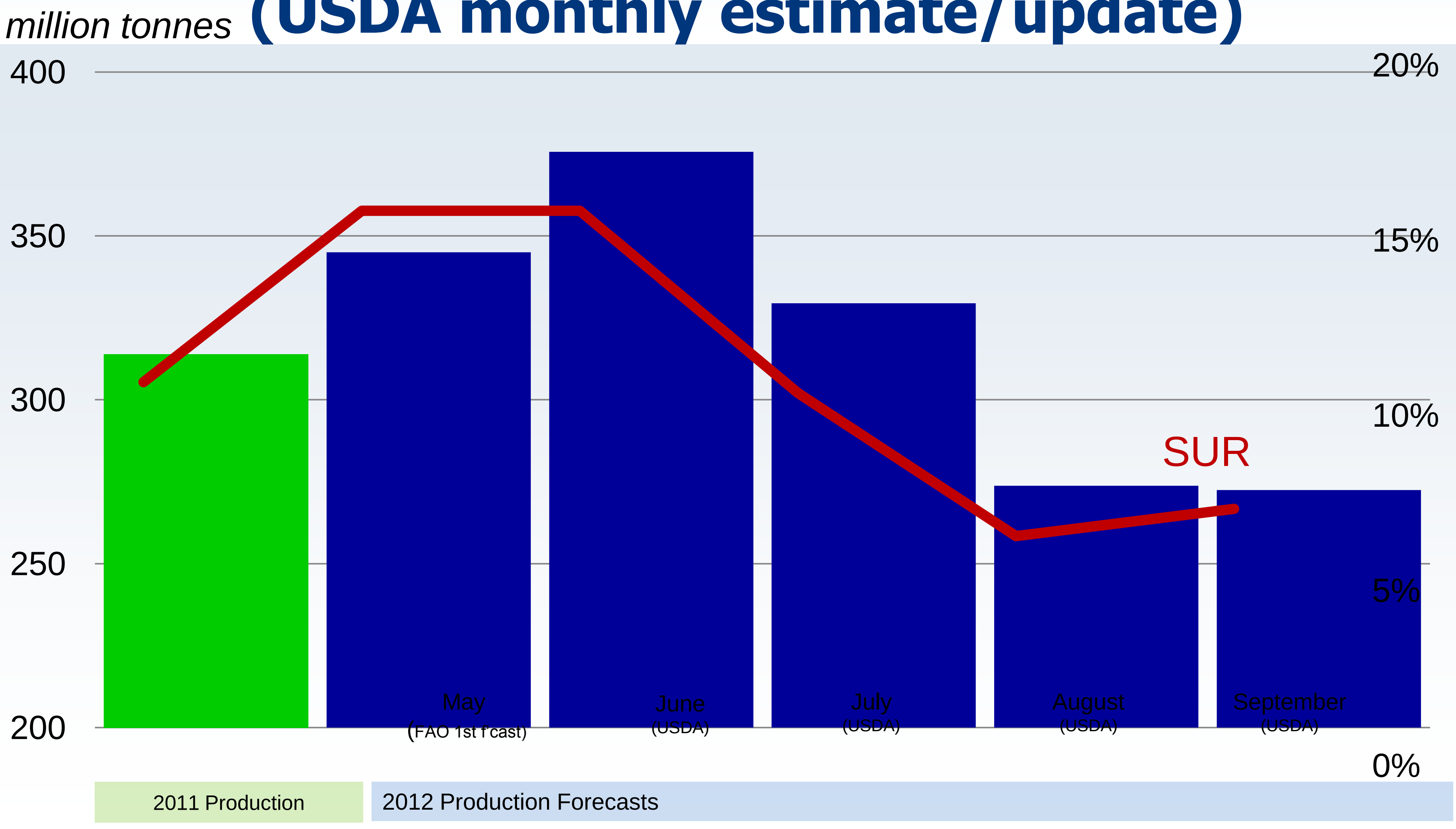
Three topics

- Overview of the global food situation – *are we heading to another price crisis?*
- Food supply and price situation in Asia
- Policy responses/policy issues, for discussion

Global food balance situation and world prices

US Maize Production and Stock-to-Use Ratio (USDA monthly estimate/update)

