Food and Agriculture Organization of the United Nations

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SUMMARY

FOOD CHAIN DISRUPTIONS

Two updates on food chain disruptions in Southeast Asia: the production of palm oil in Malaysia could be seriously hampered by new restrictions imposed by the local government of the state of Sabah, whereby the total workforce capacity in the industry will be halved and working hours will be reduced; consumers in the Philippines may see pork prices further increase (after a first hike caused by a reduction in the country's hog inventory caused by the African swine fever) due to a possible reduction in Brazil's meat exports to the country, after the Philippines imposed a ban on Brazilian poultry imports this summer.

New restrictions set to cause severe economic losses to Malaysia's palm oil industry

The local government of Sabah, a state of Malaysia located in the north-eastern area of the country, has recently introduced new restrictions to curb the coronavirus pandemic, which include a halving of workforce capacity in the palm oil sector (which contributes around 3% to the total GDP of the country), and shorter working hours. According to the Malaysian Estate Owners' Association, the production of crude palm oil could fall by as much as 300,000 tons per month, and the whole sector could lose up to MYR 900 million each month (which would also impact on the state's sales tax revenues).
Link

Brazil could curtail meat exports to Philippines in response to ban on poultry imports

Brazil has protested against the Philippines' decision to ban poultry imports in August (after China found traces of coronavirus in frozen food coming from Brazil), through a letter of the Embassy of the Federative Republic of Brazil that raised specific trade concerns to the World Trade Organization. According to the Philippines' Meat Importers and Traders Association, Brazil could limit the export of beef and pork to the Philippines, in response to the ban on poultry imports, which would further increase pork prices in the country amid the effects of the African swine fever to the local pig herd.
Link

IMPACT ON COMMODITIES AND FOOD PRICES

While the unfavourable weather conditions in India have been identified as the primary driver for the increased onion prices in India, the hike in pork prices in the Philippines could have been caused by anti-competitive practices implemented by traders in the country, who used the African swine fever as an excuse to wedge supply and artificially jack up prices. Nigeria, on the other hand, is the country with the world's most expensive palm oil, due to several factors that limit production capacity (lack of investments and mechanization, aging palm trees and the absence of institutional support) and prevent the offer of palm oil to meet the demand.

Heavy rains in India cause hike in onion prices

Due to the heavy rains that have recently damaged crops in India, onion prices have increased in the city of Rajkot (western India), in some cases reaching INR 80 to INR 100 per kilogram (which is unlikely during this time of the year). According to some of the traders, onion prices will keep increasing until fresh supplies will flow in during the Indian festival of lights (or Diwali). Farmers are suffering severe losses due to the damaged crops in the fields and in the warehouses, while consumers will be affected by the soaring food prices.
Link

Philippines witnesses soaring pork prices

As mentioned in the first section of this daily news digest, the Philippines' hog inventory has been damaged by the African swine fever. However, this does not completely justify the hike in pork prices in the country: in fact, some quarters suspect that the disease was used as a means for some unscrupulous traders to hold off the supply and artificially push up prices. This is why the Philippines Competition Commission will conduct an investigation to verify if traders have manipulated pork's value chain.
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Nigeria's palm oil prices are currently the highest in the world

According to the experts, the price of Nigeria's palm oil is currently the highest in the global market, due to the imbalance between demand and offer. In fact, despite the recent efforts towards diversification in agriculture, Nigeria is unlikely to meet the local demand of palm oil over the next 15 years, which forces the country to import this commodity from Malaysia. According to the director general of Lagos Chamber of Commerce and Industry, the main causes for low palm oil production in Nigeria are represented by a lack of investments in the sector, low levels of mechanization and aging palm trees.
Link

COUNTRIES' RESPONSE

As a way to support the businesses that suffered the most because of the challenges posed by the coronavirus pandemic, the government of Spain launched a media campaign to promote Spanish food internationally, which includes six documentaries that will be produced for the Euronews television channel and events organized by the Spanish Institute for Foreign Trade. Meanwhile, Pakistan is still improving wheat exports, and the government is providing more wheat from the official reserves to flour mills in order to stabilize flour prices. Finally, Australia's National Heavy Vehicle Regulator has recently provided a grant to support the country's wine industry.

Spain launches campaign to promote local food worldwide

The Spanish government has recently launched the Spain Food Nation campaign, which involves the Department of Agriculture, Fisheries and Food and the Department of Industry, Trade and Tourism to promote Spanish food worldwide. This campaign is part of the ministries' commitment to help the sectors that were most affected by the coronavirus pandemic, and it will focus on 20 countries and three food products (olives, olive oil and wine).
Link

Pakistan increases wheat imports and quotas for mills to stabilize flour prices

To control flour prices, wheat imports from Ukraine began in Pakistan during the last week of August with 39,348 tons of wheat, and then continued in September (when the food import bill stood at around USD 731 million). Furthermore, the Punjab Food Department has recently increased the quotas of government wheat for flour mills from 17,500 to 20,000 tons per day to ensure the availability of flour in the market and stabilize prices.
Link 1 – Link 2

Australian wine industry receives grant to help make trucks safer

Australia's National Heavy Vehicle Regulator provided an AUD 226,888 grant under the Heavy Vehicle Safety Initiative to the South Australian Wine Industry Association, in order to develop a new code of practice for the safer transportation of grapes on heavy vehicles. Some of the provisions that will be included in the code of practice will ensure that goods are not overloaded and that drivers are not encouraged to drive while fatigued.
Link

REGIONAL FOCUS

China is currently eyeing the fertile areas of Pakistan to grow food crops and improve its food supply (which was damaged by several factors, including extreme weather events and the African swine fever): the country has recently reached an agreement on agriculture cooperation with Pakistan, which allows China to use several thousand acres of Pakistani land (officially to carry out demonstration projects in the field of agriculture). In West Africa, on the other hand, the main cocoa-producing countries in the world (Ghana and Ivory Coast) do not have the power to influence the global cocoa market in order to raise prices and improve the livelihoods of the cocoa growers in this region.

ASIA – China plans to grow food crops in Pakistan

China's food inflation rose by 13.2% in July (pork prices, for example, have increased by 86%), due to low production volumes, extreme weather events, locust swarms and the African swine fever. This explains why the country has been increasing its food imports from different countries: according to the experts, China is also interested in using Sindh and Balochistan (two of the four provinces of Pakistan) as its hubs for growing food crops, because of the economical transportation costs for agricultural products. In fact, the country has recently got ownership of several thousand acres of land in Pakistan.
Link

AFRICA – Ghana and Ivory Coast cannot exercise control over the cocoa market

Despite accounting for two-thirds of the world's cocoa supply, Ghana and Ivory Coast are unable to influence global prices, which are too low to meet the basic needs of the cocoa farmers (most of which are children, working long hours in hazardous conditions). In fact, the two West African countries have began collaborating only last year, and there is a general lack of political will to ally themselves with other cocoa producers (such as Ecuador, Cameroon and Nigeria) to influence the market prices.
Link 1 – Link 2

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