

MARKET SITUATION AND OUTLOOK

Basic Foodstuffs

Committee on Commodity Problems
69th Session
Rome, 28-30 May 2012



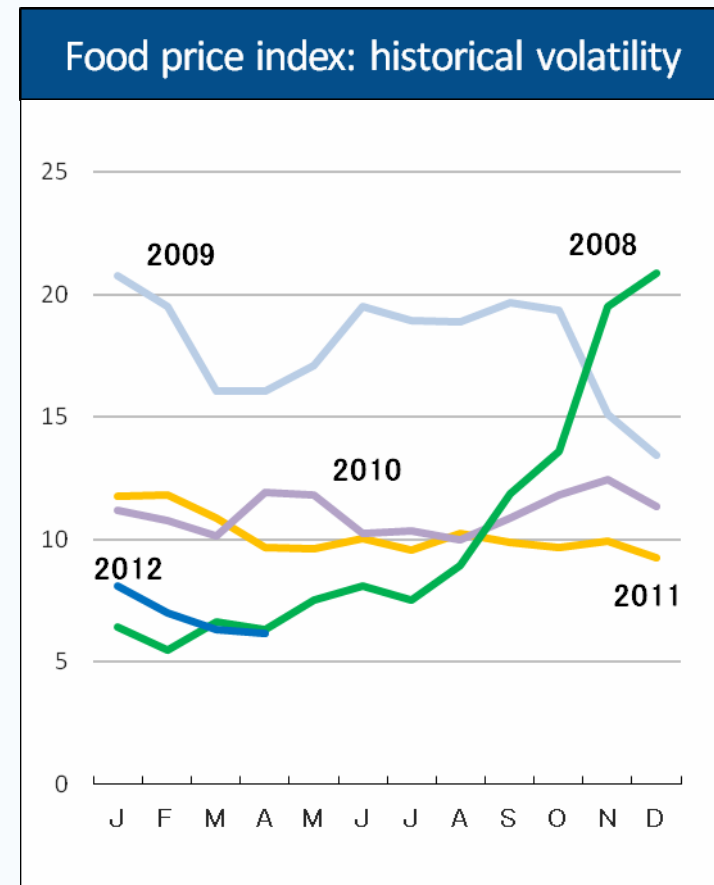
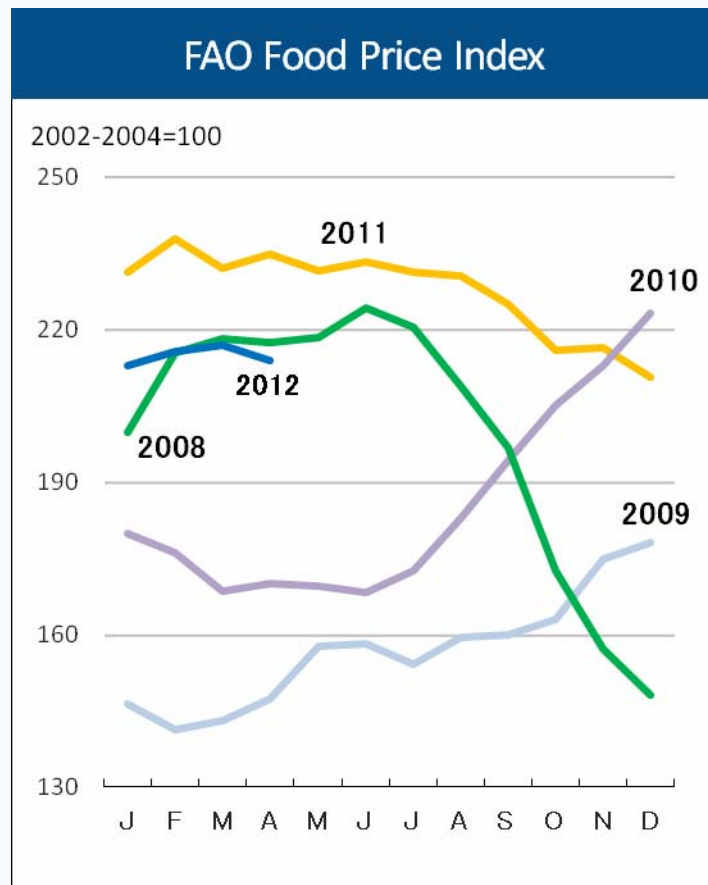


Presentation Content

- Overview of global food price situation
- Evolution of international prices by commodity
- Implications for the food import bill
- Situation and outlook for cereals, oilseeds, sugar, meat and dairy products
- Summary and sources of uncertainty

