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I. SUMMARY

- The most recent estimate of the number of undernourished in the developing world, which refers to 1995-97, stands at 791 million. This represents a substantial decline from the estimate of 831 million for the period 1990-92. The decline, however, corresponds to an annual average of only 8 million, whereas the decrease required from 1995-97 onwards to meet the World Food Summit target in 2015 is nearly 20 million per annum.
- The international financial crisis continues to be a subject of concern. In addition to the economic and social impact, the crisis has also affected both agricultural production and trade of the most strongly affected countries as well as international markets for agricultural products at large.
- The current provisional estimates point to stagnating global agricultural production in 1998, which would thus be on a global basis the worst agricultural year in the 1990s. Poor production performances in both developed and developing countries contributed to this outcome.
- The number of countries facing food emergencies continues to be high and stood at 37 as of August 1999. Although the highest concentration of these situations is in Africa, no region is spared.
- For world cereal production indications from August for the 1999 crop point to a small reduction in world cereal production for the second consecutive year. For 1999/2000 cereal demand is forecast to exceed supply and a draw down of carry-over stocks is expected.
- Over the last two years international prices for most cereals remained under downward pressure due to relatively abundant supplies and depressed economic conditions in many parts of the world. Similar depressed conditions have affected international markets for a number of other major agricultural commodities.
- Recent estimates of official development assistance (ODA) to agriculture indicate a continued decline both in real terms and as a share of total ODA. Forecasts of cereal food aid shipments in 1998/99 point to an increase of more than 3 million tonnes over the preceding year to the highest level recorded since 1993/94.

II. RECENT DEVELOPMENTS IN WORLD FOOD SECURITY

A. THE NUMBER OF UNDERNOURISHED – UPDATING THE ESTIMATES

1. FAO estimates of the number of undernourished prepared in 1996 for the period 1990-92, and published at the time of the World Food Summit, gave the number of about 840 million people in the developing world.
2. These estimates are subject to periodic revisions, as new information becomes available. Latest estimates presented here refer to 1995-97, i.e. the period centering on the year that the World Food Summit took place, but estimates for previous periods have also been revised. Revisions have taken place not only in the data series relating to food supply and population but also with respect to the measure of inequality in access to food which, because of data shortcomings, has so far been the weakest element in the estimates. The latter measure has now been considerably improved. In the 1996 assessment the estimates for only about 30 of the 97 developing countries were based on household survey data pertaining to consumption/expenditure/income. The estimates for the remaining countries were imputed using analogy with countries in the same region. In the present context the number of countries with

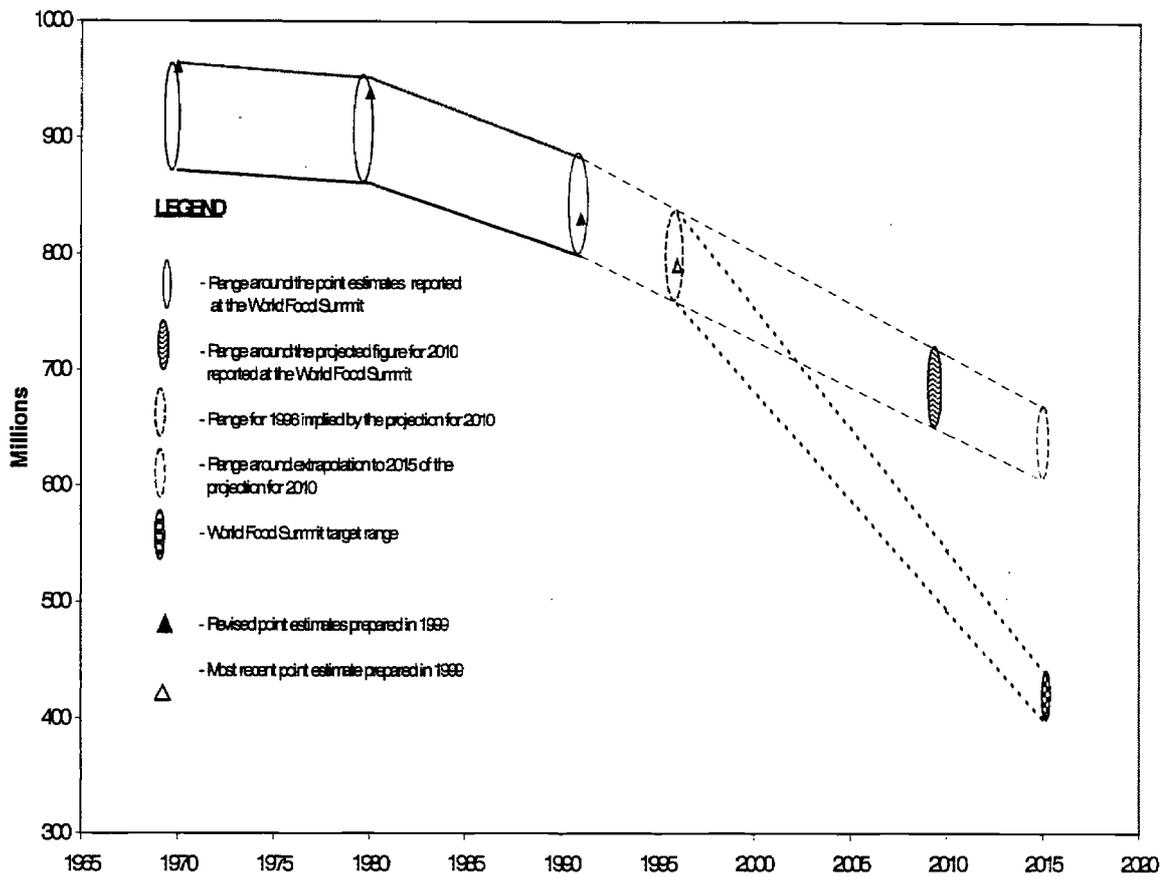
estimates based on survey data has doubled and a new procedure has been developed for deriving the estimates for the remaining countries.

3. While significant revisions were made in the estimates of undernourishment in a number of individual countries for 1990-92 as well as 1979-81 and 1969-71 (the historical periods), changes in the aggregate estimates for the developing world are rather modest. In fact, with each up-dating cycle the revision in the historical estimates of the number of undernourished are likely to be within an estimated range of $\pm 5\%$. For this reason the global estimates for any given period can be considered as being sufficiently reliable only within such a range.

B. THE GLOBAL PICTURE FOR THE DEVELOPING WORLD

4. Using the concept of a range, the original estimate of the number in the developing world for the reference period of 1990-92, published at the time of the Summit, has been transformed from a point estimate of 840 million into a range estimate of 800-880 million. Graph I shows this range, together with the revised point estimate (i.e. 831 million) generated in 1999 for that same reference period. For purpose of comparison the estimated ranges and revised point estimates for the two earlier periods (1969-71 and 1979-81) are also shown.

**Number of undernourished in the developing world
observed and projected ranges compared to WFS target**



Graph 1.

5. Looking ahead to the year 2015, the graph also shows how a trajectory starting in 1996 would need to move through time in order for the target of 400-440 million undernourished (half the lower and upper limit of the range for 1990-92) to be achieved. The (5% range around the projection for the year 2015 extrapolated from the FAO 1995 publication *World Agriculture: Towards 2010*, is also shown. The projection is based on the continuation of past trends and the absence of major policy shifts.

6. The new estimate of 791 million undernourished in the developing world for the period 1995-97 represents a substantial decline from the revised 831 million estimate of 1990-92. Nevertheless this new estimate is situated in the trajectory projected for the year 2010 rather than the trajectory towards achieving the target of halving the number of undernourished by the year 2015. As a matter of fact the average annual decrease in the number registered from 1990-92 to 1995-97 is only 8 million whereas the average decrease needed from 1995-97 onwards to reach the 2015 target is nearly 20 million per annum.