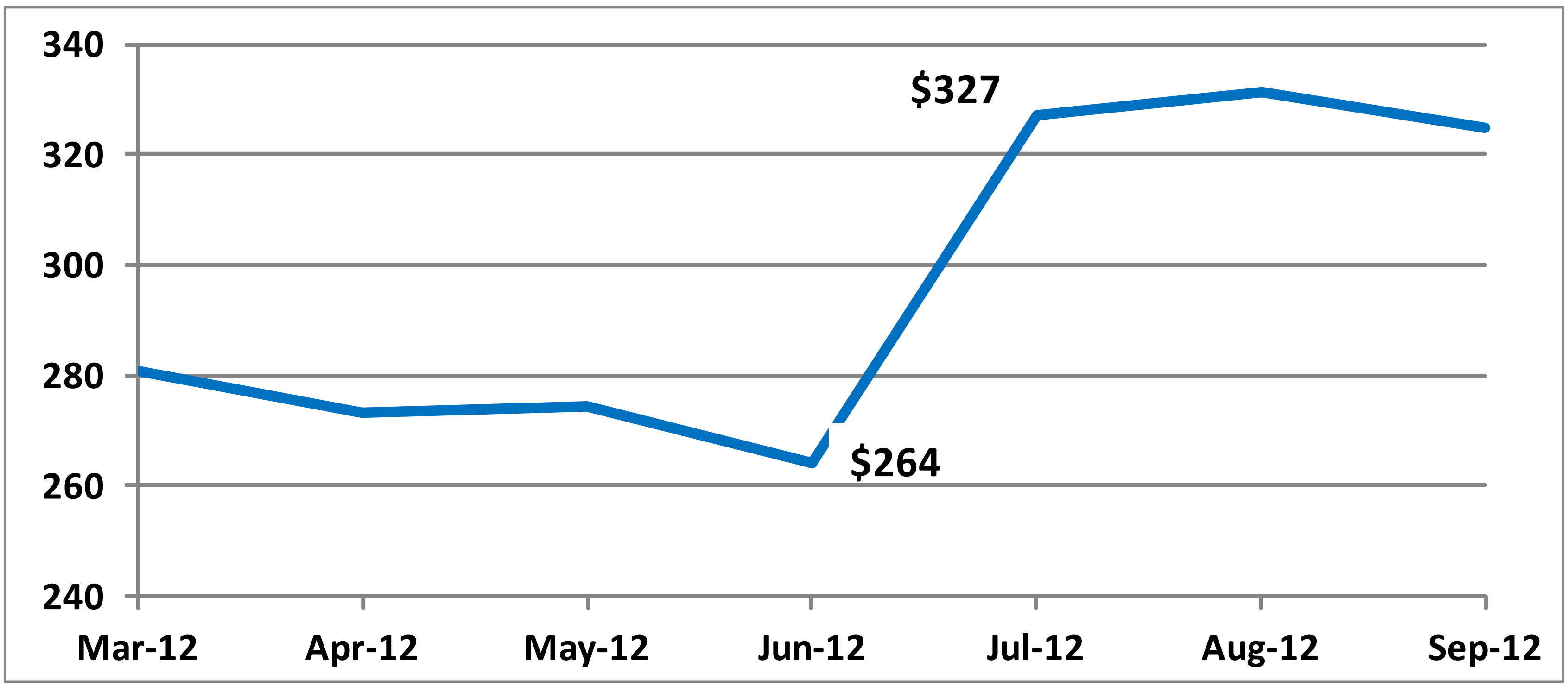


World export price of maize

(USD/ton, US No. 2, US Gulf)

