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Food  
and  
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of  
the  
United  
Nations

Organisation  
des  
Nations  
Unies  
pour  
l'alimentation  
et  
l'agriculture

Organización  
de las  
Naciones  
Unidas  
para la  
Agricultura  
y la  
Alimentación



# CONFERENCE

## Twenty-eighth Session

Rome, Italy, 20 October - 2 November 1995

### THE STATE OF FOOD AND AGRICULTURE 1995: SUMMARY

1. The State of Food and Agriculture will be discussed in Plenary at the 1995 Conference, instead of in Commission I. The Director-General's annual report on the state of food and agriculture, normally reviewed prior to augmentation and publication by Council or Conference in November, will be published this year in October. The full report will be available to delegations at Conference, but will not be available in time for Ministers and Heads of Delegations to draw upon it in preparing their statements at Plenary.
2. The purpose of this brief document is to draw attention to the state of food and agriculture as seen by FAO at the end of July 1995 as well as to the main factors that are affecting or will affect the state in the medium-term. The policy issues associated with the current situation and those linked to the more fundamental forces that will shape the sector over the medium term are highlighted below.
3. The 28th Session of the FAO Conference takes place when the preparations for the forthcoming World Food Summit in November 1996 are under way. The Committee on World Food Security at its 20th Session (24-28 April 1995), and the Council, at its 108th Session (5-14 June 1995), provided guidance on the elements to be included in the policy document and plan of action on universal food security, which will be before the Summit. The Committee on World Food Security will be the focal point for discussion by Members of the proposed policy document and plan of action, meeting in January 1996 and, if necessary, September 1996. Ministers and Heads of Delegations are invited to give particular attention to the proposed elements for inclusion in a policy document on universal food security.
4. The policy document for the Summit will contain the set of linked policies that are most conducive to the attainment of universal food security, while the plan of action will specify the actions to be taken to ensure sustained progress in reducing the incidence of chronic undernutrition and in improving nutritional well-being for an ever-increasing population. The goal of universal food security and the objectives of reducing chronic undernutrition and improving nutritional well-being are shared by all nations. However, some nations have managed to make greater progress than others, and the constraints to further progress vary to the extreme from one country to another. Ministers and Heads of Delegations are encouraged to share the experiences of their governments in formulating and implementing policies to guide the pursuit of these goals and objectives.

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5. The main current event dominating the food and agriculture situation at mid-1995 was the delicate balance between cereal supplies and effective demand for the 1995-96 season. Cereal stocks were forecast to fall to around 14 percent of projected utilization, well below the level considered to be necessary to ensure food security. In view of this sensitive situation an update on the outlook for food supplies relative to needs during the current season will be tabled at Conference.

6. By mid-July international trade prices were 27, 40 and 50-60 percent higher than a year earlier for, respectively, coarse grains, wheat and rice. At the higher levels the cost of forecast cereal imports will be several billion dollars higher than for the recently concluded season. While a large share of the aggregate amount is associated with coarse grains, it is the cereals used for food that have experienced the largest price rises. Cereal exporters, mainly developed countries, will reap a large dividend while cereal importers will pay more over the coming season for essential food grains. As is always the case, it is those with low income that are most vulnerable.

7. It will be recalled that supplies relative to effective demand during the 1994-95 season had become tighter for some of the tropical and fibre commodities and that international trade prices for these commodities climbed to levels well above the long-term average. Recently the prices for these products have declined from the levels reached in 1994 or earlier in 1995, but international prices for sugar, coffee, rubber, cotton and wool were still above the long-term average at mid-July 1995.

8. Members will also recall that food aid in cereals has been declining since the 1992-93 season, when shipments reached 15.2 million tons and 11.1 million tons were provided to the low-income food-deficit countries (LIFDCs). Mid-July 1995 estimates placed total food aid in cereals for 1994-95 at 9.8 million tons, with only 7.0 million for the LIFDCs. Tight world cereal supplies and higher world market prices lead to the expectation that further declines are in prospect for the current 1995-96 season.