C. THE DISAGGREGATED PICTURE BY REGION

Table 1. Percentage of Population Undernourished in the Developing Regions: 1969-71, 1979-81, 1990-92 and 1995-97

Region	Percentage undernourished			
	1969-71	1979-81	1990-92	1995-97
Sub-Saharan Africa	34	37	35	33
Near East and North Africa	25	9	8	9
East and South East Asia	43	29	17	13
South Asia	38	38	26	23
Latin America and the Caribbean	19	13	13	11
All Developing Regions	37	29	20	18

7. Table 1. shows that Sub-Saharan Africa, which has the highest percentage of the undernourished, has shown little progress in reducing the prevalence of undernutrition. In contrast East and South East Asia and South Asia have made significant progress, although in 1969-71 both regions had percentages of the undernourished that were higher than Sub-Saharan Africa. The situation in Near East and North Africa and Latin America and the Caribbean has been almost constant since 1979-81 but the prevalence of undernutrition in both these regions has been rather low (around 10%).

8. The implied absolute numbers of undernourished persons for the four periods are shown in Table 2.

**Table 2. Number of Undernourished in the Developing Regions:
1969-71, 1979-81, 1990-92 and 1995-97**

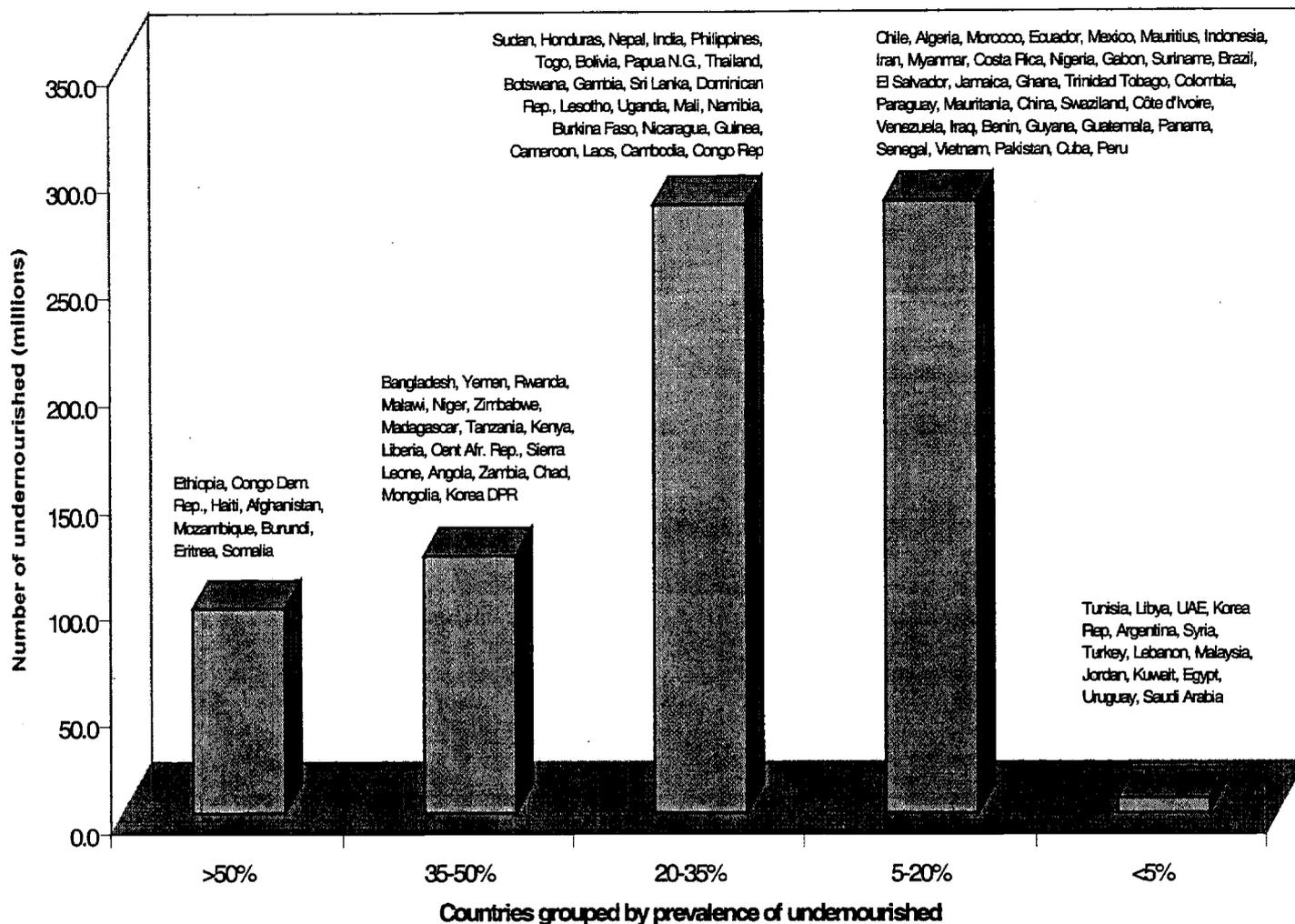
Region	Number of Undernourished (millions)			
	1969-71	1979-81	1990-92	1995-97
Sub-Saharan Africa	89	126	164	180
Near East and North Africa	45	22	26	33
East and South East Asia	504	406	283	241
South Asia	267	338	299	284
Latin America and the Caribbean	54	46	59	53
All Developing Regions	960	938	831	791

9. Table 2. shows that although the aggregate number of the undernourished for the developing countries has been declining since 1969-71, the number for Sub-Saharan Africa has in fact been consistently rising. The numbers for Near East and North Africa and Latin America and the Caribbean have been fluctuating since 1979-81 but, due to smaller population size as well as the lower prevalences of undernutrition, the number of undernourished persons in these two regions are relatively small. On the other hand significant progress towards the target of reducing undernourishment has been made by the other two regions, East and South-East Asia in particular. In the latter region, a continuation of the average annual decline in the number of the undernourished from 1990-92 to 1995-97 would lead to halving the number even before 2015. However, in South Asia, which has the highest number of undernourished, the average annual decline has been less than required.

10. It follows from the above that the progress made in the reduction of the number of undernourished in the developing world up to the time of the World Food Summit has been mainly due to the progress made in the two Asian regions, in particular East and South East Asia. The rather stagnant situation in the Near East and North Africa and Latin America and the Caribbean is preoccupying, even though both the percentage and number of undernourished persons in these regions are relatively small. The situation in Sub-Saharan Africa, where there has been a continuous rise in the number of undernourished the situation is, to say the least, of utmost concern.

11. Graph 2 presents the position of individual countries grouped by prevalence of undernourishment.

Population Undernourished 1995-97



Graph 2.

D. UNDERNOURISHMENT IN THE DEVELOPED COUNTRIES

12. Using the same methodology, a first attempt at estimating the extent of undernourishment in the countries in transition (CIS) and the industrialized countries has been made for 1990-92 and 1995-97. The resulting percentages and numbers are shown in Table 3.

Table 3. Percentage of Number of Undernourished in Industrialized Countries and Countries in Transition, 1990-92 and 1995-97

Category	Percentage undernourished		Number of undernourished (million)	
	1990-92	1995-97	1990-92	1995-97
Industrialized Countries	1	1	9	8
Countries in Transition	5	6	20	26
All Developed Regions	2	3	29	34

13. The table shows that the prevalence of undernutrition in the Industrialized Countries is rather marginal with the number declining only slightly, from 9 to 8 million, during the early 1990s. However, in the Countries in Transition there has been an increase in both the percentage as well as in the number of the undernourished.

III. THE INTERNATIONAL FINANCIAL CRISIS AND GLOBAL AGRICULTURE

14. The international financial crisis that started in 1997 in Asia has continued to be a subject of concern, despite subsequent signs of stabilization and recovery in several of the countries affected, and somewhat improved prospects for economic growth worldwide.

