



Food prices, world cereal markets and AMIS

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Agricultural Market Information System (AMIS)

- Why AMIS?
- How did it come about?
- What is its structure?
- What are its main first-year achievements?
- What AMIS can't do?

Objectives

- Improve agricultural market information, analyses and forecasts at both national and international levels
- Report on *abnormal* international market conditions including structural weaknesses, as appropriate
- Strengthen global early warning capacity
- Collect and analyse policy information, promote dialogue and international policy coordination
- Build data collection capacity in participating countries

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Running scared

Gillian Tett: Have investors lost trust in the markets? Page 22

Can Chávez keep his grip on Venezuela? Analysis, Page 5



News Briefing



Google and Verizon in web coverage alliance

Google and Verizon have jointly outlined a plan covering key aspects of how internet services are carried over communications networks, establishing what could become the financial and operational blueprint for the next phase of the web's development. Page 11: www.ft.com/gapperblog; www.ft.com/google

3i to sell companies

3i has hired investment bankers to sell the two biggest companies - with a combined value of about €1bn - in its German portfolio. Page 11: www.ft.com/privateequity

Barclays defends model

Barclays defended its approach of combining retail and investment banking under one roof with executives delivering a thinly-veiled warning to the UK government that breaking it up could force it overseas. Page 11: Editorial Comment; Page 6: Lex; Page 10: www.ft.com/ukbanks

Italy vows to continue

Italy's centre-right government sent strong signals to international markets that the political crisis would not derail its commitment to reducing the budget deficit. Page 4

Hizbollah's mission

Sayed Hassan Nasrallah, the head of Hizbollah, the militant Lebanese group, has been seen in Beirut. Page 1

Wheat soars on Russia ban

Shares in food groups tumble on export ban
Fears over return of staples price inflation

By Javier Blas and Jack Farhy in London and Catherine Belton in Moscow

The prices of many everyday staples such as bread, flour and beer are set to rise sharply as Russia imposed a ban on grain exports, triggering panic in commodities markets and sending wheat prices to their highest since the 2008 food crisis.

Vladimir Putin, Russian prime minister, announced the ban, starting from August 15, on all the country's grain exports after a severe drought devastated crops and wildfires spread across the country.

The move, which caught traders and food producers by surprise, pushed the price of wheat to its highest in two years and evoked memories of the last time the then Soviet Union suffered a catastrophic crop failure in 1972.

"There is full blown panic in the European grain market," a senior trader said.

European wheat prices rose more than 12 per cent to hit a peak of €236 a tonne on record trading volumes. US wheat futures also jumped and are up more than 50 per cent since mid-June, the fastest rally in nearly 40 years. There were fears that food price inflation could take off and that the world could even suffer a repeat of the 2008 food crisis should the big shortfall in wheat output persist. "Soaring grain prices have brought food inflation back to centre stage," said Joachim Fels.



Wildfires have swept across Russia as a heatwave that is threatening crops has left large areas of forest like a tinderbox

Trichet in upbeat mood over eurozone

By Ralph Atkins in Frankfurt

The eurozone's economic recovery has surpassed expectations but it is too early "to declare victory", the European Central Bank said yesterday, striking a notably more upbeat tone than the US Federal Reserve.

Jean-Claude Trichet, ECB president, said evidence was mounting that the third quarter would see stronger growth than forecast. Uncertainty remained over the outlook, but he dropped a previous description of the level of uncertainty as "high". In contrast, Ben Bernanke, Fed chairman, last month said the outlook was "unusually uncertain" for the US economy.

Mr Trichet's comments came as Germany reported a stronger-than-expected 3.2 per cent rise in industrial orders in June, and Greece was praised by the European Union and International Monetary Fund for its progress in implementing its emergency economic programme.

Signs that the eurozone is over the worst of the crisis, which this year threatened the stability of Europe's 11-year-old monetary union, have boosted confidence in financial markets. Further steps in the ECB's "exit strategy" to unwind exceptional measures taken at the height of the crisis will be considered in September.

Mr Trichet remained cautious, however, saying: "I don't declare victory." After a "particularly flattering" second quarter, growth would be less dynamic in the second half of the year.



Towards AMIS

➤ **The Food Price Surge and Crisis of 2007/08**

International prices peaked in June 2008 - up 80 percent in two years!

➤ **World Food Summit (November 2009)**

Renewed commitment to eradicate hunger

➤ **Extraordinary Meeting of FAO Intergov Groups on Grains and Rice (Sep 2010)**

In response to fears over a repeat of the 2007/08 crisis in 2010/11 following the severe drought and export restrictions by the Russian Federation

Recognized

- a) The lack of reliable and up-to-date information on crop supply and demand and export availability
- b) Insufficient market transparency at all levels including in relation to futures markets
- c) Growing linkage with outside markets, in particular the impact of "financialization" on futures markets
- d) Unexpected changes triggered by national food security situations
- e) Panic buying and hoarding

Recommended

- a) Analyses of alternative approaches to mitigating food price volatility, with a view to support policy decision-making
- b) New mechanisms to enhance transparency and manage the risks associated with new sources of market volatility
- c) Exploring ways of strengthening FAO's partnerships with other relevant Organizations working on these issues

... Towards AMIS

➤ **G20 Seoul Summit (November 2010)**

The Seoul Summit identified nine key pillars in its Multi-Year Action Plans for Development and invited int'l organizations to develop, for 2011 Summit in France, proposals to better manage and mitigate risks of food price volatility without distorting market behavior. These organizations (FAO, IFAD, IFPRI, IMF, OECD, UNCTAD, WFP, the World Bank, WTO, and the UN HTLF) prepared a report on **Price Volatility in Food and Agricultural Markets** with ten recommendations. One of which called for the establishment of **AMIS** in order to enhance the quality, timeliness and reliability of food market outlook information.