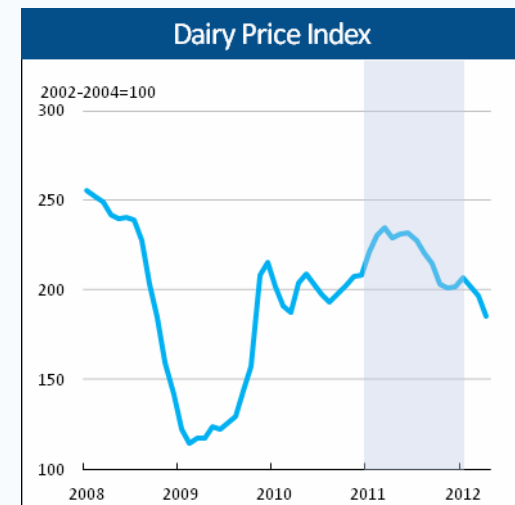
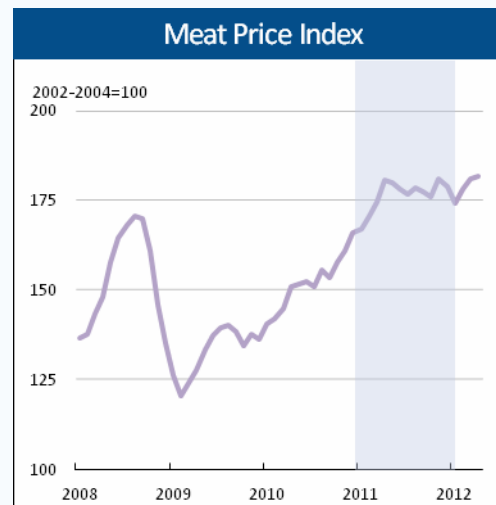
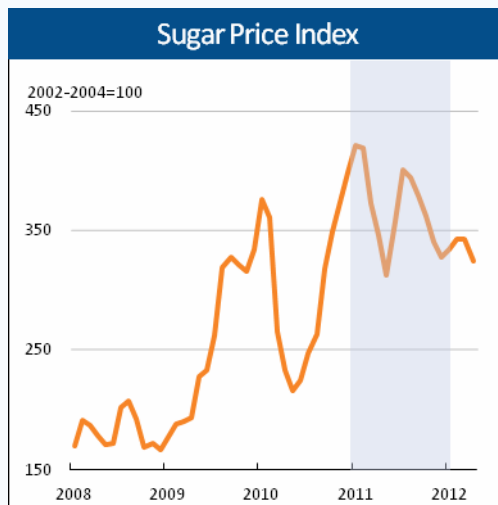
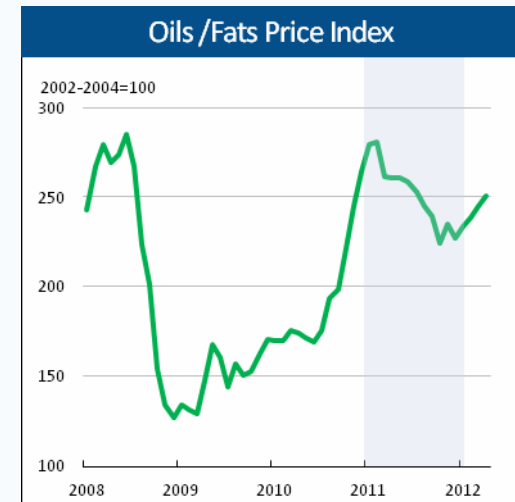
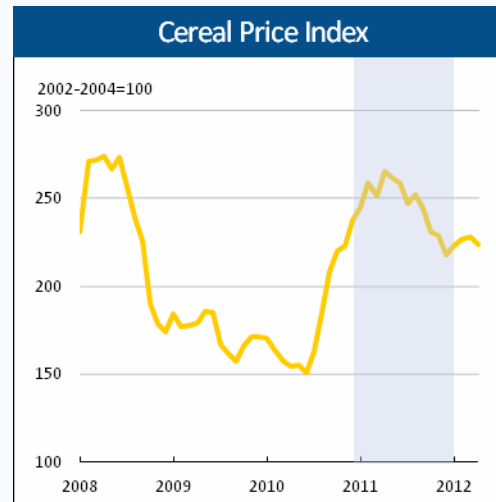
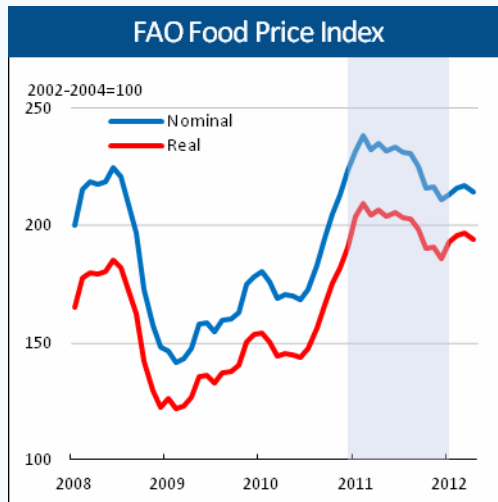


International food prices hit new records in 2011, but historical volatility falls