-- 24% rise in 1 month –

Also, Dec 12 futures rose by 60% just in 1 month in July

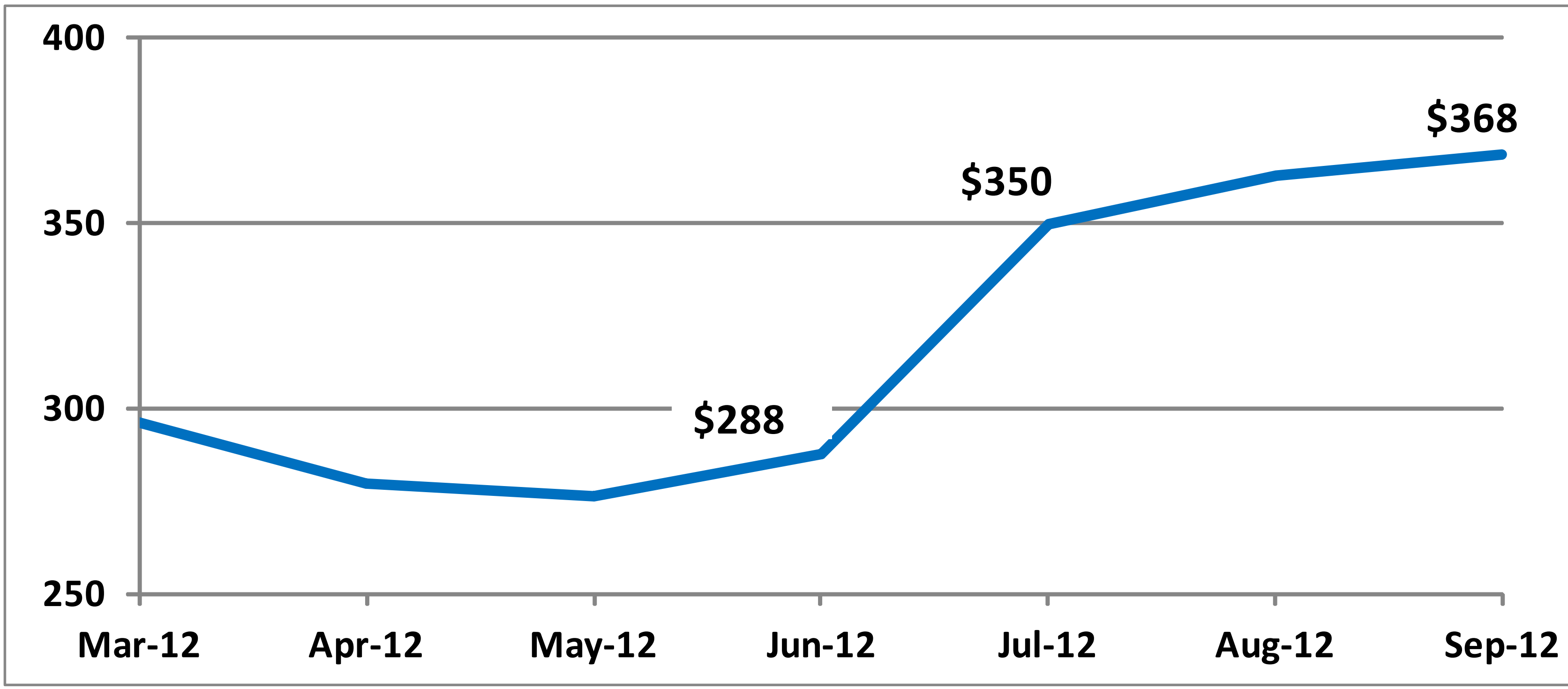


World export price of wheat

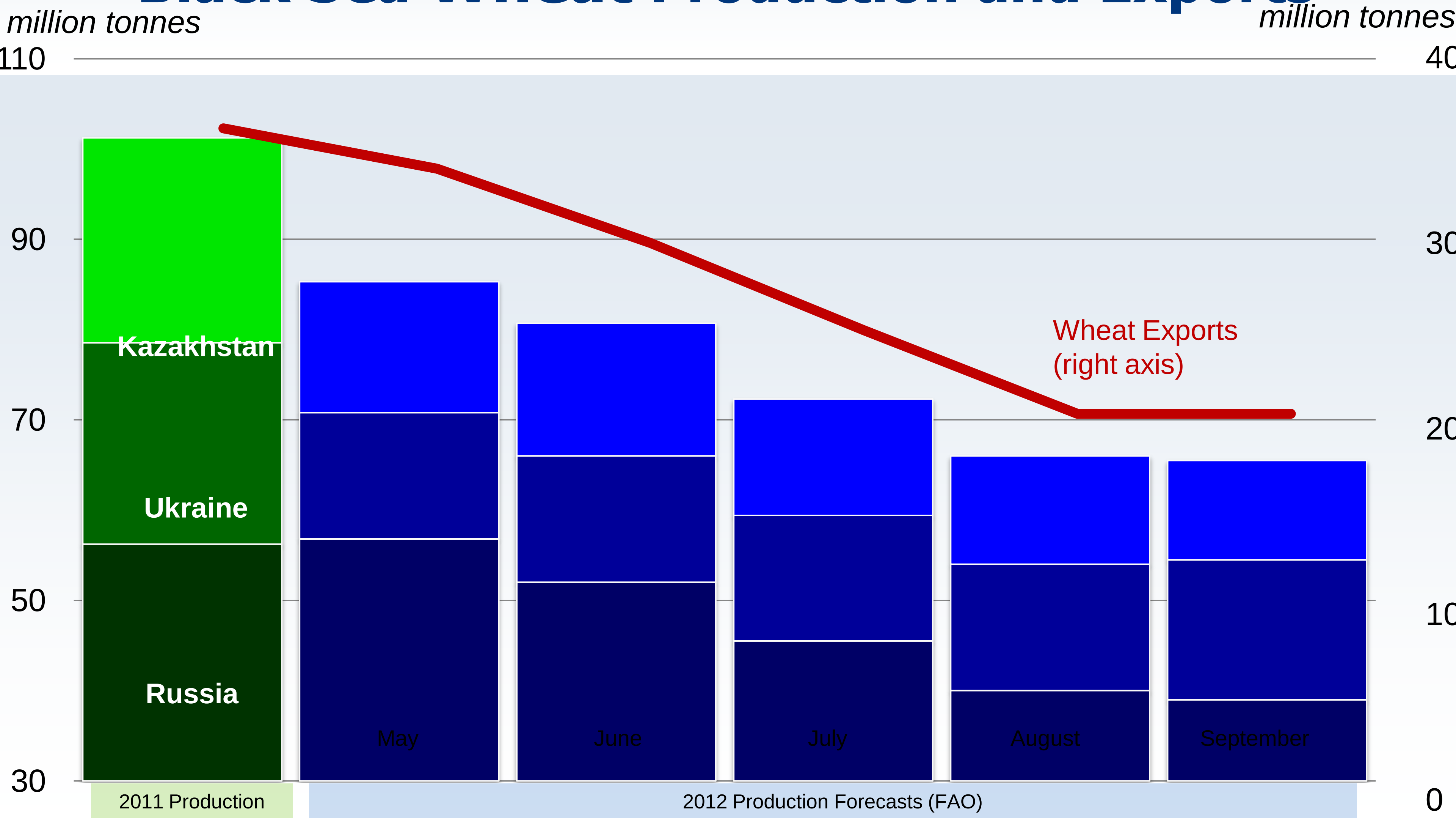
(USD/ton, US No. 2, HRW, US Gulf)

-- 22% rise in 1 month –

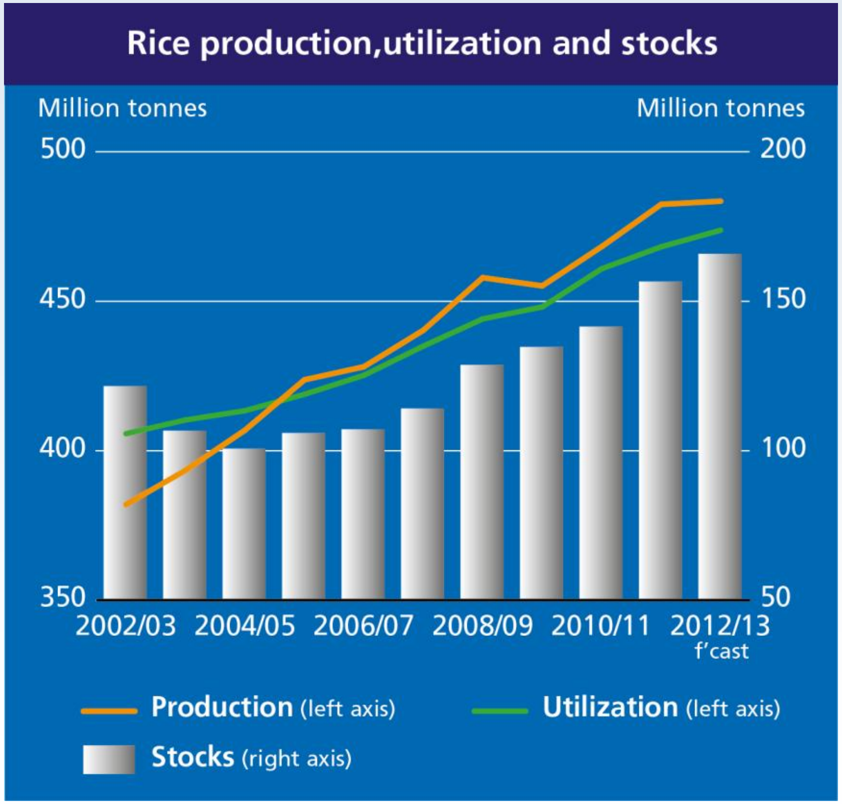
Also, Dec 12 futures rose by 40% just in 1 month in July

