Global and Regional Food Situation and Outlook

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01 October 2012
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)

2011 Production

2012 Production Forecasts

May (FAO 1st f'cast)
June (USDA)
July (USDA)
August (USDA)
September (USDA)

0% 5% 10% 15% 20%

million tonnes
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
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)
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)

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2012 is forecast, FAO.
Overview of *domestic* food prices
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; IPC, vastly enhanced field programme, including Country Programme Framework (CPF).
Thank you very much