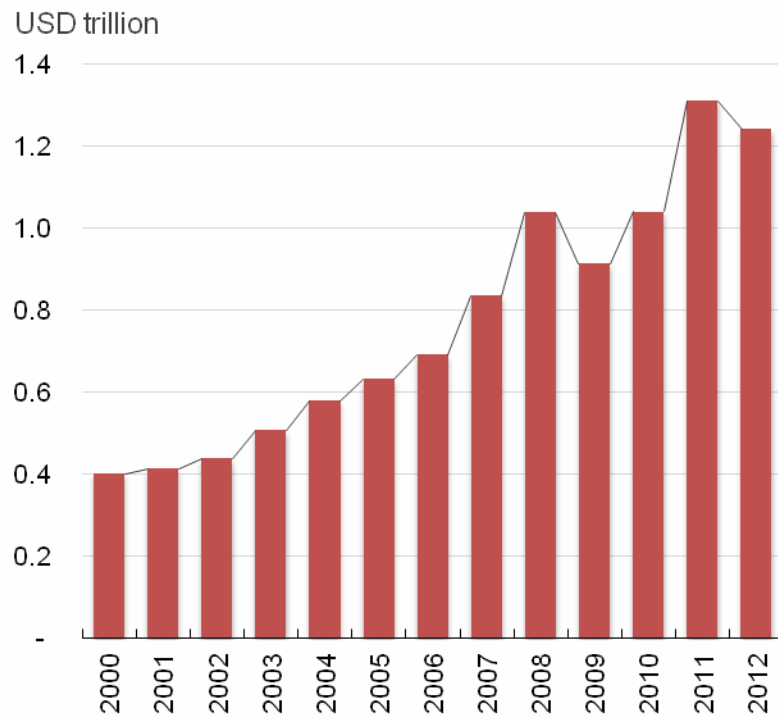
Prices of all commodity groups sharply up in 2011, improved supply prospects to weigh on prices in 2012



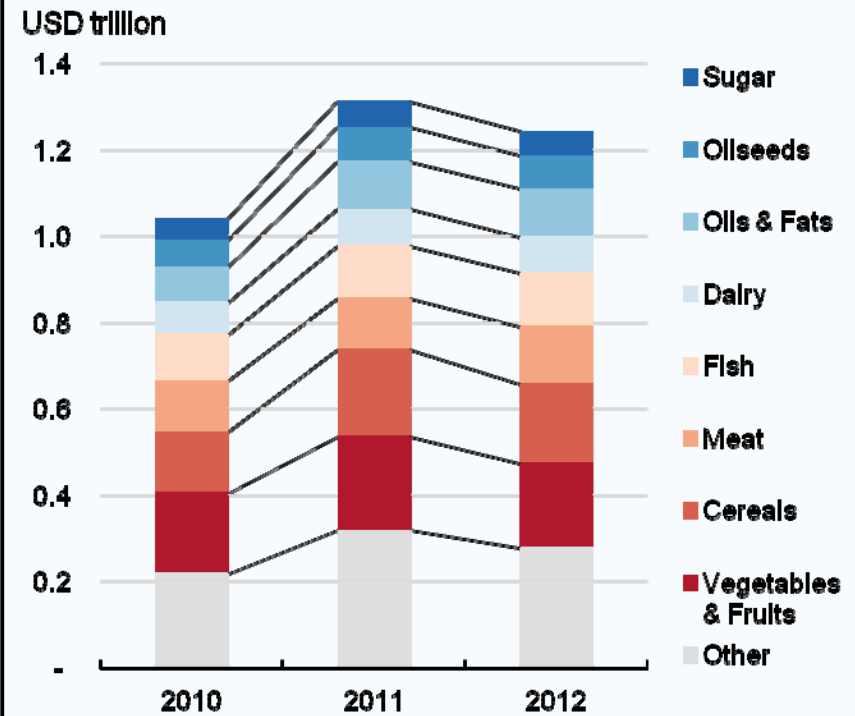


High world food prices partly behind record food import bills in 2011

Evolution of global food import bills



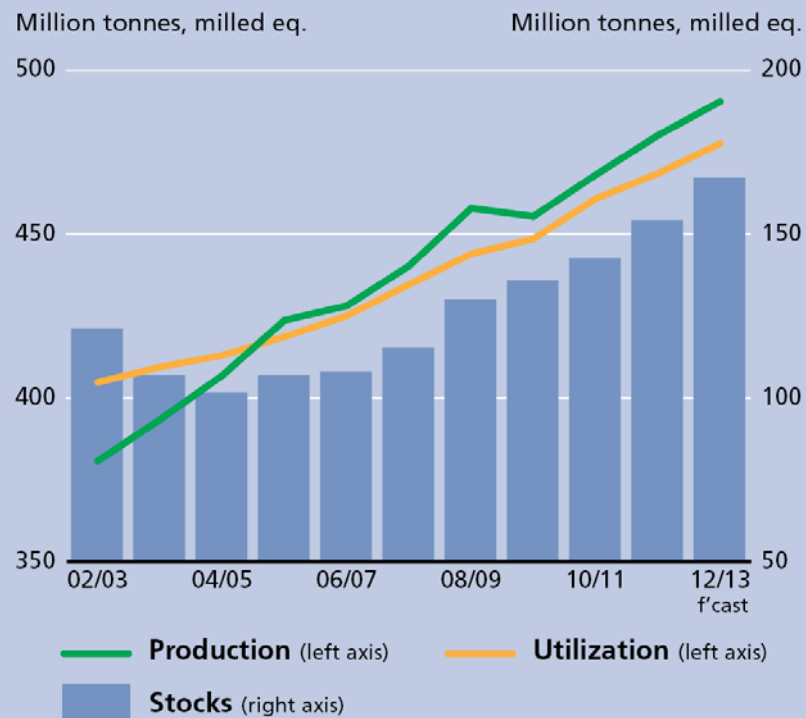
Global food import bills in 2010 - 2012





World rice production likely to surpass consumption for the eighth consecutive year