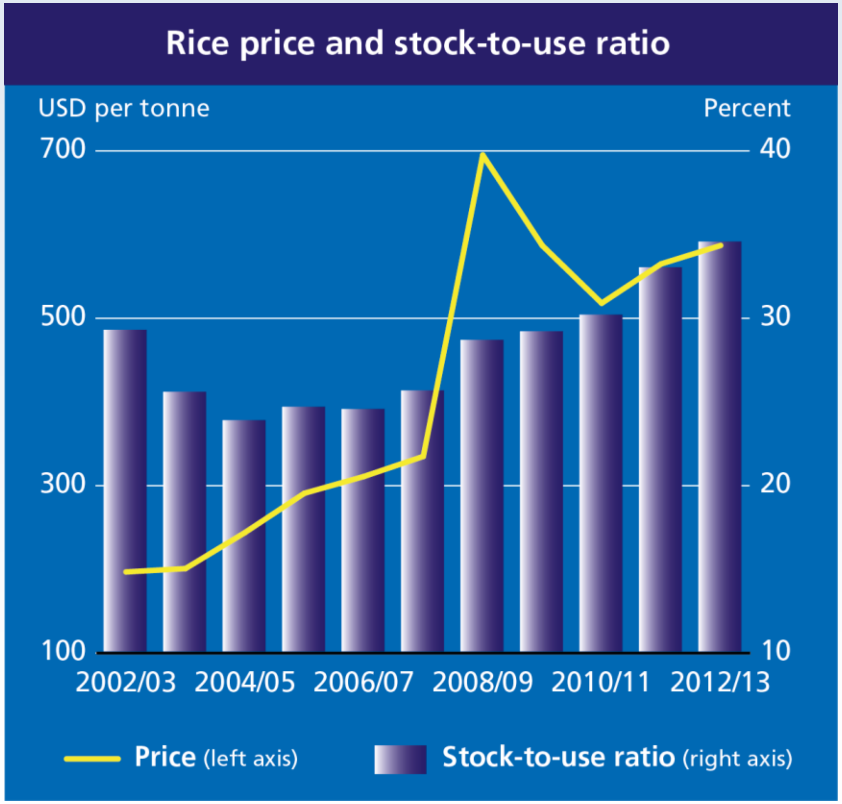


Black Sea Wheat Production and Exports

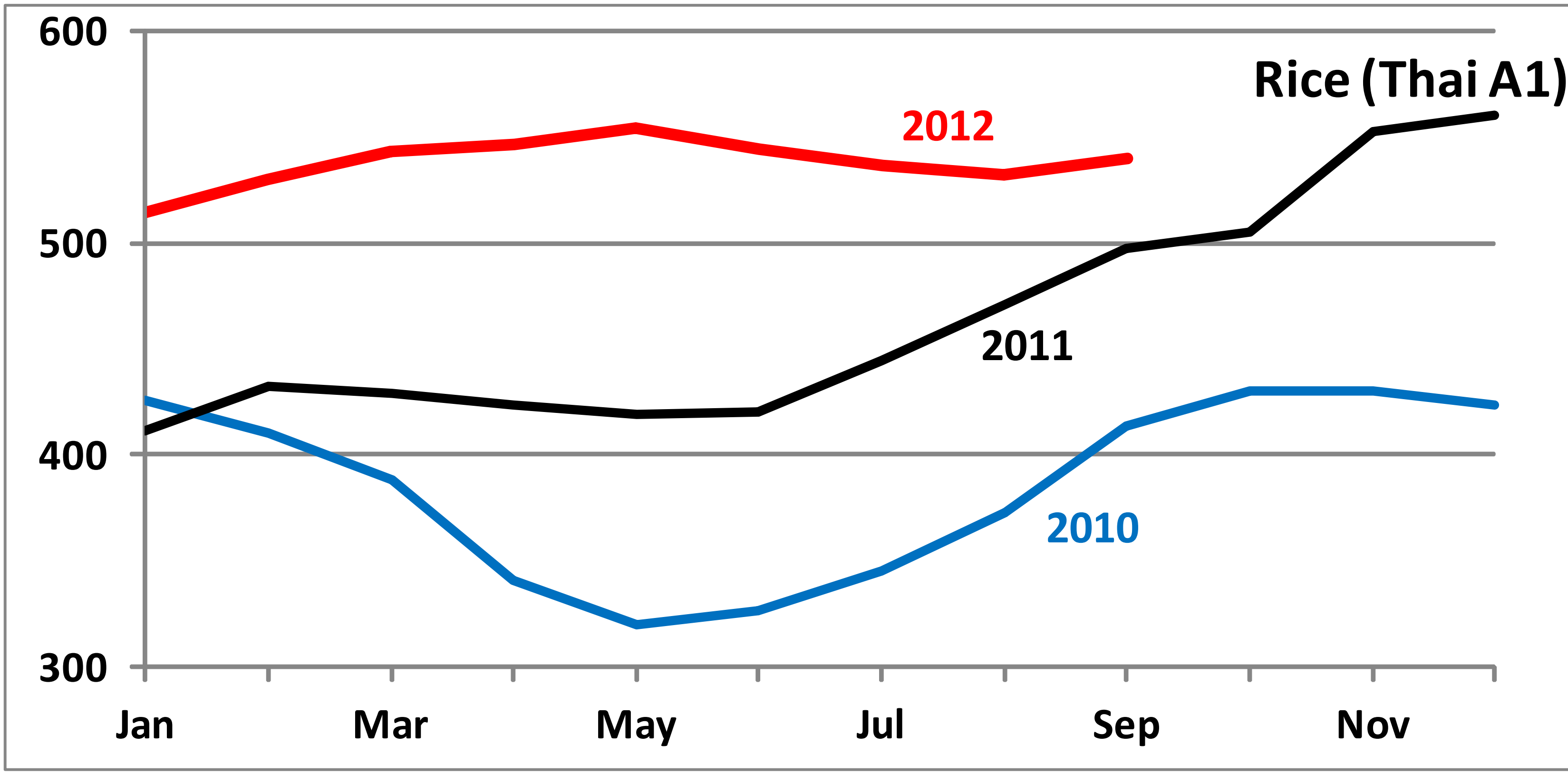


Rice: Another record production pushing up inventories and