9. These developments pose a strong challenge to Ministers with responsibility for food and agriculture policy, and especially to those in countries where the incidence of chronic undernutrition is high or where natural or man-made disasters have led to severe food shortages. It also makes more evident than before the necessity to accelerate the implementation of the Special Programme for Food Production in LIFDCs. Ministers and Heads of Delegations are encouraged to inform the Conference on the actions they are taking to cope with these developments.

10. Higher prices in international agricultural markets may or may not affect market prices in internal markets. Where they do, there is an immediate negative impact on consumption and an incentive for producers to increase plantings for the next season. Where internal prices are not directly affected by external prices, the impact on producers and consumers depends on governmental action. In general, higher prices affect the budgets of governments, leading to higher outlays for food assistance programmes and lower outlays for assistance to producers, which may call for adjustments in the near universal plans of governments to curtail food and agriculture expenditures. Members may wish to inform the Conference on the particular measures which they are undertaking to step up cereal production in the immediate short term in order to alleviate the tight supply situation where economically feasible.

11. These threats to food security are taking place when governments are also modifying food and agriculture policies to bring them into accord with the agreements reached at *inter alia* the International Conference on Nutrition, the United Nations Conference on Environment and Development, the Uruguay Round negotiations, and the Social Summit.

12. Therefore, in addition to granting priority to the fundamental goal of universal food security and improved nutrition objectives, governments are asked to improve the quality and safety of food; ensure sustainable agricultural and rural development; reduce tariff barriers, export subsidies and



support to producers; and alleviate poverty. All this is to be done at less cost to taxpayers, and with greater reliance on markets and private agents. In consequence, food and agriculture policies are being and will continue to be modified in attempts to achieve the agreed objectives in a most cost effective manner. Ministers and Heads of Delegations are encouraged to inform the Conference on the actions taken to implement these agreements and pursue these objectives.

13. In general, the role of government in food and agriculture has been reduced significantly over recent years. Input supply systems and services as well as marketing, processing and distribution of food and agricultural products are increasingly in the hands of private agents. Governments are less involved in the determination of prices paid or received by producers, or prices paid by users or consumers. Producer or consumer subsidies have been reduced or eliminated. In many cases the transformation to increased reliance on markets and private agents was associated with an increase in food insecurity, at least initially. Ministers and Heads of Delegations are invited to share their experiences in managing the transformation, and to inform of actions taken to capture the benefits and offset the negative impacts. Perspectives on prospects for a return to sustained growth in food and agricultural production, trade and consumption also are encouraged.

14. The reductions in export subsidies called for in the Agreement on Agriculture will lower government outlays for exporters, but add to the costs of importing countries. However, the increase in world market prices has reduced the gap between the price in international markets and in domestic markets where prices are supported at higher levels, and therefore these countries will experience a reduction in outlays for subsidies in the absence of explicit policy action. On the other hand, governments who subsidize cereal exports will be under pressure from internal and external sources to reduce or eliminate them at a time when world cereal supplies are tight. Steps taken consequent to such pressures would also increase costs to importers, potentially by a large amount. In fact, all export enhancement programmes may be trimmed back in this situation, especially by countries where budgetary pressures are intense. Members are invited to inform on the anticipated impact, and on the offsetting actions they intend to take.

15. Under the Agreement on Agriculture many countries have also agreed to phased reductions in part of their domestic support for agriculture. Certain aspects of structural adjustment programmes also call for reductions in agricultural input subsidies. Such measures may be easier to implement at the current time of rising output prices, but also may discourage increases in food production and productivity. Members are encouraged to report on actions taken with respect to price or income support to producers as well as with respect to input subsidies to producers.

16. While recent developments in international commodity markets will lead to significant gains in foreign exchange by the exporting Members, the balance of agricultural trade of net importers will be affected negatively. However, the surge in international prices together with the initiation of reforms consequent to the Agreement on Agriculture sets the stage for higher prices and returns to producers in importing countries, and especially in those where low-priced products from external sources have in the past depressed internal prices to producers. Members from importing countries are invited to provide information on how they expect to react to these events, and to specify how the food and agriculture policies are being adjusted to face up to this fundamentally different situation.

17. Finally, to help FAO perform its policy and technical assistance roles, the Ministers and Heads of Delegations are invited to specify the areas in which they expect to seek assistance from the Organization.