15. The crisis had initially affected several of the fastest growing economies in the world, more severely Indonesia, the Republic of Korea and Thailand, and to a lesser extent Malaysia and the Philippines. Later, other countries, notably Russia and Brazil, were also shaken by the financial crisis. For the countries affected, the reduction in capital inflows, higher import costs associated with currency devaluations and the tight monetary and fiscal policies adopted to stabilise the economies and restore market confidence, translated into reduced domestic demand and output. On the other hand, the devaluations also helped these countries to boost exports, including of agricultural products.

16. In 1998, GDP fell sharply in the countries most affected by the crisis (Table 4). IMF forecasts for 1999 point to further declines of output in Indonesia, Brazil and Russia, but some revival of economic activity in the others.

17. The economic contractions were accompanied by rising unemployment. According to the International Labour Organization, out of the estimated 150 million unemployed workers worldwide, 10 million have been generated in 1998 due to the financial crisis alone. The rise in unemployment was especially severe in the countries most affected by the crisis, several of which had enjoyed virtually full employment in earlier years (Table 5). For instance, job losses in Korea doubled between November 1997 and February 1998; on a yearly basis, unemployment rates soared from 2.7 percent in 1997 to 6.8 percent in 1998. In Thailand, unemployment was about 4.6 percent in 1998 compared to just 1-2 percent two years earlier.

Table 4. Real GDP growth rates for the world, advanced and developing economies, regions and countries most affected by the financial crisis (percent change from previous year)

	1996	1997	1998	1999	2000
World	4.3	4.2	2.5	2.3	3.4
Advanced Economies	3.2	3.2	2.2	2.0	2.3
Developing countries	6.5	5.7	3.3	3.1	4.9
Regional groups					
Africa	5.8	3.1	3.4	3.2	5.1
Asia	8.2	6.6	3.8	4.7	5.7
Middle East and Europe	4.7	4.4	2.9	2.0	3.3
Latin America and the Caribbean	3.6	5.2	2.3	-0.5	3.5
Countries in transition	-0.3	2.2	-0.2	-0.9	2.5
Countries most affected by financial crisis					
Indonesia	7.98	4.65	-13.70	-4.00	2.50
Malaysia	8.60	7.70	-6.77	0.93	2.00
Philippines	5.85	5.17	-0.48	2.00	3.00
Thailand	5.52	-0.43	-8.00	1.00	3.00
Republic of Korea	7.06	5.51	-5.50	1.99	4.60
Brazil	2.76	3.17	0.23	-3.82	3.68
Russia	-3.50	0.80	-4.82	-7.00	0.03

Source: IMF, World Economic Outlook. Figures for 1999 and 2000 are forecasts.

**Table 5. Unemployment rates for the countries most affected
by the financial crisis (in percent)**

	1997	1998	1999
Indonesia ¹	4.7	5.5	n.a.
Malaysia ²	2.5	3.2	4.5
Philippines ³	9.0	10.0	n.a.
Thailand ⁴	0.9	4.6	5.2
Republic of Korea ⁵	2.7	6.8	6.2
Brazil ⁶	4.8	6.3	7.7
Russia ⁷	11.2	13.3	14.2

¹For the 1997 and 1998 averages, Badan Pusat Statistik (Statistics Indonesia).

²For the 1997 average: IMF; for the 1998 and 1999 averages, Labour Force Survey, Department of Statistics, Malaysia.

³For the 1997 and 1998 averages, Labor Force Survey, National Statistics Office, the Philippines.

⁴For the 1997 average, IFS. For the February 1998 and 1999 figures, Labor Force Survey for 1998 and 1999,

National Statistics Office, Thailand.

⁵For the 1997 and 1998 averages, IMF, World Economic Outlook, May 1999. For the June 1999 figure, Ministry of Finance

and Economy, the Republic of Korea

⁶December 1997 and 1998 and May 1999, Instituto Brasileiro de Geografia e Estatística (IBGE).

⁷For the 1997 and 1998 averages and July 1999, the Russian Statistical Agency.

18. Perversely, reduced economic activity and rising unemployment were accompanied by a return of inflationary pressure. After three years of dramatic decline, developing country inflation rates increased from 9.4 in 1997 to 10.4 percent in 1998, but are expected to drop again to 8.8 percent in 1999 (Table 6). The rise in inflation was largely concentrated in Asian countries mostly hit by the crisis, especially Indonesia. In the Russian Federation, the crisis compounded already severe domestic economic and financial imbalances, which pushed inflation rates to about 28 percent in 1998 and an expected 100% in 1999. Food price inflation was aggravated by domestic supply problems, as in nearly all countries of the Russian Federation farmers' access to inputs has become even more difficult and the commercial import capacity has been reduced. The combination of reduced incomes, higher inflation and higher unemployment point to a serious aggravation of poverty and food insecurity in several countries affected by the crisis. In Indonesia, the proportion of population living on incomes below the poverty line in 1998 was estimated to have been at least 50 percent larger than in 1996.

Table 6. Inflation rates for the advanced economies, developing countries, regional groups and countries most affected by the financial crisis (percent change from previous year)

	1996	1997	1998	1999	2000
Advanced Economies	1.7	1.6	1.4	1.1	1.5
Developing countries	14.3	9.4	10.4	8.8	7.5
Regional groups					
Africa	25.9	11.1	8.6	8.6	6.6
Asia	8.3	4.8	8.0	4.7	4.5
Middle East and Europe	24.7	23.1	23.8	19.7	19.4
Western Hemisphere	20.8	13.9	10.5	14.6	9.9
Countries in transition	40.6	28.2	20.8	40.9	12.4
Countries most affected by financial crisis					
Indonesia	7.94	6.60	60.69	28.20	9.96
Malaysia	3.53	2.66	5.27	3.64	5.00
Philippines	8.40	6.02	9.72	8.50	6.00
Thailand	5.85	5.61	8.10	2.50	4.00
Republic of Korea	4.92	4.44	7.49	1.80	2.00
Brazil	11.09	7.91	3.49	n.a.	n.a.
Russia	47.80	14.74	27.65	100.48	20.17

Source: IMF, World Economic Outlook. Figures for 1999 and 2000 are estimates.

19. Many other countries were also affected by the financial crisis which, in fact, had worldwide economic repercussions. For the developing countries as a whole, economic growth decelerated from 5.7 percent in 1997 to 3.3 percent in 1998 (Table 4). The growth rate, however, is expected to bottom out at 3.1 percent in 1999 and recover to 4.9 in 2000.

20. All the developing country regions shared in the slowdown in 1998 with the exception of Africa, largely spared by the crisis, which recorded a 3.4 percent growth rate, relatively high in historic perspective. However, Africa may not be equally spared should new crises of the same nature emerge given their possible depressing effects on demand for its export products, capital inflows and international assistance.

21. In Latin America and the Caribbean, reduced economic activity in 1998 and outright recession in 1999 are bound to aggravate chronic problems of poverty and inequity, and associated social unrest, that even very good economic performances in earlier years had been unable to alleviate.

22. The economies in transition are also experiencing financial difficulties and reduced growth associated to a large extent with the overall financial crisis. Most affected are, other than the Russian Federation, Estonia and Ukraine.

23. An important factor contributing to the slowdown of economic growth in many countries, especially in the developing world, was the decline in international commodity prices that followed the 1994 to 1996 price boom. Having entered a 'normal' downward cycle after this period, commodity prices were hit by the financial crisis, which accelerated the downward movement. Overall, prices of food commodities fell by about 13 percent between 1997 and 1998, and further by 20 percent in the year ending June 1999. Prices of tropical beverages fell by respectively 15 percent and 22 percent during the same periods (Table 7). The fall in commodity prices meant that export values shrank in many developing countries.