Rice production, utilization and stocks



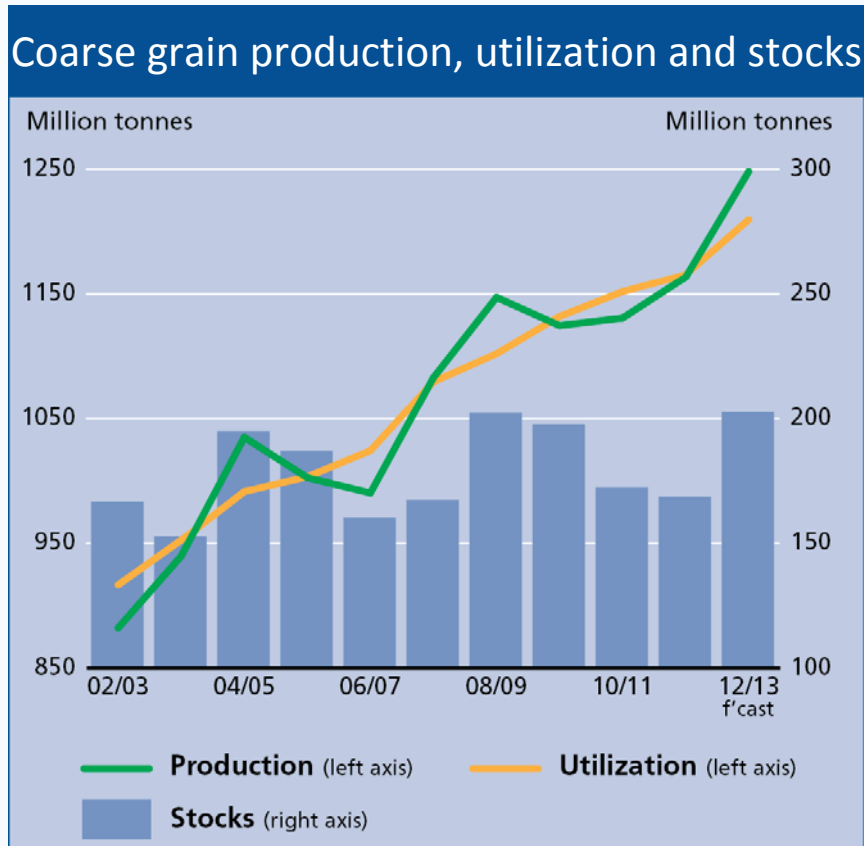
Rice production: leading producers^{1/}

	2011 <i>estim.</i>	2012 <i>f'cast</i>	Change: 2012 over 2011
	<i>million tonnes, milled eq.</i>		%
China (Mainland)	137.5	140.4	2.1
India	103.4	105.0	1.5
Indonesia	41.2	42.8	4.0
Bangladesh	33.7	34.5	2.2
Viet Nam	28.2	28.3	0.4
Thailand	20.9	23.2	10.7
Myanmar	18.9	19.5	3.3
Philippines	11.1	11.5	2.9
Brazil	9.1	7.9	-13.3
Japan	7.6	7.6	0.4
United States	5.9	5.8	-1.1
Pakistan	6.9	7.2	4.4
Cambodia	5.6	5.8	2.5
Korea Republic of	4.2	4.1	-1.7
Egypt	4.0	4.1	1.7
Other countries	41.7	42.7	-18.0
World	480.1	490.5	2.2

^{1/} Countries listed according to their position in global production (average 2010-2012).



Strong recovery in global coarse grains production to facilitate a rebuilding of stocks



Coarse grain production: leading producers^{1/}

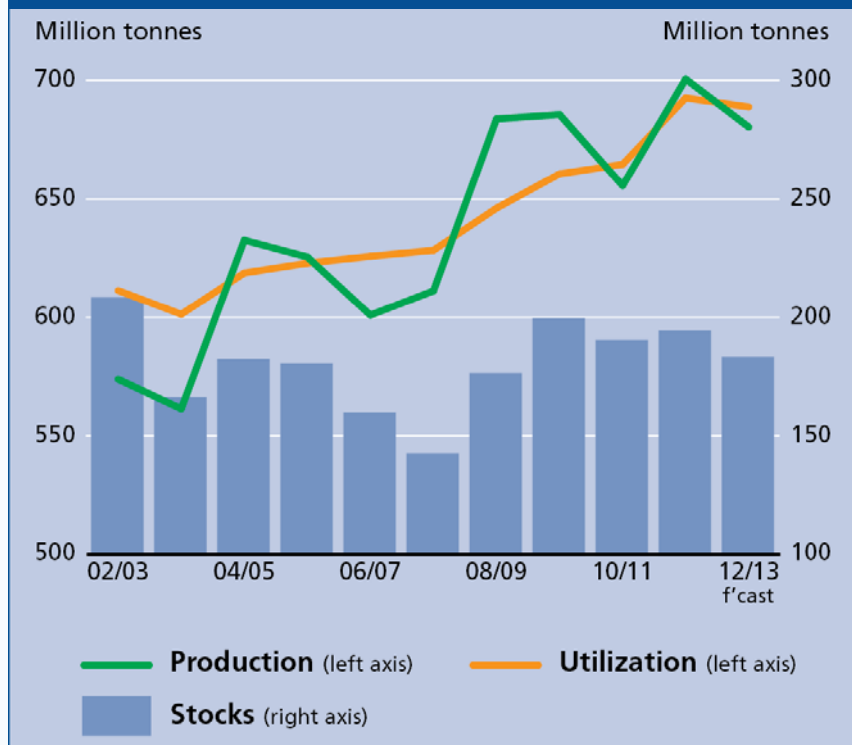
	2011 <i>estim.</i>	2012 <i>f'cast</i>	Change: 2012 over 2011
	<i>million tonnes</i>		<i>%</i>
United States	324.0	390.1	20.4
China (Mainland)	200.3	206.3	3.0
European Union	148.5	145.2	-2.2
Brazil	59.0	69.8	18.3
India	41.9	41.7	-0.5
Argentina	31.9	29.0	-9.1
Russian Federation	34.2	34.7	1.5
Ukraine	33.3	32.6	-2.1
Mexico	26.7	29.0	8.6
Canada	21.9	24.8	13.2
Nigeria	22.3	22.8	2.2
Indonesia	17.6	17.7	0.6
Ethiopia	17.1	16.4	-4.1
Australia	13.4	12.7	-5.2
South Africa	11.5	12.2	6.1
Other countries	160.0	163.2	2.0
World	1163.6	1248.2	7.3