the stock-to-use ratio while keeping prices relatively stable





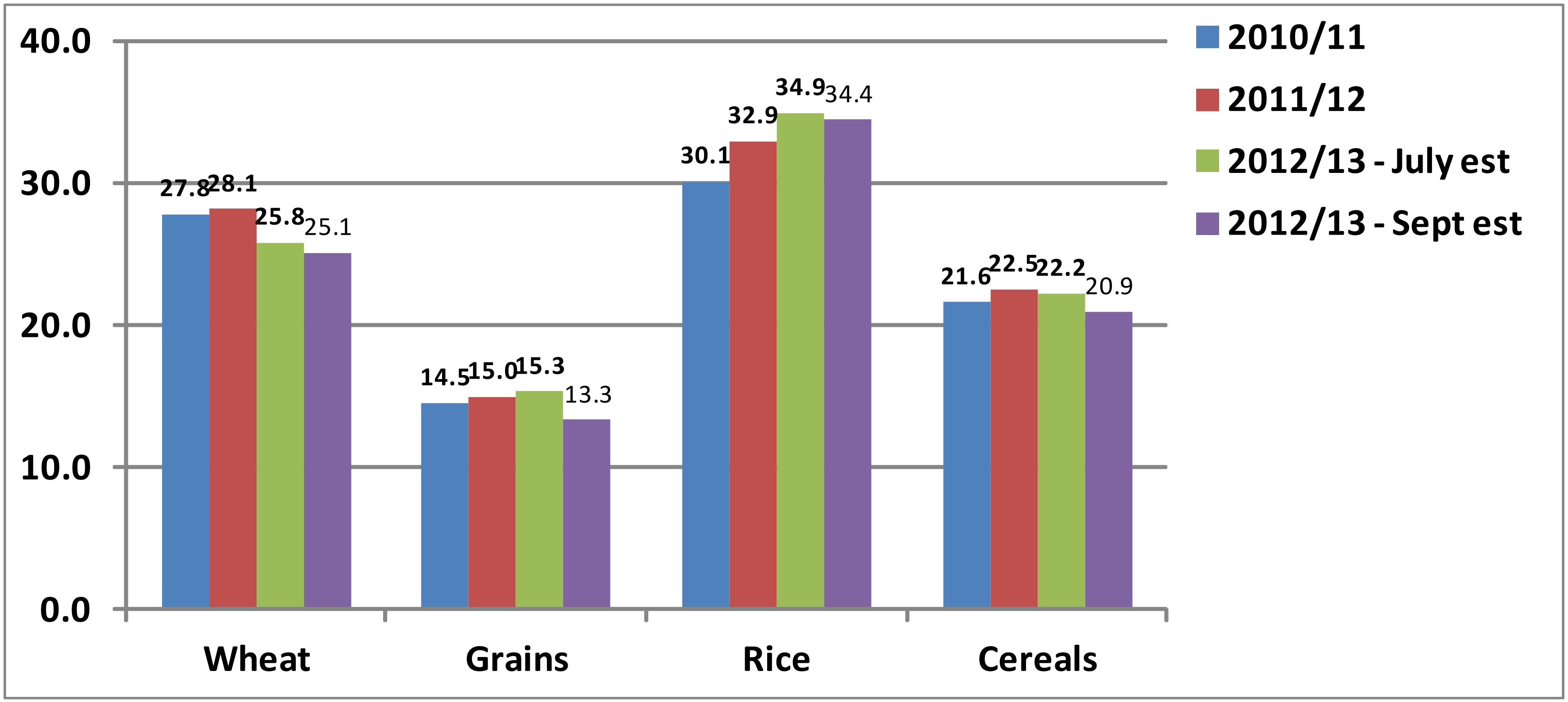
Evolution of the world market price of rice
(Thai A1 variety, USD/tonne)