**Table 7. Indices of market prices for selected commodities,
1996-1999 (1990=100)**

Commodities	1996	1997	1998	1999Q1	1999Q2	1997 to 1998	7/1998 to 7/1999
						% change	% change
Non-fuel	116.7	112.9	96.2	89.4	87.7	-14.8	-5.6
Food	127.5	113.7	99.2	89.8	83.8	-12.8	-20.0
Beverages	124.9	165.5	140.3	119.3	110.9	-15.2	-21.8
Ag. raw materials	127.7	119.1	99.6	99.3	98.5	-16.4	9.2
Fertiliser	112.7	113.9	117.1	115.4	115.1	2.8	-5.4
Petroleum ¹	88.6	83.8	56.9	51.3	71.2	-32.1	48.7

¹ Spot Crude

Source: IMF

24. The crisis also had depressive effects on world trade. Having expanded in 1997 by about 10 percent in the advanced economies and 11 percent in the developing countries, the volume of merchandise exports rose by only about 3 percent and 1.5 percent respectively in 1998. In value terms, exports by developing countries actually declined by 5 percent, and imports by nearly 4 percent, in 1998. Although complete estimates for agricultural trade in 1998 are not yet available, partial data suggest that the sector was also badly affected. In fact, several of the countries more directly hit by the crisis are important actors in world agricultural trade. The Republic of Korea and the ASEAN-4 (Indonesia, Malaysia, the Philippines and Thailand) countries account for about 5 percent of world agricultural imports, and 6 percent of world agricultural exports. Brazil alone accounts for 3 percent of world agricultural exports and is a major trading partner of many countries, in particular in Latin America; while the Russian Federation is a significant importer of agricultural commodities, namely from the European Union (EU) and Brazil. The fall in import demand from these countries meant significant losses for agricultural exporters. For instance, USA and Canada found their exports of total agricultural products to ASEAN countries fall by 30 and 50 percent respectively. China's exports of agricultural products to Korea and Thailand fell by 40 percent. Big drops in exports to the Russian Federation were recorded by Brazil, the USA, Bulgaria, Estonia and Lithuania.

25. The decline in agricultural import demand affected the different commodities in different ways. The overall effects on world markets of the various commodities are discussed in section 5 below. As regards the effects on the countries more affected by the crisis, largest drops in consumption and hence imports were recorded for goods with a high income elasticity of demand, such as animal products. The Russian Federation experienced a 16 percent fall in **beef** consumption in 1998, with a further drop of 13 percent expected for 1999. Imports fell by 30

percent, hitting particularly EU countries as the Russian Federation typically purchases 40 percent of EU beef exports. Domestic producers do not appear to be in a position to take advantage of the devaluation and production is expected to shrink by 9 percent in 1999. Beef imports by the Republic of Korea also suffered from falling consumption as well as rising production due to increased slaughtering. 1998 saw a drop of 47 percent in imports which accounted for 25 percent of consumption, as compared to 40 percent in previous years. In Brazil one immediate effect of devaluation was higher beef prices, which are now stabilising. Beef exports had already expanded rapidly in 1998 with demand from the EU and the Middle East growing strongly. For 1999 exports are expected to rise by 25 percent while beef imports are expected to drop sharply.

26. Exports and imports of **milk and dairy** were also negatively affected. Brazilian imports from Argentina stopped after the devaluation of the real and Russian Federation imports of dairy products from neighbouring countries, in particular Estonia, and from the EU also fell dramatically.

27. The **poultry** trade suffered from the turmoil in the Russian Federation, the world's second largest importer after Japan. With the devaluation of the rouble poultry meat consumption fell by 20 percent in 1998 and a further steep decline is expected for 1999. Imports, initially halted, dropped by 31 percent in 1998. Domestic production is forecast to rise by about 13 percent in 1999.

28. The poultry trade is very price sensitive. Following the devaluation of the Thai baht, exports from that country rose by 47 percent in 1998. Exports to Japan increased by 34 percent with Thai exporters taking market share in particular from Brazil, which in 1998 saw its exports to Japan and Russian Federation fall by 25 and 52 percent respectively. Demand for poultry collapsed in Indonesia not only because the product is high value but also because the industry relied on imported feedstuff, in particular soybean meal and maize, the rising price of which drove up poultry meat prices.

29. **Soybeans** and soybean meal is a major export of Brazil. Following the devaluation of the real and an expected bumper crop for 1999, export registrations for soybeans were up by 280 percent in February 1999 on the same month of the previous year. Despite declining international prices, domestic prices of soybeans rose by 50 percent.

30. Brazil's revenue from **coffee** exports declined due to falling prices (see section 5) as well as the collapse of exports of soluble coffee to Russian Federation, which took a third of all shipments before August 1998.

31. Russian Federation **sugar** imports fell by 4 percent in 1998/99 but import demand is expected to rise again in 1999/00, partly due to a 12 percent decline in domestic sugar production in 1998/99 due to poor weather. Overall sugar exports from Brazil in 1997/98 increased by 15 percent although export values suffered from falling prices. Korea imports all of its domestic sugar requirement and the liquidity crisis of December 1997 and January 1998 severely curtailed imports. However, imports for 1998/99 are recovering while remaining below pre-crisis levels.

IV. RECENT AGRICULTURAL PRODUCTION PERFORMANCES

A. AGRICULTURAL PRODUCTION IN 1998

32. According to provisional estimates, world agricultural production (crop and livestock) in 1998 stagnated at the same level as in 1997 (Table 8). Should such estimates materialize, the agricultural year 1998 would be the worst in 1990s on a global basis—indeed, the only year in the decade in which no expansion in output occurred. Poor production performances in both developing and developed countries contributed to this estimated outcome.

Table 8. Annual changes in crop and live stock production, 1991-98

(Percentage change over previous year)

	1991	1992	1993	1994	1995	1996	1997	1998	Average 94-98
World	<u>0.4</u>	<u>2.2</u>	<u>0.6</u>	<u>2.9</u>	<u>2.1</u>	<u>3.7</u>	<u>2.4</u>	<u>0.0</u>	<u>2.2</u>
Developed countries	<u>-2.9</u>	<u>0.8</u>	<u>-4.0</u>	<u>0.9</u>	<u>-1.8</u>	<u>3.0</u>	<u>1.2</u>	<u>-1.3</u>	<u>0.4</u>
North America	-0.4	7.7	-7.8	14.5	-4.7	4.6	2.8	0.8	3.6
Western Europe	0.6	1.1	-3.1	-1.1	-0.1	4.2	-0.1	-0.4	0.5
Eastern Europe	-1.9	-5.8	1.2	-8.4	4.6	-1.2	1.6	-0.8	-0.9
CIS	-3.9	-14.4	-4.3	-3.3	0.4	-10.8	-6.5
Australia, New Zealand and Japan	-1.0	3.1	-1.2	-1.0	3.5	3.6	1.8	0.3	1.6
Developing countries	<u>3.0</u>	<u>3.4</u>	<u>4.0</u>	<u>4.3</u>	<u>4.7</u>	<u>4.2</u>	<u>3.1</u>	<u>0.8</u>	<u>3.4</u>
Africa South of Sahara	6.0	0.2	3.5	3.2	3.4	5.6	-0.4	0.7	2.5
Far East and Oceania	2.8	4.4	5.8	4.7	5.3	3.9	4.4	-0.3	3.6
Latin America and the Caribbean	2.8	1.2	0.3	4.7	4.9	1.8	3.0	2.5	3.4
Near East and North Africa	2.5	3.4	1.3	0.9	1.0	10.3	-3.5	6.6	3.1

Source: FAOSTAT.