^{1/} Countries listed according to their position in global production (average 2010-2012).



Global wheat production in 2012 may fall slightly below the 2011 exceptional turnout

Wheat production, utilization and stocks



Wheat production: leading producers^{1/}

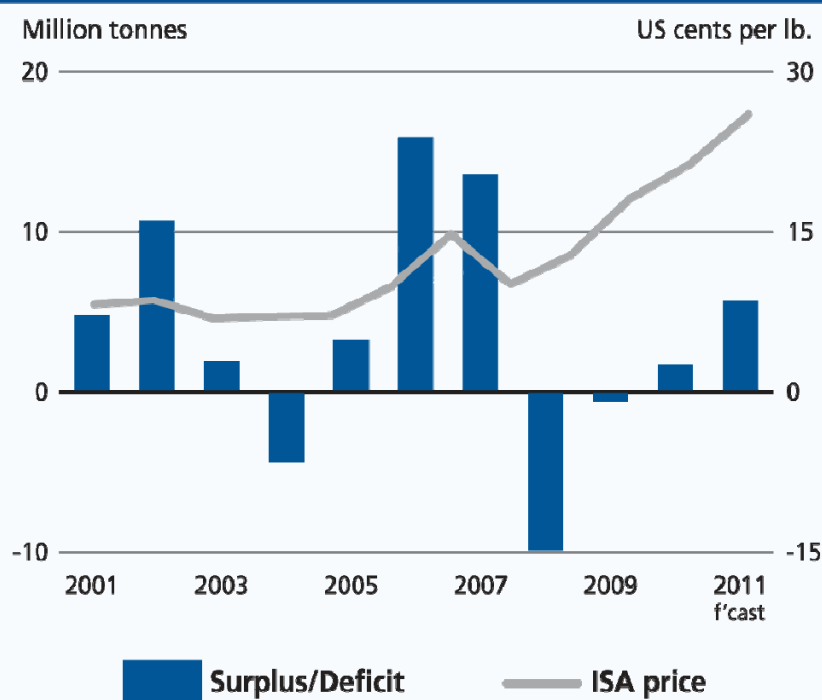
	2011 <i>estim.</i>	2012 <i>f'cast</i>	Change: 2012 over 2011
	<i>million tonnes</i>		<i>%</i>
European Union	137.9	133.0	-3.6
China (Mainland)	117.9	120.3	2.0
India	86.9	90.2	3.8
United States	54.4	61.1	12.3
Russian Federation	56.2	54.0	-3.9
Australia	29.5	26.0	-11.9
Canada	25.3	26.1	3.2
Pakistan	24.3	24.0	-1.2
Turkey	21.8	19.4	-11.0
Ukraine	22.3	14.0	-37.2
Kazakhstan	22.7	14.7	-35.2
Iran Islamic Rep. of	14.0	14.0	0.0
Argentina	13.2	13.0	-1.5
Egypt	8.4	8.5	1.2
Uzbekistan	6.4	6.5	1.6
Other countries	59.4	55.6	-6.4
World	700.6	680.4	-2.9

^{1/} Countries listed according to their position in global production (average 2010-2012).



World sugar production to rise in 2011/12, despite a decline in Brazil, sustained by large gains in Russia, EU and India

