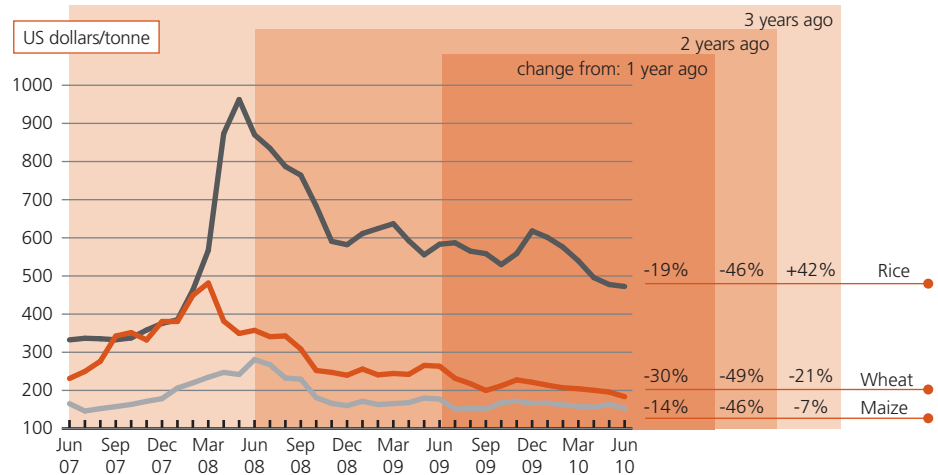


Positive outlook for the 2010 global food supplies

FAO's first forecast for the 2010 cereal production points to a near-record level, which combined with ample stocks in the current season, has resulted in a further decline in international prices in the past months. Prices of wheat, maize and rice are lower than a year ago and their peaks of 2008.

Overall, the FAO food price index that had declined from January to March, remained stable in the past two months. In May it was 7 percent higher than a year earlier, although 23 percent below its peak in June 2008.

International cereal prices (benchmark monthly averages)



The food situation still critical in the eastern Sahel

The food and livestock situation remains critical as a result of high food prices, poor rangeland conditions and the deterioration of the terms of trade for pastoralists. Latest information indicates that in Niger, 7.1 million people or 48% of the population, are estimated to be food insecure, including 3.3 million people facing "severe" food insecurity. In Chad, where approximately 2 million people are in need of food assistance, the nutritional situation of children is reported to have deteriorated dramatically. In Niger, emergency interventions have started including cereal sale at subsidized prices by the Government, comprehensive feeding by UNICEF and WFP, as well as distribution of animal feed, seeds and fertilizers by FAO. Input distribution to pastoralists is also underway in Burkina Faso, Chad and Mali. However, pledges are short of requirements, notably in Chad where FAO has only been able to mobilize USD2.0 million of the USD11.8 million requested last November as part of a UN inter-agency appeal.

In Southern Africa, 2010 cereal crops better than anticipated

Favourable end of season rains benefited the recovery of crop conditions after an extended dry spell in several areas. In Mozambique, maize production is estimated slightly down from last year's bumper crop but the regional situation is mixed with sharply reduced crops in southern parts. In Madagascar, a good main paddy harvest is underway. However, in vulnerable southern areas cereal production was reduced by drought for the second consecutive year and food insecurity is severe in 65 districts. In Zimbabwe, larger plantings compensated for lower yields and maize output is forecast similar to last year. In Malawi, the maize output is estimated to have declined by 13 percent from the record level of 2009. In largest producer South Africa, maize production is record

Early prospects for 2010 cereal production favourable in Eastern Africa

Early and abundant rains in the past two months have benefited planting of 2010 main season crops and have improved water and pasture

availability for livestock in previously drought-affected areas.

Overall, about 18.5 million people are estimated to be food insecure in the subregion in Sudan, eastern Ethiopia, Somalia and north-eastern Uganda, mainly due to civil conflict. This number is likely to increase as farmers are entering the lean season with very low food stocks as a consequence of a reduced 2009 harvest in several areas.

Lower 2010 winter crops in North Africa

In Egypt, the winter wheat crop is being harvested and forecasts indicate a drop of 8 percent in production from the previous year. Lower winter cereal crops are also expected in Morocco and Tunisia affected by erratic rains.

Good 2010 cereal crops in the Near East

Harvesting of 2010 main winter cereal crops is underway and production prospects are favourable due to abundant precipitation during the season. This follows two consecutive years of drought that affected crop and livestock production.

In Central America, tropical storm caused infrastructure and agricultural damage

The recent passage of the tropical storm Agatha caused flooding and landslides in Guatemala, El Salvador, Honduras and Nicaragua heavily damaging the newly planted 2010 main season crops. Damage to transport infrastructure have also disrupted marketing activities in sub-region. Food security of vulnerable population, previously affected by drought conditions, have further deteriorated.

In South America, above average coarse grains and rice crops being gathering in most countries

In Argentina, maize production is expected to increase 61 percent from last year's record low level. In Brazil, production is also forecast to increase to above average levels.

Regional/national price roundup

Food prices declining in several regions but still high in the Sahel and some other countries

In **Eastern Africa**, prices of maize have been declining since the beginning of the year and in general are returning to their pre-crisis levels. However, in Sudan prices of sorghum and wheat, staple foods, are at record levels following a reduced 2009 cereal harvest. In Kenya, prices increased slightly in the first week of June with the beginning of the lean season.