Summary

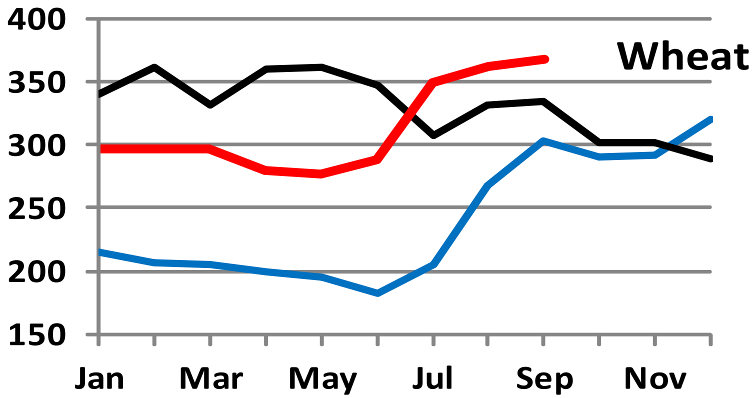
Stocks-to-use ratios

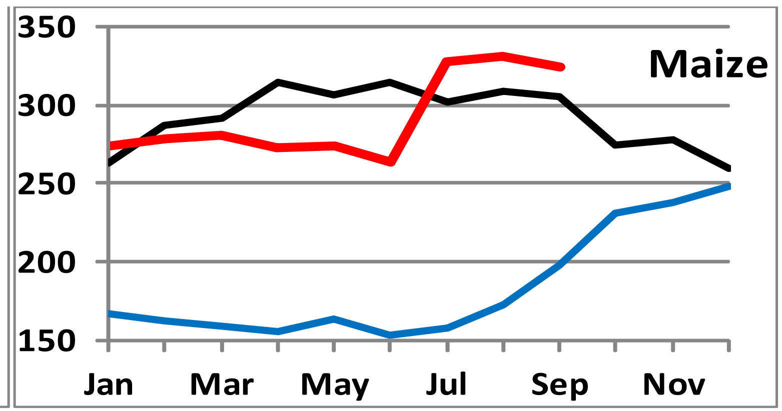
(for the 2012/13 season, July forecast and revised September forecast)

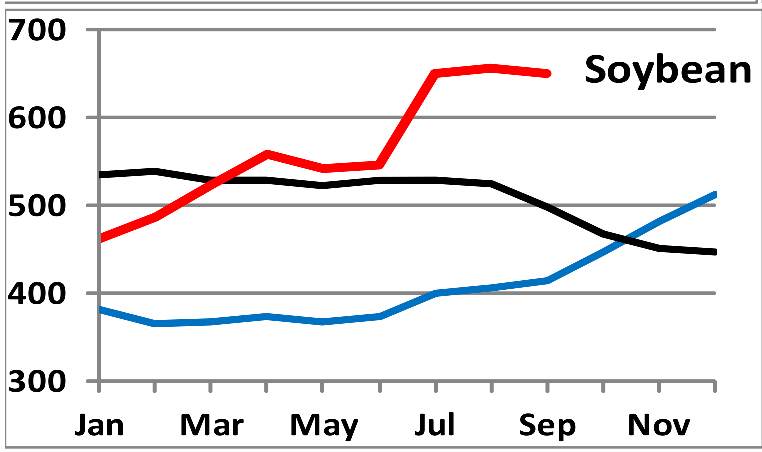


Summary …. talk of a price crisis …… 2012 prices in summer seemed like in 2010 (2010/11 crisis)

(world market prices, USD/tonne)







Red line 2012

Black line 2011

Blue line 2010

Market Summary: No Food Crisis

- **Food Prices expected to remain high**
  - Global maize & **wheat** market balances tight and so vulnerable to any unexpected negative event (e.g. export restriction)
  - **Rice** situation more stable (large stocks, and export bans less likely this time)

- **In spite of high prices, market conditions are different from 2007/08, most notably:**

1) slower econ. growth => reduced demand; 2) Lower oil prices than in 2007/08; 3) much reduced speculative fund in food futures; 4) deceleration (if not contraction) in maize use in ethanol; 5) freight rates near record lows; and 6) fertilizer prices well below 2007/08.

Food production and price situation in the ASEAN region

Rice (paddy) production growth rates in 2011 and 2012

(% change from previous year)

	2011 over 2010	2012 over 2011		2011 over 2010	2012 over 2011
Afghanistan	-6.4	4.2	Malaysia	8.1	1.3
Bangladesh	0.9	1.1	Myanmar	-2.6	2.7
Bhutan	5.3	0.0	Nepal	13.7	-5.3
Cambodia	6.4	-0.9	Pakistan	27.7	1.8
China	2.7	1.9	Philippines	1.6	5.9
India	8.7	-5.6	Sri Lanka	-9.9	9.3
Indonesia	-1.1	4.3	Thailand	-3.8	5.1
Korea DPR	2.2	-7.2	Timor Leste	-12.9	48.5
Korea Rep.	-3.4	-3.8	Viet Nam	5.8	0.4
Lao PDR	-3.9	3.4			

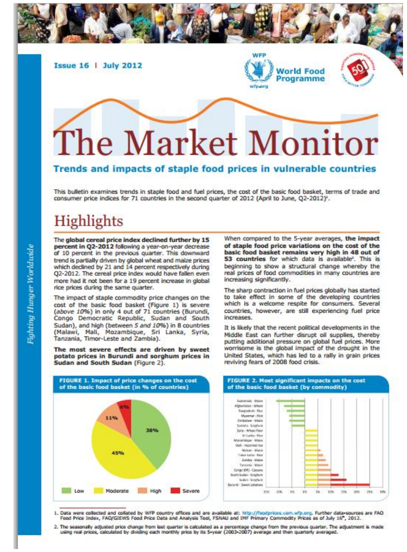
2012 is forecast, FAO.