World sugar surplus/deficit



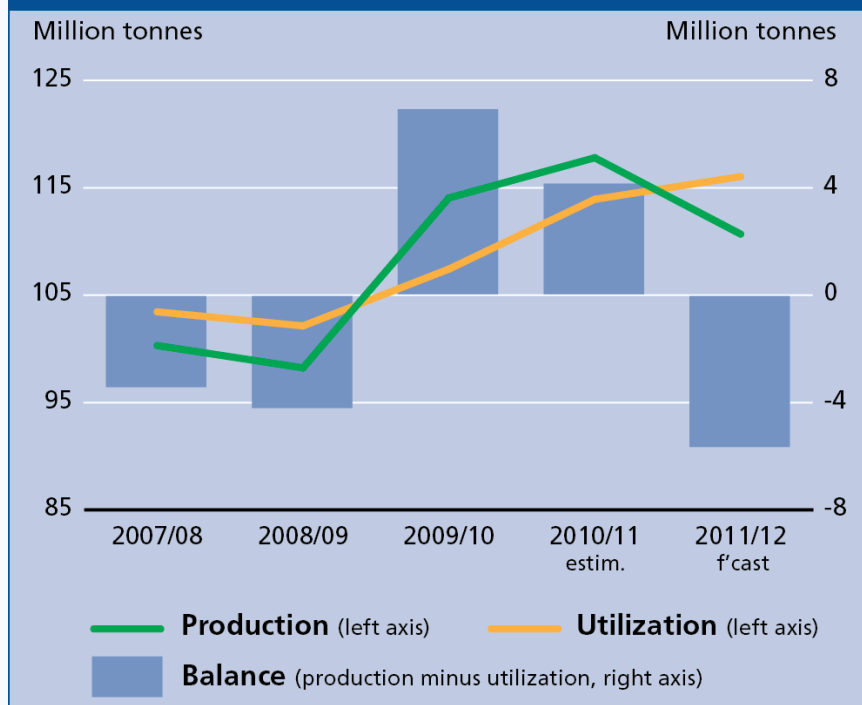
Sugar production: leading producers

	2010/11 estim.	2011/12 f'cast	Change: 2011/12 over 2010/11
	million tonnes, raw value		%
Brazil	38.4	36.2	-5.8
India	26.0	28.1	7.9
EU(27)	15.7	17.9	14.1
China	11.5	11.0	-4.3
Thailand	10.1	10.2	1.4
USA	7.1	7.2	0.8
Russian Federation	2.9	5.5	85.9
Mexico	5.5	5.3	-3.1
Pakistan	4.4	5.2	17.0
Australia	3.8	4.0	5.3
Indonesia	2.5	2.7	6.5
Ukraine	1.7	2.5	44.9
Turkey	2.5	2.5	0.2
Guatemala	2.2	2.5	10.1
Colombia	2.4	2.5	1.4
Other countries	28.3	29.7	4.9
World	165.1	172.8	4.6

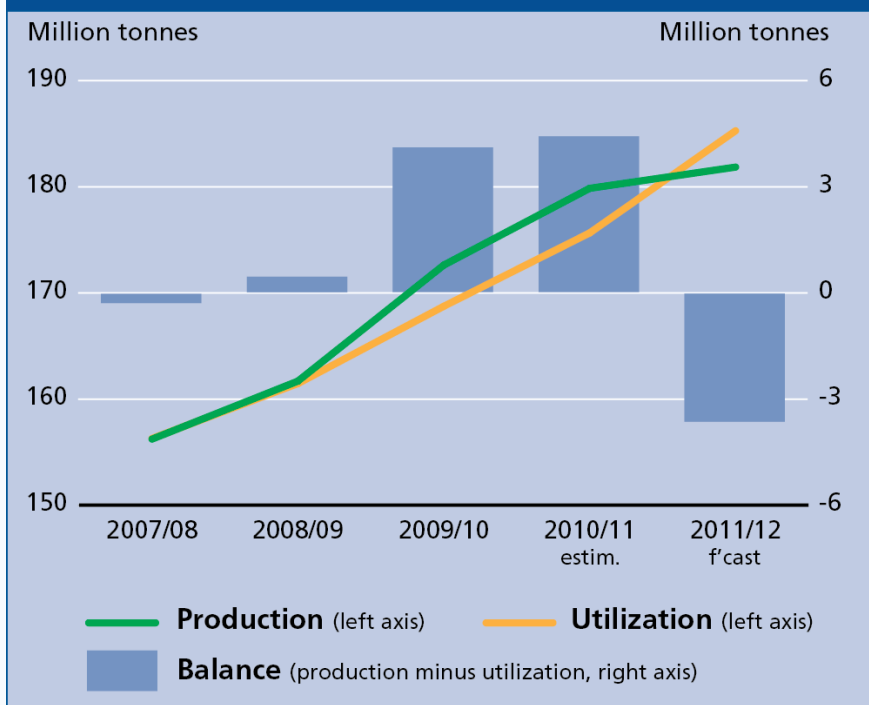


Supply constraints to dominate the oils and oil meals and cakes markets

Global production and utilization of meals/cakes



Global production and utilization of oils/fats



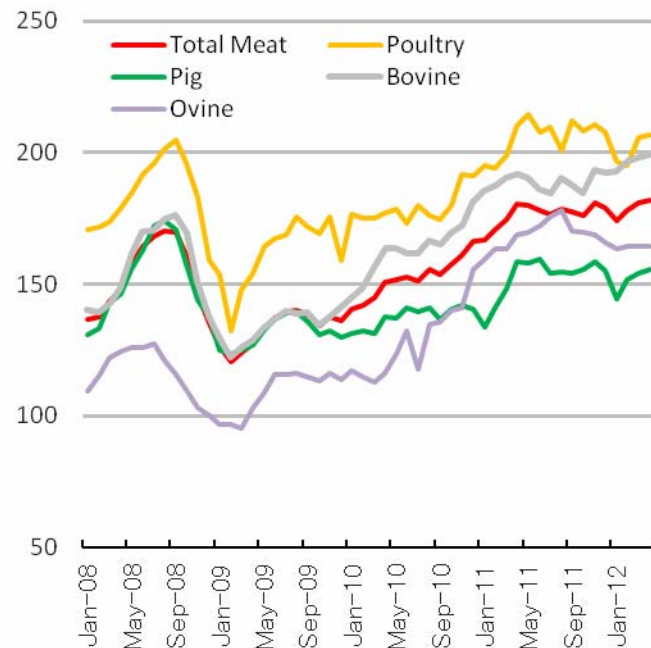
1/ In protein equivalent.