33. For the developing countries the meagre estimated growth of agricultural production (0.8 percent) contrasts markedly with previous trends. In no year since 1989 had agricultural production increased by less than 3 percent. The most important factor behind the slow-down is a sharp deterioration of production performance in the Far East and Oceania developing region. Bad weather conditions, in particular torrential rains during June-September in some Asian countries, and El Niño-related droughts depressing plantings in others, were main common factors behind these shortfalls. Total agricultural production, indeed, appears to have declined in 1998 in both China and India. In China, after six consecutive years of growth above 5 percent, agricultural output in 1998 is estimated to have declined between 0 and 1 percent, largely due to catastrophic floods hitting central and southern parts of the country and affecting in particular wheat and rice crops. For India, the estimates for 1998 point to a decline of slightly more than 1 percent. Among the other larger countries of the region, the Philippines appear to have suffered a particularly sharp drop in agricultural production, currently estimated at around 7 percent. In South East Asia, Thailand and Malaysia are also estimated to have experienced declines in agricultural production in 1998, although somewhat less pronounced than in the case of the Philippines. Only modest but still positive output growth is estimated for Bangladesh, Myanmar and the Republic of Korea, while on the positive side relatively strong output growth is estimated for Pakistan, Sri Lanka and Vietnam.

34. Latin America and the Caribbean agricultural production also experienced slow growth in 1998, although more moderately than for the Far East and Oceania region. The slowdown is largely accounted for by a below average rate of expansion in Brazil, where crops were hit by

droughts in parts of the country and exceptionally damaging rains affecting in particular wheat producing regions. The Andean region was affected by severe dry spells, which caused output to stagnate in some countries and actually decline in others—more markedly Peru and Bolivia. Hurricanes “Georges” in late September and “Mitch” in late October caused immense human and material losses and also damaged agriculture in several countries in Central America and the Caribbean. On the other hand, favourable performances were recorded in Argentina and Mexico and, to a smaller extent, Chile and Colombia.

35. Africa South of Sahara in 1998 suffered the second consecutive year of poor agricultural performance, as crop and livestock production is estimated to have expanded by less than 1 percent after the marginal decline recorded in 1997. In the largest country of the region, Nigeria, agricultural production in 1998 is currently estimated to have remained stagnant following the decline of more than 6 percent recorded in 1997. Several crops, in particular cereals, were affected by bad weather as well as shortages of fertilizers, pesticides and other farm inputs. In Ethiopia production dropped significantly in 1998, by around an estimated 8 percent, while in the Democratic Republic of Congo agricultural output contracted for the third consecutive year, largely reflecting the effects of civil strife. Also in Uganda performance was relatively poor in 1998 with a slight estimated decline in output. Among the larger countries strongly improved performances in 1998 are, however, estimated for Angola, Kenya and Tanzania and to a lesser extent Ghana and Sudan, while Mozambique recorded its fourth consecutive year of very strong output growth. In southern Africa declines in output were recorded in both South Africa, Zambia and Zimbabwe, and particularly strongly in Botswana.

36. In the Near East and North Africa region, agricultural production in 1998 more than recovered from the decline in 1997, growing by an estimated rate of more than 6 percent. A major factor behind this development was increased production in the North African countries - Algeria, Morocco, Tunisia - which had suffered a sharp weather-induced downturn in 1997. But performance also improved markedly with strong expansion of production in other countries such as the Islamic Republic of Iran, Syria and Turkey. In Egypt, by contrast, estimates currently point to a stagnation in production.

37. Among the developed countries, the decline in overall production is to a large part accounted for by the further severe contraction recorded for the CIS, where many of the major producing areas were seriously affected by drought, leading to sharply reduced cereal harvests. Production declined significantly, inter alia, in the Russian Federation, Ukraine and Kazakhstan. At the same time, overall production declined slightly in both Eastern and Western Europe. Agricultural output likewise declined in Japan and New Zealand but is estimated to have increased by between 1 and 2 percent in Australia. In North America, agricultural production increased only marginally in the US but more strongly in Canada.

B. AGRICULTURAL PRODUCTION TRENDS 1994-98

38. In order to put the 1998 production estimates into perspective Table 8 also provides estimates of the average annual rate of growth of production for the five-year period 1994-98. Outstanding features are:

- World agricultural production expanded at an average annual rate of 2.2 percent over the period;
- Growth in agricultural production in the developing countries significantly exceeded that in the developed countries, with an average annual rate of 3.4 percent for the former as compared to 0.4 percent for the latter. The low rate of expansion in the developed countries (0.4 percent) was the net result of a contraction in the transition countries,

particularly pronounced in the CIS; positive performances in North America and Australia; and a modest rate of growth in Western Europe.

- Among the developing countries, the Far East and Oceania region recorded the strongest production performance over the period, with agricultural production increasing at an average annual rate of 3.6 percent. Such favourable result was fuelled in particular by booming performances in China (with close to 5 percent average annual growth), but also by strong rates of expansion in other larger producer countries such as Pakistan and Vietnam.
- The period was also favourable for Latin America and the Caribbean which recorded an average annual rate of expansion (3.4 percent) only marginally lower than that of the Far East and Oceania.
- Also in the Near East and North Africa agricultural production increased at an average annual rate of more than 3 percent (i.e. 3.1 percent) but amid sharp weather-induced yearly fluctuations, affecting particularly some Northern African countries.
- Only in Africa South of Sahara did average annual agricultural production growth over the period fall short of 3 percent. The rate of expansion of only 2.5 percent implies that alone among the developing country regions output growth in Africa South of the Sahara failed to exceed population growth.

V. FOOD SHORTAGES

39. The number of countries facing food emergencies stood at 37 as of August 1999, the same as at the end of 1998, but with changes in their distribution by region.

40. In eastern Africa, the food outlook has deteriorated, mainly due to adverse weather. In Somalia, the current main "Gu" season has largely failed due to erratic and insufficient rains, armyworm outbreaks, and unusually high temperatures. It is estimated that 1 million people face serious food shortages in the 1999/2000 marketing year (August/July). In Ethiopia, food assistance is needed until at least the next harvest in November for about 5.3 million people, including those affected by the failure of the 1999 "Belg" crop, caused by inadequate rainfall. In Uganda, a prolonged drought in western parts has caused a near-total failure of crops and severely affected livestock. More than half a million rural people, particularly pastoralists, are reported to be experiencing severe food shortages. In Tanzania, serious localised crop failures are reported in several regions, particularly in Shinyanga Region where cash and food crop production is anticipated to fall by as much as 40 percent, mainly due to erratic rains and an outbreak of armyworms. In Kenya, significant crop output reductions are forecast in the Eastern, Central and Rift Valley Provinces due to drought. Worsening nutritional conditions are reported in pastoral and agro-pastoral districts; the Government has recently doubled its allocation of relief food to 8 000 tonnes of maize per month. In Eritrea, despite a satisfactory harvest in 1998, the food situation is very tight for the displaced people from the areas of conflict with neighbouring Ethiopia and for deportees from the latter country. In the Sudan, tens of thousands of people displaced by recent floods are reported to be in need of urgent food assistance. In addition, despite the overall satisfactory food supply situation in the north, some 2.4 million people in the south still depend on emergency food assistance due to the long running civil conflict. Distribution of relief assistance is hampered by insecurity, land mines and poor road conditions. In Burundi and Rwanda, inadequate rainfall affected the recently harvested 1999 B season crops, particularly cereals and pulses, while food production activities in parts of both countries continue to be disrupted by population displacement due to insecurity.

41. In western Africa, the record crops harvested in late 1998 in the main producing countries of the Sahel enabled farmers to replenish their stocks and, therefore, the food supply situation is generally satisfactory, except in some localised areas of Mauritania and Chad. Average to above-

average harvests were also gathered in most coastal countries along the Gulf of Guinea, except in Sierra Leone and Togo. The food outlook in Sierra Leone continues to be unfavourable due to persistent insecurity. Food supply and crop prospects have improved in Liberia due to peace and rehabilitation programmes, but the food situation remains unsatisfactory, with a high dependency on food aid.

42. In central Africa, intensified civil strife in the Republic of Congo has disrupted agricultural and marketing activities, pointing to another reduced harvest in 1999, while prospects in the Democratic Republic of Congo remain uncertain depending on developments in the security situation following the recent cease-fire agreement.