In **Southern Africa**, prices of the main staple maize have declined in April and May with the overall satisfactory 2010 harvests and have returned to normal levels. However, in southern parts of Mozambique rice and maize prices remain high reflecting drought-reduced first season crops and sustained feed demand.

In **Western Africa**, prices of cereals have increased in May in Sahel countries affected by reduced 2009 cereal harvests, particularly in Niger, where millet prices are at record levels, and in northern parts of Chad.

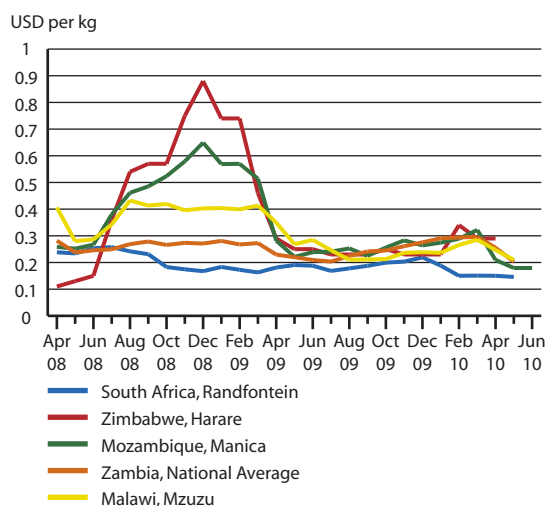
In Senegal, prices of rice have been on the increase since late last year. Overall, cereal prices in Western Africa are well above the pre-crisis level.

In **Asia**, price trends for rice are mixed. In the main exporter countries Thailand and Viet Nam domestic prices have markedly declined in the last three months following good winter harvests. In Bangladesh, prices of rice started to decline with the good harvest of the 2010 "boro" season. However, in India rice prices remain at almost record levels despite a slight decline in May. Prices of wheat continue to decline in India and Pakistan following the recent satisfactory harvests.

In **Central America and the Caribbean**, prices of the main staple maize have declined slightly in the last month, in most countries, including Guatemala where prices were increasing since December 2009. In Haiti, prices of rice have returned to the pre-earthquake level given the increased supply of imported rice.

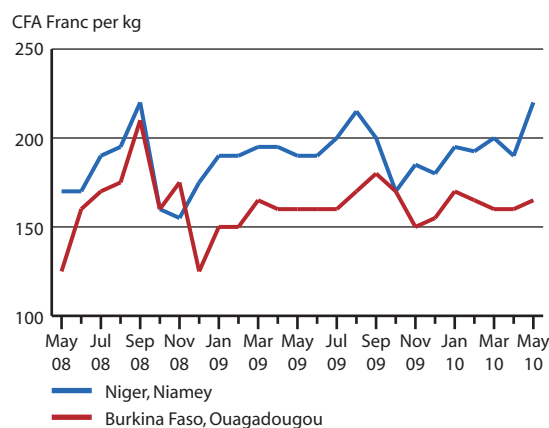
In **South America** prices of main staples wheat and rice remain generally stable.

Maize prices in selected Southern African markets



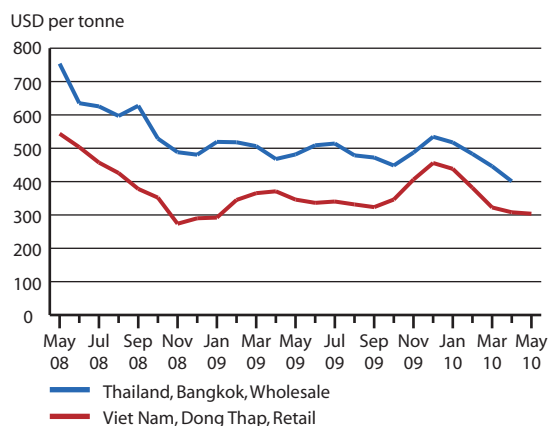
Source: SAFEX Agricultural Products Division, WFP/CFSAM/FEWSNET, Sistema De Informação De Mercados Agrícolas De Moçambique, Central Statistical Office, Ministry of Agriculture and Food Security

Millet prices in selected Western African markets



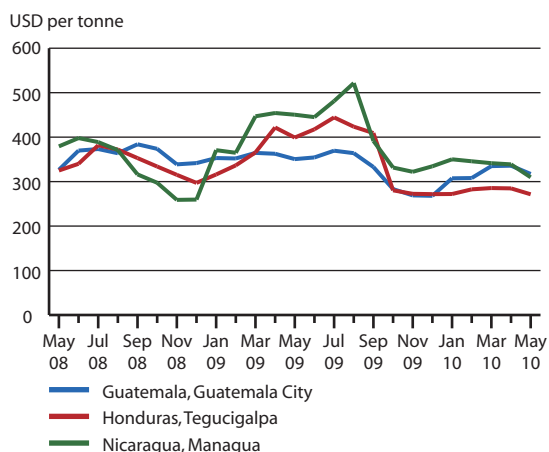
Source: Afrique Verte

Rice prices in selected Asian markets



Source: Bank Of Thailand, Agriinfo

Maize prices in selected Central American markets



Source: Ministerio de Agricultura, Ganadería y Alimentación, SIMPAH, Ministerio agropecuario y forestal