Overview of *domestic* food prices

FAO AP-WEEKLY

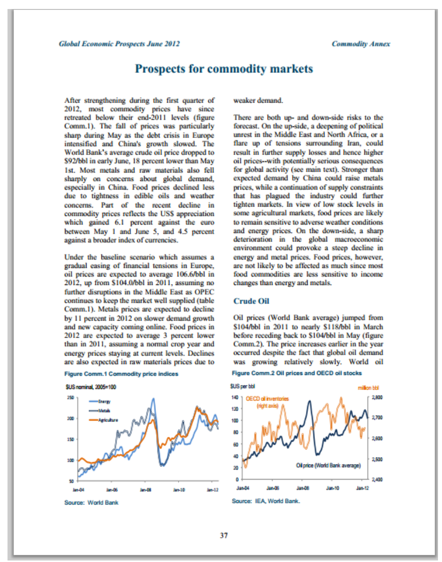
IFPRI

WFP

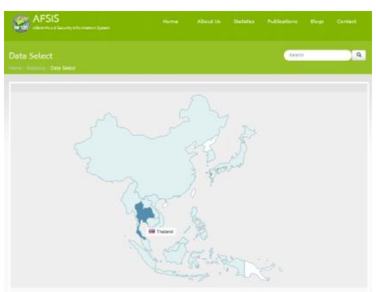


FAO GLOBAL MONITOR

WB



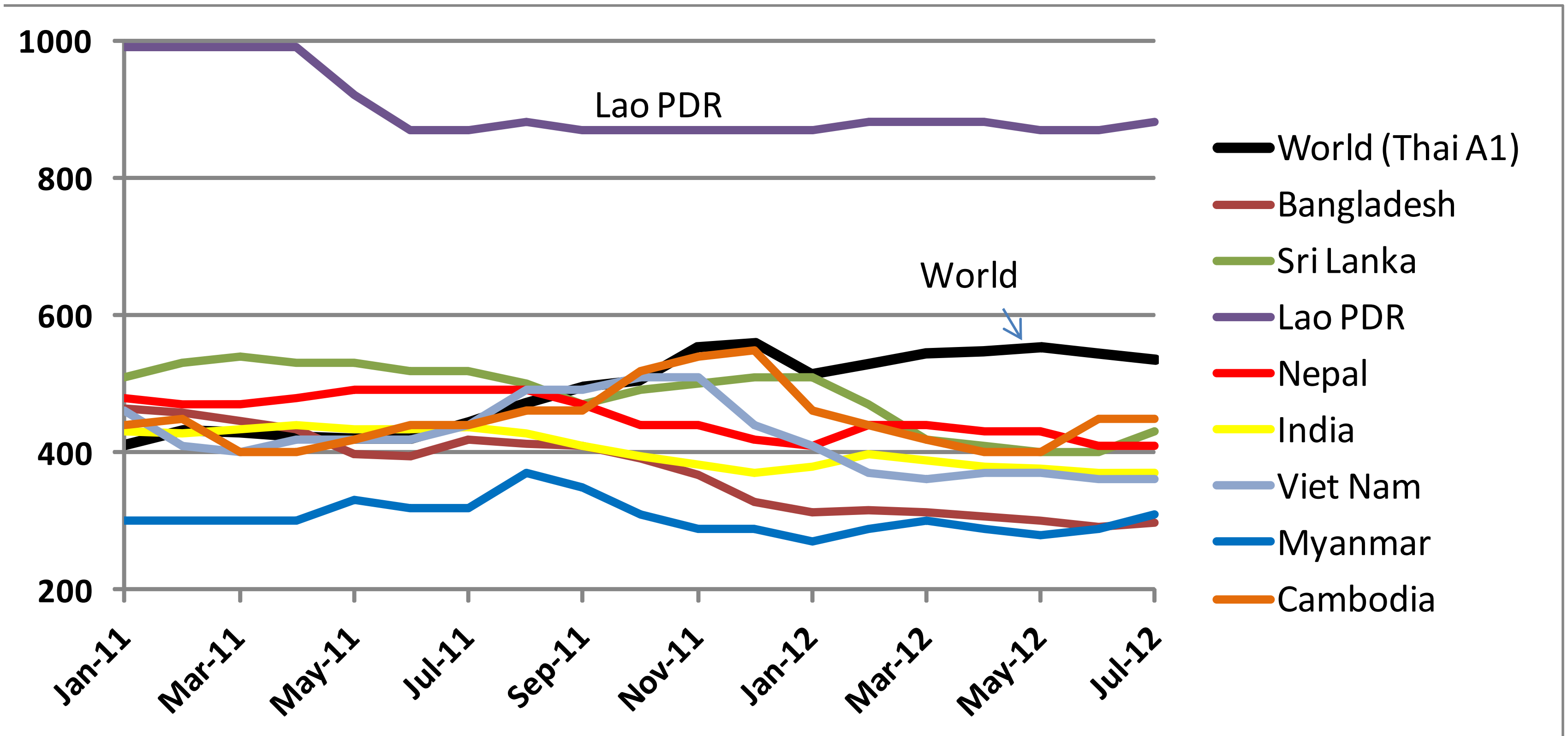
ASEAN/AFSIS



Domestic prices of rice (Jan 2010 – Aug 2012)

(8 countries with falling or stable prices)