43. In southern Africa, the food outlook is very bleak in Angola, reflecting the escalation of the civil war since December last year. Large-scale population displacement in rural areas is reported, with farm families abandoning their farms and homes to take refuge in government-held towns and cities or in neighbouring countries. Although average to above average rainfall was received in the country, significantly reduced yields are estimated in many areas due to abandonment of fields. By August 1999, the number of newly displaced people was estimated at 1.6 million, most of whom are in provincial capitals and towns cut off from the rest of the country by road closures due to insecurity and land mines. Distribution of relief assistance is, therefore, problematic and has to be mainly by costly air transport. Elsewhere in southern Africa, a tightening of the food supply is anticipated in Botswana, Lesotho, Namibia and Zimbabwe, following two consecutive below-average harvests, but commercial imports are expected to cover most of the deficit. In South Africa, the annual exportable surplus of maize has been substantially reduced, which means that food-deficit neighbouring countries may need to source imports from elsewhere.

44. In Asia, the Democratic Peoples Republic of Korea remains the country affected more severely by chronic food supply difficulties, which are due to a combination of natural disasters since 1995 and economic problems that have constrained the supply of essential inputs to agriculture. This has resulted in seriously reduced domestic food production and the country has had to rely on large scale international assistance. Elsewhere, in Bangladesh food assistance is also being provided to victims of floods in July last year, which destroyed property and caused a significant number of deaths. Food supply problems also persist in Mongolia for vulnerable groups due to problems of economic transition and declining agricultural production due to the break-up of state farms.

45. In several countries of the Near East, the worst drought in decades has severely reduced food output. In Afghanistan, a sharply reduced 1999 cereal crop due to low precipitation and an outbreak of pests has led to a record level of cereal import requirement for the 1999/2000 marketing year (July/June). Some 1.1 million vulnerable people are being targeted for emergency food assistance. In Iraq, a severe drought has damaged nearly half of the total cultivated area in 1999 and will exacerbate the existing food and nutritional problems in the country. In Jordan, the drought has resulted in the lowest recorded domestic cereal harvest, leaving some 180 000 small scale herders and landless rural households in need of emergency food assistance. Similarly, the drought has severely damaged crops and pastures in Syria, leaving thousands of Bedouin herders in need of assistance.

46. In Latin America, the outturn of the 1999/2000 first season cereal and bean crops in Central America and the Caribbean is expected to be back to average levels in most countries, following the immense crop losses caused by hurricanes "Georges" and "Mitch" in late 1998. Food assistance is still being provided in Honduras and Nicaragua, as well as in Haiti, while technical assistance projects for the rehabilitation of the agricultural sector are being implemented in the affected countries with the support of the international community. In Cuba, prolonged dry weather has seriously affected minor foodcrops, fruits and pastures, particularly in the eastern provinces of the country.

47. In the Commonwealth of Independent States (CIS), the financial crisis in the Russian Federation in the fall of 1998 has aggravated food supply and access problems (see section 2). The overall food supply situation is not critical, but the hardship experienced by the poor has been exacerbated. Vulnerable groups in Armenia, Azerbaijan, Georgia, Tajikistan and in remote areas of the Russian Federation continue to need targeted assistance. Food aid shipments to the Russian Federation to relieve the tight supply situation for grains are still in course.

48. In Europe, food assistance is being provided to needy people, in particular war-affected people on the Federal Republic of Yugoslavia, including Kosovo returnees and internally displaced persons, as well as refugees from the Bosnia and Croatian conflicts.

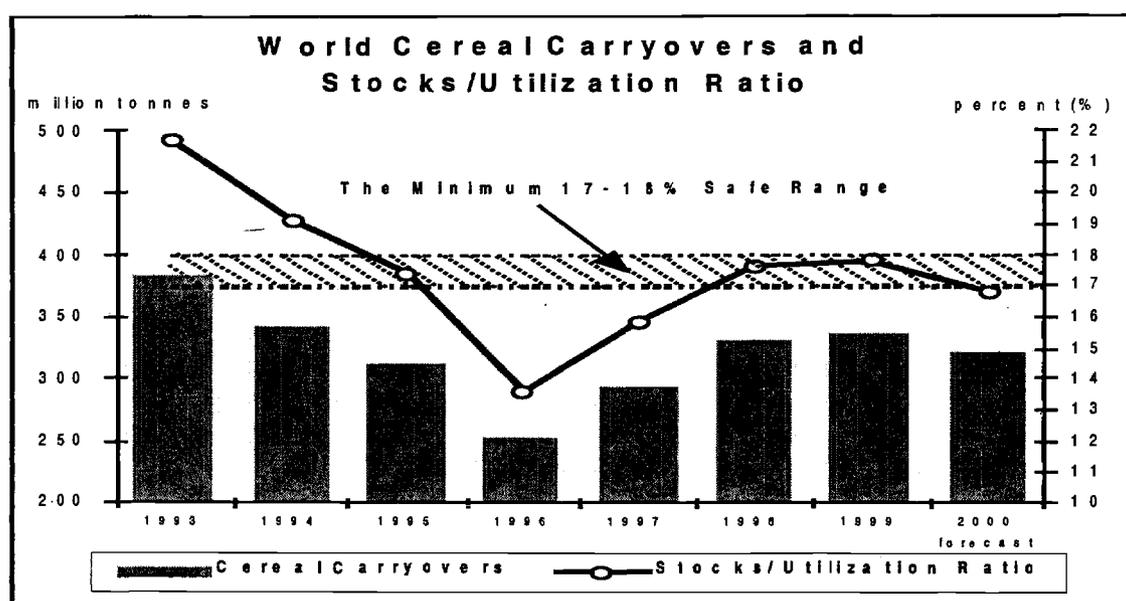
VI. SUPPLY/DEMAND SITUATION FOR MAJOR COMMODITIES

A. CEREALS: SUPPLY AND DEMAND

49. As of August, indications on the 1999 crop continue to point to a small reduction in world cereal **production** for the second consecutive year. Based on the latest estimates for crops already harvested, and the condition of those still in the ground, and assuming normal weather until the end of the harvest, world cereal **production** in 1999 is forecast at 1 870 million tonnes (including milled rice), less than one percent down from reduced harvests in 1998. The anticipated decline is forecast to be more profound in the case of wheat, as production is likely to reach 579 million tonnes, down almost 3 percent from the 1998 reduced levels. World production of coarse grains is also expected to decline, although the output would still remain above trend and the expected decline is likely to be limited to less than one percent. By contrast, world rice production in 1999 is tentatively put at the all-time high of 392 million tonnes (milled), assuming minimum flood-related crop damages in Asia, up over 2 percent from 1998.

50. While on the supply side, the estimates are becoming firmer, the demand-related issues have yet to be determined. Global cereal **utilization** in 1999/2000 is forecast to rise only slightly, just less than one percent. Overall, the growth in direct food consumption of cereals is expected to keep pace with population increase but the total volume of cereals destined for animal feed is expected to decline for the second consecutive year. The bulk of this decrease, however, is anticipated to be in the developed countries, mainly due to a further contraction in demand for livestock products in the Russian Federation. By contrast, with the resumption of economic growth in several Asian countries, aggregate feed use in the developing countries, as a group, is forecast to grow by at least 2 percent, pointing to the first significant expansion since the beginning of the financial crisis in some Southeast Asian countries over two years ago.

51. While demand is forecast to grow only marginally, it would still exceed production and, hence, would lead to a draw down of carryover stocks. Although a contraction in world cereal stocks is highly probable, the reduction would be largely limited to wheat and barley stocks, whereas rice inventories could in fact increase. The forecast for world cereal stocks by the close of the seasons ending in the year 2000 is put at 323 million tonnes, some 14 million tonnes, or 4 percent, below their reduced opening levels. At the current forecast level, the ratio of global cereal carryovers to trend utilization in 2000/01 would be 16.9 percent, approaching the 17 to 18 percent range which the FAO Secretariat considers the minimum necessary to safeguard world food security. Nevertheless, the moderate build-up of stocks in the major exporting countries in recent years, which constitute an import buffer against any sudden global production shortfall, is expected to represent at least 45 percent of the global total, which is close to the previous year and significantly above the average level registered in more recent years.