Improved supplies of livestock products dampens pressure from prices

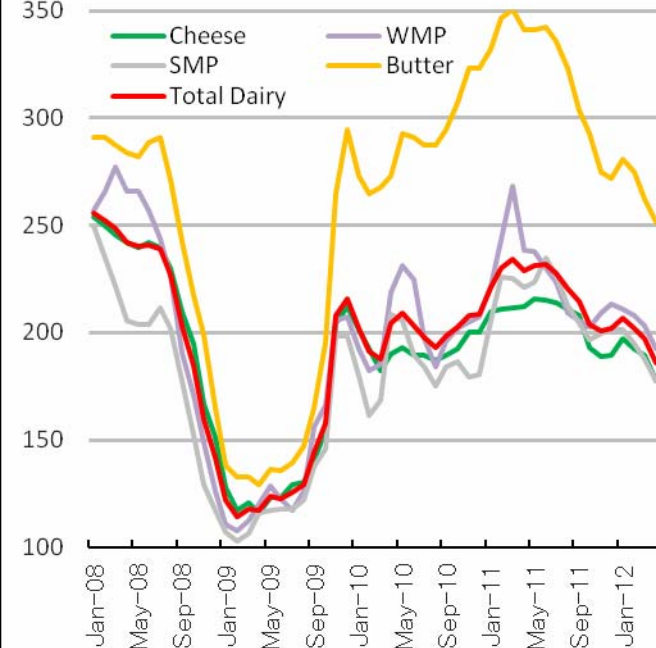
FAO Meat Price Indices

2002-2004=100



FAO Dairy Price Indices

2002-2004=100





Looking ahead: major sources of uncertainty

- The unfolding of the seasons (La Niña, El Niño)
- Animal disease outbreaks
- Global economic environment, amid concerns over the EU financial situation and China's slowing GDP growth
- Oil and basic input prices, exchange rates movements
- Government policies



<http://www.fao.org/worldfoodsituation/>

World Food Situation

FAO Food Price Indices - May 2012

The FAO Food Price Index is a measure of the monthly change in international prices of a basket of food commodities. The FAO Food Commodity Price Indices show changes in monthly international prices of major food commodities. **More...**

FAO Cereal Supply and Demand Brief - May 2012

The Cereal Supply and Demand Brief provides an up-to-date perspective of the world cereal market. The monthly brief is supplemented by a detailed assessment of cereal production as well as supply and demand conditions by country/region in the quarterly Crop Prospects and Food Situation. More in-depth analyses of world markets for cereals, as well as other major food commodities, are published biannually in Food Outlook. **More...**

Agricultural Market Information System (AMIS)

Introducing the newly released Agricultural Market Information System (AMIS) website. Visit the new website and check for updates at www.amis.outlook.org.

Analyses and Reports

Short-term:

- Food Outlook
- Crop Prospects and Food Situation
- Crop and Food Supply Assessment Reports
- Oilseeds Monthly Price and Policy Update
- FAO Rice Market Monitor

Medium to long-term:

- OECD-FAO Agricultural Outlook 2011-2020
- Howto Feed the World in 2050
- World Agriculture Towards 2012/2030
- Archive

Commodities and Markets

- Grains
- Rice
- Dairy
- Meat
- Oilseeds
- Sugar
- Fish
- Fertilizer

Prices

- Rice
- Meat
- Dairy
- Oilseeds
- International Commodity Prices Database
- GIEWS Food Price Data and Analysis Tool
- Price Volatility

Related Links

- Global Information and Early Warning System (GIEWS)
- Hunger Portal
- Emergency Response
- The State of Food Insecurity (SOFI)

Media

- FAO Media Centre
- Financial Times - The Rising Cost of Food
- IRIN Humanitarian News and Analysis - Food Security
- Reuters AlertNet: Food and Hunger

Scam Alert

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OECD-FAO Agricultural Outlook 2009-2018



HIGHLIGHTS

Crop Prospects and Food Situation

HIGHLIGHTS

- FAO's latest forecast confirms a good 2009 world cereal production, slightly below last year's record level, which coupled with large carryover stocks from the previous season have resulted in ample global supplies.
- In the group of 77 low-income Food-Deficit countries the 2009 aggregate cereal production is forecast marginally below last year's record level, a sharp reduction in India's rice crop is anticipated but generally good crops are anticipated elsewhere.
- International prices of wheat and maize, which had returned to normal levels by September, strengthened in October. Rice export prices continued to decline from the 2008 peak but remain well above pre-crisis levels.
- In LFDC food price remains, in general, significantly higher than in the pre-food price crisis period of four years earlier, while, elsewhere, prices are to increase for the food security of vulnerable populations.
- The ongoing work to moderate 11 risks will likely continue through the end of the year and into early 2010. The situation needs to be closely monitored as the risk of a global food price crisis remains high.
- Historic rice in early November resulted in heavy rains, floods and landslides in Central America previously affected by a long period of drought. Losses to rice production and damage to infrastructure and agriculture are expected to be significant.
- Despite a satisfactory global cereal supply situation, 21 countries around the world require external assistance because of critical food insecurity. 22 countries continue to be in the Food-Deficit category, with more than 220 million people at risk of hunger. The risk of emerging food insecurity due to global cereal price increases, coupled with existing conflict and displacement, particularly in Somalia, Kenya and Ethiopia.