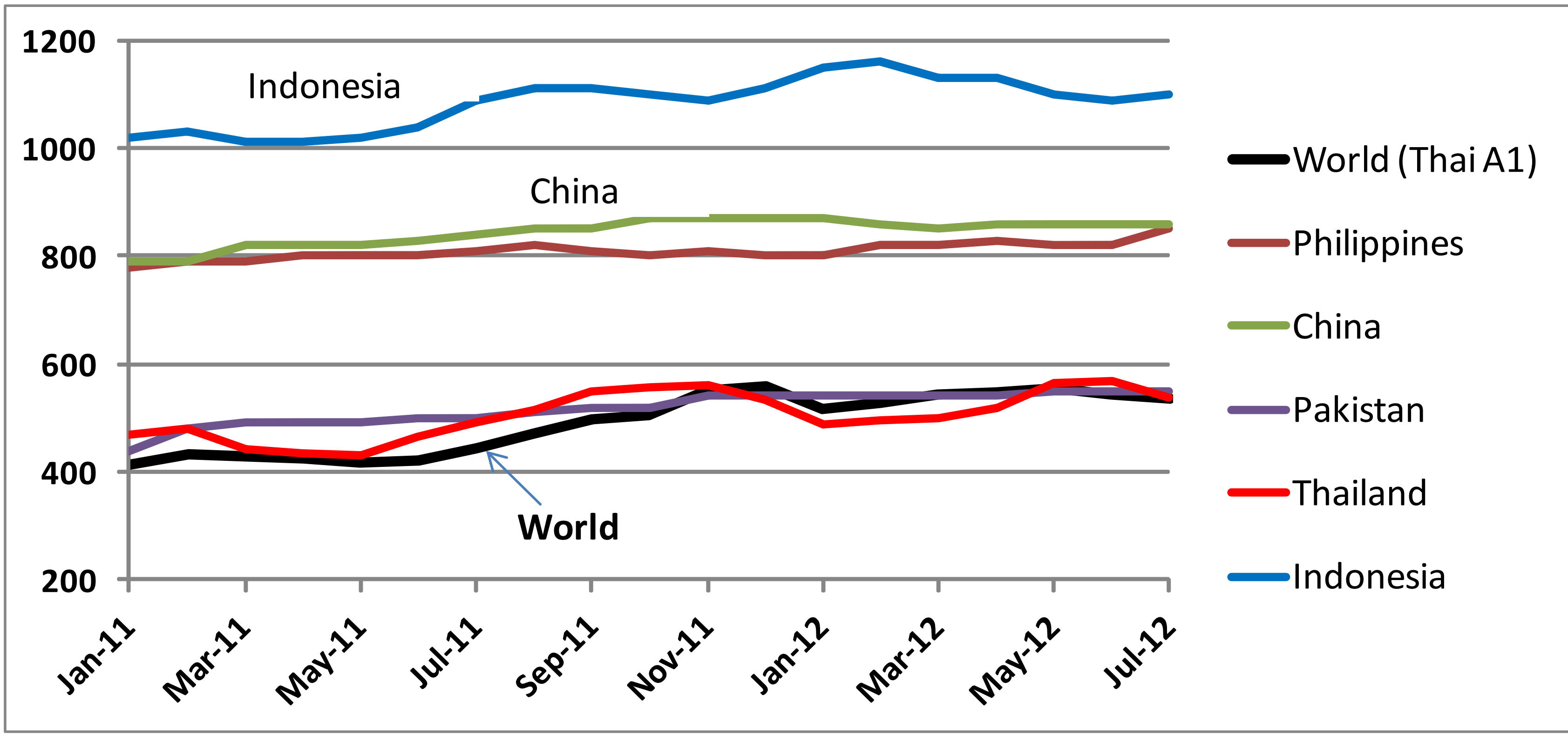
(USD/tonne, FAO GIEWS)



Domestic prices of rice (Jan 2010 – Aug 2012)

(6 countries with increased prices)

(USD/tonne, FAO GIEWS)



Overview of *policy positions and responses*

(global, regional and national)

G20 Ministerial *Action Plan on Food Price Volatility and Agriculture*, June 2011, France (Focus on short-term excessive volatility - 5 objectives or areas of action)

- Agricultural production and productivity
- Transparency of agricultural markets
- International policy coordination
- Availing risk management tools; and
- Regulating financial derivatives markets for food products

Elements of the *Action Plan* (1)

On (2) (transparency/information of agricultural markets)

- Launched AMIS
- Launched *Global Agricultural Geo-Monitoring Initiative* (synergy with AMIS)
- Supported *Global Strategy to Improve Agriculture and Rural Statistics* (synergy with AMIS)

On (3) (international policy coordination)

- Established *Rapid Response Forum* (with AMIS)
- Also mentioned other governance frameworks (CFS, UN HLTF etc)

Elements of the *Action Plan* (2)

On (3) (international policy coordination, continued)

On food export restrictions

- Recognized first responsibility is ensuring own food security
- Agreed to remove restrictions/extraordinary taxes on WFP humanitarian

On biofuel – studies/analyses on food-energy linkages, and research on new technology

Elements of the *Action Plan* (3)

On (4) (reducing effects of volatility – risk mng.)

- Mainstream risk management tools/practices
- Welcomed initiatives (WB and others) - Platform for Agricultural Risk Management (**PARM**)
- Recognized importance of targeted safety nets
- Called for pilot study on regional emergency humanitarian food reserves system (subsequently - WFP led and completed one in West Africa)
- Called for a *responsible emergency food reserves management* (voluntary principles and good practices) (to be discussed at CFS).

Elements of the *Action Plan* (4)

On (5) (financial regulation)

- Welcomed forthcoming work of International Organization of Securities Commissions (IOSCO) on transparency/better functioning/manipulation

- Noted parallel work by G20 Finance Ministers/ Central Bank Governors on this issue

Regional initiatives in Asia - examples

- ASEAN Integrated Food Security Framework and the Strategic Plan of Action on Food Security
- ASEAN + 3 initiative – emergency rice reserves (APTEER)
- SAARC Food Bank
- Also **Regional Strategy for the Asia of the** Global Strategy for Agricultural and Rural Statistics

National policy responses/issues

- Trade policy – exporters and importers
- Food reserves/stocks operations
- Safety nets
- Longer-term – investment for productivity

Illustration of the nature of the FAO responses to food price volatility

FAO's response focused on two main areas:

- Making global, regional and national markets more transparent and efficient, through better statistics and policy; and
- increasing food production in vulnerable areas.

Examples of the former – AMIS, along with GIEWS; and Regional and Global Strategy for Agricultural and Rural Statistics.

Examples of the latter – implementation of the EU Food Facility; **IP**C, vastly enhanced field programme, including Country Programme Framework (CPF).

Thank you very much