B. CEREAL PRICES

52. Over the past two years, the global cereal markets faced the slump affecting nearly all major commodity markets. International prices for most cereals remained under downward pressure in view of relatively abundant supplies and depressed economic conditions in many parts of the world. For most types of cereals, the 1999 crop year is also marked with oversupply, which reduces prospects for any significant price recovery at least in the short-term.

53. Higher export availability in view of a contraction in world commercial trade in wheat led to lower prices in 1998. More recently, after declining to seasonally low levels in June and early July, the global wheat market witnessed an exceptionally volatile period through mid-August 1999, as prices were affected by weather-induced rallies in maize and soybean markets. However, the underlying supply and demand fundamentals provide little support for any sustained recovery in wheat prices in the coming months, given the likelihood of only a small decline in 1999 production and relatively large stock carryovers.

Table 9. Export prices of cereals

	Wheat	Maize	Sorghum	Rice
	U.S. No. 2 Hard	U.S. No. 2	U.S. No. 2	Export price index
	Winter Ord. Prot.	Yellow	Yellow	
	^{1/}	^{2/}	^{1/}	
	(U.S. \$/tonne)	(U.S. \$/tonne)	(U.S. \$/tonne)	(1982-84=100)
1994	151	107	105	114
1995	179	124	123	129
1996	209	165	153	136
1997	162	117	114	127
1998	129	102	101	127
1999 - January	126	98	96	125
February	119	94	94	120
March	119	97	92	116
April	115	94	88	112
May	112	93	89	113
June	112	94	90	115
July	106	80	79	114
August	115	72	85	114
Source : International Grain Council, USDA and Reuters				
1/ F.o.b. U.S. Gulf Ports				
2/ Delivered U.S. Gulf Ports				

54. Abundant supplies and a lack of strong demand in 1998 also drove international prices of coarse grains below the previous year's already low levels. In recent months, the fear of reduced crop prospects in the US gave way to sharp increases in prices, but overall the upside movement remained limited. Given this season's likely resumption of large maize exports from China and with the overall crop prospects for both soybean and maize remaining favourable, any further

strengthening of prices would largely depend on import demand, which based on the current forecast, is unlikely to expand significantly.

55. International rice trade reached an all-time high in 1998 but the availability of abundant exportable supplies prevented prices from rising, in comparison to the preceding years. The situation in 1999 is much different from that of the previous year. A recovery in production in many of the major importing countries has resulted in less import demand on the international market amidst ample exportable supplies, hence a decline in prices, a development which is likely to continue through the rest of the year.

C. OILSEEDS, OILS AND MEALS

56. Global production of the seven major oilcrops in 1998/99 is estimated at almost 310 million tonnes, a new record after the 305 million tonnes reached in 1997/98. The rise in output is mainly on account of increases in the production of sunflowerseed, groundnut and rapeseed, which more than offset reduced production in and copra. Soybean output is estimated to remain unchanged at the global level, with reduced - but still above average - crops in South America being offset by a record crop, for the second consecutive year, in the United States. The crop production estimates translate into a record global production of oils and fats of around 109 million tonnes in 1998/99, compared to 104 million tonnes in the previous season. Global utilization of oils and fats is forecast to continue to expand in 1998/99, albeit at a below average rate of 2 percent, reaching 107 million tonnes. Relatively high prices compared to the first half of the 1990s and the economic crisis that has affected several countries since 1997 explain the relatively modest increase in global demand.

Table 10. International prices for oilseed-based products

		FAO indices of international market prices		Average international market prices
		Edible/soap fats and oils	Oilcakes and meals	Soybean
		(1990-92=100)		(US\$/tonne)
October/September				
1993/94		128	93	259
1994/95		154	94	247
1995/96		140	128	303
1996/97	- Oct.-March	136	134	301
	- April-Sept.	134	132	295
1997/98	- Oct.-March	151	130	277
	- April-Sept.	159	103	236
1998/99	- Oct.-March	142	90	219
	- April-July	114	72	196

D. MEAT/LIVESTOCK

57. Despite regional financial crises in 1998, with low grain prices and growing demand for meat products, global livestock output grew at a relatively robust 2.4 percent in 1998 to surpass 218 million tonnes. This growth is expected to slow in 1999 with total meat production forecast to move up by 2 percent to 222.9 million tonnes, supported in part by favourable producer returns as feed grain prices remain low. Production in developing countries, the fastest growing segment of the world meat market, could grow by about 3 percent in 1999 to 118.8 million tons. Much of the expected growth in production is centered in Asia, while strong growth is also forecast in Latin America as a result of the devaluation of the Brazilian currency, and some recovery is likely also in Africa.

58. The global meat market in 1999 is witnessing a hesitant price recovery, after ample supplies, combined with a sharp contraction in import demand as a result of financial crises in Asia and Russia, had led to a 9 point drop in the FAO price index for meats in 1998. The FAO price index for meats has been declining since the early 1990's, but the scale of the price drop in 1998 is adversely affecting the meat industries, particularly of pigmeat, in both the United States and Europe. Slowing production growth in the developed countries and a slight recovery in import demand is giving some support to higher prices in 1999.

Table 11. FAO price index for meats

FAO Price Index for Meats, Base Year 1990-1992	
1995	90
1996	88
1997	88
1998	79
January 99	80
February 99	79
March 99	75
April 99	80
May 99	85

E. COTTON

59. Global cotton production in the marketing year to 31 July 1999 is estimated at around 18.4 million tonnes, 8 percent lower than the previous season. However, consumption has been weakened by the poor economic performance of many countries. As a result, stocks remain at high levels and prices have tended downwards. In addition, the change in China's status from an importer to an exporter of cotton has had a depressing impact on the market. Many of the countries which import cotton for processing and re-export, including Brazil and some of the

Asian countries in this category, are likely to increase their purchases in the coming year. However, if yields return to more normal levels, production is likely to increase by more than one million tonnes in the 1999/2000 season, leading to a further accumulation of stocks, and offering little prospect for a significant recovery in prices.

Table 12. Cotton prices: Cotlok 'A' index

	US cents per kg.
1994	79.97
1995	98.11
1996	80.41
1997	79.23
1998	65.27
1999 Jan	55.78
Feb	56.16
Mar	56.73
Apr	57.88
May	59.82
Jun	58.3
July	54.34
Aug (Est.)	51

F. COFFEE

60. World coffee prices fell by 23 percent during 1998, with the ICO composite price decreasing from 131 US cents per pound in January to 101 US cents per pound in December. From its January-February peak of 131 US cents, prices had fallen to the lowest of 1998 in October, where the composite price reached 95 cents per pound. The main reasons for the decline were Brazil's bumper crop and increased concerns about a deteriorating Brazilian economy, which encouraged Brazilian coffee exporters to convert their coffee stocks into foreign currencies. Reflecting this situation, prices for Arabica coffee dropped sharply. Prices declined further in 1999 following the Brazilian Real's 40 percent devaluation in January 1999. The composite indicator price had fallen to 86 US cents by April 1999 as crop prospects continued to be good.