➤ **A Scoping Report for G20: Improving Food Market Transparency and policy Response for Food Security: AMIS (May 2011):**

The organizations prepared a scoping report which reviewed the existing global food market outlook information mechanisms, identified problems and gaps, and determined the scope, structure and operations of AMIS.

➤ **G20 Agriculture Ministers Meeting (Paris, June 2011)**

The Ministerial meeting adopted the **Action Plan on Food Price Volatility and Agriculture** which focused on five main pillars: i) improving agricultural production and productivity; ii) increasing market information and transparency; iii) strengthening international policy coordination; iv) reducing the effects of price volatility for the most vulnerable; and v) improving the functioning of agricultural commodity derivatives' markets.



Launch of AMIS

- AMIS in Rome on September 15-16, 2011, to improve information on markets.
- The "Global Agricultural Geo-monitoring Initiative" in Geneva on September 22-23, 2011, to coordinate satellite monitoring observation systems in different regions of the world in order to enhance crop production projections and weather forecasting data.
- The G20 Cannes Summit (November 2011) Endorses the Action Plan

Structure

Building on existing mechanisms and institutions

- **AMIS Participants and Coverage:** Participants include the G20, Spain and seven non-G20 countries (Egypt, Kazakhstan, Nigeria, the Philippines, Thailand, Ukraine, and Vietnam). The seven countries have been selected on the basis of their significant share in global production and trade for the four (initially) commodities covered by AMIS: Wheat, Rice, Maize and Soybean.
- **AMIS Secretariat:** Housed in **FAO**, it is formed by nine int'l organisations. It is responsible for producing market outlooks, assessments and analyses, and for supporting all functions of the Forum and the Information Group. It is housed in FAO's Trade and Markets Division.
- **The Information Group:** It consists of technical representatives (Focal Points) from participant countries. Focal Points provides national market and policy information to the Secretariat. It meets twice a year.
- **The Rapid Response Forum:** It is composed of Senior Officials from participant countries. It aims to foster early discussion among decision-level officials about *abnormal* international market conditions to encourage coordination of policies. It meets as needed, but in principle not less than once a year.
- **AMIS Chair:** Presides over meetings of the Forum and the Information Group. Elected for one year from the participating countries. Currently France.



AMIS First Year - Sep 2011-Oct 2012

September 2011

- Official launch of **AMIS** (Rome, 15-16 September 2011): Adoption of AMIS TORs and Rules and Procedures, as well as a working document outlining Secretariat outputs.

December 2011

- Launch of the AMIS **Website** (www.amis-outlook.org).
- Expert Meeting on **Market Indicators**, AMIS outputs and Work Programme (Rome, 19-20 Dec 2011).

February 2012

- 1st meeting of the **AMIS Information Group** (Rome, 9-10 Feb 2011) to discuss informational channels, data requirements, methodology, and data input mechanisms with **AMIS Statistical Database**.

April 2012

- First meeting of the **Rapid Response Forum** (Mexico City, 11 April 2012) to review the progress made since the AMIS inception meeting in September 2011.

October 2012

- **First meeting of the AMIS Secretariat Steering Committee (Rome, 1 Oct 2012)**
- **Second meeting of the Global Food Market Information Group (Rome 2-4 Oct 2012)**

First Year Major Outputs

Website and Statistics

- Near completion of AMIS statistical database; providing supply and demand statistics on AMIS-covered commodities (wheat, rice, maize, soybeans) for the participating countries and allowing extraction/comparison of the latest data from different sources.

Capacity Development

- Establishment of an “Umbrella project” for all AMIS-related projects and preparation of two capacity building project documents (funded by the Japanese Government and the Bill and Melinda Gates Foundation).

Governance

- Establishment of AMIS Steering Committee. It will act as a managing or governing body of the Secretariat, with a clear governance structure defining tasks and responsibilities of the Secretariat members

Market Indicators

- Launched a major study on stocks-to-use ratio. Identification of priorities, assessment of needs and information to define a set of indicators enabling AMIS to predict any sudden, undesirable developments that could result in major market disturbances.

Market Monitor

- Starting in August 2012 publish regular reports on global market conditions, available on AMIS website.

Japan funded AMIS project

- **Objective:** Strengthening agricultural (rice) market information in two pilot countries: Thailand and the Philippines.
- **Budget:** US\$1.5 million
- **Duration:** 3 years (starting soon)
- **Outputs:**
 - Existing data on rice supply/demand assessed
 - Methodologies for estimating rice production, area, yield and stocks improved
 - Guidelines prepared and staff trained
 - Improved methodologies disseminated to other countries



Gates funded AMIS project

- **Objective:** Strengthening AMIS globally and in selected countries (Nigeria, India and Bangladesh).
- **Budget:** US\$5.6 million
- **Duration:** 3 years (started Aug 2012)
- **Outputs:**
 - improvement of existing methodologies on crop forecasts, stock estimates and market price data collection and monitoring through the use of digital and geo-referenced technology.
 - Development of methodologies and global and country IT platforms
 - Capacity building

What AMIS can't do?

- Improve quality of food balances in the short run – this is a long-run effort
- Bypass governments and work only with the private sector
- Compete with the private sector on market due diligence and just-in-time information
- Predict food prices

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