FAO's Global Information and Early Warning System on food and agriculture

World Food Situation



Global Information and Early Warning System on food and agriculture

- Drought in Southeast Asia affects parts of Bangladesh, Myanmar, Thailand, Lao PDR, Cambodia and Viet Nam
- Tonga - Impact assessment indicates severe damage to agriculture following Tropical Storm in mid-February
- GIEWS Special Report - ETHIOPIA - 26 February 2010
- Latest GIEWS Country Briefs

May 2010



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- Archive

Commodities and Markets

- Grains
- Rice

OILCROPS, OIL & MEALS MONTHLY PRICE AND POLICY UPDATE

No. 15, May 2009

In April, world prices for oilseeds and derived products remained firm. At 157 and 174 points respectively, the FAO price index for oilseeds and oil remained above unchanged compared to last month and thus above the historic average. Meanwhile, the index for oilseeds remained below the historic average, reflecting the exceptionally high level recorded in 2008.

The soybean complex with the ongoing harvest in South America is currently dominating developments in the global market. Despite continuation of a second wave of concern in South America, the region's current export availability has not reached global export demand, causing price increases. On the export side, South American farmers are expected to be holding back sales in expectation of further price improvements. In addition, continued



Food Outlook Global Market Analysis

FOCUS

Recent developments in world agricultural markets for basic food commodities have raised concern about a possible return to another round of high prices. In general, however, the difficulties facing markets today are different from those experienced during the 2008/09 food price surge. The FAO Food Price Index, a measure of the monthly change in international prices of a food basket composed of wheat, oilseeds, dairy, meat and sugar, has risen significantly since August 2008, a trend shared by nearly all its components. In November the index averaged 188 points, the highest since September 2008, although still 27 percent below its peak in June 2008. Even in the case of oilseeds, the index has risen 120 points and, for most of the time, was below 100 points.

The unexpected rise in international prices of commodities, such as that witnessed in 2008/09, elicited considerable attention and debate about the nature and relevance of the factors underlying the price surge. Determining such factors and their relative importance is critical for understanding how markets will evolve, not only in the coming months (the time horizon of the Food Outlook publication), but also in the longer term, as a challenge. At the onset of the price surge in 2007, FAO identified a number of possible causes contributing to the price rise: low levels of world stockpiles, crop failures in major exporting countries, rapidly growing demand for agricultural commodities for biofuels, and rising oil prices. As the price strengthening continued, several other factors emerged to reinforce the upward trend: more importantly, government export restrictions, a weakening US dollar and a growing appetite for speculation and value funds for value commodity portfolio investment on the back of anomalous global asset liquidity. What made the 2008/09 price spike exceptional was the convergence of so many factors culminating in an unprecedented price rally and the fading of volatility.

The agricultural market situation today is different from that of 2008/09. World stockpiles are at their lowest levels since the 1970s, but the rise in oil prices, which has led to a rise in oil prices of almost 23 percent, a percentage point more than at the time. Externally, the balance of world supply and demand is not seen across all commodities, with some markets facing higher constraints than others. But, in general, supplies held by exporters are far more adequate to respond to rising demand than they were during the price surge period. For example, the wheat stocks-to-use ratio in major exporting countries has risen from 12 percent in 2008/09 to 23 percent this season. On the demand side, biofuels remain a leading driver, but the year-on-year growth has slowed down compared with the past few years. In the United States, the largest user of grain for biofuel production, the use of maize for ethanol has grown by 14 percent this season, down from 20 percent in the run-up of the high price period.

On the other hand, macroeconomic factors, exchange rates, volatility of prices and, more importantly, rising liquidity stemming from exceptionally low interest rates continue to generate uncertainty, which food markets have to live with. There is a strong argument that the importance of these factors, in terms of their impact on agricultural commodity prices, has increased significantly in recent times. Although supply and demand fundamentals will continue to shape commodity markets, the more extended vulnerability of the global food system to external non-food economy events requires continuous vigilance.

GIEWS - Global Information and Early Warning System on food and agriculture

The State of Agricultural Commodity Markets High food prices and the food crisis - experiences and lessons learned



April 2010

Volume XIII - Issue No. 1

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FAO
Rice Market Monitor
Trade and Markets Division
Food and Agriculture Organization of the United Nations

Contact or enquiries

Facsimile: ++39 06 570 54495
Telephone: ++39 06 570 54270
E-mail: Commodity_Queries@fao.org
Also available on the Internet at the following address:
www.fao.org/monitors/en/price/index.htm
www.fao.org/monitors/en/price/index.htm



Trade and Markets Division Information, Analyses and Forecasts

Thank you!

Basic Foodstuffs Team
FAO Markets and Trade Division