Table 13. Export prices for selected tropical products

Year/month	COFFEE	COCOA	TEA	SUGAR	BANANAS
	(.....US\$/tonne)				
1994	2964	1396	1419	267	1016
1995	3052	1433	1423	293	1053
1996	2250	1456	1640	264	939
1997	2952	1619	2005	251	845
1998	2402	1676	2002	197	943
1998 Jul.	2146	1712	1904	190	1002
Aug.	2232	1684	1943	187	960
Sept.	2112	1687	1862	159	963
Oct.	2095	1646	1806	164	731
Nov.	2166	1595	1771	178	837
Dec.	2221	1515	1694	178	631
1999 Jan.	2152	1455	1763	179	1980
Feb.	2036	1408	1650	150	1949
Mar.	1971	1313	1863	133	2160
Apr.	1890	1186	1602	119	1793
May	1973	1063	1734	127	1640
Jun.	1907	1162	1739	133	

NOTE :

- Coffee : ICO composite price.
- Cocoa : ICCO daily average price.
- Tea : Composite price of Calcutta, Colombo, Cochin, and Mombasa markets.
- Sugar : ISA daily average price.
- Bananas : Germany, Central America, f.o.r. Hamburg

Source : Beverages and Tropical Fruit Group (ESCR)

G. COCOA

61. After a temporary surge in May 1998, when prices reached an eleven-year-high of 81 US cents per pound, prices began to weaken in August and fell to 69 US cents per pound by December 1998 due to large supplies and continued weak demand worldwide. Prices continued to decline in 1999 and had reached 48 US cents per pound by May.

H. TEA

62. Black tea prices improved further during the first two months of 1998 and reached the highest level since 1985. However, the price failed to maintain its vigour in March and continued to fall through the rest of the year, as world tea production increased in response to favourable weather and import demand, in particular for Russia, weakened. By December 1998, the composite tea price had fallen to 169 US cents per kg. In the first quarter in 1999 reduced Russian imports added further downward pressure on prices in India and Sri Lanka while Mombasa prices enjoyed a modest increase.

I. SUGAR

63. The 1998/99 season (October-September) opened with prices 35 percent lower than those a year earlier. Prices rose slightly in November 1998 and stabilized until mid-January 1999. The main reasons for the weak sugar prices throughout this period were adverse economic conditions that dampened import demand for sugar, particularly in some major importing countries including the Russian Federation, the Republic of Korea and Indonesia and continuing growth in production and rising stocks. In mid-January 1999, prices dropped reflecting the Brazilian Real's 40 percent devaluation, which caused exports from Brazil to increase sharply and added further supplies to the world market. Reflecting this over-supply situation, prices fell to an eleven-year-low in April 1999, but strengthened in May/June 1999 mainly reflecting a rise in imports into the Russian Federation.

J. BANANAS

64. Global banana exports suffered their first contraction in a decade in 1998, as output in Latin America was affected by particularly bad weather conditions and some labour related problems. As a result, banana export earnings dropped by almost 6 percent to around US\$4.9 billion.

65. During the first quarter of 1999 banana import prices remained relatively firm in most major markets. During the second quarter and into the third quarter of the year however, prices came under downward pressure as a result of very heavy supply from major exporters, where production recovered from previous weather related problems, weaker demand in Russia and CIS markets, a large northern hemisphere stone fruit crop and market disruptions due to the armed conflict in the Balkans.

VII. TRENDS IN OFFICIAL DEVELOPMENT ASSISTANCE TO AGRICULTURE

66. Table 14 illustrates trends in constant prices over the 1980s and 1990s in official development assistance (ODA) provided to agriculture. The table shows an increasing trend in total ODA over the 1980s and early 1990s, followed by a quite significant decline in the second half of the 1990s. The table also shows, however, that ODA provided to agriculture has been declining in constant prices since the late 1980s and throughout the 1990s and has almost halved in the last ten years from US\$ 14-15 billion to US\$ 7.5 billion (95-97 average).

Table 14. Official development assistance, 1980-1997

(3-year annual averages)

	80-82	83-85	86-88	89-91	92-94	95-97
Total ODA (billions of 1995 US\$)	50.9	58.1	59.7	63.8	64.6	53.8
ODA to agriculture (billions of 1995 US\$)	12.3	14.1	14.8	11.2	9.5	7.5
Agricultural ODA as % of total ODA	24	24	25	18	15	14
Share of agriculture in developing country GDP, %	19	18	17	16	14	14
Share of rural population in developing country population, %	71			66		62

67. As a result, agricultural ODA has been declining not only in absolute terms, but also when measured as a share of total of total ODA. The percentage of agricultural ODA in the total has thus declined over the last ten years from 25 percent to only 14 percent. during the same period. A comparison of the share of agriculture in total ODA and the share of the agricultural sector in total GDP of the developing countries shows that the former has been declining more rapidly than the latter. Thus, while in the course of the 1980s the share of agricultural ODA in the total was significantly larger than the share of agriculture in developing country GDP, in the most recent years the shares have become comparable.

VIII. FOOD AID

68. Total cereal food aid shipments, under the programme, project and emergency categories in 1998/99 (1 July through 30 June) reached 9.5 million tonnes, up more than 3 million tonnes, or 53 percent, from 1997/98 and the highest level recorded since 1993/94. Shipments from the United States more than doubled to 5.6 million tonnes while those from the EC also rose, by over 30 percent, to 2.4 million tonnes.

69. On the recipient side, the bulk of the increase in food aid shipments went to the Russian Federation, in the form of cereals, which rose from only 42 000 tonnes in 1997/98 to more than 1.3 million tonnes in 1998/99. Shipments to Bangladesh also rose substantially, by more than 1 million tonnes to roughly 1.6 million tonnes. Cereal food aid to Indonesia exceeded 700 000 tonnes, compared to only 9 000 tonnes in the previous year. Larger shipments were also registered

to the hurricane-ravaged countries of Central America, especially Honduras, Guatemala and Nicaragua. In Africa, cereal food aid to most countries fell; the exceptions were mainly Eritrea, Guinea Bissau, Sierra Leone, Sudan and Zimbabwe. In Asia, beside Bangladesh and Indonesia, mentioned earlier, larger food aid shipments were also registered to Mongolia and Nepal, while cereal donations to many other countries fell drastically, including to the Democratic Republic of Korea, one of the largest food aid recipients in recent years. Similarly smaller shipments were registered to Armenia, Sri Lanka, Azerbaijan, Georgia, Kyrgyzstan and Tajikistan.

Table 15. Food aid shipments - cereals (July/June)

	1994/95	1995/96	1996/97	1997/98	1998/99 f'cast
	(. thousand tonnes)				
World	9443	7397	5518	6227	9492
LIFDC	7910	6400	4604	5480	6764
Africa	3593	2526	2045	2282	2237
Sub-Saharan	3348	2305	1855	2173	2201
Others	246	221	190	109	36
Asia	4067	3911	2459	3129	4264
East and South East Asia	308	877	646	933	1596
South Asia	1600	1210	905	1136	1960
Others	2160	1824	908	1059	708
Latin America and the Car.	1146	602	607	549	672
Others	637	358	407	267	2318

70. In June 1999 major donors approved the new Food Aid Convention (FAC) and confirmed their intention to implement it for an initial period of three years starting in July 1999. The new convention calls for a more flexible approach to food aid by expanding the list of eligible commodities and the method of contributions. Overall, the total volume of commitments under the 1999 Convention is 4.895 million tonnes, in wheat equivalent, compared to 5.35 million tonnes under the 1995 Convention. The difference is accounted for by the pledge by the EC to provide 130 million ecus in cash, or about 588 000 tonnes, which includes transportation costs. At current prices and transportation costs, the food aid volume commitment under the new Convention is roughly equivalent to the previous one.

71. Based on the information provided by the World Food Programme, as of August 1999, cereal contributions to the WFP administrated International Emergency Food Reserve (IEFR) registered more than a two-fold gain, approaching 2 million tonnes. The increase in non-cereal contributions of about 40 000 tonnes to 206 000 tonnes was less significant. Pledges to the 1999 IEFR have exceeded 1 million tonnes for cereals and 170 000 tonnes for non-cereals, which are in line with the pace of pledges for the corresponding period in 1998. Contributions to the 1998 Protracted Relief and Refugee Operations (PRROs), also directed by the WFP, amounted to about 539 000 tonnes for cereals and 101 000 tonnes for other food commodities, almost the same as in 1997. However, by August 1999, already some 203 000 tonnes of cereals and 100 000 tonnes of

non-cereals have been pledged under the 1999 PRROs, thus increasing the possibility that contributions in 1999 may exceed those in 1998.